

A BANKER AND THE TRUST QUESTION.

In his admirable address before the Arkansas Bankers' Association, of which a copy has just reached us, the president, Mr. Foster, deals largely with the conditions of trade.

After stating that the year 1899 will stand marked in the history of the United States as one of unprecedented prosperity and financial activity, and noting that contracts had been made which would tax the capacity of manufacturers far into the present year, Mr. Foster touched upon the question of trusts.

In his opinion many such have been over-capitalized, their entire assets being represented by less than the amount of preferred stock, the balance of preferred and the common stock being represented by good will and inflation. The consequence has been to divert from real business requirements a large amount of money which, in connection with the heavy demands of genuine trade, led to a firmness in the money market that was quite pronounced.

"The stock gamblers of New York rang out the old year by a so-called prosperity panic. Luckily the New York Clearing House Committee met just in time, placing \$20,000,000 at the disposal of one of their best financiers. The call rate for money went down to six per cent. The situation was relieved and the prosperity panic died an early death."

"Nineteen hundred ushered in a satisfactory state of affairs in the commercial and manufacturing world. The outlook is one of rare promise, but the rainbow has not the fabled pot of gold at the end. It is only the promise of harvest if we take wise advantage of our seed time."

Here we have once more the note of warning already sounded by leading financiers, and by the CHRONICLE last January.

President McKinley sounded the same note before the Commercial Club, of Chicago, last October, when he said: "The boundless prosperity we have had in the last year and a half has made me fear that, after all, we may be overdoing the business of the country."

Mr. Foster joins in the same cry. He pointed out that financial disturbances always fall suddenly upon an unsuspecting world, as in 1857 and 1893, but he holds the optimistic view that as the country progresses the risk of panics becomes less. Industries and finances become better organized and labor is better paid. But he is strongly opposed to the aggressive promoter with his promising schemes, and does not look for hard times for some years to come, if the public retain its head.

In connection with the reference to trusts, it will be interesting, in view of the anti-trust plank in the

democratic platform, to direct the reader's attention to the investigation of trusts just made by the United States government through the department of labor, and made public in its last bulletin, dated July.

The first thing that strikes the student of these questions is that the trusts are not disposed to accord any more information than can be forced from them. In the report it is stated that in many cases it was impossible to get at the information desired because the trust had not a statement of the accounts of constituent companies. In this there is doubtless some truth, in view of the feverish activity with which trusts were formed, and much that is not true in view of the fact that commercial men rarely buy a pig in a poke.

Forty one combinations replied to at least some of the questions addressed to them. Forty named the date of their organization, showing that twenty-four were organized in 1898 and 1899. Thirty-nine reported their capital, making the enormous total of \$1,351,069,525, or, including bonds, \$1,395,550,325. But mark the signs of inflation. In only eleven of these was the authorized amount of common stock in reality issued, and in only twelve was the amount of preferred stock issued. Yet on the whole, these various trusts issued \$9.50 of common and 88.26 of preferred stock. The bond issue was small, being only 3.33 of the total stock.

The issue of preference stock is a new feature in the financial world. Preference stock, as the general public knows, is stock which calls for a stated dividend before the ordinary stock gets any. In the case of the trusts that reported to the labor bureau it turns out that 57.30 per cent. of the stock is common and 42.72 preferred.

The labor bureau deals also with the effect of trusts, and has ascertained that the tendency is rather to increase the margin between cost of production and the market price, and that almost in general, the possibility of competition prevents a serious increase in the market price.

This is on a line with the views expressed from time to time in the Finance Chronicle. The trust is an outcome of present conditions of an endeavor to reduce expenses of manufacture by widespread organization. Properly controlled, it is an economic method of conducting trade in one line. It is not to be killed, it cannot be removed from the arena of trade. It is a step towards the federation of the world, the economic use of human labor and brains. But, like all new ventures, it is being exploited largely by men for selfish ends, is over-capitalized for private gain. It will yet emerge from this stage and become, as it should, a boon to the community. But it does need watching.