

value of \$600,000, and had it issued 6,000 \$100 preferred shares and 4,000 \$100 common shares; and had two shares of common stock been given away with every three shares of preferred stock sold—the company would still have \$1,000,000 nominal capital, but would be liable in no way to suspicion of overcapitalization, because only \$600,000 would be paid capital, the \$400,000 common stock being of no present value. The issuance of common stock having no present value is not in itself an act of wrong-doing. The common stock merely represents an agreement between the shareholders and the promoters that the shareholders will share in any future increased earnings of the company—the foundations for which were laid by their paid capital contributions—in proportion to their holding of the common stock. So long as it is recognized that such common stock simply represents "future hopes" and has no present value (though some persons with betting proclivities might be willing to buy it as a speculation), the common stock is harmless. Moreover, it is a method of making proper adjustments that is frequently invaluable to the most honest financiers. But in the hands of dishonest persons, common stock is frequently a dangerous tool. Through the medium of stock exchanges, wash sales, publicity campaigns and misrepresentations, the common stock is raised to an unwarranted "price" and foisted upon investors.

In issuing common stock as a bonus or otherwise, as in securing more capital than is represented by the assets possessed, no wrong is necessarily done. In both cases the wrong may be created later by dishonest financial methods. The regulation of these dishonest methods is another matter.

CANADIAN NEWS PAPER EXPORTS

Canadian exports of news paper to the United States are referred to in strong terms in the report of directors to shareholders of the International Paper Company. "The American news paper industry," says the report, "is still subject to the most unfair conditions as a result of legislation in Washington and in Canada. Notwithstanding the exhaustive report of a Congressional Commission which investigated the paper industry at great length, and indicated the need of additional protection for the American news manufacturers, the small existing duty was removed, and news paper alone was placed on the free list.

"At about the same time this was done and Canadian paper admitted to the American market without restriction, Canadian provinces, in order to encourage Canadian mills and place the United States manufacturer at a disadvantage, established a positive prohibition against the continued sending of wood from the Crown Lands to the American mills—and this although Americans were holders of extensive Canadian leases for which large amounts had been paid, and although Canadian governments had up to this time permitted the free exportation of wood to the United States.

"Notwithstanding the fact that American manufacturers are thus deprived to a great extent of their raw material, and compelled to operate at a disadvantage, the Congress of the United States permits Canadian news paper to enter the United States without restriction of any kind.

"The building of news mills in the United States has ceased. Canadian mills are erected at short intervals; and at the present time Canada is shipping into this country approximately a thousand tons of news paper per day.

"Justice, and sound economic principles, would seem to demand that Congress require the free admission of wood into the United States as a condition to the free entry of the Canadian manufactured product.

"While the news paper market of the United States is open without restriction to all the nations of the world, seven nations have a duty against the United States. Many of these countries have the great advantage of very cheap labor, of working hours much longer than those prevailing in the United States, and of machines, supplies and materials which are free from duty, and sold to them at prices much cheaper than American manufacturers are forced to pay."

To return to the main theme—the effect of overcapitalization on prices of commodities. The manager who is left in charge of the destinies of a "milked" company will likely find difficulties in earning dividends on his paper capital. If his company were "overcapitalized" but not robbed, probably he would have no such difficulties. But the manager who must earn \$100,000 dividends with \$600,000 assets, when he should have \$1,000,000 assets to earn dividends of that amount, is in trouble. The popular theory is that he sails smoothly out of the troubled waters simply by raising the prices at which he sells his factory's product—thus increasing the high cost of living. But he cannot solve the problem so readily. The experience of many of Canada's industrial mergers of recent years proves that he cannot. Assuming that his "overcapitalization" firm is not a monopoly, he cannot raise the prices much, because his competitors would undersell him and he would soon have to meet their prices again, or give greater value in quality for the increased prices he asks, or "reorganize" his merger.

The "overcapitalization" is not likely to make his firm a monopoly unless it has supplied him with so much surplus cash that he can crush competition. This is not only likely to be prevented by the Dominion government's "Investigation of Combines Act," but competition, in Canada at least, has been hard to crush. No sooner does the field seem barren of competition than a dangerous new rival arises to take advantage of the apparent opportunity.

"Overcapitalization" seems, therefore, to create burdens for the investor as such (a problem outside the scope of the inquiry into the cost of living), not affecting the prices to the consumer.

CHANCES IN ALBERTA COMPANIES

The John Galt Engineering Company, Limited, with Alberta charter, has changed its name to Haddin and Miles, Limited.

The following companies, with Alberta charters, have increased their capital stock:—Alberta Lumber Company, Limited, from \$200,000 to \$250,000; the Western Stock Ranches, Limited, from \$300,000 to \$350,000; Crowfoot Farming Company, Limited, from \$100,000 to \$150,000.

WESTERN SUBSCRIPTIONS TO CANADIAN LOAN

One of the features in connection with the subscriptions to the Canadian loan is said to have been the large number which were received from the Middle West, that section of the country which had been particularly cold toward the \$500,000,000 Anglo-French loan.

The Minneapolis institutions which participated in the loan are the Minneapolis Loan and Trust Company, Northwestern National Bank, First and Security National Bank, Wells-Dickey Bond Company, William Eastman Bond Company, Stevens, Chapman Bond Company, and Phelps-Eastman Bond Company. It is stated that \$750,000 of the bonds were taken in Minneapolis in a few hours.

Although the loan was floated and is payable in New York, a number of subscriptions are understood to have been made by Canadians attracted by the favorable terms upon which the issue was taken. There is a scarcity of any sort of offerings in the Canadian market.

Bankers announced the subscription books for the Canadian loan, which were opened on Thursday last week, and were to have remained open until March 27th, had been closed on March 25th, because on that date the offering had been largely over-subscribed. At the offices of Messrs. J. P. Morgan and Company, the head of the banking syndicate which underwrote the offering, the only official statement obtained was that the offering was over-subscribed. The firm declined to make public the exact amount of the subscriptions.

Although the books were closed on Saturday last, subscriptions which had been mailed on that date will be included.