

# Optimism Is Keynote of Business Leaders' Forecasts for Year 1927

Two Successive Years of Prosperity Close With Stock and Bond Prices at Highest Levels Ever Recorded, So Believers in Cycle Theory Cautious—Low Prices of Commodities Cause Some Concern, But Danger From Inflated Prices, High Inventories and Over Expanded Credit Are Absent—Stability in Banking, Good Supply of Crude Oil, Surplus of Resources, Volume of Manufactures, Transportation, Demand, All Point to Another Good Year Nationally and Optimism Prevails Generally Throughout The Country—Building Continues

## All Indications Point To Continued Prosperity

No Clouds in Business Sky, Say Industry's Prophets—Underlying Conditions Sound, Business Risks Minimized—Money Conditions Easy

NEW YORK, Dec. 31.—(AP)—Conservative optimism is the keynote of business forecasts for 1927 of the nation's leading bankers and business men.

With two successive years of unusual prosperity just drawing to a close, and stock and bond prices around the highest levels ever recorded, it is natural that predictions for the future should be attended with an unusual degree of caution, particularly by those committed to the cycle theory of business. While a number of executives indicate that a slowing down in general business is likely, fundamental conditions generally are regarded as sound and no serious depression is looked for in any responsible quarter.

Some concern is expressed over the huge volume of securities owned by banks, over the low price of commodities, particularly cotton, and its possible effect on the country's purchasing power, over the growth of installment buying and over the apparent decline in building construction. However, the ordinary hangers-on of business depression such as inflated prices, high inventories and over-expanded credit are absent.

The views of some of the nationally recognized spokesmen for banking and business follow:

**Banking**  
By CHARLES E. MITCHELL, President, National City Bank of New York

"The year 1926 has been one of comparative stability in banking. For over a decade the financial world has been tossed about in a sea of alternating inflation and deflation caused by war and great shifts of gold on a scale heretofore unheard of. Gradually the effects of the war are clearing away, and banking conditions the world over are getting back more nearly to normal.

"In this country, commercial demands have shown a healthy expansion during the past year, in keeping with the activity of industry, but there is no evidence of hurrying to excess. In fact, the conspicuous feature of the present situation has been the ability of business concerns to finance themselves with comparatively little recourse to bank credit. Such increases as have occurred in commercial borrowing have been offset in part by a decline in bank investments and security loans, so that the year closes with but a

moderate advance in total bank credit outstanding over the levels prevailing at the beginning of the year.

"Concern has been expressed in some quarters over the present large holdings of banks of securities and collateral loans which are ineligible for rediscount or pledge at the Reserve banks. The expansion of these holdings in recent years has been due largely to the fact that gold imports have caused supplies of funds to increase faster than they could be absorbed in the ordinary commercial channels, so that banks have had no other alternative than their employment in the security markets. The problem of maintaining liquidity should engage the attention of all bankers, but there is no evidence that the banking position thus far has been impaired. If we do not get any more gold the savings of the country will gradually absorb this large floating supply of securities, and banks will increase their holdings of commercial paper.

"Despite the large amount of funds employed in the security markets, growth of installment credit, and other demands upon the banks, the important thing to note is that the total volume of credit required of the Reserve banks is less than that of a year ago. The country is thus carrying on its business without drawing upon its ultimate banking reserves, a fact that speaks strongly for the underlying soundness of the credit situation.

"With the resources of the Reserve banks practically untouched, money conditions continue easy, with no prospect of strain. What the trend of rates will bring during the coming year depends, in the last analysis upon the course of business. No one expects anything in the nature of tight money, but it is true also that aside from such temporary seasonal easing as always occur in January no large reductions are likely so long as business holds up to current levels. It should be remembered that demands for capital have increased very rapidly during the past five years, and that heretofore they have been met, with funds to spare, largely because of the replenishment of our bank reserves through gold imports. With the probability that the period of large gold imports is now over, we can hardly expect to enjoy indefinitely the unusual combination of high business activity and abnormally low money rates."

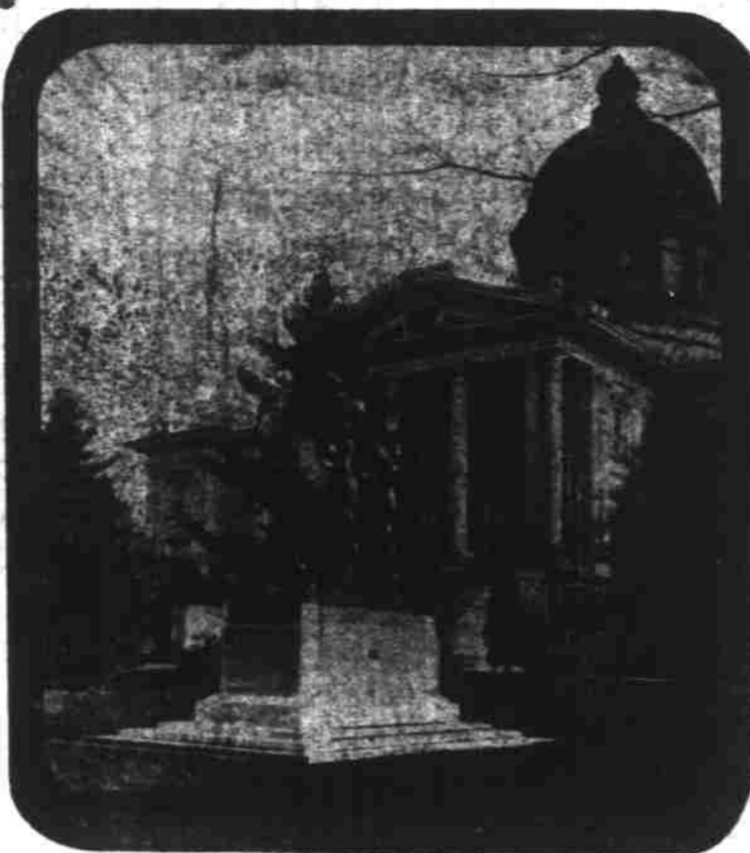
**Oil Supply**  
W. C. TEAGIE, President, Standard Oil Company, New Jersey

"With a perversity that was nicely timed, Nature released a fresh flood of new crude oil production last summer, just as a large section of the public had become convinced that we are practically at the end of our oil resources.

"There is no major business activity so hard to forecast as crude production. No sooner do experts complete their charts and commit themselves to predictions than some little-considered area is sure to break loose with a lot of oil.

"In the past year there was

## THE CIRCUIT RIDER



Handsome monument on the State House grounds, commemorating the pioneer spiritual leaders of Oregon, who took the initiative in creating a civilization here. It is the work of A. Plimister Proctor, nationally famous sculptor, and was presented to the State of Oregon by Robert A. Booth, in honor of his father, Robert Booth, one of the early circuit riders in Oregon.

good reason in the early months to look for a substantial decrease for the 12 months period compared with 1925. The first six months loss amounted to 22,000,000 barrels. Now it appears that not only has the deficiency of the first half year been overcome by increased production in later months, but it is a practical certainty that the total yield for the full year 1926 will exceed that for 1925 by a substantial amount and in so doing establish another new high record for the United States, above 765,000,000 barrels.

"With the record breaking output, increased imports and seasonal decline in consumption, a large amount of current production is now going into storage. Nevertheless, and taking into account the recent reduction in posted prices, the producer is averaging 8 cents a barrel more on his mid-continent production now than he was a year ago. For all the light cruades produced in Kansas, Oklahoma and Texas, an average of 38 cents a barrel more has been paid so far this year.

"The remarkable gain in production has been due mainly to the development of three major pools in the latter half of the year. These are Panhandle and Spindletop in Texas and Seminole in Oklahoma. How important they have been in effecting the change in the statistical position may be judged from the fact that they were doing only 70,000 barrels on July 1 and by Thanksgiving were producing 367,000 barrels daily.

"Even with this new top for production, it is the expectation of the industry that stocks of crude and products on hand at the close of this year will be reduced 15,000,000 barrels. If so, this will be the first time that any inroads have been made upon the country's huge reserves since 1918. In the past seven years stocks above ground have increased by 350,000,000.

"The industry is steadily progressing in its effort to increase the amount of gasoline obtained from each barrel of crude. To date this year the average gasoline yield has been 35 per cent, an increase of nearly 2 1/2 per cent from the average for 1925. This is mainly accounted for by the rapid spread of cracking processes. In the first nine months of the year there was produced in the country's refineries by cracking a total of 64,700,000 barrels of gasoline against 50,140,000 for the corresponding period of 1925. The actual increase in gasoline obtained by cracking was therefore 29 per cent.

"This, to my mind, is at once both the significant and the more reassuring single factor in the problem of the adequacy of petroleum supplies to meet the increased needs of the future."

## Steel Production

By CHARLES M. SCHWAB, Chairman of the Board of Directors, Bethlehem Steel Corporation.

"At no time in history have the people of an entire nation enjoyed the prosperity prevalent in the United States today. At no time have people dreamed of the universal use of luxuries which we accept as our birthright. Our material prosperity is astonishing, so remarkable in fact that business men are coming from all parts of the world to study our methods.

"We still have many problems before us. Our very prosperity makes foreign manufacturers cast envious eyes at our markets. To maintain our markets and our present high wages with reasonable profits for manufacturers we must realize efficiency and economies upon a progressive scale.

not merely in production but in marketing methods as well.

"Both in industry and in agriculture there must be co-operation among the factors involved to an extent never before considered necessary or even desirable. Farming must be conceived on a more scientific basis. There must be greater integration of agricultural producing units. We must apply to our fields the methods of large scale production which have been found successful in our factories. Waste in marketing must be minimized on the farm as well as in industry.

"These things can and will be done through the cooperation of heads of industries, farmers, bankers, Wall Street men and ranchers. We have the greatest country in the world and with intelligent effort, a feeling of humility and with faith in one another nothing is beyond the power of achievement."

## Motion Pictures

By ADOLPH ZUKOR, President, Famous Players Lasky Corporation

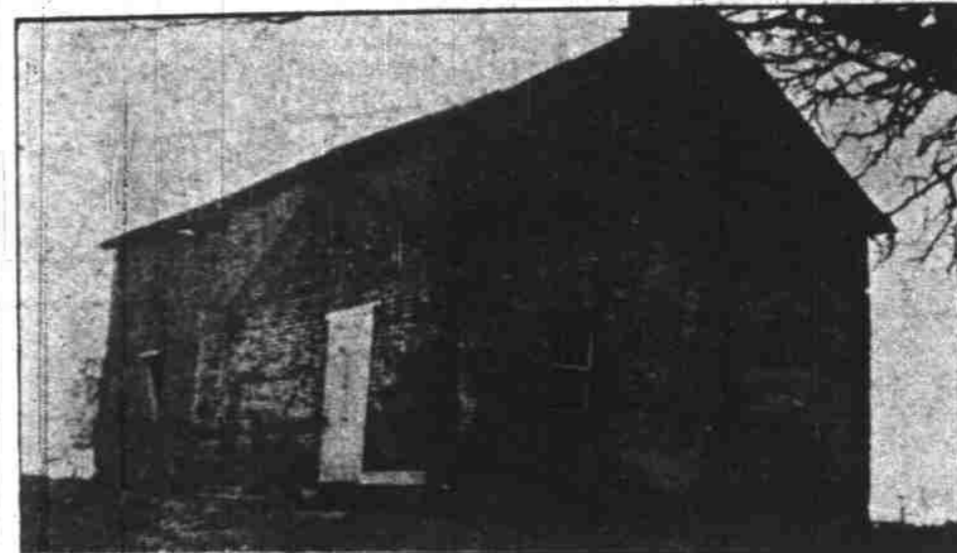
"This country is in good economic condition, and in 1927 I think its prosperity will be on an even sounder basis than ever before.

"The reason for this, to my mind, is a change in the mental attitude of business concerns and individuals themselves. During the war and in the years that have followed, the United States went through a period of unprecedented activity. People were making money fast and spending it at the same pace.

"In the last two years, however, particularly in the year now ending, we have been husbanding our resources, we have become more conservative. This applies not only to industrial and commercial enterprises; it is also true of most of our citizens in the handling of their own private affairs. They are saving more, and when they spend money, they do so more intelligently; they demand greater value in return. Business is using more care and foresight in its expansions, it is watching its future commitments with a more jealous eye. In other words, it is consolidating its position with the

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## OLDEST BRICK HOUSE CRUMBLING



Erected in 1843 by George Gay

By T. E. ARMSTRONG

The ravages of time are relentless. The handiwork of men serves its purpose and crumbles into decay, which is to introduce the subject of the first brick dwelling in Oregon.

Standing on a beautiful round-ed knoll overlooking the level country two miles southwest of Wheatland and about the same distance from Hopewell in Yamhill county, is the decaying remnant of pioneer days when Oregon was young and civilization was primitive.

The builder of this monument to early enterprise was George Gay, an Englishman, who left a whaling vessel in San Francisco harbor and wended his way northward about the year 1830. In 1833 he homesteaded this section of prairie and woodland and erected a temporary habitation thereon. It was fair to look upon and enticing to the eye. The open area was covered with a luxuriant growth of grass and the soil was fertile. It is said the grass was so high that deer could hide without fear of being seen even at close range.

Mr. Gay lived in his temporary dwelling for several years and farmed in a manner common to the times. It is easy to imagine his yearnings for something to which he was accustomed, surroundings that would keep in mind a little of the home life, but what could it be that he was able to supply in so primitive a coun-

try life during all of these years. Soon after taking possession of this place they were joined by her grandson, Tom Collister, who with Israel, has operated this farm to the present time, more than 50 years. Years ago they bought more land and moved from the old brick house to a home on the highway.

The old building is crumbling to decay. Bricks are falling from the eaves and gables. One fireplace has been torn out and the ceiling is sagging to the floor. It has become the shelter for sheep and the garret a refuge for bats. The wind sighs through the great oak which overhangs this decaying monument, and drooping, gray moss adds a tinge of sadness to the scene.

One could wish for better treatment for that which had sentiment and love builded into its brick and mortar, into every board and shingle.

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