Problem of Reviving Foreign Trade Still Foremost in British Industry

Much Discussion With Little Results Again the Story as Labor's Recommendations for Aiding Unemployment Meet Old Objections; Competition Fear Stressed

By Hartley Withers
Editor The Economist
Special Cable to The Tribune
Copyright, 1921, New York Tribune Inc.

LONDON, Jan. 30.—It is the usual story again this week—much talk and few results. Labor's recommendations for a solution of the unemployment problem contain nothing new or instructive and give no indication why labor leaders refused to coöperate with the government.

Labor only suggests reopening trade with Russia without explaining how Russia, without exportable goods available, can stimulate employment here by buying British goods. The recommendations suggest schemes of credit to impoverished countries without any attempt to solve the difficulties met by bankers and credit experts in attempting to devise workable programs. Finally the recommendations emphasize the undesirability of lowering the economic standard of the working classes, but they propose to sustain it not by an improvement in production at lower costs, but by a system of "doles" to the unemployed, which, by increasing government expenditures and consequently taxation, would be more likely to increase unemployment because taxpayers' purchasing power would be reduced.

Wage Earners Understand

In the mean time there is evidence that the rank and file of wage earners are more keenly alive to the facts of their position than the labor leaders in accepting wage reductions in preference to closing plants which cannot produce profitably at the old scale.

It is apparent, moreover, that unless the cost of production in British industry is reduced business men of this country will be unable to compete in neutral markets with German and Belgian producers, whose workmen are doing a better day's work for much lower wages than the British workers.

In a country such as England, depending for its existence on export trade, it is obvious that wage earners cannot expect to maintain a standard of comfort superior to Continental competitors unless the superior standard is accompanied by a standard of work that is at least equally superior.

Consider Export Schemes

The government is still discussing the question of export credit schemes and has made progress to the extent of appointing committees of experts to study the situation. As was announced in these dispatches Christmas, the Board of Trade has been considering credit schemes in conjunction with expert business advisers. This slow progress is only another example of the amusing and exasperating official methods. As usual, everybody wants somebody else to guarantee and take risks. I think it probable that something will be tried, but on a small scale and tentatively.

The bank balance sheets so far published show no reduction whatever in credit outstanding, decreased cash holdings, larger deposits and an advance in discounts. Rapid collection of revenue gives the Bank of England control of the position. A reduction of the bank rate now is thought unlikely unless marked symptoms of contraction here come, or a reduction on your side. Monthly statements of the positions of banks, it is expected, will be resumed next month. Bank meetings are now being held. One chairman, talking extensively on the financial position—Reginald McKenna, formerly Chancellor of the Exchequer, now chairman of the Joint City and Midland Bank—made an especially notable utterance. Contending deflation by a high bank rate and currency contraction is impossible, he advocated a reduction of the national debt by economy of expenditure and a financial policy designed to heighten production, thus curing credit inflation by increasing the quantity of goods.

According to the best opinion, the trade outlook here is that depression and unemployment are likely to grow worse before there is an improvement. Some, however, think that the recovery will be quick and sudden, as last year's collapse was. Many fear a revival of Bolshevik aggression this spring.

In the mean time favorable features in the situation are an improvement in the value of sterling, a large collection of revenue and evidence of considerable volumes of money available for investment.

Lending to Governments

One thing is clear. It is not desirable with a view to stimulating production for solvent governments to lend money to insolvent governments. Money now loaned to most governments is almost certainly misspent; if loaned by another government, probably never to be repaid. Government guaranties may be essential, owing to political risks involved, but actual lending business should be carried out by private enterprise between banks and merchants, if it is really meant to stimulate production. Meantime the hope of a settlement of the problems agitating international politics has once more arisen. British and French governments are reported to be in absolute accordance as to the necessity of extorting the last farthing of German indemnity. There is little prospect of agreement as to which farthing is the last.

Protection Problem

Protectionists are already alarmed regarding the prospects of the markets being flooded by German goods. They think that the situation should be met by tariffs instead of by a reduction of the home costs of production, forgetting tariffs are of no use in neutral markets.

So. Cal. Edison Bonds Offered

Harris, Forbes & Co., the National City Company and E. H. Rollins & Sons are offering an issue of $6,000,000 general and refunding mortgage 6 per cent bonds of the Southern California Edison Company at 87½ and interest, to yield 7.20 per cent. This company supplies electric light and power to over 150 cities and towns, including Los Angeles, and serves an area of 55,000 square miles, with a population of 1,300,000.

U. S. Reserve Banks Permitted to Grant Australian Credit

Plan to Supply Antipodean Interests With Dollar Exchange Approved by Federal Board, Says Council

At the request of banks of the system, the Federal Reserve Board has given permission to such institutions to grant acceptance credits to Australian banks to be used for the purposes of supplying Australian interests with dollar exchange, according to the latest bulletin of the American Acceptance Council.

In commenting upon this action by the Reserve Board the bulletin says: "It appears to the council that the privilege of accepting for the purpose of furnishing dollar exchange should freely be granted by the board whenever it can consistently be done without incurring the risk of opening wide the doors for finance drafts issued, not in anticipation of exchange ultimately to be furnished through seasonal operations (primarily crops) but for the purpose of financing the carrying of securities or speculations in foreign countries. Where, in such circumstances, banking systems exist with a well established credit and a very large borrowing power, the aggregate of drafts so drawn, on the plea of furnishing dollar exchange, might easily become so large as to be detrimental or even a menace to the accepting country. Such danger does not prevail with countries in Central and South America, the British Dominions or countries of similar character. To all such countries the board could safely grant the advantage of having their banks draw long drafts on American banks for the furnishing of dollar exchange in anticipation of seasonal movements."

The Acceptance Council points out that so far the Reserve Board has granted permission to American banks to accept, for the purpose of furnishing dollar exchange, bills drawn by banks or banking firms in the following countries:

Argentina, Bolivia, Brazil, British Guiana, British Honduras, Chile, Colombia, Costa Rica, Cuba, Dutch Guiana, Ecuador, French Guiana, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Peru, Porto Rico, San Salvador, Santo Domingo, Trinidad Uruguay and Venezuela, and Australia, New Zealand and other Australasian dependencies.

Investment Information

Questions of general interest to investors will be answered in this column, in which case only initials will be used. Others will be answered by mail. Address all inquiries, inclosing a stamped, addressed envelope, to Financial Editor, The Tribune, 154 Nassau Street, New York City.

Well Advised About Bonds

Question—Would like to invest $6,000 in gilt-edged bonds maturing ten to fifteen years. Have been recommended Canadian National railway equipment 7 per cent New York Central equipment 7 per cent, Union Pacific equipment 7 per cent, Illinois Central equipment 7 per cent, Bell Telephone of Pennsylvania, Standard Oil of New Jersey. Would you advise to buy all equipment bonds? Is there any difference between Standard Oil of New Jersey or New York? Would you kindly mention to me how much money I should have to buy one of each of the above six mentioned bonds? Can I purchase them from a bank, or is it better from a broker? Do you think the time is good to buy now, or wait until the newly elected President takes his office, on account of unsettled conditions? Also advise me if it is better for me to buy gilt-edged railroad bonds of lower grade in the 70s. Do I gain more by buying lower grade? I never invested in bonds before but would like to have a higher rate of interest than 4 per cent in the bank, and am not able to work steadily, therefore would like to have a good, safe and sound investment which I could easily turn into cash in case of need.—B. M.

Answer—You have been well advised about the investment of your $6,000. The six bonds are all well secured and readily marketable. They are the promises to pay of large, well-managed corporations of good credit. Whether to buy from a banker or a broker is a matter of convenience with you. You need not wait until Senator Harding gets into the White House. His inauguration is probably not going to lower the price of your securities, and if it raised them before you placed your order you would not be so well off as you are now. On account of your impaired earning capacity we think it best for you to look to security first and disregard possible speculative gain.

Would Improve Savings Bank Return

Question—I have become quite interested lately in your information in regard to investment. I have $500 savings drawing 3 per cent at a western bank which I would like to invest in some good, safe stock that would bring me a better income. As I am inexperienced in regard to the matter I should be very glad of your advice. Would you consider United States Steel a good investment? Which would be better, or bring larger returns, the common or preferred? Do you consider General Electric a good investment? Also American Telephone and Telegraph? What is meant by the term rights? I note Southern Pacific rights quoted at 20¾. What does it mean? How can one learn if shares of bank stock are for sale?—MISS A. MAC G.

Answer—Steel common is too speculative for your savings, in our opinion. The preferred is plenty safe enough, however, as are American Tobacco 6 per cent preferred and American Bank Note 6 per cent preferred (par $50). They will yield you between 6¾ and 7 per cent. American Telephone & Telegraph and General Electric are not so high grade, though entitled to good ratings. The difference between 7 and 8 per cent on your $500 is only $5 a year and we think you should stick to the more conservative issues for the present. Southern Pacific rights are the privilege of subscribing for $15 a share for Pacific Oil Company stock, which is supposed to be worth about $35. The rights on the market have been sold by stockholders, to whom they were given by the company. The stockholders not electing to exercise them. If you wish to know if the shares of a bank are for sale, look in The Tribune under bank stocks. If you do not find the quotation there, ask the bank you have in mind. We do not think bank shares are best for your purposes. You can deal safely, we believe, with brokers who advertise in The Tribune.

Trying to Unload Carlisle Tire

Question—Can you give me the status of the Carlisle Tire Corporation? Their stock is sold to individuals, like myself, at $25 per share and a bonus of 80 per cent common stock. They are scheduled to pay 8 per cent dividends. They are putting up a new plant at Stamford, Conn., and have promises of production in the near future. Their tire is a cord of a special make. I have heard it lauded by their agent, but scored by a dealer. Is there a way to unload from their stock now?—J. E. V.

Answer—We know of no regular market for Carlisle Tire stock. We have always held that the shares are speculative, and we invariably warn our readers (if we get a chance in time) to find out before they buy what market a security is going to command. Write to the company, 250 West Fifty-fourth Street, and ask what you can sell the shares for, or borrow on them.

Twin City Bonds Well Secured

Question—What is your opinion of the bonds of the Minneapolis & St. Paul Street Railways, due 1928, yielding about 8½ per cent? I own some of the stock of the Twin City Rapid Transit Company but I am not very well satisfied with it. Also tell me if Great Northern and Northern Pacific are good investments at the present price.—A. A. B.

Answer—The Twin City Rapid Transit, like most other traction companies, has shown decreased earnings, as compared with the pre-war period. For the last few months there appears to have been some improvement. It is our opinion that the well-managed traction companies have been through their worst period. The Minneapolis & St. Paul Railways 5 per cent bonds, 1928, appear to us to offer very fair investment opportunities. Much depends, however, upon the amount of your capital. If it is not large we do not recommend the bonds. Both Great Northern and Northern Pacific are speculative. During this time, when there is so much uncertainty regarding the railroads, we do not recommend such issues for conservative investment.

Consumers' Power Bonds

Question—I would appreciate very much indeed your giving me your ideas as regards safety of Consumers' Power Company general and refunding mortgage gold bonds, ten-year 7 per cent, series A.—W. F. D.

Answer—Consumers' Power Company general mortgage 7 per cent bonds appear to be safe. The company is doing well and earnings are ample to care for all charges.

Adding to High Grade Holdings

Question—I want to diversify my bond holdings by purchasing some of the New York Central refunding mortgages, 3½ per cent. Is this a safe bond? What is its investment rating, as compared with Atchison general 4s and Union Pacific first land grant 4s?—A. H. H.

Answer—New York Central 3½ per cent bonds are very high grade. They are entitled to the same rating as Atchison general 4 per cent and Union Pacific first 4 per cent bonds.

Great Northern for Business Man

Question—Will you give me your opinion on Great Northern bought at 74 as a business man's investment. The price for the last ten years has been steadily downward, although the dividend has always been maintained.—W. L. S.

Answer—Great Northern preferred stock (there is no common) is, in our opinion, a good investment for a business man. The company has paid dividends since 1890; 7 per cent since 1900. The only uncertainty about the stock seems to be the possibilities in the future railroad situation; that is, whether the carriers will fare well under the new rates, legislation, and wages. Railroad business has fallen off heavily in the last few weeks.

Prefers Telephone Bonds

Question—Kindly advise me as to the investing of $1,000 or more in a good, safe bond, such as Southern Bell Telephone, Bell Telephone of Pennsylvania or the American Telephone and Telegraph of '46 or '48. Which is preferable? Also, what is the standing of the Franklin Fire Insurance stock?—J. C.

Answer—All the telephone bonds you name are sound, in our opinion. There is very little to choose among them. Franklin Fire Insurance stock is a good investment for a business man.

Four full columns of investment questions and answers are published in The Tribune every Sunday.