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CYCLE CHART OF BUSINESS DANGEROUS

Roger Babson, Statistician, Warns Business Men and Investors

FIXED CYCLE IS HIGH EXPLOSIVE

Public Has Taken Up the Fad of "The Business Cycle"; Plain Talking Is Badly Needed.

WELLESLEY HILLS, Mass., Jan. 20.—"I don't know which is more perilous to disregard the business cycle altogether, or to get a smattering of it without really understanding it," says Roger W. Babson, in a statement issued today. "Many executives think they have got the business cycle by the tail and that their fortunes are made. These superficial thinkers who have picked up 'the business cycle' as the latest catch-phrase, are simply playing with edged tools and are going to get badly cut."

"It is astounding how the public has taken up the idea. From black-board statistics to international conferences, the latest fad in the business cycle. If it were merely talk, little harm would be done. But many business men, bankers, investors, and government officials are making real commitments on the basis of an imaginary cycle. It is high time that somebody get up in meeting and do some plain talking, and tell people that we are all sitting around a powder keg. If we continue to cherish this delusion of a fixed cycle."

"Strictly speaking, there is no such thing as a business cycle," continued Mr. Babson. "It is a serious blunder to assume that there will be three years or other fixed intervals of over-expansion and then three years of depression, followed by another three years of over-expansion and another three years of depression. To nine people out of ten this is what the business cycle means to mean, a periodic procession of booms and bumps, each lasting the same number of years. There is absolutely nothing in this idea, and any executive who attempts to base his plans thereon will probably ruin the enterprise for which he is responsible. The warning applies equally to bankers, investors, and statesmen."

"My advice is to get it out of your head immediately that business fluctuates in three-year periods or any other fixed intervals. The real principle of the business movement is that of action and reaction. Namely, a period of over-expansion tends to be followed by an equivalent period of depression. And when I say 'equivalent' I am taking into account the two factors, duration and intensity. Moderate business activity prolonged for several years is equivalent to extreme activity of shorter duration."

"To take the latest example, there was a period of over-expansion covering the years 1912-1915. This would tend to be balanced by a compensating period of depression. But this compensation might take a variety of forms. If there had been a prodigious and excessive crash in 1920, lasting only a year, this would have been sufficient compensation. It would have offset four years of over-expansion. Or, if the decline in 1920 had been trifling but dragged out for years to come, this also would be sufficient compensation. What actually happened was a sharp decline not the least imaginative, but still a success drop. The period has already extended more than two years. Considering both the severity of the drop and the time that has elapsed, it is plain that we have nearly paid the bill in full."

"By itself, time is meaningless. The question whether depression has lasted a month or a decade, has no significance, whatsoever. By itself, intensity means nothing. The question whether depression has been drastic or trivial has no significance. However, when these two are combined, when you get the product of time and intensity, you are on a sound basis. This—and this only—is the true measure of depression and the real interpretation of the business cycle."

"At the present juncture, what would be the result of sudden and reckless inflation? This would mean that instead of progressing in an orderly way up from depression to prosperity, we would be attempting a short-cut. We would be trying to evade the tail-end of our quota of depression. There would be a setback which would last until the quota was completed. At the moment, there is no sign of such inflation. The indications are that the remaining fragment of the allotted depression will be wiped out in due course; and with a clean slate we shall be ready for the next period of prosperity."

"Will our next period of prosperity be big or small? The question is peculiarly difficult. After a big period of over-expansion, a big decline, it is practically certain that there will be a big period of depression, a big reaction. Knowing the action, you can forecast the reaction—but the rule is hard to work both ways. To illustrate, if you

stretch a spring a certain amount you can forecast approximately what will be the rebound. But you can't so easily forecast how far the spring will be stretched the next time. Hence, periods of prosperity or action are far more difficult to forecast than periods of depression or reaction.

"However, we know that there is a general tendency toward equality. In other words, in the long run, periods of prosperity tend to be about equal. They vary greatly in duration, and they vary greatly in intensity. But the intense periods are usually short, and the mild periods are usually long, so that the area or mass is remarkably constant. Though the form of the next period of prosperity is still undetermined, we know in advance with reasonable assurance that its area or mass will be approximately that of previous periods. Shortly after it has begun to develop, there may be a clue to its probable form, whether intense and brief, or moderate and prolonged."

"Besides this principle of action and reaction, there is another feature of the business cycle that can safely be applied in practical ways. Every business and every locality has its own particular place in the cycle. The bond market, for example, is usually far in the lead, declining or advancing before other factors show a change of trend. The stock market also has a pronounced lead. Though not so prompt as the security markets, building is somewhat in the van as compared with other lines of business activity. Near the other extreme is retail trade, which is a laggard both on the up-swings and the down-swings. Comparing different sections of the country, the manufacturing centers tend to lead, and the regions of production of raw materials tend to lag. Comparing the physical quantity of business with its dollar value, quantity advances or declines before value. In a store, the number of sales slips (physical quantity) tends to decline before the cash register reading (amount of sales in dollars). In a construction industry, the number of permits tends to decline before their value in dollars."

"But the thing of real importance is not merely to know this sequence—which is a simple proposition—but also to know how fast the period of depression or over-expansion is being run off. For example, early in 1920 the stock market turned down. The retailer who noticed this reversal and attempted to estimate when the liteming would strike his own business, could have been at a loss to set the date. But presently when general business sank below par and began to sweep out an area of depression, then the retailer was able to forecast. Knowing how much depression was due and how fast it was being worked off, and knowing also his relative position in the cycle, the retailer could estimate very closely when his turn was coming."

"To illustrate the real meaning of the business cycle, one of the best analogies is to compare it with electricity. Call prosperity electric power, and depression its equivalent, 10,000 kilowatts. If you run your outfit at 10 kilowatts you last 1,000 hours. If at 100 kilowatts, you last 100 hours. Or you can compromise at 100 kilowatts and last 100 hours. The word 'business cycle' is really not the word to use. 'Cycle' implies a time. It is area or mass which is the important measurement. There is no real need of either over-expansion or depression. We could run along at a steady trend indefinitely, with cycles practically eliminated. The principle of action and reaction is absolutely sound, but the popular conception of the cycle is both unusual and dangerous."

"To be concrete—business is now statistically at normal. By the so-called 'business cycle' we are at a bad center. The Babson chart shows this very clearly. But this is no reason why we must stay there or why the net movement will not be to the better or for the worse. It all depends upon how we act—act toward one another and act toward the rest of the world. When Greed is enthroned we are headed for depression—when Service is in the saddle we are headed for prosperity. If there was less talk about 'business cycles' and more about 'business ethics' it would be better for all of us."

APHYSIXATION KILLS ONE

RELSO, Wash., Jan. 20.—Frank Early, son of Mr. Rilla Mohr, residing two miles north of Kelso, succumbed to apoplexy after apoplexy yesterday and Miss Hazel Norton of Castle Rock was in serious condition.

Young Early was running the motor of his car Monday evening to charge the batteries and told his mother he was the better or for the worse. It all depends upon how we act—act toward one another and act toward the rest of the world. When Greed is enthroned we are headed for depression—when Service is in the saddle we are headed for prosperity. If there was less talk about 'business cycles' and more about 'business ethics' it would be better for all of us."

WATER SHORTAGE ALLEVIATED

OREGON CITY, Jan. 20.—Oregon city received relief early this morning from the water shortage which for more than a week has kept the city on ration. The 300-foot break in the pipe line on the South Clackamas, two miles below the headworks, was repaired at 4 o'clock Wednesday, but not until this morning did the water begin to flow into the reservoir. Heavy rains during the week prevented the condition from becoming acute. The Clackamas was said to have changed its course during the high water, causing the break.

The surprising thing about that stunt robbery is that anybody should think that such stunts could be done in this town.



FRANKIE DEAN

Frankie Dean, of Pueblo, Colo., who is to fight Kid Sarp, of La Grande in a ten round main event of a boxing card that is to be presented by the La Grande boxing commission on the evening of January 25th. Dean has a record of 61 fights and only eight losses.

RED MEN ARE MORE NUMEROUS

Census of American Indians Taken Recently Shows a Slight Gain.

ATLANTIC CITY, N. J., Jan. 18.—The American Indians as a race are not dying, as so many people think. On the contrary, they show a slight numerical increase as compared to 12 months ago, according to Dr. B. E. Higley, of Chicago, superintendent of the work among Indians of the Board of Home Missions of the Methodist Episcopal Church.

Dr. Higley disclosed this condition in an address today at the annual meeting in this city of the Home Mission council of the church. The Indian census a year ago showed 349,533 Indians; now they number 346,317. "There is no field of home missionary endeavor where the spirit and processes of co-operation among these denominational boards and workers is more manifested than in the field of Christian work among Indians," continued Dr. Higley.

"The Christian missionary work among Indians, includes a study of the missionary stations and the native churches, their economic and spiritual resources; (2) an estimate of the Indian schools, both governmental and mission, their educational status, and the opportunity presented for a unified religious educational program; (3) a survey of the 14 reservations and other communities where Indians are to be found in any appreciable number."

There are 30,000 Indian boys and girls between five and 14 years of age who are of school age, about 30,000 are enrolled in government schools with 20,000 in public schools, and the remaining 30,000 are still without school privileges. In the Indian schools special emphasis is put upon agriculture and home economics. In the large non-reservation schools many trade courses are provided. The manner in which the Indian Bureau for the last two years has worked for the fuller enrollment of unenrolled Indian boys and girls, is a matter for favorable comment.

In the old days the Indian centered everything around his religion, and his religion entered into every phase of his life. He cannot understand a Christianity which is not in some way related to his physical well-being, to his planting and his harvesting. At present health conditions in many places are deplorable. The Christian order of the day is for social and community services which are an expression of the religion of Jesus that shall be sufficient for both worlds, this world and the world to come. That social religion appeals to the Indian. The modern program of the rural church among Indians is needed for the young people coming home from school life. They do not want to return to their pagan religions, they know they are false. The church must plan a more careful program for Indian endeavor which will satisfy the religious intellect and social desires of the youth as well as the aged. The church must even use the Indian dialect, but it must emphasize English speech in training native leadership.

"The church must discover and develop a trained and native Christian leadership. The Indian youth people should be encouraged to go further than the sixth grade commonly provided by the government reservation schools. Educated Indian farmers and their wives, teachers, and other professional men and women, and a well-trained Indian missionary above all, are urgently needed."

PENDELTON BALL MANAGER

PENDELTON, Jan. 20.—Walt Larson, well-known baseball player and former star pitcher in the Idaho state league, was last night elected to manage the Pendleton Beavers through the coming season, at a meeting of the players and club members. The meeting of the baseball fans assembled last night was strongly in favor of a six-team league. No definite length of season was set. Last year Pendleton, Wally Walls, Milton Presswater and Dayton formed a four-team league called the Blue Mountain League.

R. A. Haynes Speaks Of The Narcotic Evil

The following address was delivered by Federal Prohibition Commissioner R. A. Haynes, at Salem, Oregon, before the joint session of the legislature on January 19, 1923.

SALEM, Ore., Jan. 19.—"This splendid state has been a pioneer in advancing many features of new legislation, and legislators of this state have put into concrete form much of such legislation when still untried in other parts of the country," said Federal Prohibition Commissioner R. A. Haynes today before the joint session of the legislature. "It was in this great Pacific Northwest, I recall, that the initiative and referendum ideas first crystallized into legislation, and while there may yet be, in the minds of some, some doubt as to the maximum good derived from such procedure, yet at the same time it must be admitted that these legislative processes have interpreted to a very large degree the maximum spirit of democracy, and have brought the people themselves more closely into the classification of legislators."

"Law never leads civilization, but always follows in its wake. The purpose and the object of law is to regulate and control the relations of men with each other and their relations to the state. But those relations must first come—must first be established—before there is anything for the law to regulate."

"It is said that a man's life is judged by his crisis. It is the crisis that makes for his success or failure. What is true of the individual is equally true of a generation of people, or of a nation which is but an aggregation of individuals. Every indication points to the fact that this generation of Americans is facing that crisis hour. We are at the testing time when every citizen must stand up and be counted for or against the Constitution, and the laws of the land, not alone as revealed in his conduct and preaching, but as revealed by his acts and personal conduct."

"As a people, we have nothing to fear from without. The enemy that is to be feared is the subtle one that, under the guise of mock-patriotism, slanders personal liberty, non-obedience of the law, etc., creeps up unawares and threatens to undermine the very fundamentals which have been responsible for our growth as a nation and our marvelous prosperity and happiness as a people."

"We cannot permit the open violation of any specific law without at the same time fostering the spirit of anarchy that will eventually hold all law in contempt and disrepute."

"It is not enough that a man shall obey the law and enjoy the privileges and benefits secured to him under the law, but it is the duty of the good citizen that he constitute himself as far as his abilities permit a guardian and a defender of the law. It is a spineless American who will see the flag of his land soiled at the altar of anarchy without protesting. It is a poor patriot indeed who will permit the Bolshevick to hold up the holy institutions of the land to scorn and derision without voicing his dissent and righteous indignation. He is a shortsighted American who fails to see in the bootlegger of today both the spirit of the anarchist and Bolshevick. It is time that the citizen upon whom we depend to uphold our Americanism awaken to the realization that bootlegging is not a mere pastime, but it is a heinous and traitorous business."

"That it is difficult at this hour to enforce prohibitory laws we do not deny, and that there are violations of the law we do not doubt, but the laws against bootlegging have been known to this continent since the Puritan fathers, and yet we have many times awakened to find that bootlegging is seemingly held lightly in our land. It is an easy matter to prevent the violation of a law by simply repealing it, but it is extremely doubtful that you would remedy any of the evils that arise from them by so doing. To nullify the prohibitory laws or to repeal them will cure no evils that arise from the liquor traffic, but you will set a precedent and make it more easy to nullify any law that may be rendered difficult of enforcement."

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and required to give its entire time to the enforcement of the Harrison Act. From this increased activity there resulted during the fiscal year ending June 30, 1922, the first year after the segregation of this force, an increase of 65 per cent in the number of cases reported over the fiscal year of 1921. An increase of approximately 100 per cent in the convictions secured during the fiscal year 1922, is indicative of the nature of the cases made and the seriousness with which the courts are now looking upon violations of the Narcotic Law. During the fiscal year ended June 30, 1922, there were 2,104 convictions obtained for violations of the Harrison Narcotic Law which resulted in total sentences of over 2,514 years. These results have brought the Narcotic situation in this country to light and created an erroneous impression that there is an alarming increase in the traffic.

"It will be of particular interest to you to know of the results secured in the fiscal year ending June 30, 1922, in the States of California, Washington and Oregon, which are all in the San Francisco Narcotic Enforcement Division. In the State of California there were 243 cases reported against unregistered parties and 189 convictions were obtained which resulted in sentences totaling 124 years and total fines of \$42,550. In the State of Oregon there were reported and pending from the previous year 95 cases. Sixty-four convictions were obtained which resulted in sentences aggregating over 54 years and fines of \$2,559. In the State of Washington there were 222 cases reported during the year, and convictions obtained in 274 cases which resulted in sentences imposed of approximately 50 years with fines of some \$2,200.

CANADA MAY GET LABRADOR

Question of Ownership of "No Man's Land" May Go to London.

OTTAWA, Jan. 5. (By Mail).—The bleak territory of Labrador, long a no man's land between the Dominion of Canada and the island colony of Newfoundland, will become Canadian soil if Newfoundland receives her price. This became known when negotiations between the two countries on the subject of Labrador were reopened here recently. Representatives of Canada and Newfoundland are busily engaged searching the archives and studying old maps, preparing to argue the ownership of Labrador before the Privy Council in London some time this year.

The latest proposal, it became known, is that Canada assume the Newfoundland national debt of \$50,000,000, and take title to Labrador. This suggestion, it was understood, was put forward by Sir Patrick Magrath, representing the Old Colony Canadian representatives, while expressing willingness to pay cash for the territory, set its value at \$10,000,000. Should an agreement be reached the pending litigation before the Privy Council, the final court of appeal in the British Empire, would be dropped.

For 15 years negotiations have been going on between the Canadian and Newfoundland governments to settle the Labrador boundary difficulty. Newfoundland, maintaining jurisdiction over the Labrador coast, has contended that its bone of influence runs well into the interior, taking up a large area that the maps allot to the Province of Quebec. The Canadian authorities concede to Newfoundland only a narrow strip of the Labrador littoral, which is necessary to the fisheries industry of the island colony. For more than a century the right of Newfoundland to this shore line has been conceded.

While the dispute has been going on a large part of Labrador has been in doubt as to whether it owes allegiance to Ottawa or St. John's, N. E., but as the country affected is inhabited only by aborigines there has been no protest from the residents. Of late years the Labrador question has assumed added importance because of reported rich discoveries of minerals, timber and water-towers in the territory. Last fall prospectors reported finding "pay dirt" in the rivers flowing into the Atlantic.

Charles J. Doherty, who was minister of justice in the Borden and Meighen administrations, is acting for the Canadian government in the Labrador case.

SPECIAL BOND ELECTION

BEND, Jan. 20.—A special election at which the Deschutes county municipal improvement district, formerly the Tunalio irrigation district, will vote up on \$100,000 bond issue for the completion of its project, was announced today by the district directors for February 17. \$80,000 will be set aside for the question of asking the state to guarantee interest on bonds.

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