1922 HAS PUT BUSINESS BACK ON SOLID FOOTING

Biggest Factors of Year in Finance Reviewed—Further Steady Gains Assured for at Least Six Months.

BY J. C. ROYLE.

Special Dispatch to The Star.

NEW YORK, December 30.—The year of 1922 has seen the unscrambling of virtually every great industry in the United States. Business, which for a time rested on the scaffolding and false work of abnormal and subnormal conditions, again is on a sound, solid and permanent foundation.

No boom is in prospect. There are no indications of frenzied price movements. Competition will be keen and profit margins will not be great. But there is every indication from present conditions that business activity will continue to increase and the level of industrial and commercial prosperity will continue to rise at least for the next six months.

New standards of comparison have been adopted. Merchants, manufacturers, farmers and business men in every line have realized at last that neither the pre-war days of 1914, the flurried production of the war period, the hectic activity and tremendous profits of the years immediately after the armistice nor the dark outlook of the years of depression and deflation extending to the beginning of this year, represent any longer the normal level of business.

Business Hovers at New Normal Mark

This country, right now, is experiencing a greater prosperity than its citizens generally realize. The pendulum of business is hovering at or near that new normal mark which this year's progress has established. That pendulum is never still. Careful examination of conditions in every section of the country indicates that the upward swing of prices and production has not been completed. Its momentum bids fair to carry it on for another six months at least and perhaps longer. Any swing back probably will be at the same steady pace as the advance and will be confined within the same well regulated limits.

Factors in Improvement.

Three great factors have marked the difference between the depression of 1921 and the prosperity of 1922. They are volume of production and sales, increase in the buying power of the nation and management. When the year opened scarcely an industry in the country was operating on a normal capacity basis. Many plants were closed entirely. Many concerns had written off or absorbed high-priced inventories, but others still had goods which they could not move, clogging their advance.

Demand, however, began to improve materially in the second quarter of the year. Merchants either wrote off their losses or averaged out their high-priced inventories with the movement of goods obtained at cheaper prices. Buying was conserved but it was steady, and demand increased proportionately.

Industries Near Capacity.

As a consequence, at the end of the year, the great basic industries of the country are operating close to capacity and the greater number have orders on their books which will keep them busy at an undiminished rate for months to come.

The steel industry, one of the surest indicators of industrial activity, just as wheat is the agricultural index, has advanced production from the extremely low point at the opening of the year to well above 80 per cent of capacity for the whole industry. Individual units have attained even higher rates of output and for some months have been turning out products at or above 100 per cent of normal.

Unemployment Has Disappeared.

Unemployment was a pressing problem when 1922 opened. States, municipalities and social and charitable organizations were asked to co-operate with the federal government in meeting it. Today unemployment practically has disappeared. There is a job for every man who wants one and a score of employers to beg him to take it. So great has been the demand for labor, both skilled and unskilled, that industries are still raiding each other for men and scores of enterprises are hampered in their progress by inability to obtain the workers they need.

Wage advances were an inevitable consequence of these conditions. The United States Steel Company set the pace for the industrial world by an advance averaging 10 per cent. This example was followed in hundreds of other industries. In the building trades, skilled artisans have been able almost to name their own terms. Pay rolls jumped forward in steps of millions monthly and buying power was thus increased far beyond any expectations that existed at the opening of the year.

Buying Power Increased.

This increase in the volume of money available for individual purchases was not confined to wage earners. Incomes of investment holders were increased not only by the general betterment in business conditions, but also by the return to a dividend basis of companies which had reduced or suspended dividend distributions, and by increased payments by others which had been swept forward on the crest of the business tide.

The farmers also have attained a far higher standard of buying power than was expected when the year opened. Prices of agricultural products did not keep pace with advances in other lines, and the situation of the farmer was further weakened by lack of transportation facilities at a time when they were needed most.

But the farmer in nearly every instance got himself out of debt. He made his crops cheaper than he had for years and was left with a surplus which he was able to devote to purchases, long delayed, of both necessities and luxuries. In addition, his credit situation has immeasurably improved, and there still remains unsold over two billion dollars' worth of farm products. The proceeds from these products eventually will find their way across the counter. In the south the rapid and continued advance in the price of cotton has put the growers in a more satisfactory position than they have occupied for years.

Margins of Profit Small.

Prices for finished products advanced generally throughout the year, but they did not move upward proportionately with the increase in wages, raw materials and costs of production. Producers hesitated to make further advances for fear of stemming the tide of buying and forcing a renewal of the so-called "buyers' strike" which had been a bugaboo in 1921.

As a consequence, margins of profit were small. Manufacturers, wholesalers and retailers met this situation successfully by increased efficiency in manufacturing and sales methods and, in some instances, by mergers and consolidations. Quality and service, too long neglected as factors in merchandising, again are being stressed. For the first time in years the policy that "the customer is always right" is operative. There are fewer salesmen on the road, but they are better salesmen.

Advertising an Aggressive Weapon.

Advertising, especially newspaper advertising, has been an aggressive weapon in the hands of the merchants. Estimates compiled today indicate that the volume of advertising this year exceeded that of any previous year in history and surpassed the volume of 1920, the previous record-breaking period, by between 12 and 20 per cent. Moreover, advertising this year has been free from the taint that it was used as a hiding place for business profits rather than a developer of sales volume.

The Three Great Strikes.

Three great strikes marked the course of business during 1922, the textile strike, the coal strike and the railway shopmen's strike. Great as was the depressing influence of these wage disputes on commerce and industry, their results were not entirely disastrous. More than once business was poised for flights toward inflation. It is possible that the labor controversies acted as a brake against too rapid advance and resulted in a steady and healthy improvement, free from the danger of acute relapse.

The coal strike, while it delayed operations and lessened production throughout the industrial world, had an effect more psychological than real. Reserve stocks were depleted and prices advanced somewhat, but few plants were forced to draw their fires entirely and production of coal jumped rapidly back to, or above, normal when settlement was concluded. Danger of shortage for domestic uses has not entirely passed, although this is due more to lack of transportation than shortage of production.

Shortage of Railroad Equipment.

The rail strike was far more severe in its effects. Hardly an industry or business but suffered in some way or another from the shortage of freight cars and poorness of motive power equipment. This lack of equipment was not due entirely to the strike. There are fewer cars in bad repair today than for a long period, but the strike served to emphasize the fact that equipment was totally inadequate to meet the heavy requirements of normal business and crop movement.

Conditions have improved, but still are far from satisfactory. But railroads have entered upon the greatest equipment buying campaigns in their history. Orders for thousands of cars are being placed each week, and the carriers give evidence that they do not again intend to be in a position where they must turn away revenue freight.

Water and truck transportation received an impetus as a result of the strike, which will be felt by the rail carriers for years.

Textile Mills Recovering.

The textile strike in New England was the longest drawn out in the history of the textile industry in America. Beginning in February, the last rumbles of its discord have just died away. Both sides lost millions, but, while thousands of spindles were idle, stocks of cotton goods diminished to a point where the inevitable increase in prices was the more readily accepted by the consuming public.

A marked innovation following negotiations during and after the rail strike was the determination of many roads to deal each with its own men through the formation of so-called "company unions" and the announcement by certain of the national railroad unions that hereafter they would negotiate with each road individually.

The tariff undoubtedly was a potent factor in many industries. The most general reaction, however, was a feeling of relief that the schedules finally were settled and that business men could make their plans accordingly.

Building Is Business Mainstay.

It becomes increasingly evident at the close of the year that building construction was the pillar which upheld the structure of business while the new girders of other industries were being forged and swung into place. The total value of new construction in 1922 has been well over $4,000,000,000. The scope of operations was 40 per cent greater than in 1921 and 30 per cent above the totals for 1919, which had been the record year up to this time.

No obstacle sufficed to check these tremendous operations which affected every section of the country and were almost as marked in the rural communities as in the cities. Prices for materials advanced decidedly during the year. Wages jumped to unprecedented heights. It was no unusual thing during the past year for plasterers, bricklayers and plumbers, what with extra work and overtime, to earn over $100 a week. Common labor in the building trades was paid at a rate unequaled except in the most active days of the war.

Housing Shortage Still Acute.

The activity of the operations survived failure of supplies, delays in delivery of materials and wage disputes, and even the approach of winter served to slow the pace only a trifle. Undoubtedly this was because the housing shortage still is so acute that nothing could halt the movement.

It was due to the wise policy of the producers of building materials, however, that progress was so steadily maintained. Lumber manufacturers, cement makers and brick producers guarded carefully against runaway markets, and, as a result, prices, while they advanced, did so gradually and without causing panic or uneasiness.

Much of the building inaugurated was for business purposes, but the mainstay of the movement was the desire of American citizens for homes.

Never before, in a similar period have so many dwellings been built, and never before have they been so completely and attractively furnished. This trend has been constantly felt in the sales of carpets, rugs, furniture and household goods, which have been maintained at a high mark throughout the year. Ample capital continues to be available at reasonable rates to finance building operations.

Companies Increase Dividends.

If further evidence of the prosperity is needed, it is to be found plainly in the dividend declarations of the last month of the year. Four out of every five companies which made a profit in 1921 reported an increased profit in 1922. With few exceptions companies which paid dividends in 1921 maintained or increased them in the current year.

Hundreds of companies declared extra dividends or increased their rates of distribution. This does not refer specifically to the number which declared stock dividends, but to those which paid actual cash to their stockholders.

Increases of capitalization and distribution of stock dividends and bonuses were the outstanding features of the latter part of 1922. Capitalization and subsequent stock distributions to shareholders totaled far above one billion dollars in book value. What they amounted to in actual value still remains to be seen.

Without question, many companies took this method and opportunity of transforming profit surpluses accumulated in this and previous years into working capital. Some adopted this means of making payments of such profits to stockholders in a form not subject to taxation. There is little doubt that still other companies followed this popular policy for appearance sake, and still others accepted it just as any other trend of fashion, whether in finance or apparel, is seized upon.

Value of Assets Unchanged.

So far as stockholders were concerned, the actual cash value of their assets was not increased by a single dime by these proceedings. Their relative interest in the assets of the companies in which they held stock was the same whether that interest was represented by one share at the old capitalization or by ten shares under the new.

In potential value, however, the values of their holdings undoubtedly were increased by this extraordinary development of business and finance. Earnings are the things which will separate the corporate sheep from the goats. If companies can maintain dividends at or in proportion to the present rate on the new capitalizations the profits to shareholders will be enormous. If they cannot do so the market value of the securities will reflect that fact sooner or later.

Profits Greater in 1923.

There is every indication, however, that business profits will be increased in 1923 more than they have been this year. Margins of profits have increased with the advance in commodity prices. Buying power has increased with wages, which have shot upward faster than the cost of living. Buying power, however, is not being misused. The demand in nearly every section centers around useful goods, but buying is featured by inquiry for better quality and larger volume.

In many lines producers now have orders on their books which will insure continued and profitable operations near capacity for months to come. Supply and demand rather than artificial inflation of prices or speculation have determined the business trend this year and bid fair to continue to do so in 1923.

Some Industries in Danger.

Some industries are bound to lag behind the general trend. Business failures will not be eliminated, for profits will depend more than ever on volume of turnover and efficient management. Seasonal and sectional conditions will cause recessions in the price advance from time to time and sooner or later the pendulum of business will start to swing backward.

But business and banking conditions generally are on a sound basis. Old debts have been cleaned up, strong lines of credit have been established and savings are piling up at a record rate. Business is unafraid and is equipped to face 1923 with confidence and courage.

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STOCKS AND BONDS GAIN DURING WEEK

Moderate Improvement in Spite of Heavy Selling. Money Goes Higher.

RAIL REPORTS BETTER

Cotton Prices at New Tops for Year—Trend in Steel Upward.

By the Associated Press.

NEW YORK, December 30.—Stock and bond prices showed moderate improvement this week despite a heavy volume of selling to establish losses for income tax purposes. Foreign exchanges were inclined to ease, first on the decision of the reparations commission declaring Germany in default on her wood deliveries and then on the hitch over the disposition of the Mosul oil fields in the Lausanne peace negotiations, but net losses were comparatively small.

Publication of November earnings statements of the principal railroads, which compare favorably with those of November, 1921, stimulated trading in railroad shares, buying of which was also influenced by the record-breaking volume of traffic for this season of the year. The year closes with the steel industry working between 80 and 85 per cent of normal capacity and the trend of prices upward. Building construction shows no sign of abatement and orders for automobile forgings give promise of another record-breaking year in that industry.

New Highs in Cotton.

Cotton prices reached new high records for the year, early spring months selling around 27 cents a pound, as compared with 15 cents only a few months ago. Wheat prices were inclined to sag, December prices getting below $1.27 a bushel.

An increase in the price of Wyoming crude oil and additional increases in the prices of rubber tires and tubes attracted attention in the financial markets and were reflected in higher stock prices. Motor and accessory shares were inclined to strengthen in expectation of good business at the winter shows, which start next month. Studebaker, which sold ex-dividend 25 per cent in stock yesterday and closed at 114⅞, as against 139¾ the previous day, really registered a net gain of more than 3 points.

Call Money Higher.

Higher call money rates at the end of the week were due to the withdrawal of $70,000,000 by the United States government from local banks and a large volume of withdrawals by private banks and institutions to meet year-end dividend and interest requirements. Time money and commercial paper rates held steady, with the volume of business light.

COAL NATIONALIZATION PLANNED BY MINERS

Fact-Finding Committee Declared to Have Fixed Upon Four and Half Billion as Cost.

NEW YORK, December 30.—A plan for nationalization of all coal mines in the United States, prepared by a fact-finding committee of the United Mine Wokers of America, was made public last night before the League for Industrial Democracy, by C. J. Golden of Shamokin, Pa., president of District No. 9, United Mine Workers of America.

The plan contemplated purchase of the mines, both anthracite and bituminous, at a total cost to the government of $4,500,000,000. This figure was based upon a present estimated private investment of between one and a half and two billion dollars in soft coal properties plus approximately two billions in anthracite mines.

To bring about such federal ownership, the fact-finding committee would, according to Mr. Golden, recommend an inter state commission of mines, at the head of which would be a secretary of mines, with a seat in the cabinet.

Appointments to this commission would be made by the president, and by professional and industrial associations. Its duties would include scientific determination of costs of production, the fixing of prices to the consumer, the negotiation of freight rates, distribution of the product of the mines and the accumulation of facts concerning every phase of the industry.

Adminstration and operation would be delegated to a national mining council composed of a financial group, a technical group, a group to include administrative officials of the industry, and a fourth made up of miners and consumers. All would be appointed by the interstate commission.

The plan as outlined frankly contemplated the birth of a political labor party to assure its successful operation. It would, said Mr. Golden, be essential in bringing political influence to bear on the governmental commissions toward protecting the interests of the miners.

The miners designate the proposed program "the American plan."

YEAR 1922 MARKS NEW EPOCH IN CURB MARKET

Palatial Building Ends Outdoor Trading—Several Issues in Startling Moves. Famed as Home of Standard Oils.

BY WILLIAM F. HEFFERNAN.

Special Dispatch to The Star.

NEW YORK, December 30.—Long before the stock exchange was in existence an organization known as the the New York curb market, it is in business in stocks and bonds at the corner of Broad street and Exchange place, New York city. Without delving too far into the past history of the New York Curb Market, it is interesting to note the rapid progress and expansion this organization has made during the year 1922.

Not long ago officers and members of the New York Curb Exchange came to the realization that this market for stocks and bonds was becoming such an essential factor in the world of finance that steps were taken to prepare more adequate facilities for trading and to meet the influx of new securities that looked to the curb exchange as a place for listing, where could be found a ready and reliable market.

Monday, June 21, 1921, marked the beginning of a new chapter in the history of the New York Curb Market. On this date the organization moved into its magnificent new building at 73 Trinity place, New York city. As one of the means for accomplishing this tremendous undertaking it was necessary to increase its membership dues. Previous to this date, and when the curb market transacted business in the open, membership dues approximated $265 a year. While the new edifice was being erected an assessment of $1,500 was imposed upon each member, for which he was given a realty bond.

Curb Memberships Sought.

The demand for membership on the curb exchange is without equal in any other stock market in the country at the present time, and as an instance of the appreciation of seats on the curb exchange, more than one has sold for the sum of $10,000 during the year 1922. The membership quota is limited to 550 members.

After moving indoors the exchange also installed a ticker service that is operated along the same lines as that of the New York Stock Exchange. Every transaction that takes place on the floor of the exchange is recorded on the tape within less than a minute after its execution, in the offices and rooms of its members, so that the customer buying or selling securities may see his own transaction officially printed.

These and many other recent accomplishments go to give the New York curb market its place as America's second largest stock market.

Functions of Curb Market.

Among the various functions of that market are: To provide a "primary" market for introducing the securities of such industrial, metal, oil, public utilities of other corporations as are eligible for listing under the strict requirements of the exchange; to furnish a temporary primary market for the preliminary issue of securities of well known established companies which are being reorganized or are issuing additional stock, usually represented by "rights"; to provide a market for issues in the formative period of their corporate existence, which, although they may represent the most legitimate form of enterprise, are more or less speculative even under most favorable circumstances; to provide a market for such other stocks or bonds, which for various reasons are not listed on any other exchange.

The history of the New York curb market is replete with examples of securities that have risen sensationally. This is forcibly illustrated by the following tabulation of some of the more notable speculative advances: General Asphalt from 23¾ to 161½; Houston Oil, 12½ to 172; Consolidated Copper Mines, 1 to 12½; Anglo American Oil, 11¼ to 37; National Transit, 11½ to 40; Todd Shipyard, 73 to 220; Merritt Oil, 11 to 43½; United Verde Extension 5¾ to 43½; International Petroleum, 9⅝ to 77; Cramp Shipbuilding, 29¾ to 210; Chevrolet Motors, 50 to 278.

Additional evidence of the general stability and worth of the stocks dealt in on the New York curb market is supplied by the large number of securities that have graduated, to the New York Stock Exchange.

Graduate to the Big Board.

Before being transferred to the New York Stock Exchange many of these securities scored spectacular advances on the New York curb market.

Following is a partial list of securities that were transferred from the New York curb market to the New York Stock Exchange within recent months: Air Reduction, Ajax Rubber, Alaska Gold, Alaska Juneau, American Drug Syndicate, American International, American Safety Razor, American-Sumatra Tobacco, Butte Copper and Zinc, Cerro de Pasco, Chile Copper, Coco-Cola, Cosden & Co., Fisher Body, Fisk Rubber, General Asphalt, General Motors, Haskell & Barker, Hendee Manufacturing, Houston Oil, Hupp Motors, Inspiration Copper, International Mercantile Marine, International Motors, Invincible Oil, Island Oil and Transport, Jewel Tea, Kelly-Springfield Tire, Kennecott Copper, Keystone Tire and Rubber, Kresge, Loew's, Inc.; Loft, Inc.; Marland Oil, May Department (the new shares of $25 par value are now being traded in on the curb market); Miami Copper, Midvale Steel, Montgomery Ward & Co., National Conduit and Cable, Nevada Consolidated Copper, Oklahoma Producing and Refining, Orpheum Circuit, Phillips Petroleum, Pierce Oil, Rand Mines, Ray Consolidated Copper, Republic Motors, St. Joseph Lead, Seneca Copper, Shell Co. (Royal Dutch); Sinclair Oil, Standard Oil of New Jersey, Stromberg Carburetor, Submarine Boat, Superior Oil, Tobacco Products, United Alloy Steel, United Drug, United Retail Stores, Utah Copper, Vanadium Corporation, Vivandou, Weber and Heilbroner and White Motors. These and many other issues were first traded in on the New York curb exchange.

Many New Stock Issues.

During the past year numerous companies have declared stock dividends to shareholders and have readjusted their capitalization. It has been necessary, therefore, to issue new stock in many instances. These shares have found a ready market on the curb, and have been admitted to trading on a "when, as, and if issued" basis, in many cases within less than a week after these recapitalization plans have been approved.

Some of the largest corporations in the country have their securities listed on the New York curb market. It has always been known as the home market for Standard Oil stocks. Several members of this group have been transferred to the New York Stock Exchange, but the majority still remain on the curb list and are instances of the class of securities that come under the trading requirements of this organization.

The following list gives examples of the enormous assets of some of the securities traded in on the New York curb market: Standard Oil of Kansas, over $12,000,000; Cities Service Company, over $557,000,000; Standard of Indiana, over $237,000,000; Simms Petroleum, over $27,000,000; Peerless Motors, over $13,000,000.

Greater Capitalization Trend.

Within the year 1922 many of the corporations and companies whose securities are traded in on the curb market have piled up tremendous cash surpluses and have adopted the plan which has been common in recent months of distributing these surpluses in the shape of stock dividends to present shareholders. Opinions vary as to the main reason for the adoption of these measures, but it is generally explained that such action has been taken to provide a larger working capital, so that these compaanies and corporations may be able to provide necessary facilities to cope with the expense in their various industries. Consequently new stock has been issued to shareholders in the form of stock dividends, in proportion to the number of shares held by the investor.

It has been rumored in financial circles that in view of revised taxation methods pertaining to corporation cash surpluses several of these stock dividends have been declared in order to avoid any such action. However, if these corporations and companies can maintain their present dividend rate on the additional stock allotment, then their action in making these large distributions will be justified.

Price Changes of the Year.

Price fluctuations this year have been wide, with speculative and investment opportunities abounding in all sections of the curb market. During the first few months of 1922 the automobile industry suffered rather severe depression, and price cuts throughout this section of the industrial list brought about materially lower levels.

On the other hand, the increased production and output of automobiles by all companies has increased monthly to meet the enormous demands of the general public, and has resulted in a steady upward movement in motor stocks until most of this class are at their high levels as the year ends.

Automobile manufacturers in 1922 have enjoyed the biggest business in the history of the industry, with the prospects even better for business in the coming year.

High and Low Marks.

The month in which the high and low prices of several of the more prominent and active leaders of the motor group were recorded is given below: Durant common touched its low for the year in the month of January, when it sold at 22⅝; the high prices were reached just before the end of December, when it sold above 71. Durant of Indiana likewise reached its low record in the first month of the year, when it sold at 5¼ and moved sympathetically with higher prices in Durant common, crossing 17 in the latter half of December. Stutz Motor, however, was an exception to the general tendency, but for reasons that were not governed by the Motor industry. Continental Motors made its low price of 5¼ in the month of February and the close of the year saw this issue selling at its top quotation above 11.

Automobile wheel manufacturers shares and automobile accessories moved sympathetically with the general trend of prices in automobile shares and were actively traded in throughout the greater part of the year.

The chain store companies and department stores had a big year in 1922 and many new issues of this character have reached the investing public through listing on the curb exchange. The year closes with these stocks, for the most part, either at or slightly under their highest levels.

Mining shares, such as copper, zinc and lead, reached their highest levels generally around the middle of the year, after which the market for those shares suffered rather severe depression as the result of the small profit margin. Indications point toward active trading in the near future in this group.

Depression in Oils.

Oil shares, although actively traded in throughout the greater part of the year, met with many happenings that were responsible for depression. The high prices generally were reached in the months of May and June. Salt water intrusion in many of the Mexican wells brought about severe declines in the shares of Mexican oil companies and was responsible for curtailment of output by American companies in Mexico with the hope of conserving the future supply that these companies would be called upon to furnish American industries. The petroleum production of Mexico in the month of September fell almost 7,000,000 barrels below that for the month of June, which was considered the best production month of the year. In addition to this, the most noteworthy incident in the petroleum industry was the continued decline in the prices of gasoline.

However, with the steady improvement in business conditions generally, along with the increasing output in the automobile industry as the year progressed, the demand for petroleum products gradually began to assert itself. In the meantime oil companies increased their storage facilities and are holding their crude in the hope of higher prices.

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FINANCIAL SITUATION IN AUSTRIA FORBIDDING

Failure of Internal and Foreign Loans and Menacing Attitude of Czechoslovakia Factors.

By the Associated Press.

VIENNA, December 30.—The financial situation in Austria again bears a gloomy aspect because of the lack of success in rasing an immediate internal loan and the failure of U. A. Venal, representative of the supreme economic council, to place a loan of $16,000,000 abroad.

Meanwhile the proposed visit of Ignaz Seipel, the chancellor, to Budapest has increased the ill-humor in Czechoslovakia, which in consequence of the chancellor's appeal to the league of nations to use its influence to have the lost states adhere to the provisions of the Porto Rosa agreement and conclude commercial agreements with Austria, has closed its frontier against Austrian exports.

These factors, coupled with the refusal of M. Jansen, the Belgian banker, to accept the vice presidency of the Australian National Bank, are interpreted as a bad omen and are causing renewed pessimism and the belief that the Geneva plan for financial aid is doomed to failure. The situation also is causing a revival of reports in government circles that the present bank notes will be exchanged at a heavy discount for notes of the new Austrian National Bank, which, it is asserted, would be tantamount to a declaration of national bankruptcy.

FEWER FAILURES.

NEW YORK, December 30.—With a holiday intervening the number of commercial failures for the current week were six less than last week, when 413 were reported to R. G. Dun & Co. In the similar five-day week last year there were 417 defaults. The east showed an increase in failures this week, but this was offset by declines in other sections.

Only 54.7 per cent of the total number of failures had individual liabilities of $5,000 or more, compared with 56.4 per cent last week and 55.4 per cent last year.

We hope the fact-finding commission on coal will deem slate within its purview.—Boston Herald.

FINANCIAL CRISIS LOOMS IN JAPAN

Department of Commerce Informed Situation Is "Not Encouraging."

YEAR'S LOSSES SEVERE

Commercial Attache Calls Condition of Many Banks Disquieting.

The year end is emphasizing the financial problems in Japan which have characterized the last few months, the Department of Commerce was advised today by Commercial Attache Abbott, who declared that even greater financial problems were presaged. Mr. Abbott described the situation as "not encouraging" and reported that the cumulative losses were weighing heavily on the money market.

The condition of several banks continues to be disquieting, Mr. Abbott cabled, adding that the recent tendency toward amalgamation of smaller banking institutions showed the efforts being made by individual banks to avoid difficulties. Some of the banks, according to the cablegram, still appear to carry uncollectable loans as assets and to pay dividends on potential earnings, "thus increasing the artificial conditions which make for instability of the financial situation."

Business Is Handicapped.

"A large number of business institutions," Mr. Abbott's report said, "are seriously handicapped by their past losses, which have been carried forward until, in many cases, they amount to more than three-fourths of the paid-in capital. Although it seems anomalous for such companies to continue in business and pay dividends, they remain a part of the Japanese business world because, possibly, Japanese banks are unwilling to take the heavy losses involved in foreclosure. Even many well established concerns find their profits and their credit facilities diminishing."

Mr. Abbott was not optimistic about Japan's ability to overcome the situation immediately because of local influencing conditions. He mentioned the extremely high production costs prevalent in Japan as threatening the country's ability to compete successfully with America and Europe in "war-won markets." Even in the domestic market, he said, there is strong competition except where highly protective tariffs or subsidies give a strength to the home industries.

Strikes on Increase.

Unrest and strikes increased during November, according to the cablegram, which predicted that union strength in Japan would assert itself in the future because of the gradual consolidation of the various small unions into a single large organization. The uneasiness of the agricultural workers is causing concern to the economists, the attache said.

Japan's total foreign trade for November amounted to 256,000,000 yen, of which 139,000,000 represented exports, and the total trade for the month marked a new low point for the current year. Exports for November were approximately 10,000,000 yen below October.

ENGLISH ASSAIL PACKING COMBINE

BY HAL O'FLAHERTY.

(By cable to The Star and Chicago Daily News. Copyright, 1922.)

LONDON, December 30.—Ever since it first became known that three great American packing companies were seeking to merge all their interests in one organization a campaign of vituperation has been carried on by the British newspapers, aimed at the American packing companies in particular and American trusts in general. English muckrackers have proved to the satisfaction of a large section of the reading public that the American packers are conspiring to raise the price of meats and other food products on the British market.

Within the last few days it has been stated that the American packers have tried to purchase one of the the London cartage companies with the object of monopolizing the cartage business on shipments from steamer to storage. These charges not only are unfounded but are misleading the public into the belief that the United States is the only country where great business enterprises are allowed to combine or carry out extensive mergers, when, as a matter of fact, there exists in England today one firm of packers having as extensive an organization for the production and marketing of food products as that of America's big packing concerns.

British Firm Spreads Far.

This firm, known as the Vestey Brothers, is headed by two of the keenest business men in the United Kingdom, who received their early training in the United States. Within a comparatively short time, or virtually since the end of the war, this firm has built up a combination of packing houses and retail stores with ramifications in nearly every part of the world. By the slow process of absorption the Vestey Brothers have secured complete or partial control of a chain of stores throughout England, Scotland and Wales, the latest estimates placing the number of their retail establishments at between 3,000 and 5,000. They now control three packing houses in Argentina, two in Brazil, one in Venezuela, one in Madagascar, four in New Zealand and one in Australia.

In China the Vestey Brothers own a company exporting eggs, poultry and other products. They have their own ships—the Blue Star line—carrying their products to and from England, and control a majority of the cold storage houses in the United Kingdom. For efficiency in handling meat and giving it to the British public at the lowest price possible this organization is undoubtedly equal to the American concerns. Its potential power in controlling prices in Great Britain is greater proportionately than the similar price-making power of the American packers.

Competition Cuts Prices.

Owing to the fact that the London agents of the American packers operate in direct competition with the big British combines it is impossible for the Americans to control the retail prices of meat here. If anyhow, the American competition tends consequently to lower prices, for perishable stocks are dealt in and these are necessarily sold within a short time after reaching England.

One of the regrettable results of the present campaign against packing industry is the prevailing impression that American business methods are entirely wrong and never countenanced in Europe, when, as a matter of fact, Europe is breeding today greater combines than were ever allowed to be developed across the Atlantic, but masks them under high-sounding company names.

VIOLENT MOVES IN 1923 BOND LEVELS UNLIKELY

Libertys Made One of Year's Features by Reaching Par—Marked Changes in Investment Fashions—The Trend.

BY GEORGE T. HUGHES.

Special Dispatch to The Star.

NEW YORK, December 30.—As the year closes the conditions which face the investment market and on which the trend of quotations depends present both points of contrast and points of similarity with those prevailing a year ago. Nineteen twenty-two opened with money rates declining and bonds advancing. It closed with money rates stabilized and bonds, while firm and showing some tendency toward higher levels, giving no indication of a renewal of the rapid advance which marked the first half of the year and reached its climax about midsummer.

For a time early in the year the bond market rivaled the stock market in speculative activity. The rise began in May, 1920, long before there were any signs of business revival and continued irregularly throughout 1921 and at an accelerated rate for more than half of 1922. Whatever the future may have in store it does not seem likely that this movement will continue except in a very small way. This is not to predict any decline. It is merely to say that the outlook is that investment securities will be maintained around present levels.

Capital Put Into Securities.

The rise in the bond market began while business was still in the depths of depression. As has been invariably the case, capital which was not needed in commerce sought employment in the highest grade of securities, bonds as to which there was no question about payment of interest and dividends. This demand naturally advanced quotations and the improvement spread to the second grade and then to the semi-speculative issues.

Finally interest centered in stocks instead of bonds. Meanwhile as business slowly revived the demand for funds became stronger and banks which had invested their surplus money in securities offered them for sale. Prices declined correspondingly, but the level at the end of the year was far above that at the beginning and this pressure on the market from selling by institutions had largely abated.

It was in 1922 that liberty bonds reached par after their long decline, and even sold a point or a point and a half above par in July, only to fall below that point again in October after the government had issued its refunding loan.

Effect of Bonus Agitation.

Fluctuations in libertys were due, therefore, not only to the changes in the money market, but to the operations of the government. Another factor which influenced prices more or less was the persistent agitation in favor of a so-called bonus for veterans of the world war. In this respect the situation at the opening of 1923 is not very different from that of a year ago. Both houses of Congress passed the bonus bill. President Harding vetoed it, and the attempt to pass it over his veto failed in the Senate. But advocates of this legislation gathered new courage from the result of the election and assert they intend to press their advantage at the next session of the national legislative bodies. The liberty bond market therefore still faces the prospect of competition in some form of government security issued to recompense the former soldiers.

Railroad Securities Gain.

Railroad securities advanced with the rest of the bond market for the first half of the year reaching their high points in July and August and then receding with a subsequent recovery which still left them above the prices prevailing last January. Here too, however, other considerations than the current rates for money influenced the market. First came the strike with its disastrous effect on earnings, then came the election overturn which enormously added to the power and prestige of those representatives of the agricultural west who insist on lower rates on products of the farm. They also demand the repeal of the transportation act, or at least of that clause which appears to guarantee to the railroads a fair return on their invested capital.

Whether the agricultural bloc succeeds or does not succeed in its efforts, its activities cannot be helpful to railroad securities. Stocks of course suffer the most, but bonds are not exempt. Even if the recommendations of President Harding prevail and the Interstate Commerce Commission is entrusted with the authority to fix both rates and wages, it will be but a short step further to government ownership and operation.

Movement of Foreign Bonds.

The movement of foreign bonds during the year just closing has been one of striking contrasts. The position of Great Britain as evidenced by the course of sterling exchange is greatly improved and, next to that of Canada, the credit of the United Kingdom in our markets is higher than of any other foreign country.

It is far different in the case of France. French bonds at the close of the year are, if anything, lower than at its beginning. They reached their high prices in March and April and then fluctuated with the news from abroad as to the outcome of the reparations tangle. They reached their low point in November and carried with them at that time the obligations of Belgium. About the same period American investors developed a sudden timidity about South American bonds, notably those of Brazil. It was not until support from powerful interests came into the market that confidence was in a measure restored.

Outlook Still Encouraging.

Even now the outlook of placing foreign obligations in this market under any advantageous terms to the borrower is not encouraging.

It is also to be noted that London bankers are actively competing for European business in the way of government and municipal loans and that the British investor, perhaps because of his greater familiarity with conditions outside his own country, is much more courageous than the American. Brazilian bonds, for instance, are better taken in London than in New York, and the same is true to a greater or lesser degree of French securities.

If the coming year should witness a settling of the reparations problem on a reasonable basis and a definite understanding could be reached as to the international debt, a tremendous impetus would be imparted to the market for foreign bonds which are now selling to give returns that would have been regarded as fantastic in 1913.

Investment Fashions Change.

One of the most interesting developments of the year may be found in the changing fashions in investments. For many years there were only two classes of bonds in which there was any wide distribution—railroads and industrials. Under the head of industrials, public utilities were included. Railroad issues, however, were regarded as entitled to at least 50 per cent of attention. There is still large interest in rail bonds and railroad financing and railroad offerings were prominent topics all through the past twelve months.

It was not rail issues, nevertheless, that made the greatest advances, nor was it industrials, but rather the utilities. Part of the favor shown to the utilities was due to fundamental causes and part to the fact that during the war and post-war period of high costs, utility bonds had been depressed out of proportion to other securities. There was a complete reversal both in opinion and in quotations during 1922. With the exception of the tractions, all the utilities shared the improvement, but the gains were greater in the electric light and power and the telephone issues.

Hit by Wage Increases.

Taking up the case of the tractions first, the street car companies were especially hard hit by the rapidly mounting labor costs. Corresponding increases in fares were very difficult to obtain. For some reason or other public service commissions were more reluctant to grant relief to traction companies than to any other of the utilities. The 5-cent fare had become a tradition. In the public mind it had merit not possessed by 4 cents or 6 cents.

When rates were finally raised, as they were in most cases outside the larger cities, great inroads had already been made into surpluses and some of the weaker companies had gone into bankruptcy. Practically all of them had suspended dividends on their stock.

Investors Fought Shy.

It became impossible for street-car companies to do any new financing except in cases such as that of Montreal Tramways, where there is a contract with the city which insures the payment of interest on the company's bonds. Investors even fought shy of the bonds of holding companies, any large part of the income of which was derived from street-railroad earnings. Aside from the political factors, the growing competition of the private passenger car and the public motor bus frightened capital away from tractions. Even the very recent influx of taxicabs charging lower rates than ever before was not without its effect.

The street railroads made a good fight against all these obstacles. They introduced the one-man car and economized in operation in every possible way. They also adopted the motor bus as a feeder and, in consequence, it is probably true that their credit at the end of the year was better than at the beginning. Traction securities still sell to give high yields compared with other utilities.

Favor Shown Gas Issues.

Gas companies fared much better than the tractions. Increasing favor was shown toward their securities all through the year, although they, too, suffered from the attitude of the public authorities in insisting that rates be reduced fully as fast as, if not faster than, costs.

Electric light and power and telephone issues have been eagerly bought at advancing prices. Expansion in both these fields has been steady. The electric light companies find difficulty in keeping up with the demand for additional service. There seems to be no limit to the increase in the number of telephones. The result is that good first mortgage bonds of either of these utilities cannot be secured to give much better than a 5 per cent return. Even the preferred stock of these companies finds a ready market among investors and in one notable instance, that of the American Telephone and Telegraph Company, financing was done by the sale of common stock. In fact, the distribution of stock to the amount of $115,000,000 by this company without any underwriting was one of the most significant investment developments of the year. American Telephone and Telegraph has now the largest number of stockholders of any American corporation.

Among the electric light companies the Brooklyn Edison successfully financed its needs by the sale of additional stock to its shareholders. There are many other instances in the case of smaller corporations scattered all over the country. All this had a very favorable effect on the market price of telephone and electric light bonds.

Customer Ownership Popular.

Along the same line was the development of the customer ownership plan. Many utilities, especially in the middle west, utilized this method of financing to a great extent during 1922. The idea is to sell small lots of preferred stock to the people the utility serves, thus making them partners and securing their moral, as well as their financial, support for the corporation.

The story is told of a western utility which had a case pending involving rates before the local municipal authorities. At the public hearing the representatives of the company were astonished when a prominent attorney who had never been conected with the utility in any way made an eloquent plea for fair treatment, speaking simply as a citizen.

After the hearing was over the attorney for the corporation expressed his gratitude and asked why this gentleman had come to their assistance. The answer was that the speaker's daughter had bought one share of the company's preferred stock. To protect that $100 investment this attorney made a plea for which he would have charged any client at least $500.

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RAILWAY ACCIDENTS DUE TO MALICIOUS TAMPERING

Inquiry into three rec