

Finance.

THE STEEL CORPORATION'S DIVIDEND.

That the increase in dividend on the \$500,000,000 common stock of the United States Steel Corporation, announced by the directors on Tuesday of last week, has been received with mixed feelings in the financial community, and with a very considerable measure of disapproval, probably no one in touch with financial opinion will deny. The existence of such a feeling calls for explanation; because increase in dividends of industrial corporations is usually accepted as reflecting industrial prosperity, and therefore as an agreeable sign of the times.

Such unfavorable judgment as may have been evoked by this third increase in the "Steel dividend" within twelve months is based, it may safely be asserted, on three well-known facts—that a similar policy, at the outset of the company's career, had results which confirmed the criticisms then passed upon it; that the company's recent earnings, though very large, are less than they were in such a year, for example, as 1906, when a very different dividend policy was pursued; and, finally, that while dividend payments are now larger than in those other years of prosperity, very much less is being put back from earnings into the property. It would not be possible, furthermore, to ignore the effect produced on conservative opinion by the wild and prolonged speculation in the stock which has accompanied these successive advances in the dividend.

In his public statement, submitted with last week's announcement of the dividend, the chairman of the directors' board explained that earnings in excess of interest charges, during the nine years of the company's history, have averaged $8\frac{1}{2}$ per cent. per annum on the common stock, whereas dividends actually paid have averaged only 2.3 per cent. To people unfamiliar with company finance, this would appear to be a conclusive argument. But the statement omitted to mention that there were occasions, during those nine years, when no dividend whatever was earned on the common stock, and that the large appropriation of earnings to improvement and construction, during subsequent years when profits were again at a maximum, was plain recognition that a mistaken policy had been pursued in the previous scrimping of such appropriations.

Judge Gary did not say that the need for expenditure of this sort, on the old-time scale, is definitely past, and we have the very high authority of the *Iron Age* for the fact that such requirements, this year, will normally be as heavy as ever before in the corpora-

tion's history. Yet an appropriation on the scale of 1906 would have put quite out of the question the payment of last week's increased dividend. These criticisms are made regretfully; but they are necessary, because the interests of the investing public are involved more closely than usual in ultra-conservative industrial company finance, and because the example of so great a corporation as the United States Steel is bound to affect the policy of other companies.

The quarterly dividend is not increased, to the highest rate in the company's history, in response to earnings for the quarter which also surpassed all precedent. On the contrary, there were two quarterly periods in 1909 when the net receipts of the three months ending with last March were exceeded, and there were also three quarterly periods in 1907, three in 1906, and one in 1902, which made a better showing. Indeed, results for the opening three months of 1910 did not come up to expectations of a few weeks ago; the net earnings fell short by two to four millions of the estimates then prevalent.

It was believed on Wall Street, when well-informed people, three or four weeks ago, changed suddenly from predictions of a 5 per cent. rate to hints of an unchanged 4 per cent. level, that the smaller showing of the quarter's earnings had convinced them that this was not the time to increase the dividend. If so, they were overruled. It is true that the quarter's earnings, after meeting interest and depreciation charges, and appropriating \$5,000,000 for construction expenditure, left \$6,532,000 for the surplus. But in the corresponding quarter of 1907, \$14,500,000 was appropriated for construction; in 1906, \$10,000,000. For the twelve months, outlay on that account was \$50,000,000 in 1906 and \$54,000,000 in 1907.

The difficulty which besets very many people, in studying the Steel Corporation's finances, arises from the magnitude of the figures in the company's reports. Fifty million dollars seems so prodigious a sum to expend in a year for construction and improvement, that the average mind is ready to accept the idea that, this vast expenditure having once been made, no more ought to be needed for a good many years to come. This was why the total omission of such expenditures in 1908 attracted little comment. But if an improvement appropriation of \$50,000,000 is a large figure, so is a billion-dollar capitalization. If a steel manufacturing company with \$10,000,000 capital were to appropriate in one year \$500,000 for such purposes out of earnings, nobody would express any great astonishment. Yet the ratio of such expenditure to capitalization would be the same in that case as with the Steel Corporation's \$50,000,000. Exactly what is required in any

given year is a matter to be determined by the condition of the steel trade, by the existing state of the company's plants, and by the policy pursued by competitors. But all traditions of the steel trade are to the effect that the safe course is to err, if error there must be, on the side of generous appropriations. Least of all has experience warranted the intimation, in an industry whose fortunes even nowadays are apt to make it alternately "prince and pauper," that a high dividend, fixed under such conditions as have lately prevailed in the trade, should be considered as permanent except so far as "extra dividends" may enhance it.

Every one interested in the prosperity of American trade and American financial markets will hope that the 5 per cent. Steel dividend will be maintained to the end of time, and that no trade reaction will ever come again, such as, in 1904, forced suspension of all payments on the common stock, simply because the earnings were not large enough to pay them. But the Steel Corporation is still young, and it remains to be seen to what extent the American steel and iron industry is destined to be subject to the same vicissitudes as in the past half-century.

BOOKS OF THE WEEK.

- A. E. G. Modern Art at Venice, and Other Notes. J. M. Bowles.
 Allen, P. S. *Opus Epistolarum Des. Erasmi Roterodami*. Tom. II, 1514-1517. Frowde. \$5.75.
 American Irish Historical Society Journal. Vol. IX. Providence, R. I. Pub. by the Society.
 Bardeen, C. W. Fifty Fables for Teachers. Syracuse, N. Y.; C. W. Bardeen. \$1.
 Barker, E. *The Frozen Grail, and Other Poems*. Duffield. \$1.25 net.
 Barus, C. *Condensation of Vapor as Induced by Nuclei and Ions*. Fourth report. Washington: Carnegie Institution.
 Bazin, R. *La Barrière*. Brentano.
 Beebe, M. B., and C. W. *Our Search for a Wilderness*. Holt. \$2.75 net.
 Bianchi, M. G. D. *Russian Lyrics and Cossack Songs*. Duffield.
 Bindloss, H. *The Gold Trail*. Stokes Co. \$1.30 net.
 Bonner, G. *The Emigrant Trail*. Duffield. \$1.50.
 Braunsfels, L. (*Gedichte 1810-1888*.) Frankfurt am Main: Otto Braunsfels.
 Brawley, B. G. *The Negro in Literature and Art*. Atlanta: Privately printed.
 Breck, E. *Wilderness Pets at Camp Buckshaw*. Boston: Houghton Mifflin. \$1.50 net.
 Byron's Poetical Works. Frowde.
 Caesar in Britain. Selections from the Gallic War. Ed. by W. D. Lowe. Frowde. 25 cents.
 Cawein, M. *The Shadow Garden (A Fantasy)*, and Other Plays. Putnam. \$1.50 net.
 Christie, A. H. *Traditional Methods of Pattern Designing*. Frowde.
 Clark, A. C. *The Cursus in Mediæval and Vulgar Latin*. Frowde.
 Crewdson, Mrs. C. N. *An American Baby Abroad*. Boston: Little, Brown. \$1.50.
 Day, H. *The Ramrodders; a Novel*. Harper. \$1.50.
 Darrington, A., and Stephens, A. G. *Our Lady of Darkness*. Macaulay Co. \$1.50.
 Draper, A. S. *Agriculture and Its Educational Needs*. Syracuse, N. Y.: C. W. Bardeen. 50 cents.
 Earland, A. *Ruskin and His Circle*. Putnam. \$1.75 net.

Erskine, J. Leading American Novelists. Holt.
 Fernow, B. E. The Care of Trees. Holt. \$2 net.
 Foot, C. M. Insect Wonderland. Lane Co. \$1.25 net.
 Galloway, W. J. Musical England. London: Christophers.
 Gregg, F. M. Handbook of Parliamentary Law. Boston: Ginn & Co.
 Hanna, M. E. Tactical Principles and Problems. Menasha, Wis.: George Banta Pub. Co.
 Hatton, R. G. The Craftsman's Plant-Book. Dutton. \$7.50 net.
 Heywood, W. A History of Perugia. Edited by R. L. Douglas. Putnam. \$3.50 net.
 Hines, E. R. Footlight Rhymes. Broadway Pub. Co. \$1.
 Holder, C. F. Recreations of a Sportsman on the Pacific Coast. Putnam. \$2 net.
 Howard University Catalogue, 1909-10. Washington, D. C.
 Job, H. K. How to Study Birds. Outing Pub. Co. \$1.50.
 Johnson, C. The Picturesque St. Lawrence. Macmillan. \$1.25 net.
 Johnston, W., and West, P. The Innocent Murderers. Duffield. \$1.50.
 Kirk, F. M. Senior Geography Questions. Frowde.
 Krans, H. S. The Lost Art of Conversation. Sturgis & Walton. \$1.50 net.
 Kurtz, B. P. Studies in the Marvellous. Berkeley, Cal.: University Press.
 Landis, F. The Angel of Lonesome Hill. Scribner. 50 cents net.
 Lessing, O. E. Whitman and His German Critics. Reprint from the Journal of English and German Philology, Vol. IX, No. 1, 1910.
 Littell, J. S. Rev. The Historians and the English Reformation. Milwaukee: Young Churchman Co. \$2.50 net.
 Livy, T. Ab Urbe Condita. Libert IX. Ed. by T. Nicklin. Frowde.
 Margolis, M. L. A Manual of the Aramaic Languages of the Babylonian Talmud. Stechert. \$3 net.
 McLennan, J. Manual of Practical Farming. Macmillan. \$1.50 net.
 Mears, M. Rosamond the Second. Stokes. \$1.

Meredith, G. Memorial Edition. Vols. III and IV, Sandra-Belloni; Vol. V, Rhoda Fleming; Vol. VI, Evan Harrington. Scribner: \$2 per vol.
 Merriam, C. H. The Dawn of the World; Myths and Tales Told by the Mewan Indians of California. Cleveland: A. H. Clark Co. \$3.50 net.
 Meyer, H. H. The Graded Sunday School in Principle and Practice. Eaton & Mains. 75 cents net.
 Montgomery, L. M. Kilmeny of the Orchard. Boston: L. C. Page. \$1.25.
 Moore, E. H., Wilczynski, P., and Mason, M. The New Haven Mathematical Colloquium. Lectures del. 1906. New Haven: Yale Univ. Press.
 Münsterberg, H. American Problems. Moffat, Yard. \$1.60 net.
 Nietzsche, F. Thoughts Out of Season, Parts I and II, \$1.25 net; Human, All Too Human, \$1.75 net; On the Future of Our Educational Institutions, \$1.25 net; The Will and Power, \$1.75 net; The Birth of Tragedy, \$1.25 net; 6 vols. Macmillan.
 Norton, O. W. Strong Vincent and His Brigade at Gettysburg, July 2, 1863. Chicago: O. W. Norton.
 Noyes, C. An Approach to Walt Whitman. Boston: Houghton Mifflin. \$1.25.
 Oppenheim, E. P. The Illustrious Prince. Boston: Little, Brown. \$1.50.
 Palmer, F. Danbury Rodd, Aviator. Scribner. \$1.50.
 Parsons, H. G. Children's Gardens for Pleasure, Health, and Education. Sturgis & Walton. \$1 net.
 Peabody, F. W. The Religio-Medical Masquerade. Boston, Mass.: The Hancock Press. \$1.
 Peck, H. T. The New Baedeker, Being Casual Notes of an Irresponsible Traveler. Dodd, Mead. \$1.50 net.
 Pfeiderer, O. The Development of Christianity. Translated. Huebsch.
 Plummer, C. Vitæ Sanctorum Hiberniæ. Vol. I. Frowde.
 Rideout, H. M. The Twisted Foot. Boston: Houghton Mifflin. \$1.20 net.
 Rosenfeld, S. Children of Destiny. Dillingham. 50 cents.
 Ross, E. A. Latter Day Sinners and Saints. Huebsch. 50 cents, net.

Sayler, H. L. The Airship Boys Due North. Chicago: Reilly & Britton. \$1.
 Schoonmaker, N. M. The Eternal Fires. Broadway Pub. Co. \$1.50.
 Scientific American Handbook of Travel. Compiled and edited by A. A. Hopkins. Munn & Co. \$2 net.
 Scott's Poetical Works. Edited by J. L. Robertson. Frowde.
 Shakespeare. Complete Works. Edited, with a glossary, by W. J. Craig. Frowde.
 Sinclair, U. Prince Hagen: a Drama in Four Acts. Privately printed.
 Smith, J. Catalogus Raisonné of The Works of the Most Eminent Dutch, Flemish, and French Painters. 8 vols. and Supplement. Dutton. \$25 net.
 Snaith, J. C. Fortune. Moffat, Yard. \$1.50.
 Stein, G. M. Glimpses Around the World Through the Eyes of a Young American. Philadelphia: Winston Co. \$2 net.
 Talbot, M. The Education of Women. Chicago: Univ. of Chicago Press. \$1.25 net.
 The Burden of Isis (Wisdom of the East). Trans. by J. T. Dennis. Dutton. 40 cents net.
 Thompson, J. M. Jesús According to S. Mark. Dutton. \$1.50 net.
 Tinayre, M. L'Ombre de l'Amour. Brentano.
 Vacaresco, H. Royal Lovers. Lane Co. \$1.
 Waterman, N. The Girl Wanted: A Book of Friendly Thoughts. Chicago: Forbes & Co. \$1.25.
 Weeden, W. B. Early Rhode Island: a Social History of the People. Grafton Press. \$2.50.
 Wentworth, P. A Marriage Under the Terror. Putnam. \$1.35 net.
 Wettstein, C. T. Was Abraham Lincoln an Infidel? Boston: Clark Pub. Co. \$1.25.
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