# Bonds Being Discredited as Objects of Prime Investment

By ELMER C. WALZER
UPI Financial Editor

New York – (UPI) – Inflation has done some fantastic things to stocks and bonds over the years to the point where bonds – once prime investments – are being discredited.

Elmer Walzer

The argument runs that common stocks alone present a hedge against inflation while bonds do not.

Bonds of solvent companies are paid in full at maturity in the prevailing dollars. During their lifetime bonds pay interst regularly, generally in semi-annual installments.

A $1,000 bond due 20 years hence will be paid off at $1,000, but there is no guarantee that the $1,000 of 1979 will be equal in purchasing power to the $1,000 of 1959.

The brokerage firm of Francis I. DuPont holds that the preference for stocks over bonds for preserving real capital is of long duration.

The first worked out two examples – one stocks and one bonds – over 45 years. Let the company explain it:

"It is assumed that $100,000 was invested in each of two accounts in 1913.

"One of these portfolios consisted solely of common stocks. This fund, originally $100,000 would today be worth over $450,000 in terms of purchasing power. That means it has a value more than 360 per cent in excess of its worth 46 years ago."

**Never Reattained 1913 Worth**

The bond $100,000 was invested in one railroad issue, and according to the firm type fund, corrected for purchasing power, has never once reattained the 1913 worth.

"And today," the firm adds, "the value is less than 10 per cent of the corresponding figure for the fund invested in stocks over the last 46 years."

Assuming the dollar is worth $1 in 1947-1949 prices, the basis of the consumer price index, it is worth 80.7 cents today. On that same basis it would have been worth $2.36 in 1913.

"There have been two underlying factors that, over the years, have continually favored stocks over bonds," the Du Pont firm says. "These are the historical decline in the purchasing power of the dollar, and the long-term uptrend in shares of American industry.

"The moral of this story is that all is not gold that glitters and all is not safe that is fixed."

A bond carries a fixed interest rate and usually is paid off at par in a certain number of years. Thus a bond quotation carries the per cent of interest – the coupon – and the year of maturity – XYZ as of 1995, for example.

A bond is a debt of the issuing company – often a mortage on the property. A stock is an equity in the company – ownership. If the dividend is passed on the stock nothing happens. If a company defaults on its bonds it usualy is thrown into receivership and the bondholders get first lien on assests.

Bonds have a definite place in corporate finance. Their difficulty in recent years has been the fluctuation of the dollar. No one is suggesting bonds be done away with. But there are urgent suggestions and prayers that the dollar be made stable.

For years the tendency of corporations has been toward financing through bond offerings rather than stock for the simple reason that the interest they pay on bonds is not taxed whereas money paid in dividends on stocks is taxed at the corporation tax rate of 52 per cent.

Now that stocks are in style, there are many who think corporations will do a bit more financing through issuance of more shares.

## Disk Jockey Nears Wake-a-Thon Goal

Bakersfield, Calif.– (UPI) –A radio station disk jockey was well on his way today to completing his goal of 240 hours or 10 days of continuous wakefulness.

Jim Stokes Tuesday passed the 201-hour mark set recently by New York DJ Peter Tripp. He began his wake-a-thon officially at 9:21 a.m. Monday, Feb. 16. He will reach his 10-day goal Thursday.

The 26-year-old father of four children said he would rely on the advice of physicians in achieving or stopping short of his goal. The wake-a-thon was being held in connection with the Heart fund drive.

**MYSTERY SOLVED**

Port Gibson, Miss. – (UPI) – Farmer Ed Gritman thinks he's solved the mystery of his missing sheep. He found and killed an apparently well-fed alligator in the bayou adjacent to his pasture.

## TODAY
### In Oregon History
**(A Centennial Feature)**

**FEBRUARY 25, 1889**

**By act of the legislature, which became law today, a new county, Harney, has been carved out of what were formerly the southern and middle portions of Grant County. Harney is named in honor of Major-General William Selby Harney, an Indian fighter of note, hero of the War with Mexico, and formerly in command of the District of Oregon. General Harney is presently living in the East. The present seat of government is Harney, but it is expected that a hot county seat fight will develop, Drewsey, Silvie's City, Wright's Point and Burns all being hopeful that the lightening will strike.**

**FEBRUARY 25, 1885**

**By act of the legislature, signed by the governor, Gilliam county today came into being, cut in part from Wasco County and in part from Umatilla. The county seat will probably be Alkali. The new county is named in honor of Colonel Cornelius Gilliam, pioneer of 1844, who was killed by accident during the Cayuse War which followed the massacre of the Whitmans at Waiilatpu mission.**

**MINDSZENTY AIDE DIES**

Vienna –(UPI)– The Rev. Albert Egon Turcsanyi, 63, former personal secretary to Jozef Cardinal Mindszenty, has died in a Hungarian prison, the Austrian Catholic Press service reported Tuesday.

**ARREST HOARDERS**

Vienna –(UPI)– Czechoslovakian police have arrested 175 persons for hoarding goods, Radio Prague reported Tuesday.

## Lower Retail Prices on Food Seen This Year

Washington–(UPI)–The Agriculture department said today retail food prices are likely to average a little lower this year than in 1958 when they were at an all-time high.

The department forecast a small reduction in prices because of prospective larger supplies of pork, eggs and, at least during the first half of 1959, of fresh citrus fruits and vegetables.

**Little Cause for Joy**

There appeared to be little cause for joy among grocery-buying housewives and producers, however, because the department forecast said that "marketing charges for food are likely to increase this year." This means a smaller farm share of the consumer's food dollar, a bigger take for the middleman, and less savings for the housewife.

The department said in its publication, "The National Food Situation," that per capita consumption likely would recover from the decline of last year when supplies of some foods were temporarily reduced.

**Consumption Higher**

The per capita increases will be mostly in pork, lard, chicken and, possibly, lamb and mutton. The consumption rate of beef likely will be 81 pounds per person compared with 79.7 pounds last year. The rate for veal is forecast at 6.7 pounds, compared with 6.8 pounds in 1958.

The consumption rate of pork will jumpin to a whopping 66 pounds compared with 60.6 pounds last year. The eating of lamb and mutton is expected to go up from 4.1 pounds per person to 4.4 pounds.

Consumption of chicken will jump from 28.2 pounds to 29.8 pounds, the department said.

**REFUSES WARRANTS**

Memphis, Tenn.–(UPI)–Judge Willard Dixon refused Tuesday to issue assault warrants against High School Principal John Barnes who paddled 10 teen-age boys to quell a student strike. Mothers of two of the boys had brought charges against Barnes.

**SWISS ENVOY DIES**

Luxembourg —(UPI)— Pierre Frienden, 64, former prime minister of Luxembourg, died Monday in Zurich, Switzerland.

## Quotes From the News

By UNITED PRESS INTERNATIONAL

President James Hoffa, predicting his union would beat the AFL-CIO in a race to organize workers in Puerto Rico:

**"We'll meet this situation as we have met others forced upon us by the AFL-CIO. And . . . we'll be on top when it is over."**

Washington–Chairman Otto E. Passman (D.-La.) predicting that the House appropriations subcommittee would trim President Eisenhower's "wasteful" $4 billion foreign aid request despite veto threats:

**"The threat of veto–or bluffing tactics–will not shake the integrity of the members of the subcommittee."**

Los Angeles–Dr. Luther Evans, former director general of the United Nations Economic, Social and Cultural organization, denying that United States aid was contingent on whether an underdeveloped nation was anti-Communist:

**"This is not really the genuine explanation of our efforts. Our moral position is greater and more noble than we have stated it to be."**

## Dulles Observes 71st Birthday

Washington –(UPI)– Secretary of State John Foster Dulles today observes his 71st birthday at Walter Reed Army Medical Center where he is waging his second fight with cancer.

His doctors will hazard no guess as to whether he can ever again resume his full-time duties. But there is no doubt that the secretary is keeping his hand in international affairs to a considerable extent.

He has conferred with President Eisenhower four times since his Feb. 13 hernia operation when doctors discovered a recurrence of the malignancy for which he underwent surgery in November 1956.

Dulles confers daily by telephone with his aides at the State Department, including his acting secretary Christian Herter.

He also has held long talks at the hospital with Vice President Richard M. Nixon and with his brother, Allen W. Dulles, director of the Central Intelligence agency.

Officials have made it plain that these talks are not in the nature of idle sickroom chit-chat. The secretary talks about Berlin, the Middle East, nuclear disarmament and other top problems of the diplomatic agenda.

**NOT SO OLD**

Hidesheim, Germany –(UPI)– Officers and men of the British First Royal Horse Artillery Regiment here were up in arms today over their "100 year old" cannon. Someone discovered an inscription on it saying: "Made in Essen, Germany, 1956."

## Joke on Woman Nearly Backfires

Turin, Italy –(UPI)– Friends thought they were pulling a funny joke on jealous Mrs. Vera Ganella, 25, when they placed a black lace garter belt in her husband's pocket.

When they eventually told her it was a joke, she refused to believe it. Tuesday while alone at home she closed the windows and turned on the gas.

Her husband came home just in time to save her. Doctors said her condition was not serious.

The Slave River, flowing 258 miles from Lake Athabaska to Great Slave Lake in Canada, was discovered by Samuel Hearne in 1771.

Olympia –(UPI)– Gov. Albert D. Rosellini said Monday the Northwest should consider sharing surplus kilowatts with California.

**SHAVE AT HOME**

Elizabeth, N. J. –(UPI)– Dr. Charles Axinn, 51, of Linden, N. J., was arrested Tuesday for driving with one hand. Police said he was using his other hand to shave himself with an electric razor.

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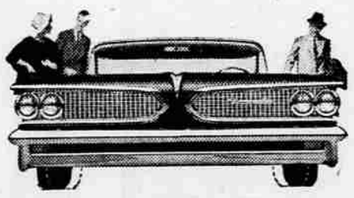

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