

FINANCIAL SURVEY BY NATIONAL CITY BANK, NEW YORK

(Continued from Page Five)

in it, but the economic and political interests in the area diverge and they have found no basis for agreement upon helpful action, the London conference in April having adjourned without a date for reconvening. Nor have the many proposals for economic union made progress among the states themselves.

It will be recognized that the greatest trouble of the succession states is the world depression, and that is true of the decline they would but there is a lesson of the effect of past and present trade interference in bringing on and intensifying the depression. It is often said that tariffs themselves are not objectionable, but only tariff changes, since trade will adjust itself to tariffs and will go along if not required constantly to make "fresh" adjustments. But this argument overlooks the fact that where trade obstructions are employed to seek advantage there will always be others in retaliation, and while rivalry between nations is expressed in tariffs there is no reason to believe that a state of rest will ever be reached.

The prospect for sweeping reforms in world tariffs is not a hopeful one, but improvement may begin by regional agreements and manifestly the Caribbean area is a logical place to begin.

Necessity For Trade

It is a matter of grave concern that the tariff situation should have grown worse in a time when trade is so little able to bear the burden of tariffs and when the fullest possible flow of trade was never so badly needed. The nations and peoples of different nations have obligations to each other which require the transfer of goods between them, and when the transfer of goods is obstructed the drain of gold and the consequent currency depreciation and monetary disorder are correspondingly more severe. It would be to the advantage of the creditor nations if they would recognize this phase of the situation.

Grants of credit from creditor to debtor countries would go far to keeping trade in equilibrium, but present conditions do not permit this solution. International lending is recognized by all authorities as essential in international trade, and it was the opinion of the eminent economists who prepared the MacMillan report that "the debtor countries probably require among them new loans from the creditor countries in the aggregate of not less than \$400,000,000 per annum in normal circumstances, unless the creditor countries increase their imports relatively to their exports as compared with what they were before the commencement of the world depression."

In brief, creditor countries must either lend or buy.

With all the progress made in facility of transportation, communication and physical conduct of business, surely the policies of the nations are responsible that the trade between them has dropped off to what it was twenty or more years ago. Those who have advocated each country being self-sufficient may be satisfied with this showing, but manifestly the general well-being has suffered by it, living standards have lowered, and the depression prolonged.

The supreme need of the times is that the nations shall accept their common responsibility for the situation, and deal with it in a spirit of concession and mutual adjustment. The doctrine of self-sufficiency is influencing their policies to a degree never before known, and present con-



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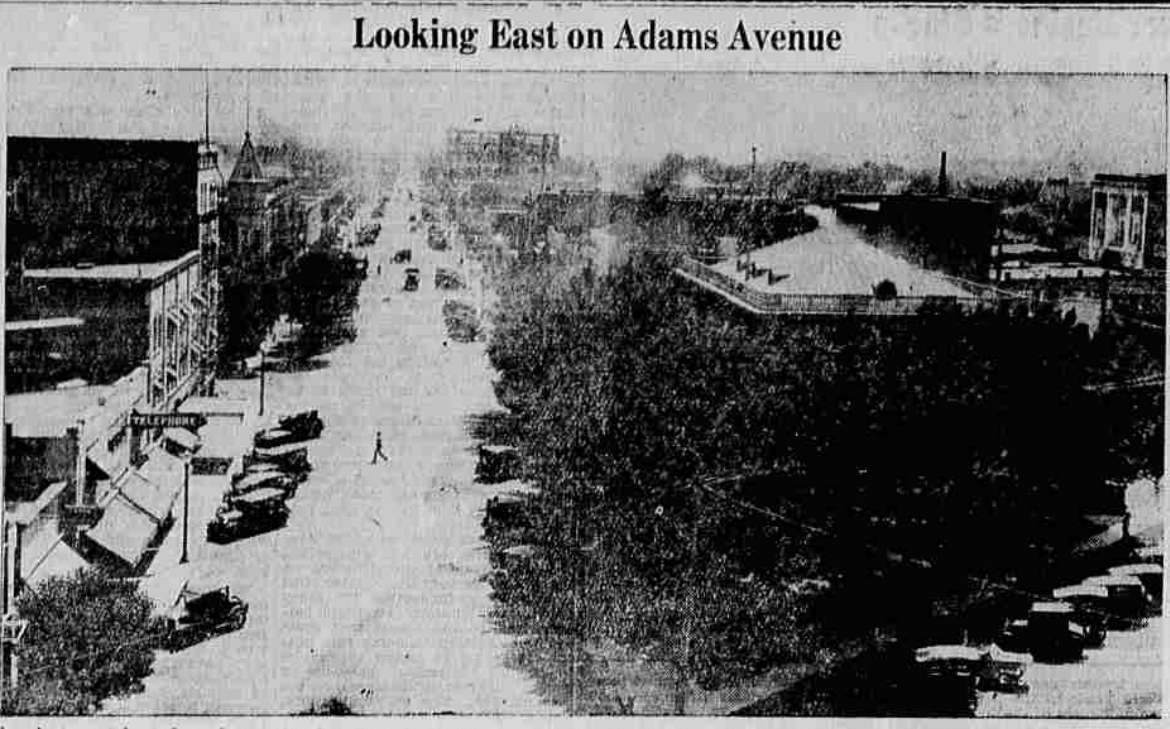
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This photograph, taken from the La Grande hotel, shows the full length of the main business section of Adams Avenue. The United States Post Office, surrounded by beautiful trees, stands in the right foreground, on the corner of Fourth street and Adams avenue.

ditions give evidence that the benefits to any one are illusory to the last degree, since to all the effect is impoverishment.

The Railroads

The continued low volume of railroad traffic since the first of the year has intensified the financial problems of the railroads, causing a decline in revenue that has more than offset the benefits of the emergency increase in freight rates effective Jan. 1, and the 10 per cent wage reduction effective Feb. 1. Assistance in meeting their obligations has been required by a number of the United States governments. There were over \$40,000 shareholders listed on the stock registry books of the railroads at the end of 1929, and since that time the number is believed to have been increased substantially. Of the \$1,946,000,000 bonds and notes outstanding at the beginning of the year, more than 70 per cent is owned by the banks, insurance companies and other institutions, and thus represents the savings, investments and insurance of the American people. For this reason, the government has been urged to take steps to maintain the solvency of the railroads, and the further measures that have been proposed to reorganize the industry to a more prosperous state are matters of the most vital public interest.

Loans by the Reconstruction Finance Corporation

The advances of government funds to the railroads through the reconstruction finance corporation are sometimes thought of as representing subsidies or donations, but such a view is entirely erroneous. Every loan requires the submission of an application setting forth in great detail the financial condition of the company, the purpose for which the loan is desired, the collateral security offered, etc., and must be approved as to terms and conditions by the interstate commerce commission in addition to the R. F. C. Six per cent interest is charged on these loans, which is a much higher rate than that which the government is paying for its own funds. In the case of a similar revolving fund set up by the government in 1929 to aid the railroads upon their return from federal control to private operation, the experience was highly satisfactory, but profitable to the government. Loans totaling approximately \$351,000,000 were made to the railroads, of which \$317,000,000 was repaid on account of principal and \$88,000,000 in interest, leaving only \$34,000,000 principal amount still outstanding.

In the matter of making loans by the R. F. C. to the railroads for the purpose of meeting maturing bank loans there has been a certain amount of needless discussion due to a misunderstanding of the principles of the relief legislation and of banking. Banks would be of small service to business and indeed could not operate if they did not turn over their funds frequently, meeting the temporary needs of business, but leaving the long-term borrowings of capital expenditures to be financed in the public capital market out of investment funds. Otherwise their resources would become tied up or "frozen."

On a smaller scale this occurs when loans become "slow," and the ability of the banks to meet demands for accommodation is weakened. The railroad loans became slow because there was no public market for the long-term obligations that had been expected to retire them. Certain of these loans were made or renewed by the banks solely to tide the railroads over until such time as the long-term obligations could be retired to function. Passage of the reconstruction finance act recognized this situation as an emergency making it desirable for the public credit

to supplement private credit in carrying such loans, in order that private funds might be left free for use in the customary manner. In numerous instances the banks have agreed to share the burden by granting renewals to a portion of the loan.

A number of these loans by the R. F. C. were made on the condition that they would be repaid by the railroad credit corporation, which would take over the loans as rapidly as funds were received from the pooling of the emergency rate increases. This latter corporation reported that up to April 30, 1932 it had made loans of \$4,189,522 and authorized further loans of \$14,422,577, giving a total of \$18,612,100. Loans made by the railroads to date are thus an offset to the net amount of assistance extended by government funds is probably less than commonly supposed. While the pooled proceeds from the increased rates are included as income in the reports of the individual carriers, they are not available in the form of cash to be paid out in meeting expenses of all the roads, but are loaned when needed to the companies not earning fixed charges.

Meeting Changing Conditions

The present low level of traffic and earnings does not indicate anything fundamentally wrong with the railroads, but is due primarily to the depression. Although a substantial amount of both freight and passenger business has been lost to trucks and buses, this has not been the major factor in the decline since 1929. In the 1931 annual report of the Southern Railway company, for example, it was stated that the effort to explain its decline in freight revenues in 1931 below the annual average of the preceding eight years should be paid out in the freight department as to the source of revenue during the period. This showed that approximately 70 per cent of the revenue was derived from freight activity in production and trade, with the remaining 30 per cent due to the competition of new agencies such as trucks, waterways and pipe lines.

Truck competition has been greatly intensified during the depression for the reason that drivers may be secured at low wages and there are no effective regulations as to length of time on duty, weight of load carried or rates charged. This condition places the railroads at a decided disadvantage, inasmuch as they are regulated in almost every conceivable particular. Legislation designed to correct this situation by providing for regulation of trucks, so as to equalize the rates and conditions under which they compete with the railroads is now being enacted in various states.

On May 23 the United States supreme court handed down two important decisions, one of which involved the constitutionality of a law of the state of Texas limiting the loads and size of common-carrier contract-carrier and private trucks, and the other law of the state of Kansas imposing a gross-ton-mileage tax on all trucks, with certain exceptions. In both cases the supreme court unanimously upheld the validity of these state laws.

There is a very significant passage in the Texas case in which the court speaking through Chief Justice Hughes, stated:

It is said that the exception was designed to favor transportation by railroad as against transportation by motor trucks. If this was the motive of the legislation, it does not follow that the classification as made in this case would be invalid. The state has a vital interest in the appropriate utilization of the railroads which serve its people as well as in the proper maintenance of its highways as safe and convenient facilities. The state provides its highways and pays for their upkeep. Its people make railroad transportation possible by the payment of transportation charges.

It cannot be said that the state is powerless to protect its highways from being subjected to excessive

burdens when other means of transportation are available. The use of highways for truck transportation has its manifest conveniences, but we perceive no constitutional ground for denying to the state the right to foster a fair distribution of traffic to the end that all necessary facilities should be maintained and that the public should not be inconvenienced by inordinate uses of its highways for purposes of gain.

These two decisions will go far to clarify the present confusion now existing among the various state legislatures and in the state courts as to the constitutionality of various laws now in existence or contemplated that have as their aim the regulation of the large amount of motor trucking that has become a problem in virtually every community.

Truck Operation by the Railroads

Some of the railroads have already established pickup and delivery service by trucks, adding the charges therefor to the station rate, and operate motor truck lines in the case of relatively short hauls and high priced or perishable commodities, coordinating this service with their regular local haul business.

In connection with these services, the suggestion was made by Mr. F. W. Sargent, president of the Chicago & Northwestern railway, in that company's 1931 annual report that the Railway Express agency, which is owned by the railroads, would be an ideal agency to handle all less-than-carload freight for the railroads as a whole, to operate truck lines on public highways where they are more efficient and economical, and to handle the freight transfer and forwarding of the different classes and grades of freight. A large volume of miscellaneous freight is now being collected by forwarding companies, which consolidate the freight into carload lots of the different classes, and thus secure the benefit of the carload rates. These companies are privately owned and are not under regulation by the R. F. C. They are free to take or reject any kind of freight they desire, to cut rates, grant rebates, and discriminate between shippers, all of which the railroads as common carriers are strictly prohibited from doing. Mr. Sargent proposes that the Railway Express agency should be established as a consolidated forwarder of freight at the earliest possible time and cites the following reasons:

(1) The Railway Express agency, being national in its operations, could compare favorably with the forwarders, which are now national in scope, but could any individual railroad.

(2) If handled by the Railway Express agency, competition would not only be less severe, but the expense of operation would be much less than if the individual carriers entered this field separately.

(3) It would recover to the railroad a good deal of traffic where the forwarder is using trucks instead of rail service.

(4) The added expense to the Railway Express agency with its present organization would naturally be less than the expense to the company whose sole business is a forwarding and consolidating service.

(5) On account of the added volume of business to the Railway Express agency, its unit cost would decrease, and in addition thereto, by the utilization of best located and most economical operating facilities and routes, it would obtain a maximum of net revenue from the operation.

(6) The revenues which are now enjoyed by the forwarding companies could be returned to the transportation companies, where they belong.

Some of the other suggested remedies which call for action by governmental authorities or which the railroads themselves may take toward the further reduction of operating costs and fixed charges include the following:

Reduction of the excessive railway taxes which in 1931 amounted to \$307,000,000 and took 37 per cent of net railway operating income before taxes.

Wide Choice Of Newest Fashions Offered Locally

With such a large number of up-to-date ladies' ready-to-wear stores operating here, the women of La Grande can purchase the newest things of fashion in the home city and are sure to be pleased. This is a proven fact by the large number of local women who shop and also, by the great numbers who come from out of the county to La Grande to fill their needs.

Besides the Cinderella, the Little Shop and Dora Vi's which specialize in ladies' ready-to-wear, there are also several department stores, Falk's, Montgomery Ward and Co., Penney's, Stevens-Van Engelen, New York Store, Brewer's and others. These businesses are all well equipped in their own lines to please the La Grande shopper. At all stores the latest creations may be had.

The shops are well stocked with wearing apparel for every member of the family. With the advent of each season, new styles are added and a better line can not be had within many miles of this territory. A complete line of shoes will always be found in the department stores, styles for men, women and children being featured in all season's demands. Everything from the soft house shoe to the sturdy outdoor shoe is available in the shoe department and all are attended by competent salesmen.

The ready-to-wear departments carry a good line of dresses, coats, suits, etc. With the new seasons

coming on each year, styles for the school girl, the younger miss, the infant and older women can be had right here in La Grande. One shop carries a complete line of co-ed campus styles, featuring the sport models in popular prices. All are headed by competent buyers.

The millinery departments are at all times well stocked just recently the millinery department at Falk's store was remodeled, re-decorated and is now in charge of Mrs. Echo Helms, who is well experienced in this line.

One of the features of the La Grande business is that merchandise can be received every few days or in a 24 to 36 hour notice, making the stock always fresh and new.

The only kiddy shop in La Grande is Norton's Kiddy Shop, owned and operated by Mr. and Mrs. L. H. Norton. Their store was opened several years ago and has at all times shown steady growth and new lines have been added from time to time.

La Grande stores are all complete in their lines and are to be found the best in the state, drawing considerable trade outside of the city as well as in La Grande.

Famous Works of Art

The statues which decorate the Rheims cathedral are generally of one piece of stone. Certain of the angels, carved about 1255, are said to be equal in point of execution to Greek statuary.

Valuable Library

Every library should try to be complete on something, if it were only the history of plumbdolls—Holmes.

Dies, Yet Lives

After the banana plant has borne a single crop of fruit, the plant slowly dies. A new plant then develops from a shoot at the base of the stem of the old plant.

Ho's Elected

A scientist states that a red flag will not madden a bull. He will cheerfully be permitted to perform his own experiments.—Pittsburgh Post-Gazette.

Not Proud of Novels

For many years the author of the "Waverly Novels" was unknown. Sir Walter Scott did not think it quite decorous "for me as a clerk of sessions to write novels."

Human Nervous System

The number of nerves in the human body is countless. In general it may be stated that there are 12 pairs of cranial nerves which, with their branches, supply the entire body.

Unique Codfish

The ling is the only member of the cod family found in fresh water. It is widely distributed throughout the Great Lakes and is also found in the other large lakes of Canada.

Things to Forget

Draw the curtain of night upon injuries; shut them up in the tower of oblivion and let them be as though they had not been.—Bacon.

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