

BABSON'S FORECAST FOR 1961

(Continued from page 1)
in England, France, Switzerland, Germany, and other important countries. I advise investors now to forget this question of gold devaluation and not speculate in gold stocks at this time. Leading gold stocks are now selling 25% or more above their price of a year ago. Another thing that investors should remember when buying Canadian gold stocks is that a number of Canadian gold mining companies are now receiving a subsidy from the Canadian government to keep them from being shut down by high labor costs. This subsidy would come off as the price of gold rises.

Stocks and Bonds

It is unpopular for me to take a bearish position in my Annual Forecast. Most of the newspapers and my readers like optimistic forecasts. In all the years I have been making these forecasts, last December was the first time that I refused to take a definite position. At that time the Dow-Jones Industrial Average was 670 and today it is fluctuating around 600.

Corporation earnings reports now coming out are not good. In many cases the gross is kept up or perhaps increased, but the net is off. Many companies will show a decline for 1960 compared with 1959. Prosperity has continued so long that most manufacturers, retailers, and consumers are assuming it will last at least another year. I cannot honestly agree with this. Therefore, I feel that 1961 will see lower prices for the Dow-Jones Industrial Average. I hope that many readers with small businesses are showing a profit. Those who are not should begin to reduce their loans and trim their sails.

In many cases good bonds now yield more than good stocks. This is unfavorable to the stock market and favorable to the bond market. Therefore, I believe that bonds will continue around their present levels in 1961. Many readers will be wise in shifting now from certain stocks to bonds. There will be reductions in stock dividends, hence it would be much better to hold bonds with fixed interest payments rather than risk a reduction in the dividend payments of stocks. I especially call readers' attention to "tax-exempt general obligation municipal bonds." These are the fixed-interest municipals of cities with a direct lien on all the taxable property in the city. I would advise against holding bonds of such large cities as might be vulnerable to bombing in case of World War III.

My favorite municipals are those of the capital cities in the

interior of the country; in fact any growing interior city should be a high-grade investment. These bonds must pay their interest irrespective of business conditions. The capital cities are especially helped by having the payroll of the state governments.

Living Costs and Inflation

Living costs may rise somewhat during 1961 due to the increase in population and the desire for more comforts and convenience. A person like myself, who has had children and grandchildren, knows how each succeeding generation considers as necessities what the parents considered luxuries. This, together with the higher cost of labor, is the primary reason for today's record-high (127.3) cost of living.

As there is only so much land available, rents will increase slowly. There, however, need not be a higher cost for food. The farmer is constantly raising greater crops which are being processed in more economical ways. The only reason for the cost of food to increase is the dependence of so many housewives on package "mixes." Ultimately all vegetables will be wholly or partly cooked and purchasable in containers.

Wages will hold up although there will be more unemployment in 1961. This means that take-home money will be less for most families. Inflation is not to be feared during 1961. With his small popular vote plurality, Mr. Kennedy will be very slow to do anything to hurt the purchasing power of the dollar. Barring World War III, I believe that the dollar will be just as sound a year from now as it is today. Our U. S. dollar is looked upon by the world as a standard.

Farm Income and Prices

Good crops and moderate prices indicate a fair year in 1961 for farmers. I, therefore, look for a reasonably heavy volume of the things farmers buy during 1961, including equipment for getting on with less help. The farmers cannot expect any boom, but profits, on average, should be at satisfactory levels. My forecast in detail is:

Larger volume of marketings should more than offset any reduction in farm prices. Therefore, 1961 cash receipts for farmers should be slightly higher than 1960's \$11,300,000,000 net. I furthermore learn that the intelligent farmer is reducing his indebtedness, which is always an optimistic sign. As I dictate this forecast, I am told that growing conditions are favorable in most sections, with sufficient moisture in the ground and other seasonal optimistic factors. The prices which farmers will receive in 1961 for crops will, of course, depend upon weather; but, each year, agricultural science is helping the farmers to avoid early frost losses and to secure needed moisture.

Employment, Wages, and Taxes

Strike activity may well be at a post-war minimum during 1961, with any dislocation limited to independent separate companies. First important industry-wide negotiations will come in the auto industry, but not until September, 1961. Railroad workers cannot strike until November 1, 1961, at the earliest. Most steel contracts hold until June 30, 1962.

The average employment in 1960 was about 67,000,000 workers. I forecast that 1961 will average a million fewer wage-workers. Country-wide unemployment reached as high as four and one-half million in 1960, and for 1961 may hit five and one-half million. The basic difficulty is that while industry is cutting back, the labor force is becoming larger. This means that it will be more difficult for those getting through schools and colleges to get positions in 1961 unless they are well trained in business, mechanics, or electronics. Certainly, the demand for executives will be less in 1961 than it has been for some years.

Those executives who now have positions should strive to do better work, not ask for increases, and do everything possible to hold onto their jobs. Labor leaders hope to have a key to the White House with Mr. Kennedy as President. This may apply to the settling of strikes and contract disputes. The AFL-CIO will influence more votes in Congress during 1961-62 than in 1959-60. The conservative Southern Democrats, however, will unite with Republicans to block radical labor legislation. Congress certainly will not outlaw the "right-to-work" legislation which has been passed in certain conservative states, nor will labor get a revision of the Taft-Hartley Act. Congress will not compel industry to collect dues from union members, but may temper the recent Court decisions ruling against excess union spending.

All the above means that labor will be able to hold its own during 1961 and secure some small increases in wages, pensions, and improved working conditions; but this may not be what labor expected to get from the election of President Kennedy.

The Federal Government will not increase income taxes during 1961; but may close some loopholes and increase certain excise taxes.

Building and Real Estate

Looking back over the years that I have been making these Annual Forecasts, it seems that building and real estate have been the last to profit from a boom, and the last to suffer from the following reaction. Readers all know that from its World War II low point new building, especially of homes, gradually rose to an all-time high in 1959. Part of this growth has been due to increased population and higher incomes.

In addition to the natural growth to which new building was entitled, it was greatly encouraged by loans to veterans without any down payment, the acceptance of twenty-year mortgages by banks in place of a maximum mortgage of five years, and by subsidies of various kinds. Like all stimulants, however, these have gradually become less effective. Hence, a decline in new building and new home construction is only natural to expect in 1961.

I do, however, forecast that a move for urban renewal will be urged and secured by the new President. This means pulling down the slums of large cities and substituting brick apartment houses with playgrounds. When any new building is built, it increases the value of the adjoining land and increases real estate taxes.

Therefore, 1961 may see real estate prices hold their own and even rise in certain sections. Small farms near cities will continue to increase in price, and this will be true of most well-drained suburban property. Every family is justified in mortgaging to buy a home in 1961, but I doubt if 1961 will be a good year to speculate in real estate. The bloom is surely off in Florida, where the supply of new houses temporarily exceeds the demand.

World Outlook

I cannot conscientiously close this forecast for 1961 without calling readers' attention to the unsatisfactory situation that we find the world in today. I do not need to comment on Russia or China; as readers are well acquainted with conditions there. I, however, must add that Mr. Kennedy is agreeable to a Summit Conference as he is itching for a talk with Mr. Khrushchev. Kennedy has already stated that he is willing to put Formosa under the United Nations.

Readers should note the headway which the Communists are making in other parts of the world. Southeast Asia, for instance, is a very rich area. It is envied by both China and Russia. We may expect continued revolts in South Vietnam, Cambodia, and Laos.

I am especially troubled about

the way the Communists are working into Central and South America. I know South America very well. It has virtually no "middle class." There are a few rich, but millions of very poor. The Communists are organizing great strikes in Latin America. As these strikes accomplish something for the wage-workers, they give the Communists good ammunition for further progress. This situation has been intensified by the agents of Castro.

Another very sore spot is Africa, which I visited two years ago. South Africa will blow-up of itself, without any help or hindrance from Russia. The Congo, however, which the United Nations is now trying to straighten out, is a serious problem; and the Congolese feel that their condition would be improved by Russia's help. The great African question, however, will be concerned with the new countries which have been given their independence from the colonial system they have been under for 150 years. Here, Russia, Belgium, and France are playing a waiting game to see if the new nations can make good by themselves.

I cannot imagine the Russians now going to war over Berlin. I am more disturbed about the gains in the Communist vote in European countries. For instance, the Communists in Italy received only 19 per cent of the vote in 1946, but 23 per cent in 1960. Even in France, the Communist vote is again increasing. The money interests of France want the Algerian rebels stamped out for good, while the farmers and small businessmen want DeGaulle to give Algeria its freedom. When I was in France a few weeks ago, it was generally conceded that if DeGaulle should

suddenly drop dead, chaos might reign. I dislike to end this forecast with these pessimistic comments; but even if our country is going along on an even keel, some other part of the world could upset all our plans. HENCE, BE SURE YOU HAVE MADE A WILL!

Lester E. Madden

Waterloo—Lester Eugene Madden, 52, was killed in an automobile accident in Greenwood Tuesday afternoon.

Mr. Madden was a native of Laurens County, a son of Mrs.

Lyda Madden of Ware Shoals and the late Jim Madden. He was a farmer.

Surviving are a daughter, Mrs. Jerry Brown of Greenville; four sons, Bobby Eugene Madden and Billy Madden of Jacksonville, Fla.; Terry Madden of Ocala, Fla.; and Jimmy Madden of Fayetteville, Ark.; three sisters, Mrs. Jessie Mae Sims and Mrs. Gertrude Weathers of Ware Shoals; and Mrs. Marie Ezell of Waterloo; five brothers, Kelly

Madden of Waterloo; J. T. Madden, Roy Madden, W. C. Madden, and Elvin Madden of Ware Shoals.

Funeral services were conducted Thursday at 4:00 p. m. at Reedy Grove Pentecostal Holiness Church by Rev. George Davenport, Rev. A. W. Dennis and Rev. Frank Jones. Burial was in the church cemetery.

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