

CONFIDENCE IS EVIDENCED

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tions have proceeded slightly below the ordinary activity but the industrial situation as a whole seems to be good. In fact, the correspondence to the Continental and Commercial National bank indicates that manufacturing industries, commercial establishment and agricultural resources of the west were never in a healthier condition, excepting, of course, those lines of trade which depend almost wholly upon the railroads for orders.

Weighing Various Factors.

In an analysis of a financial and business situation such as exists at the present time, the chief difficulty lies in determining with any degree of accuracy just what weight should be given individual fundamental factors. Nor can the experiences of the past be accepted as an accurate criterion, for the reason that these factors in similar periods do not fit in with the same exactness.

It is generally accepted among economists and business men that the crops are the dominant factor in this country in determining the trend of business and security values, as large crops tend to stimulate business activity and increase the earning power of corporations, which, other conditions being normal, enhances security values. At the same time the production of a large crop, owing to our defective banking system, frequently contrib-

utes to a strain on credits during the period of marketing. But even this varies with conditions and years.

New Crop Wealth Near That of 1912.

Advances from all sections of the country indicate a production from the soil this year which, barring accident or serious damage from the hot, dry weather since these reports were collected, may be reasonably expected to approximate in value the creation of new wealth from that source in ordinary years. This means that we will produce material wealth during the current year somewhere between \$8,000,000,000 and \$9,000,000,000 from the soil. The recent hot weather has had a serious deteriorating effect on the corn crop and, when it is recalled that there is a considerable shortage in the oat crop, resulting from a similar cause earlier in the season, it is not improbable that the impairment to corn will affect the volume of production very considerably, but any shortage in the crop is likely to be offset by an enhancement in market value, so that the valuation of the total crops should not be much below last year.

Another feature to be kept in mind is that the hesitancy in marketing last year's crops resulted in a larger proportion of the 1912 production being carried over to the current year than in normal years. This new wealth, therefore, is becoming available this year to the extent of the excess of the carryover of this year's crop. Of course this will be a factor in determining market values but such an addition of material wealth as the crops now promise can scarcely fail to be a strong stimulus to activity, proving as it does the means and incentive of the consumer to buy more liberally.

Prospects Are for Good Fall Trade.

The merchandising situation seems to be exceedingly sound and orders for

immediate and future delivery in all sections of the country are holding up in a way that is reassuring, especially in view of the period of rather high money, which has been experienced practically since the beginning of summer, although there has been some reaction from the rather abnormal activity of last fall and winter.

The consensus of opinion of a large majority of all classes of business men seems to be hopeful of a satisfactory volume of business this autumn.

Collections Are Good.

Another noteworthy feature is the disposition and ability of consumers to pay their bills, for collections are reported good. There are some exceptions, of course, due to peculiar conditions in localities, but generally speaking manufacturers, wholesalers, and jobbers report collections satisfactory.

Money has been commanding a higher return during the current year than it has for some years past. The foreign situation has contributed very largely to the strain experienced in our money market. The Balkan war and the political unrest in Europe, resulting in a heavy demand for capital in non-productive lines of employment, such as the preparation for war and the attendant waste resultant from actual conflict of arms, diverted a large volume of capital from normal channels of trade at a time when general industry both here and abroad was exceedingly active and prosperous, and was making abnormal demands for money and credit.

Interior Merchants Conservative.

One thing brought out by correspondence is the fact that interior merchants have changed their methods of business in recent years and not since the middle nineties have they carried as small stocks as they do now. This is not entirely due to the tariff for long before it became evident that the tariff revision would take place, country merchants, formerly in the habit of carrying stocks of merchandise running from \$40,000 to \$60,000, maintained stocks of between \$20,000 and \$30,000 on their shelves, replenishing their needs as the trade demanded. This naturally reduces the amount of credit they require and distributes their buying more generally through the season. One reason for this development has been the attitude of the country banks in seeking to limit credits and keep their customers on the safe side. Hence there is a greater spirit of conservatism and of economy in the use

of credit among interior merchants than there was a decade ago.

New Railroad Era Appears.

There has been a decided change in sentiment toward the railroads and the American spirit of fairness is making itself felt. Expressions in a vast majority of instances in reply to inquiry along this line favor a moderate advance in freight rates, with a view of enabling the railroads to finance their needs, affording better facilities for the handling of business. This need of more income is reflected in the letdown in orders for equipment and is noticeable in the lines of trade dependent upon the railroads as consumers.

Gross Railroad Earnings Grow.

Fortunately the large volume of traffic resulting from an active general business has tided the railroads over a critical period without serious impairment of their physical properties. Such curtailment as has taken place has been in the direction of new extensions rather than in the maintenance of a fairly high standard of existing properties.

It may be noted that the fiscal year just ended brought the gross income of the railroads of the country for the first time above the \$3,000,000,000 mark. In 1905 the gross earnings was of the railroads crossed \$2,000,000,000, while in 1903 \$1,000,000,000 was reached so it is evident that the volume of business in this country, as reflected by railroad gross earnings, is increasing more rapidly than in former years.

Judging from advices from leading merchants as well as bankers throughout the country it is reasonable to conclude that the volume of business in nearly all lines up to the present time, during the current year, has exceeded that of a year ago.

Manufacturers' Stocks Small.

Nor are manufacturers generally so far as our information permits us to judge, carrying large stocks of goods, or raw materials, but instead they seem to be pursuing the same hand-to-mouth policy of merchandising that has been adopted by the retailer.

Cattle Market Good.

There is a shortage in live stock but the general cattle market is good. Under ordinary conditions the actual importations of live cattle, free of import duty, would make considerable difference in the supply of meat, but the only foreign country from which live cattle, in any considerable quantity, are likely to be imported is Mexico. Owing to the conditions prevailing in that country, the importations are not likely to be great in the near future. Cattle have been brought out of Mexico during the last two or three years in as great numbers as they could be moved and have been absorbed in the southwestern markets. This movement has been due to the disturbed condition in the southern republic causing the Mexicans to get rid of their movable property as fast as the crippled transportation facilities would permit. For a time, after conditions became normal in Mexico, all the cattle available in that country will be needed to restock the ranges.

Investment Situation Is Stagnant.

The investment situation is far from satisfactory. Bonds are now practically at the level reached in 1910. Investors still seem more inclined to absorb investment securities affording a high yield of interest and in consequence the high grade bonds, bearing a lower rate of interest, have been sacrificed until the market value has declined to a basis now exceedingly attractive. At the same time the investment market is reflecting the world congested condition of the new security markets. There is a steady absorption of investment securities at the lower levels, but this is not broad. The absence of institutional buying and of a broad market has restricted new offerings largely to refunding operations.

Unsatisfactory to the Small Banker.

It appears to be especially unsatisfactory to the bankers in the smaller cities and towns. They take the position that the plan will deprive them of opportunities which they now have of serving their customers, compel a shifting of reserves which will result in loss of interest, and will not benefit them in any way, while under its provisions, they will have to contribute part of their capital to the fund for establishing the regional reserve banks.

We feel that this subject is of such importance as to warrant the most careful consideration of any proposed legislation with a view of providing the best system of currency and banking obtainable. It is worthy of note that the insistence of bankers and business men, especially in the smaller cities and towns, upon currency reform is tempered with the idea that it would be far better that no legislation be adopted during the extra session of congress, unless founded upon principles proven by experience to be adequate, and that does not have due regard for all our necessities. The country has waited too long to accept, as satisfactory, any measure that embodies features that are likely to seriously disarrange our credit machinery.

There is a more widespread spirit of co-operation and desire among the bankers and business men to help remedy the defects of the pending currency bill than there is of antagonism, if the tone of the letters received in reply to the inquiries sent out can be accepted as an indication of the attitude of the various business communities, but there is no longer doubt of a remarkable unanimity of opposition

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