

### Babson Looks for Business Revival in '38

(Continued from page 1) go, it is, of course, impossible to say now. Nevertheless, as a long shot, it would not surprise me if the 1937 outlook were equalled before next Christmas!

Because of the poor first quarter of the new year, the average of general business for 1938, however, will be slightly under—roughly 10 per cent below—the average for 1937. The important point next year is the trend. A poor start (that not much lower than current levels), an improving second quarter, and then sharp upward surge during the final four or five months—my idea of the 1938 business pattern.

**Business Needs Relief**  
In making these estimates I am counting on co-operation from Washington. A year ago my optimism for 1937 was tempered by the labor issue. I said, "If this issue (labor) is not handled properly, business could receive a very rude setback." Now I am tempering my 1938 optimism by saying that Congress must co-operate with business or this present slump could continue for some time.

Many of our current troubles come from fear and distrust. They are largely psychological. Congress today must treat business as a doctor should treat a neurotic patient. Scolding, harsh diets, exercises, and the like are "out." A few sugar-coated pills in the garb of kind words and a complete rest from new laws is the prescription which Congress must write for business.

**Congress Will Help**  
I am quite confident, too, that Doctor Congress will help his patient. No one is quite so shrewd an appraiser of public sentiment as the average congressman. When he has his "ears to the ground," he is as keen as a robin hopping about a lawn listening for worms. The solons were home for several months this fall, getting their constituents' reaction to "reform" legislation. So with every congressman and every third senator up for re-election this coming autumn, I believe that business will be given the psychological relief that it needs from Capitol Hill.

The biggest aids could be tax revision and a utility "amnesty." The undistributed profits tax will be thrown out in everything except name. New tax measures will be passed, easing up on capital gains levies and perhaps cutting down on the high income bracket assessments. A lot of talk will be heard about a general sales tax, but it will not be passed. Extending the income tax to 100,000 brackets will be proposed, but killed.

**Spending to Continue**  
I look for a truce between the government and the utilities. More farm control legislation will be passed, continuing the huge federal farm outlays. Wage and hour legislation may go on the statute books, but in a milder form than originally proposed. The president will get only crumbs from his government re-organization proposal. Generally speaking, the martial status of Mr. Roosevelt and his big democratic congress will reach the legal separation stage—just short of Reno divorce proceedings.

The increase in unemployment relief and new pump-priming measures will keep public expenditures at a high level. Budget balancing cannot now be hoped for until the end of the 1939-40 fiscal year at the earliest. Hence, the trend of the past five years toward inflation will continue. It is vital that everybody remember this. Just because inflation is not making headlines now, do not conclude that it is not making headway. Inflation is the biggest factor in the long-pull business and investment outlook today!

**Prices to Increase**  
Inflation is not simply a domestic issue. It is a world-wide influence. It is one of the reasons why I look for some increase in prices in 1938. The sharp drop in both farm and industrial commodities since August makes it easy to forecast the price trend next year. Sensitive commodities should begin their rise some weeks before business. They are at, or close to, their bottom now. But I doubt if the 1937 commodity price peaks will be broken next year. In fact, next December an index of 784 raw and finished materials should average only around 5 per cent above the current level. Industrial commodity prices will be strongest. Farm products prices do not promise as much action. Leading the rise will be non-ferrous metals, steel scrap, and hides. The re-adjustment between supply and demand is quicker in these industrial materials than it is in farm products. But the latter will move upward somewhat from present quotations.

**Farm Outlook Fair**  
Nineteen hundred thirty-eight will see sharper control over cotton, corn, and wheat acreage. Prices will end the new year well above today's levels. Without a crash, however, present carry-overs are so large that they can prevent any wild boom in quotations. Moreover, I expect to see a further drop in beef, hog, and lamb prices. Butter, milk, eggs, and poultry will also be cheap-

er next year, due to lower feed costs. It would be foolhardy to attempt any fixed forecast of farm income. Barring crop disasters, however, my estimate is for total agricultural receipts next year to drop 5 to 10 per cent under the 1937 figures. Profits are also going to average below those for this past year. The goods which farmers must buy will not be much cheaper than they were in 1937, while farm prices will actually average lower than they have during the past twelve months. Because of the above situation, farm land values will show little change for the year.

**What About Wages and Strikes?**  
Industrial workers, after getting away to a postwar, should have a fair year. During the first few months, unemployment will be serious. Hundreds of factories have slowed down or closed completely. There are probably a million more jobless since last Labor day. But the unions are clinging to their wage scales as desperately as an antique collector to a family heirloom. Despite poor business in the first quarter, I do not foresee any material change in industrial wage rates next year—certainly none on the upside!

One of the features of 1938 will be the sharp decline in labor's influence. After a year of almost constant hickering and turmoil, work-strikes will quiet down. The labor cycle has passed its peak. Just as 1936 saw the zenith of the high-grade bond market, so 1937 witnessed the pinnacle of labor's power for this cycle. The reaction of the public and the current slump in business have given the labor movement a rude setback.

**More Jobs in Fall**  
Employment will improve as 1938 works along, but should average less than in 1937. The reasons? First, business activity opens the year 2 per cent below last January. Second, labor-saving machinery is being installed everywhere. Third, the railroads will employ less workers. Finally, "merit rating" systems in state business activity opens the year 2 per cent below last January. Second, labor-saving machinery is being installed everywhere. Third, the railroads will employ less workers. Finally, "merit rating" systems in state business activity opens the year 2 per cent below last January.

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**Retail Sales, Living Costs Lower**  
The national income roughly determines the volume of retail trade. Hence, I expect retail sales will average less in 1938 than 1937. They will be slow during the early months; but they will follow the strong business uptrend as the month pages are torn off the 1938 calendar. By next Christmas, volume of retail trade will have a good chance of breaking all records since 1929. Shading of price-tags between New Year's and Easter will help to boost sales.

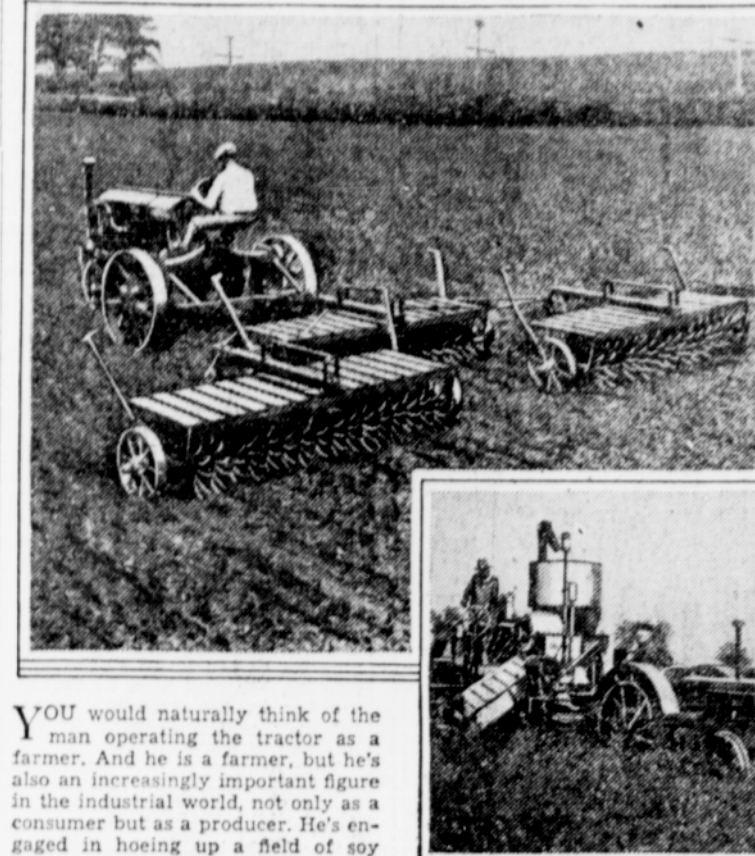
This drop in retail prices is good news for the householder. It looks now as though the cost of living which has been rising steadily since 1933 will give ground early in 1938. The average for the New Year, however, should show only a minor drop as food prices may touch off a new rise along about Labor day. From current levels, your clothing will register a modest decline by next Christmas; food should be up slightly; coal will show little change; fuel oil will be firm to lower, and rents will be unchanged.

**Why Building Slows Down**  
One of the major cogs in this current business recession has been the sharp let down in construction. Building material concerns and building workers both shoved up costs out of all reason during 1936-37. A house which cost \$3000 to build in December, 1935, would cost nearly \$6,500 today. Naturally, demand for new homes has slowed up in face of this unwarranted boosting of costs. Home building is down 20 per cent from the 1937 peak, is below a year ago and is still falling.

My thought is that it will continue to drop until after business has begun to retrace its steps late next spring. Sometime next year, however, home building should again be humming along. The 1937 peak may be topped so that the average volume of new homes for the new year could be above last year's level. The new government housing program could also give the industry a big lift. It is even possible that the home building boom which I really expected to develop in 1937 will start late this coming year.

**Real Estate More Active**  
Private non-residential construction, on the other hand, will be lower. I now see little incentive for new plant expansion next year. Public utility work, however, may take up the slack caused by PWA pulling in its horns on public works projects. A decline in building costs should help volume in the early months, but before 1938 closes costs will reverse their field again and be on their way to a new peak. These higher costs will help real estate values. New home prices,

### He's An Industrial Worker!



YOU would naturally think of the man operating the tractor as a farmer. And he is a farmer, but he's also an increasingly important figure in the industrial world, not only as a consumer but as a producer. He's engaged in hoeing up a field of soy beans which later, after passing through various factory processes, you'll be using in the form of paint and varnish, soap, linoleum and scores of other products. Consumers Information points out that 91 million pounds of soy bean oil, a comparatively new crop for American farmers, was produced in one recent year. Of this amount, 2 1/2 million pounds went into the soap, 5 million into linoleum and 13 million into

paint and varnish. This brand new market for American farmers, who are now growing a large number of industrial as well as food products, has been developed, like many others, through the vast research programs undertaken by American industry, whose laboratories have added untold millions to the national wealth and also thousands of jobs for American workers.

### Roger W. Babson's BUSINESS PATTERN FOR 1938

**Business**—Big gain over current levels.  
**Trend**—Strong Uptrend; average below 1937.  
**Congress**—Will give business needed relief.  
**Prices**—5% gain over present level at wholesale.  
**Farms**—Income down; profits slightly lower.  
**Labor**—Few wage changes; more jobs in fall.  
**Strikes**—Big drop in strikes feature of year.  
**Retail Trade**—Sales below 1937; price tags lower.  
**Living Costs**—Clothing, food to lead minor decline.  
**Building**—Good pickup to begin by mid-year.  
**Real Estate**—Values, activity to improve; rents firm.  
**Stocks**—Strong rise as business picks up.  
**Bonds**—Substantial advance in medium grades.  
**Foreign**—Trade to slow down; no European war.  
**Summary**—1938 to see resumption of recovery.

which are now being shaded here and there, will strengthen. However, I hold little hope for an increase in old house values, barring drastic inflation. Good vacant property and modest well-laid-out modern homes are among the best investments a person can make today. For that reason I feel that 1938 is going to be a good year for realty men—with a slow start and an active finish.

The bond market will be influenced more by business in 1938 than it has been during late years. Medium grades have registered a terrific drop this fall and I look for

price increases in this group to feature the bond market in 1938. Gilt-edged issues are down much less than these medium grades. This situation offers a good opportunity to make a few trades to improve yields and increase profit possibilities. I make this statement for I believe that the long-term trend of high-grade bond prices is definitely downward. Sound medium-grade bonds should be a better purchase for the next few months than obligations. When money rates start rising, high-grade bond values are going to filter away slowly.

**Trend Toward World Inflation**  
One of the major reasons why I am so confident that higher money rates are inevitable is the world outlook. None of the major nations and few of the minor powers are today operating on a balanced budget. Billions of borrowed dollars, yens, marks, and francs are being spent in a mad armament race. National currencies are destined to become steadily cheaper in terms of goods. Furthermore, there seems to be only a remote chance of averting world conflict through reciprocal trade agreements and a genuine spiritual revival!

President Roosevelt and Secretary Hull have done more for world relations in the last five years than all the international peace conferences of the past two decades. In spite of terrific pressure from groups at home, the state department has pushed steadily ahead with its trade agreements. They have negotiated sixteen treaties and are now working on the most important of all—with Great Britain. Vast amounts of data have been culled over and the treaties have had as their sound goal "the most good for the biggest number."

**World Trade Outlook**  
As a result, our share of foreign commerce has shown a much sharper increase than that of the world at large. In 1937, for instance, our exports and imports were 34 per cent higher than in 1936, while the total world trade was up only 25 per cent. This year there should be modest gains in overseas commerce, but the rate of increase will slow up. I expect that Scandinavia, South America, Great Britain and her Dominions will again be our best markets.

International relations will not improve noticeably in 1938. I think that gangster diplomacy will continue in vogue for another year at least. But I feel the residue of my trip abroad this fall that 1938 will see no general war. I am not very hopeful over the long-term future, however. A bitter conflict seems inevitable unless a new Christmas spirit invades the hearts of men all over the world.

The above is a good outline of what I feel readers can expect in 1938. We have come over a long hard road since 1933. I am confident that we are not going back to those depths this year! America is suffering just now from an attack of business indigestion complicated by a severe case of jitters. The ups-and-downs of business seem to have been growing deeper rather than shallower during the past ten years. This is because the country is swept by succeeding waves of emotional distrust and confidence, due to a weaker spiritual foundation.

Just as in the fall of 1937 optimism changed overnight into black pessimism, so the current gloom can be transformed into confidence again by the stroke of a pen. For that reason, I believe that there are now some wonderful buying opportunities. Stocks and bonds, homes and furnishings, food and clothing, are, or soon will be, on the bargain counter. Hence, my closing message today is: Work for a more honest and less selfish America; but do not let present timidity scare you away from today's great opportunities!

### Last Rites Held for Dan Sabo

ORENCO—Funeral services for Dan Sabo were held at the Hillsboro Baptist church Friday morning. He died suddenly at his home near Orenco December 22.  
Mr. Sabo had lived in and near Orenco for the past 27 years and worked many years for the Oregon Nursery company before starting his own nursery. He was born in Hungary and came to the U. S. in 1910, first to Cleveland, Ohio, and then to Orenco. He became a naturalized citizen in 1929. Deceased is survived by his widow and two children, William at home, and a married daughter in Portland.

### Weather Interferes

Inclement weather interfered greatly with the Townsend meeting Monday. High water kept many away. It was thought best to postpone the previously announced turkey dinner until the meeting January 24. Next meeting will be in the Methodist church basement, January 10, beginning at 7:30 with a study of "The General Welfare Act" and election of officers and concluding with a pot luck luncheon. All members are urged to attend. Friends welcome.

### Cornelius

(By Anna Rock)  
The Fern Hill Ladies' club will meet January 6 at the home of Philip Kalsch.

The neighbors of Woodcraft will meet Thursday night, January 6. Mr. and Mrs. A. J. Oliver, Helen and Franklin sent Christmas day with Mr. and Mrs. James Adamson in McMinnville.

Miss Ellen Irmier of Salem is spending her holiday vacation with her parents. Santa Claus brought a nice fat turkey all the way from LaGrande to put in the stocking of D. C. Whiting, city recorder.

**UNTO US A CHILD IS BORN**  
Without a human father, how can there be the birth of a child? This was the question in the mind of Mary, the Virgin, that day in Nazareth. The angel Gabriel, sent from heaven, had come in on her with—Hail, thou that art highly favored, the Lord is with thee; blessed art thou among women.

When Mary saw the angel she was troubled at his saying and cast in her mind what manner of salutation this might be. The angel said unto her—Fear not Mary for you have found favor with God and behold, you are to become a mother and bring forth a Son and you will call His name Jesus. He will be great and He will be called the Son of the Highest, and the Lord God will give Him the throne of His father David. He will be King over the house of Jacob forever and of His reign there will be no end.

Then said Mary to the angel—"How can this thing be seeing I know not a man?" Yes—How can a child be born without a human father? And the angel answered and said unto her—The Holy Spirit shall come upon thee and the power of the Highest shall overshadow thee; therefore that holy thing that shall be born of thee shall be called the Son of God. Will Mary yield herself to God?

No more tags needed or wanted at this time.—Argus. 421

to become the Virgin Mother? Will she consent that One shall be born, human on His Mother's side and God on His Father's side? The nature of man and the nature of God: two persons in One. The Son of God and the Son of Man; The God-Man. Having faith that with God all things are possible, Mary answers—"Behold the handmaiden of the Lord. Be it unto me according to thy word." And so God sent forth His Son, born of the Virgin. And so was fulfilled the

message of the Prophet Isaiah—Behold, the Virgin shall conceive, and bear a Son and shall call His name Immanuel, which being interpreted is GOD WITH US. For unto us a Child is born and unto us a Son is given; and the government shall be on His shoulder; and His name shall be called WONDERFUL, COUNSELLOR, THE MIGHTY GOD, THE EVERLASTING FATHER, THE PRINCE OF PEACE.—George N. Taylor, Beaverton.—Paid adv.

Happy New Year  
TO YOU . . . our many friends and customers—for your kind patronage during 1937.  
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Happy NEW YEAR  
Best Wishes!  
With pleasure we look back upon the service we have been able to render in 1937 . . . with anticipation we look forward to serving you in 1938.  
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Here are four more DRASTICALLY REDUCED items featured in our first store-wide clean-up sale. Suits, Overcoats, Shirts, Socks, Underwear, and many other top quality garments are included in this event—BUY NOW AT ROCK-BOTTOM PRICES!  
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