THE FINANCIAL SITUATION

The security market of the past week was of shifting and evasive character, with strength and weakness alternating in fitful succession. Speculation, without aggressive leadership, was restricted mainly to professional scalping, indifferent to business tendencies or conditions, seeking to snatch hasty profits in either direction. The great vested interests were quiescent, but signs appeared here and there of possible awakening. Important — perhaps significant — advances were scored by Lake Shore, and Chicago and Northwestern, other Vanderbilt properties displaying substantial strength —bringing to the front the interesting question of the mooted readjustment of the finances of the Vanderbilt system, involving condensation of ownership and management, with benefits to shareholders derivable therefrom. While no details of the proposed plan have yet been made public, it is accepted as assured that any changes contemplated will be to improve financial and administrative methods—following Vanderbilt traditions —hence the unusual inquiry for such high-priced, closely-held stocks at Lake Shore and Northwestern, and the growing activity in the "Junior" Vanderbilt securities, even those which, like Nickel Plate, have been long speculatively neglected. There is such a constantly growing pressure of funds seeking conservative investment that the mere intimation of such a matter as this Vanderbilt readjustment induces eager attention.

Pronounced strength developed in Great Northern preferred, Northern Pacific preferred, and Chicago, Burlington and Quincy, following the announcement of the incorporation of the new Chicago, Burlington and Quincy Railway Company, a financial undertaking which it is assumed will be used to terminate the unpleasantness left as a legacy of the Northern Pacific corner—a conclusion which Wall Street would hail with joy, for indirectly this group of roads exerts marked influence on other important systems, notably Union Pacific, which through its purchases has become deeply interested in Northern Pacific; notably Chicago, Milwaukee and St. Paul, which must be reckoned with in any Northwestern combination, and which, it is more than hinted, will be found before long a party to the wide plans now receiving so much earnest consideration. It is certain that last week's buying of the high-priced railway securities under comment came from investment quarters, and presumably from well-informed ones, for scalpers and small fry do not dabble in such stocks.

The weakest division of the railroad list was the Southwestern group, and particularly those roads which will acutely feel the loss of traffic resultant from corn damage. The cutting down of the corn crop by 40 per cent. is no light matter, nor can the effect be transitory—it must at least stretch to the next crop year. The results are afr-reaching, and are felt principally by the poorer consumers; especially is this seen in the already serious rise in the prices of beef and pork, which in the United States are in almost as general use as bread

Continued on Page 4.

THE FINANCIAL SITUATION.

Continued from Page 1.

All food products are already dear, and will doubtless become dearer through the Winter and Spring, reducing general purchasing power for other commodities. This is one effect of corn shortage which must be felt all through the country. In the States directly affected—Missouri and Kansas being the worst sufferers—it is idle to hope that prosperity will not meet with some check—the destruction of at least 600,000,000 bushels of corn means an enormous amount of labor gone for naught—means that tens of thousands of farmers have lost the power to purchase, that they must economize, retrench, and live as cheaply as possible until they get the chance next year to retrieve their fortunes. That this must ultimately be reflected in railroad traffic returns is inevitable. Hence the very general criticism of the action of Atchison's Directors in their recent increase of dividend and the failure of the stock to advance to its new dividend level. Much just doubt is felt of the wisdom of increasing that road's disbursements until the result of corn shortage can be beter measured. It is fortunate that this crop loss came after bumper years, which had placed the farmers of the Southwest in easy circumstances, enabling them to meet the present situation with courageous fortitude. Otherwise it would have been a calamity. As it is, anxiety is warranted until some idea of next year's corn crop can be formed, for we shall come to the end of the present crop year with nominal reserves.

The idustrial situation continues to be a fruitful source of discussion. There is apprehension of over-production—notably of copper. The recent great decline in the price of the shares of the Amalgamated Copper Company shows with what distrust industrial properties conducted as blind pools are yet regarded—dividends subject to arbitrary change for speculative effect, leaving value always conjectural. There can be no stability in the securities of companies so managed, and each one that is floated on the market is a menace—a danger signal. The sensible part of the public will boycott every company which offers shares for sale, allowing unofficial rumors to be spread, (easy of official denial later,) snaring the unwary with prospectuses worthy of Col. Sellers, but publishing no facts, furnishing no verifiable statements, aiming chiefly to reap a harvest of evil manipulation. The security market is in constant peril so long as any concerns forming an important section of it are permited to conduct their business in absolute secrecy. Take the present position; some fear of general over-production is prevalent; facts may or may not warrant it. How is the public to know? Few industrial companies, except the United States Steel Corporation furnish any but the most meagre information, utterly inadequate as a basis for intelligent judgment. If the point of over-production has been reached contraction must follow, the speculative shares of industrial companies will suffer, and the public will foot the bill. It is not surprising that the mere breath of suspicion sends blind pool securities down. The shareholder who is not an insider has no way of finding out what is going on, and the slightest hint is naturally sufficient to frighten him. All this would be avoidable if these corporations adopted the business methods of the foremost railroads; the plea is untenable that to do so would disclose business secrets to rivals; a system corresponding to the periodic traffic returns of railroads would disclose general results only, but sufficient to guide investors. That these views are warrantable is illustrated by the notable steadiness of the shares of the United States Steel Corporation, which does give its shareholders some notion of what it is doing.

As a whole the market reflects public discrimination. Investment absorption of bonds and dividend paying stocks goes on steadily. Never before have so many securities been owned outright, so few carried on margin—which makes a strong technical situation. Speculation is inactive, finding for the time being neither leadership nor incentive.

Transactions are regarded as small—and they are when measured by the enormous trading of last Spring, but compared with other periods they keep up a fair average. Aside from public investment holdings, great blocks of securities are held for control and other purposes by the houses recognized as financial leaders. None of this volume is, apparently, for sale at current quotations, nor is there any apparent desire to increase such holdings—the plain inference being that the rulers of high finance are satisfied with the position and not at the present desirous to foster speculative enthusiasm. No doubt the wish not to run any risk of disturbing the money market during the period of crop moving has contributed to this frame of mind. But that period is approaching its end, and it has been passed through without strain. The New York banks to-day are in fairly strong position, and it is probable that early Congressional legislation will afford further relief by reducing taxation and amending Treasury relations to the country's banking system.

In National affairs other than financial there is nothing to arouse uneasiness. The shock of the late President's assassination has served to show the strength of our institutions and the capacity of our " public " to withstand shock.

Some diminution shows in the current volume of exports, but it is too early to know whether this is a turn in the tide or a temporary fluctuation. It is, however, certain that we shall be called upon for all the surplus wheat that we can spare. Reports from Russia, our chief competitor, show that in certain provinces there will be famine, and her exportable surplus will be below normal. Our own wheat markets, even under the pressure of the rush of primary receipts, maintain a fair level of price, with indication of improving through the Winter and Spring. Exports of cotton will also be heavy this year, stocks abroad being abnormally light. It is reasonably presumable that total exports will not seriously fall off—they could suffer some diminution and still remain satisfactory.

Thus the security market hangs balanced. There are sufficient favorable factors to forbid general extensive declines; there are sufficient unfavorable factors—notably corn crop damage, and the uncertainty of the industrial situation—to check speculation and call a halt. Special movements will of course appear, but the general market is likely to remain much as it is until impetus comes from some source not now apparent. It may be that the return to business of Mr. J. P. Morgan at the end of the month may mark the start of improvement.

The New York Times
Published: October 20, 1901