

stocks especially, it increases the range of fluctuation and incidentally the average price paid for them, leaving the lowest prices of the year not far from the worth that would be computed for them (from their ultimate return either in depreciation or dividends, on the 7 per cent. basis which holds on the average for listed copper stocks), but raising the highest values so that they are about four times as great as the low and consequently increasing the average value very materially.

Application in Taxation.

There seems to be a curious application of our conclusions to the question of tax assessments, leading to a possible confirmation of them. If, in assessing a mine, it should be deemed fair that various mines should be assessed for taxation upon their yield, present or prospective, without regard to whether their stock was listed or not, or whether the stocks were in small units or large, as being matters which pertained to the stock rather than to the mine; then the value of a mine stock should be discounted by a factor representing the increase of value of the stock due to marketability or fluctuation. I do not say that this is so, but it is at least a curious coincidence that I find in the newspapers the following item: "The Board of Supervisors of Houghton County are said to grade the properties for taxation as follows: For undeveloped properties, 40 per cent. of the stock market value; for properties developed but not yet producing, 50 per cent. thereof; for regular producing and dividend paying mines, 60 per cent. thereof."

Now this 60 per cent. valuation for regular producing and dividend paying mines is about what (quite independently) has been found to be the ratio of a listed and a non-listed security of equal uncertainty. That the stock market value is very much more inflated for the undeveloped properties than the developed, is shown by the lower ratio at which their assessed valuation is taken. In fact, if we assume that the average value of the Class A mines (the average fluctuation factor being 1.6) would be found by multiplying the lowest price by 1.34, and that this will practically be the value on a 7 per cent. basis, of all the copper stocks, of which they make up over 90 per cent in value; and in the same way take the average value of the undeveloped properties as 2.4 times their low values, the ratio would be of the same order as the ratio 60 to 40. This ratio, 60 per cent. to 40 per cent., is merely a shrewd business man's general estimate of the relative value of such properties as compared with the stock market values from a mining man's point of view. But as the Board of Supervisors of Houghton County is to a very large degree composed of the agents and superintendents of the various companies, their estimate is well worthy of consideration.

It will be noticed that J. R. Finlay recently placed the Michigan mines for the State Tax Commission at \$69,815,000, although their average earnings, he says, were \$8,240,000. This, it will be noticed, is a return of about 11.6 per cent., and as the mines themselves have sold in the stock market in the year 1910, taking the average of the highest and lowest selling price, at \$130,365,047, the ratio thus found by the comparison of Finlay's value for taxation with the average selling value is about 54 per cent. Thus his estimate is only 10 per cent. to 20 per cent. less than our conclusions might lead to.

While such discounts from the selling value by assessors have often been considered dishonest (and have unquestionably led to dishonesty) yet so long as the basis of taxation is that of "cash value" (as in Michigan and elsewhere) some such adjustments are inevitable, for, as has been shown, the worth of a mine is often much less than the worth of a share multiplied by the number of shares just as the worth of a number of city lots is very much less than the price per lot multiplied by the number of lots. But it would carry me too far from the theme of this essay to follow this longer. The point to be emphasized is that there inheres in the stock a value created by organized speculation which does not inhere in the mine upon which the stock is based. As to whether all of this should be considered value, depends upon just how value should be defined. Upon this point economists differ, nor do I propose to thresh the question over. Whether the poker chip can be considered to have value in Ruskin's eyes is one question. That it is valuable as an article of commerce is beyond question, and ready marketability at least is a factor which can easily be seen to be of social value. The question of the reality of fluctuation value and of its use to the community as a whole is a more complex one. If such range of fluctuation is necessary in order to get the money with which to develop mining enterprises, which are particularly essential to modern progress, if it is necessary that in grouping together the shares in eight enterprises (of which only one shall be successful), the range of fluctuation must be such that the chances of return are one-quarter of what they should be on the chances of yield alone, such a fluctuation may be socially desirable; but organized speculation is hardly expected to be perfect, and the prospects of "paper" profits in "organizing" and "listing" companies seem excessive compared with those which may be acquired in developing the resources of the lands which serve as a basis for those companies. In fact, I was surprised to find how heavy the chances were against the cheaper copper stocks, and how relatively good a showing the more expensive stocks made. This conclusion is not to be confined to Michigan copper stocks, for it depends on general principles. Try it yourself in some other field. If the average yield of the cheaper stocks could be made to bear the proportion to their mean prices that obtains in the better stocks, so that in purchasing a number one might expect a 7 per cent. yield, although one's chance of success in any one stock might still be very low, it would seem that the money for new enterprises might be more easily gained and fairly rewarded. Greater care in listing may tend to this goal. It is possible that something of this sort is now being done in the tendency of the larger companies to continue as "going concerns," expending a certain amount of their capital in exploration here and there.

CONSOLIDATED GOLD FIELDS OF SOUTH AFRICA.

The directors of the Consolidated Gold Fields of South Africa, Ltd., announce that the realized net profit on the year's operations, which is largely derived from dividends received on investments, after deducting debenture interest and all outgoings, shows a balance to credit of £792,883, from which the dividend on the first preference shares, accrued dividend