

Roger Babson Forecasts Decline In National Economy For 1967

(Continued from page 1)

feel that we should particularly watch General de Gaulle, who is playing closer and closer to Moscow from month to month.

6. Heavily armed with Soviet weapons, the Arabs of the Middle East—squared off against Israel—present a grave threat to world peace. Nevertheless, I do not believe that Russia or the United States can afford a direct confrontation at this time; hence my forecast that the smoldering conflagration there will not erupt into World War III.

7. While all reasonable people are hoping for a genuine peace in Vietnam, I predict that the issue will not be resolved in 1967. Though the tide of battle is swinging in our favor, we may be forced to increase our commitment in order to retain this upper hand.

8. I predict, therefore, that military spending will be raised in 1967. This can help soften the impact of any easing in the private sector of the economy.

9. Turning now to domestic conditions, I foresee a definite deceleration in business activity in 1967. The fantastic boom is in need of a rest. Instead of the strong upturn of recent years, I look for a high level of industrial production early in the year; but unless some new stimulus is introduced, I fear that a cresting-over pattern is likely to develop as 1967 progresses.

10. I forecast a continuation

Mustangs Squeak By Pilot Rock Tuesday, 57-55

It was just like the old days between Pilot Rock and Heppner last Tuesday night when the nip and tuck rivalry provided a cliff hanger on the basketball court. In the end, the Mustangs won, 57-55, but they had to call on all their canny esaba skill to do it.

Giving away height at each position against the lofty Rockets and playing without their only tall fir, Mac Hoskins, the Mustangs found themselves trailing in early stages of the game. They managed to take an edge in the second half, but the Rockets pulled even at 44-44 by the end of the third period.

Dominating the boards and using their height to advantage on layin shots, the Rockets, who ranged to 6-5, sank more field goals than Heppner, 22 to 20, but free throws saved the ball game for the Mustangs.

Towards the end of the game, Steve Wagenblast hit three of four gift tries to give the Mustangs an edge again after the home five had slipped a point behind. Dave Hall swished six of seven free throws in the second half, and Jim Doherty, who played a fine game again after a slump in the past two or three, hit three for three at crucial times.

Gene Harrison was the big gun for Pilot Rock with 26 points. The 6-4 forward made 10 field goals and six free throws before fouling out late in the contest. Doherty's 16 points were second high in the game, but it didn't tell the whole story of his worth. He played an outstanding floor game. Hall got 14 points and Bill McLeod made 10. The Mustangs got 17 of 24 free throws while Pilot Rock hit on nine of 13 chances.

James O'Brien, 6-5 center, and Duke Chapman, 6-0 forward, each had 10 for the Rockets. Willy coach Mas Watanahe, whose ball club has come a long way since Heppner beat them 66-44 at Pilot Rock in the first game of the season, used very few substitutes in the contest, relying on his big five. He just about turned the trick.

Hoskins was out of the game on account of illness.
PILOT ROCK (55)—Chapman, 10, Harrison 26, O'Brien 10, Bond 6, Wright 3.
HEPPNER (57)—Doherty 16, Hall 14, Jacobs 5, McLeod 10, Pettyjohn 7, Stillman 2, Wagenblast 3.

Two from Morrow On BMC Honor Roll

Two southern Morrow county students at Blue Mountain College are listed on honor rolls of the college for the fall term, according to announcement from the college.

Eldon Padberg of Lexington received a 3.50 in his mechanical course to make the top honor roll, and Dale Van Bledland of Heppner received a 3.12 in his civil course to make the Dean's honor roll.

HOSPITAL NEWS

Patients admitted to Pioneer Memorial hospital during the past week, and still receiving medical care, are the following: Lonnie McCabe, Ione; R. C. Watkins, Heppner; Jerry Brace, Heppner, and Richard Borman, Heppner.

Those admitted for medical care, and later dismissed were the following: Carolyn Davis, Lonerock; Marvin Albee, Condon and Ann Martin, Heppner.

of the tug of war between inflation and deflation in 1967. Tight credit, and increased productive capacity resulting from the flood of business capital expenditures in recent years, are deflationary. However, I can see no substantial relief from the inflation in labor and other operating costs. In short, we can have "cost-push" inflation co-existing with deflation.

11. A key factor in the business and financial outlook for 1967 is taxes. With defense outlays climbing, I look for a rise in corporate and personal taxes in 1967. Moreover, I forecast that various levies at the state and local levels will continue to increase.

12. The tightening tax squeeze on all fronts will worsen as the year advances. And there will be rising complaints from both business men and employees that social security taxes are becoming unbearable.

13. Results of the recent elections indicate that the headlong run of the Great Society Program must take a breather along with the economy. Gains scored by the Republicans have altered the balance of power sufficiently to force a more sober look in public spending.

14. One of the primary reasons for expecting a deceleration in the economy is the likelihood that business capital expenditures may ease. Tight credit, suspension of accelerated depreciation guidelines, and suspension of the tax credit on business capital outlays will be tough obstacles to surmount.

15. Except in defense industries, I look for an abrupt switch during 1967 from a business policy of inventory accumulation to one of inventory liquidation.

16. I forecast that scarcity of credit will continue to be a problem with which business must contend in the early part of 1967. The money managers should keep enough credit available for legitimate business needs, but I expect no early radical easing of credit.

17. However, I do foresee enough of an easing in credit to permit more orderly monetary conditions. If the economic situation falls badly, money rates will, of course, move downward sharply.

18. I predict that commercial and industrial building will trend lower in 1967, reflecting the tapering off in capital outlays.

19. Mortgage money should remain scarce in 1967. Hence, residential building should see another disappointing year.

20. 1967 opens with the building of single homes in a state of crisis. Starts are down over 40% from year-earlier levels. As a result, I forecast that the Administration will leave no stone unturned to stimulate construction of houses as soon as possible. At best, however, it may be a year or after before this important part of our economy can contribute much strength to over-all business.

21. Although new housing starts may remain in the doldrums for most of 1967, I confidently forecast that the year will see the beginning of a great boom in the construction of new, modern nursing homes.

22. Despite President Johnson's request for cutbacks, public construction should enjoy a fairly good year; the emphasis will be on bridges, dams, and water and sewer systems.

23. The expected declines in residential building and in commercial and industrial building

notwithstanding, I forecast that waterfront property will remain a good inflation hedge.

24. Labor stands at the crossroads as the new year opens. Things never looked better for nailing down record wage and fringe gains; however, neither the public nor the Congress is in any mood to tolerate long, costly, and inconvenient shut-downs. I freely predict that there is more likelihood in 1967 of restrictive labor legislation than at any time since Taft-Hartley was put on the books. Union chiefs are aware of this, and they may act with more restraint than most people now expect.

25. 1967 promises to be a year in which many managements will be fighting a "rear-guard" action to control climbing labor costs. The defense building will maintain hiring pressure in some industries; but even more activities will be wielding the paring knife. I forecast that the net result will be a rise in unemployment next year.

26. I do not look for price and wage controls in 1967, unless our defense expenditures rise far above what is now contemplated.

27. An encouraging aspect of the 1967 outlook is the affluence of consumers. I forecast a further upward trend in personal incomes, due to higher wage rates. However, if taxes are raised, take-home pay may not show a rise commensurate with the gain in gross pay.

28. Retail trade held up well in 1966, but there was a note of lethargy throughout the year. The pattern is not expected to show much change in 1967.

29. Spending for food, apparel, and general merchandise should be greater in 1967. Also, consumers will devote a goodly portion of their spending budget for leisure activities, vacation, and travel.

30. Durable goods may not fare so well. Demand for home appliances, color TV sets, and furniture may be hampered by tight credit and high borrowing costs, plus the lethargy in new home building.

31. I forecast a decline in new auto sales. However, with the increase in the population of driving age, and with the record rate of personal income, new car sales could hold within 10% of 1966's.

32. Soaring living costs will hit the headlines more often in 1967. It will be directed most strongly at runaway service expenses—especially medical—and at advancing red meat prices.

33. Despite new highs in the cost of living, I predict there will be many signs of deflation in the midst of inflation. Chief among these will be sliding profits, rising bankruptcies and foreclosures.

34. Industrial commodity prices should be firm to slightly higher. Selective price markups will be necessary to offset wage hikes.

35. Profits began to wobble in the final half of 1966. I am convinced that hesitancy will give way to decline during the year ahead. Big squeeze on margins will come from soaring costs, especially labor.

36. But profits results will also vary widely from one company and one industry to another.

er, as sales volumes sag, hold, or advance. For example, I am willing to "stick my neck out" and say that oil companies will enjoy a sales rise, but that the auto makers will be struggling with a volume slump all year.

37. The combination of less vigorous business, pinched profit margins, and stringent credit conditions points to an increase in business failures, shaking out the financially weak and inefficient.

38. Collections may be more difficult in 1967 on business accounts, consumer installment and charge accounts, and mortgage debt. I forecast a further rise in nonfarm real estate foreclosures.

39. Barring crop failures, I forecast another good farm production year. Farm prices should rule firmly to slightly higher in 1967, but higher costs may result in a slight drop in net realized farm income.

40. Nevertheless, farm equipment manufacturers should enjoy good business. Sales of fertilizers and insecticides should post gains.

41. 1967's stock market promises to be one of vicious selectivity. I am expecting the old aristocracy of the blue chips based on past performance to be replaced by a new aristocracy of super-able management based upon hopes of good future performance.

42. I forecast, however, that 1967 will still hold many dangers for the speculator. I urge readers not to borrow money to buy stocks, and I urge investors to buy for growth and basic investment values.

43. The safest kind of long-term bonds are available now at prices affording very close to the highest income returns of the century. It is a good bet that there will not be so many top-grade issues on the bargain counter at the end of 1967. Should the 90th Congress boost income taxes, tax-exempt bonds will put on the best performance.

44. World opinion on the future of gold has blown hot and cold many times in recent years. Though lately in the shade, I predict that gold will again be in the spotlight before 1967 is out.

45. I forecast that the dollar will not be devalued in 1967, but the pound will continue shaky.

46. Certainly, Congress will

become more and more critical of the looting going on under cover of the Administration's War on Poverty. The whole program will be subjected to tighter supervision.

47. As 1967 wears along, the high hopes for more constructive conservative action by the 90th Congress will give way to increased doubts as a legislative stalemate develops. Republicans will have enough strength to stop the most liberal Administration bills, but not enough to launch a program of their own.

48. There will be a lot of talk in 1967 about the economy's "still growing". But I warn readers to examine carefully the advance in Gross National Product which I am forecasting here. Biggest part of the increase will come from higher prices and wages.

49. I foresee that a breathing spell in the economy can prove

helpful. The prolonged prosperity had bred waste, laxness, and inefficiency. These can be corrected only by a return to fundamentals. Just as the human body requires adequate rest in order to enjoy proper health, so too the economy, and the stock market as well, must undergo periodic resting phases.

50. As the economy cools off in 1967, readers should beware of reassurance that our problems are only temporary and will soon be followed by a decade of boom conditions. The promised land may be only across the river, but it is always wise to test the depth of the water before wading in. That is behind my forecast that 1967 will be a good year for businessmen and investors to have strong confidence for the future, but to proceed with caution and restraint until the uncertainties just ahead have been resolved.

Happy New Year
It gives us special pleasure to extend greetings to you, our kind friends. Many thanks!

Tum-A-Lum Lumber Co.

Mr. and Mrs. Ralph Scott spent Christmas at a family gathering at the home of her daughter and family, the Gerald Nishits, in Wasco. They returned to Heppner Monday.

Tell the advertiser you saw it in the Gazette-Times.

NEW YEARS EVE DANCE

WITH THE HENCHMEN
SATURDAY, DECEMBER 31
Fair Pavilion
9:30 p.m.—12:30 a.m.
\$1.25 PER PERSON



A message for absent-minded savers

If you haven't been remembering to save lately, this is a good time to firm up your New Year's resolutions. Open a First National savings account now and start building your savings nest egg for the future. Regular deposits to your account plus the addition of bank interest make savings grow fast. Or, if you are looking for the ultimate in savings convenience, we have a plan where we do all the remembering—all the work. It's called SAVE-O-MATIC. It works like this:

You simply decide how much you'd like to save regularly—\$5, \$10, \$100—any amount. You authorize us to transfer this amount from your First National checking account to your savings account at regular intervals. We'll do it until you say "stop."

Either plan—regular savings or SAVE-O-MATIC—you earn high bank interest. Sign up for SAVE-O-MATIC at any First National branch and you can forget about remembering to save.

DEPOSITS MADE ON OR BEFORE JANUARY 10 EARN INTEREST FROM JANUARY 1



Member Federal Deposit Insurance Corporation

Happy New Year!

"Inasmuch as ye have done it unto one of the least of these my brethren ye have done it unto me."

We ushered the old year out with T.B. Seals that help support the most atrocious cruelties in thousands of labs all over the U. S. The latest congressional report says over one quarter of a million biomedical people busy without 'one control law' in any lab to prevent tortures from being repeated over and over. This is more than our share of tax \$\$ to support such deeds.

Now we are ready to start another vicious circle all over again by supporting the "March of Dimes" Drive. As Dr. Virginice Apgar, National Chairman of March of Dimes stated "We need 'people' studies, we wouldn't dare drink coffee or take an aspirin; if we believed in Animal Studies."

The truth is, animal experiments have misled science, and the thalidomide tragedy is but one example. The whole question of Vivisection is immoral, wicked, unscientific, useless and cruel.

Read "What Christmas 1966 Means" by the Rev. Donald R. Pederson in last week's Gazette-Times for the best prescription for health, happiness, peace and a more bountiful life for 1967.

Happy New Year
Lois Winchester