

FINANCIAL NEWS AND THE SITUATION

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Activity of Speculator in Wall Street Is Revived During Last Week.

MONEY RATES ARE EASIER

Paying Utility Companies Just Rates for Services Rendered Public.

By WILLIAM JUSTUS BOIES. The spirited outburst of speculative enthusiasm in Wall Street last week was in natural response to the interesting developments making for increased optimism in investment markets. They included successful adjustment of the income tax payments last Monday, followed by a reaction in money rates, collapse of revolution in Germany and more public recognition of the railroads. Vastly improved position in consequence of protection provided by the recently enacted law which guarantees a 5% per cent. return on property investment for two years. It insures for the railroads a protection which they never enjoyed before the war and indicates that they will be more liberally dealt with for two years at least.

Important Change. The sentimental influence of those changes is far-reaching, affecting not only the holders of \$170,000,000 of outstanding railroad securities but also the 10,000,000 people of the United States, whose prosperity in one way or another is influenced by the well being of the transportation industry. If the world war taught the American people anything, it taught them the folly of treating the railroads as a mere commodity to be bought and sold without the proper rolling stock and equipment. When the struggle began the physical position of many of the roads was so poor as to make it necessary for the Government to overhaul equipment forthwith. That was possible, because the funds were instantly available. Under the order of the United States it was impossible for the railroads to obtain funds with which to finance their requirements, because the roads had been half starved for several years, and their credit had fallen so low as to make it impossible for them to appeal successfully to investment markets.

New Era. That era has passed. Business was almost crippled by the short-sighted policy of those days. The country lost a fabulous amount of potential trade through inability of the railroads to provide facilities that the people required. The result was unsatisfactory to everybody, as the one thing certain is that a half starved utility never succeeds, seven or eight years ago, when the railroads were accustomed to improve heaven and earth for a 3% per cent. rate increase, and the Interstate Commerce Commission, after months of debating, failed to get along with a 5% per cent. rate, the general public lost a thousand times more than the shippers saved. It was a case of forcing the business industrial nation of the world to jeopardize its wonderful delivery service by making it give a dollar's worth of service for seventy-five cents.

Inadequate Rates. If the revenues of the railroads or of any other utility are inadequate to maintain the organization at a high state of efficiency the public service is threatened. It must deteriorate. If the shortsighted policy persists receiverships are inevitable, because no business can be long maintained at a loss. No country has developed its railroads as intensively as we have developed ours, but none has treated them as unfairly in the days when Federal and State commissions did everything possible to hamper the carriers and make earning sufficient revenues to protect the integrity of their securities difficult for them. For that reason the change that has been brought about by the law of February 25 last is of immense significance. It is helpful not alone to the railroads but to all utilities engaged in serving the public at a fixed rate for service. Those properties must be made self-sustaining and unless they earn enough to give them a moderate reserve as a rainy day fund they will be in a precarious financial position.

Going Strong. In a country of high pressure business the service itself will be always of greater importance than the greater amount of money which typically runs of the United States, where every train has to go at high speed and every telephone connection made in a few seconds. High pressure services the world over cost money, but it is American people have shown that it is worth all that it costs. This nation does business on the jump, and if it has a shipment to make or a telegram to send, the people insist on prompt service. The result is that Americans excel in quantity production and the German generals are still talking about the celerity with which we handle our business. The desperate competition of trolley companies in the East and the West emphasizes the necessity of strengthening utility equipment and making the rate pay for the service rendered.

Building Up. While the railroads were operated by the Government there was little complaint of poor service, because the public was hopeless. But now that the carriers have been returned to ownership control, the people are showing a lively interest in the cost improvement programs that is being gradually formulated. The \$200,000,000 revolving fund will be utilized largely for purchase of equipment and other material which must be provided in generous quantities if the roads are to obtain facilities which their patrons require. All those outlays will be merely investments in the public service, because with study by the Commerce Commission those great properties will be operated in the interests of the public first of all. At least \$1,000,000,000 annually will have to be expended on the roads over five years period to equip them with facilities urgently needed to handle the volume of business which the carriers must provide for. Those prospective operators explain the sharp advance in equipment and steel issues. Railroad buying is already a factor in the steel market, because purchases by carriers and the automobile trade have been a large factor in the rush orders which many steel mills have booked. That movement has just begun, and it is clear that the largest volume of improvement work which railroad managers ever have handled will be under negotiation during the next few months.

Buying Bonds. An interesting development has to do with the somewhat broader inquiry for high grade bonds of the distinctly investment type. Those securities have come in somewhat better demand as a consequence of the release of funds by in-

vestors who have awaited more settled conditions in the money market before employing their surplus in long term investments, a good sign, which indicates that the usual April demand for bonds may result next month in the absorption of a considerable volume of securities held by syndicates in better conditions. There has been little incentive to buy bonds with tax burdens as high as they are to-day. Otto H. Kahn declared in Paris the other day that foreign investment securities to be really attractive to the American millionaire must show an income return of at least 18 per cent. That assertion appeared startling, but it was no exaggeration, as any one can tell by estimating the enormous tax burdens which those in receipt of millionaire incomes have to stand for under our income tax law. Those conditions explain the broadening demand for high grade bonds of the tax exempt class which is being met by the market, a better grade to take on a 4% per cent. basis.

Financing Reconstruction. The country is going ahead conservatively, and in these days of high prices an amount of credit is being made available to finance the daily turnover of business. Unless all signs fall the bond market is on the verge of important developments. Several big issues are pending and heavily capitalized industrial corporations will make large offerings of preferred shares soon, if no further setback be encountered. The country's financial position is not so satisfactory as it appears. A sustained movement of bull speculation without a quick return to high money rates. The probability is

that if any such movement should be attempted the Federal Reserve Board would apply against the banks and force a reduction in the volume of loans secured by Stock Exchange collateral. The Wall Street loan account has been greatly reduced, and the urgent need for a sufficient amount of credit in commodity loans to enable the banks to respond to the growing demands of mercantile customers. The situation is full of interesting possibilities, and the credit strain has been by no means fully relieved. But with skillful financing the indications are that the demands of the April money market can be provided for without acute disturbance.

Other Demands. The country is engaged in an extraordinary building campaign, and with the return of spring fresh impetus will be given to the new housing movement employing their surplus throughout the country. That development is very interesting and recalls the extraordinary purchasing power of the American people in the West where high grain prices offered attractive investments. With the arrival here of large quantities of gold there is likely to be a further strengthening of bank reserves, which may reach sufficient proportions to justify the financing of new ventures in various lines. For the time being the American people can do nothing better than saw wood, cut out extravagance and fortify their bank balances in preparation for the second income tax installment three months ahead.

TOTAL TRANSACTIONS IN THE NEW YORK STOCK EXCHANGE

Table with columns for 1920, 1919, 1918, 1917, 1916, 1915, 1914, 1913, 1912, 1911, 1910, 1909, 1908, 1907, 1906, 1905, 1904, 1903, 1902, 1901, 1900. Rows list various stocks like Adams Express, American Express, etc.

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