

In part the gain in net income reflects the policy of financing by stock in substitution for bonds whereby dividend requirements are relatively as well as actually larger. Of traffic cost some 85% is for wages and the declining tendency indicates both more reasonable employment schedules and installation of automatic switching equipment which last December 31 was serving 15% of all owned telephones.

Abatement of demand for telephone service is not yet in sight. The investment in plant was 2,783 million dollars ending 1926, 1,363 in 1920, and 667 in 1911, having doubled in the last six years and in the nine preceding. Mainly the continual need for funds is met by sale of stock at par. Six offerings were made from 1901 to 1916 and subsequently one each year in 1921, 1922, 1924, and 1926, usually in one to five or six ratio.

Earnings shown for American Telephone stock have been over 11% but below 12% each year beginning 1920, just exceeded 10% in 1919, and were over 9% but less than 10% in seven prior years. Dividends have been 9% since 1921, were 8% in fifteen years theretofore, and at least 7½% has been paid during a forty-five year period. Value of rights in the last three subscriptions has ranged from over \$2 to over \$6 each providing if sold an "extra dividend." American Telephone stock deserves that investment confidence of the world's greatest army of exceeding 400,000 stockholders which price stability irrespective of general market conditions indicates.

### American Tobacco Co.

The great change in the tobacco business since the so-called trust was broken up fifteen years ago has been the phenomenal gain in cigarette sales. Current 90 billions output contrasts with little over 10 billions in 1911 and 25 in 1916. Annual increases were 20.3% in 1923, 10.2% in 1924, 12.6% in 1925, 11.9% in 1926. A value exceeding \$500,000,000 attaches to a year's production and the few companies dividing it rank as important industrial enterprises. The "Lucky Strike" brand developed by American Tobacco Co., although at present led by the "Camel" and perhaps the "Chesterfield" brands marketed by two one-time subsidiaries, is increasingly favored, and the company has a score of other products steadying its sales. Universality of the cigarette is exhibited by advertising of "Lucky Strikes" with prima donna testimonials.

Under the competitive conditions during the fifteen years past, the American Tobacco Co. earned \$256,392,000 total net after