

SCHWAB JUSTIFIES WATERING OF STOCK FROM TRUST STANDPOINT

Believes Development of Country Will Turn Over-Capitalized Issues to Gold.

PROCESS LIKELY TO CONTINUE IN FUTURE

Present Agitation Will Die Out and Then There Will Be a Return to the Old Plan, Thinks Steel Magnate.

By Victor A. Watson.
(Herald News by Longest Leased Wire.)
New York, April 6.—Charles M. Schwab now adds to the controversy regarding over-capitalization which has raged throughout the country for several weeks so far as the railroads are concerned.

Declaring that he is not familiar enough with the railroad situation to discuss it in detail, he goes even farther and admits that most of the great industrial corporations are heavily over-capitalized. Even that great corporation, the United States steel trust, which is in part a monument to his own handiwork as a trust craftsman, he declares was over-capitalized and in a lengthy interview, he stated frankly to me his reasons for believing that over-capitalization in the past has been justified and that it is likely to continue.

The whole argument in a nut shell is that the promoters of great trusts have gambled on the basis that the United States is a "hell of a success" as Uncle Joe Cannon recently put it, and that the natural development of the country is rapid enough to catch up with the over-capitalization. In his single reference to the railroad situation he points out that some of the stocks that are most valuable today were at the time of their issue practically worthless.

Agitation Will Die Out.

All the present protest over the over-issuance of stock will die out, he declares, and then there will be a return to the old plan. Despite his sanguinary utterances as to the great future of the industrial concerns, Mr. Schwab admitted that over-capitalization has been carried to an extreme and some of the industrial concerns are in a bad way for lack of money.

I met Mr. Schwab at the home of an old friend of his and talked with him for something more than a half hour concerning the general financial situation.

The man who came out of Pittsburgh to step into the shoes of Andrew Carnegie as active head of the steel business of this country talks with the eagerness of a youth, and despite his ideas, makes every word he says a most important contribution to the symposium to which Rockefeller, Carnegie, Harriman, Roosevelt, Morton and other men of prominence have contributed on the money question.

What is your opinion as to the sub-



Charles M. Schwab.

ject of over-capitalization?"

"Briefly, I do not believe in it at the present time."

"But you did not always feel that way, did you?"

"No; conditions have changed, however, and the public must be convinced that over-capitalization is not such a bad thing."

"Do you believe the railroads are over-capitalized?" was asked.

"I am not familiar enough with the railroad business to say anything about it."

"But how about the big industrial concerns the trusts, are they over-capitalized?"

"They certainly are," he said.

Schwab paused for a moment, and then continued, giving for the first time a trust man's view of the situation.

"I wonder if you realize that many of the so-called gilt-edged railroad se-

curities which are sought after today, were originally given away as premiums with bonus. Today those stocks have risen greatly in value and the over-capitalization has been wiped out."

Not Good Thing Now.

"Do you mean to say that over-capitalization is justified to the extent that it is a good thing today?"

"No, it is not proper now. Corporations will in the future be over-capitalized. I can point out in my own business an indication of how the business is winging ahead to eat up great stock issues."

"In 1880 there were about 10,000,000 tons of steel used annually in this country. It took several years to double this and the development of business later began in earnest and now we are using about 24,000,000 a year."

We then discussed several statements made by Mr. Rockefeller, one of these being relative to Rockefeller's skepticism regarding worthy dividend paying stocks which promoters are willing to let the public in on.

"Will you answer Mr. Rockefeller's inquiries on this point?" I asked.

"What corporation, what stock do you mean?"

"For instance, the United States Steel corporation. Why did not you men who promoted that corporation hold the stock?" Presumably you had the money."

Capitalizes the Future.

"That may be answered in this way. Individual settlements were made with the various concerns taken in. Most of the men who got the stock had been actually at the head of their businesses. When they got all the stock that was given to them they felt that they wanted to diversify the interests, to get some of their money in other things. They were the men who began to put the stock on the market. Those who were content to stick to their own stock."

"A big concern," he added, "should be so capitalized that it will pay about 6 per cent on all of its stock and to do that it must make about 18 per cent."

"Are the industrial concerns in any better shape than the railroads, in regard to getting money?"

"No, they need it and are having a very hard time to raise it."

"What is the rest of all the present talk going to be?"

"Nothing. We are inclined to be too conservative at the present time."

Here, out of the mouth of one of the heads of the American steel business is an explanation of Wall street "water."

Probable capacity rather than past production and national development are expected to transmute the water into gold.

VISITS MEXICO WHILE SERVING TIME IN JAIL

(Publishers' Press by Special Leased Wire.)

Cleveland, Ohio, April 6.—The ex-convict Robert R. Dolph, serving time since last May for grafting, recently visited Mexico, although now in a cell, is asserted in private telegrams just received here from El Paso, Texas. An investigation is under way. Prison officials and Dolph laugh at the story.

INTERNATIONAL PEACE COMMISSION COMPLETED

(Publishers' Press by Special Leased Wire.)

Cleveland, Ohio, April 6.—The appointment as a member of the international peace commission, said Dan J. Keefe of Detroit, president of the International Longshoremen's union, today. He has been in the city for several days adjusting the working agreement between the members of his union and the employers. It was not until Friday that he knew he had been appointed as a member of the commission by President Roosevelt. Arch-bishop Ireland, Warren Stone, head of the Locomotive Engineers, and Samuel Gompers are the other members of the commission.

FUNERAL OF J. F. PAUL MONDAY

Astoria, Or., April 6.—The funeral of J. F. Paul Jr., who died Wednesday from injuries received in a logging camp near Skamokawa, will be held from Gilhaugh's undertaking establishment Monday. The services will be under the auspices of the Odd Fellows, after which the remains will be taken to Michigan for interment.

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BABES' HUNGER MAY END STRIKE OF SHIP BUILDERS

Striking Employees Have Little Money and Strike-Breakers Are Coming.

(Publishers' Press by Special Leased Wire.)

Lorain, Ohio, April 6.—The cries of hungry wives and babes are likely to end the strike of the shipbuilders at the yards of the American Shipbuilding company here. The strikers, hundreds in number, have very little money in their treasury and cannot hold out much longer. Manager La Marche of the ship yards said tonight that his company had contracted with the American Building Industries association of New York for 1,000 strike-breakers and that they would begin to arrive soon.

The steel plant of the United States Steel corporation closed down tonight for two weeks to permit of repairs and rendered 8,000 men idle. As these idle steel workers are all union men it is feared that they will support the cause of the striking shipbuilders and that serious trouble and bloodshed will result. The authorities share this fear and Mayor King has ordered Captain Gove of the Fifth regiment to keep his men in the armory ready for a call at a moment's notice.

Manager La Marche today received a threatening letter bearing pictures of two bullets, a hand labeled "Black Hand" so that he would know what it was, and the warning:

"For you if you are not careful."

General John F. Spinks of Columbus visited the yards during the day. He said he wished to see what means of defense there was against an attack. He declared, however, there was no need of more troops.

KILLED IN FREE FIGHT TEN MILES FROM BUTTE

(Special Dispatch to The Journal.)

Butte, Mont., April 6.—Nick Vanich was shot and fatally wounded last night in a free-for-all shooting bee in a saloon on the grading line of the Milwaukee road ten miles from this city. Ernest Nelson, proprietor of the joint, is in jail charged with the crime. Nelson claims self defense. The row resulted itself into a typical border fight, in which several men drew guns and blazed away, blowing out the lights and peppering window panes full of holes. During the fusillade Vanich got a bullet through his abdomen.

Small tracts of improved land near town are in demand. Cut up the big farms.

MCMINNVILLE DEFEATS CORVALLIS DEBATERS

Gaining Unanimous Decision of Judges on the Ship Subsidy Question.

(Special Dispatch to The Journal.)

McMinnville College, Or., April 6.—In a very close contested debate here last night on the ship subsidy question McMinnville college won from Oregon Agricultural college by unanimous decision of the judges. The question was the ship subsidy. O. A. C. defended the affirmative and McMinnville the negative.

The affirmative team was composed of C. M. Stebbins, C. C. Clark and F. E. Calk. Stebbins opened the debate for the affirmative with a strong argument. Every man on the affirmative worked hard and deserves credit for excellent argument.

The negative team was composed of Theodore Anderson, W. C. Campbell and G. L. Tibbory, who spoke in the order named. Their argument was strong and effective throughout. All the debaters used every minute of time allotted. The debate was won entirely on constructive argument.

Judge William Galloway presided. The judges were Judge A. L. Fraser of Portland, Judge N. L. Butler of Dallas and Superintendent R. L. Traver, formerly of Pendleton.

Following the debate a reception was tendered the debaters.

PRETTIER, BIGGER AND BETTER GRANTS PASS

Grants Pass, Or., April 6.—To make a bigger, better and prettier city is the aim of the present Grants Pass council and mayor. An appropriation of \$1,000 has just been made to beautify the park grounds located on the bank of Rogue river near the city limits. These grounds are ideal for park purposes and are now being planted to clover, shrubbery and flowers. Many native trees already stand on the ground, but many others are also being set out, walks are being laid off and the park made attractive. A bathhouse and boats will also be placed, as well as other things to amuse the crowds that will swarm to the park this summer.

The council is also getting ready to appropriate between \$5,000 and \$7,000 to purchase a rock crusher and roller by which the streets can be macadamized. A special election will be called at once to pass upon the proposition, and it is the purpose of the mayor and aldermen to have the new machinery at work on the streets this summer.

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Organized labor in Los Angeles is planning to establish a bank. It will be financed and operated wholly by the trade unionists. It is proposed to place the institution in the new labor temple, ago.

Augustus W. Owens, who recently died at Norfolk, Va., was the author of the "Jim Crow" bill which passed the North Carolina legislature some years ago.