INTERESTING INFORMATION FOR Earners, Savers and Investors

Industry, Thrift, Banking, Insurance, Investments

DIRECTORS' CONTROL OF ACCUMULATED PROFITS

BY J. E. M.

For years it has been the custom with the control of many large corporations to withhold from the shareholders a large share of the accumulated profits on the ground that a shareholder is not entitled to more than a reasonable dividend on the money invested, and anything over and above the amount required for that distribution should remain in the quick assets of the company and at the control of the directorate. This procedure on the part of the management has often led to great dissatisfaction among the shareholders, and, in many cases, to their ultimate loss, because of the unwise investment of extra profits in the development of outside projects. It has for years been a well known fact that such corporations as the Reading Railway and Consolidated Gas Company of New York, and many others we could name, have millions of dollars worth of hidden assets, but the shareholders get no enjoyment of these, nor is there any prospect of these assets being reflected in the price of the shares, because the absolute control of them by the directorate has become an accepted situation, and the expectation of any future benefit from the existence of this increased value of the shares has long since been abandoned by the shareholders. So bitter was the feeling against President Baer of the Reading Railroad at one time for his refusal to give the shareholders what rightly belonged to them as the results of the company's operations in transportation and coal mining that they really hoped for his demise long before it occurred.

The Dodge-Ford suit, in which Judge Hosmer has handed down the judgment that Mr. Ford must distribute, within thirty days, $19,275,385 extra profits, will bring hope to many shareholders in other large corporations. It further establishes the fact that when people are solicited to invest their money in one business, as authorized by charter, extra profits earned by the employment of their money under the provisions of that charter, and under which they invested, may not be used at the will and judgment of the directorate for investment and development of something else. It was Mr. Ford's intention to use a large proportion of the nineteen-odd millions extra profits to build up a great steel industry, the River Rouge Blast Furnaces, but Judge Hosmer decrees this must be abandoned, and the shareholders' money already used in this project must be returned to the treasury of the Ford Motor Company. He further declares that the company will not be allowed hereafter to accumulate profits "in excess of such as may be reasonably required in the conduct of the business," but must distribute such profits in the form of special dividends.

If Judge Hosmer's ruling holds good in all cases, we may expect to see several good juicy melons cut within the next year, as several large companies have withheld from their shareholders a large proportion of the earnings on their investment, instead of allowing each owner to use his own judgment in the handling of his own funds, as and when earned by previous investment, a paternalism not warranted or desired. It is the habit of too many men placed in official capacity over other people's money to arrogate to themselves a control of the financial affairs not in keeping with their past records or present ability, and these are usually they who would minimize the shareholders' ability to think for themselves. There will be less of the one-man power in corporate institutions in future if shareholders are alive to their rights.

CANADIAN PACIFIC EARNINGS

November earnings reached a new high in $14,942,000, as compared with $13,257,000 for November, 1916, representing an increase of about 13 per cent. This is a most encouraging showing and contradicts in no mistakable way the present market value of the shares, as represented on the exchange. At 132 to 135, covering the range of price for this stock for some little time now, C. P. R. shares are a splendid investment, and bargain-hunters are fully alert to the opportunity, but, with so many and urgent calls for money, it is not to be wondered at that there should be but little of the stock changing hands. It will, however, come into its own in due time, and those who can so arrange their finances as to be able to pick up good blocks at present prices will enjoy handsome profits in the future, together with a continued high rate of interest on the investment. Canada is not going broke because of the great strain consequent upon war necessities, nor will Canadian Pacific suffer much, if any, in share prices from disorganized traffic facilities. The Canadian Pacific serves an empire of productiveness, the possibilities of which have never been measured, and is without a doubt one of the greatest transportation properties in the world, if not the greatest, because of its excellent field and management. Since 1381, when Sir W. C. Van Horne was at the helm, the company has been growing and developing high-class management material, and under such men as Lord Shaughnessy and Sir George Bury this promises to bring out equal fruitage in the executive of the future.

Those who buy Canadian Pacific around present prices will find few better units in their estates a few years hence. Holders of this stock in the United States unloaded largely because of their commitments to Liberty Bonds, and their holdings, thrown over hurriedly, brought prices to the present figures, but our own Canadian holders have not as yet met anything to make them similarly disposed. Holders will make no mistake if they keep what they have and buy more, if they can carry it comfortably.

OUTLOOK FOR AMERICAN SECURITIES

Stocks continue at cheap levels, and the usual opportunity for permanent investment remains open. It is being taken advantage of in odd-lot purchases of considerable volume, but the aggregate buying is not large enough to influence prices. It will take some strong constructive factor to give an impetus to the market. The suggestions of the Interstate Commerce Commission, if acted upon promptly and broadly, might furnish this impetus. Lifting the railroads out of their dilemma, even if it only for the duration of the war, would be of such paramount importance to the interests of the whole country that all business and financial centres would feel the benefit.

What exactly will be done by Congress is problematical, but it may be relied upon that the decision will rest with the president, who is fully alive to the needs of the situation. But with the matter unsettled, and with other uncertainties prevailing, the market continues irregular, with hardening tendencies.—Bache Review.

NOVA SCOTIA STEEL AND IRON CO, SHARES SHOULD DO BETTER

Net profits for October were a little over $400,000, or at the rate of about $30 per share of the $15,000,000 common stock. It is reasonable to suppose that the $5 per share dividend will be continued. This means a disbursement of $750,000 per annum, and will leave ample for betterments and maintenance in about three and one-half to four millions dollars.

L. W. Adams, late of Bethlehem, Pa., has been appointed general superintendent of the company's plant at Trenton, N. S. Mr. Adams comes from what is probably the best steel school in the world, and his intimate knowledge of the steel-producing business must soon be reflected in the company's net earnings.

GOOD ADVICE TO WIDOWS.

A large amount of cash in a widow's possession is almost as hard to keep intact as a handful of quicksilver. It is notoriously easy to divert into channels where it can be utilized for the profit of people other than the widow herself. Given a widow with a bundle of bank notes, and she is immediately surrounded by kind friends who know exactly what they want, which is those bank notes, or a part of them. Her male relatives naturally feel that they know just how that money should be invested in order that they may profit most by it, and if she is a kind-hearted widow she is likely to invest it in the family, which is the top-notch of boneheadedness.

Five years of widowhood usually leaves the $5,000 or $10,000 widow trying to decide whether to keep boarders, get a job somewhere to pay for her bread and butter, or to angle for another husband.—Gallipolis (Ohio) Tribune.

ANSWERS TO INQUIRIES

N. A. L., Lucan.—I am going to answer your inquiry as to present condition and prospect for New York Central stock by quoting "World's Work" reply to a similar inquiry. "New York Central stock in common with all other investment issues, has declined considerably, and as the Central has never, until the last two years, earned a very large margin over its 5 per cent dividend, the decline in its stock has been more severe than it has in some others. Last year, however, the road earned 18 per cent on its stock, and although its surplus earnings after charges this year have been cut in half, there seems no reason to fear that the dividend rate is endangered. The company added $30,000,000 to its surplus last year and it is in better financial position to withstand the present adverse operating conditions than it has been in many years.

These unfavorable operating conditions arise from the fact, the road, in common with all others, has been unable to maintain its property and equipment in condition to meet the strain placed upon it. This has been due to the fact that the entire attention of the operating staff has to be directed to handling the large amount of business offered, and that it has been practically impossible to get labor for repair and up-keep work. This condition coming at a time when Government financing must disturb the investment market, has resulted in the severe decline in railroad issues. In our opinion, however, there is no cause for New York Central stockholders to worry.

WALL STREET CONDITIONS

There is really little comment to be made on a market as dull as the present one for either railroads or industrials. There is hardly enough trading to make the market interesting to either bull or bear, consequently we have a market of very narrow fluctuations. Up a little, down a little, lag a little, is about all that can be said of its movements.

The railroads continue to show increased earnings over those of a year ago.

The recommendations of the Inter-State Commerce Commission are not likely to be acted upon by the president for some time. Prices of materials for railway betterment are receding a little, and labor is more quiescent, so we may expect to see more equipment put into commission and traffic handled more expeditiously as a consequence. Call money remains easy around 3½ to 4 per cent, and buying in small lots is carried on daily by an outside purchasing power which is gradually absorbing good reliable securities at present bargain prices. Never in the history of Wall Street has there been so many shares leaving the Exchange environments. Many stocks are frequently scarce for borrowing purposes, and this offers a deterrent to short selling. With the absence of a large short interest the market remains dull and inactive. We contend, however, that there are a number of issues which ought to be bought at present prices and laid away for future profit while earning the high rate of interest now obtainable.