

THE PILOT

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MAKE TAXATION UNIFORM

It is interesting to observe the continual tendency on the part of those who propose schemes for taxation to make different rates on different instruments. In suggestions that came last week one rate on one thing is 42c, on another 3c, on something else, 15c, and so on all around the circle. Possibly such a policy may be logical, but to a simple-minded country newspaper man the question comes up why not put the same rate on everything? And that seems to be a grave obstacle in the whole project of arriving at a taxation basis. On every hand some one is trying to find some way to put taxes on some one else, and to relieve some one who complains. One proponent argues that to do so and so is to miss helping the farmer. Another sees a way to catch some occupation that he thinks can stand to pay more. And so we go.

Any tax measure that undertakes to put a bigger load on one group, or to lighten the load on another group unless that group is already taxed too high in proportion to its power to pay its full share and no more, is not a fair scheme. Every man should bear his fair proportion of the tax load, and nothing more, no matter how rich or how poor. The farmer is willing to pay his fair share of the taxes, and probably he is paying right now more than his fair share. The poor man is willing to pay his share, and his share will never be big, for when it is he will cease to be a poor man. No man can protest in reason against paying his share if his proportion is as exactly as possible the same proportion that every other man pays. It is this coniving to put one rate on one man or one business or one occupation and another rate on another that immediately muddies the water. Why should a bank pay a larger per cent on its business than a country cotton gin, or a filling station or a shoe shop or anything else? The little thing will pay only a small sum, and the big thing a big sum, but all will pay alike if the same proportion is taxed against all alike. What this legislature should provide is a tax bill written in about ten lines and including every fellow and excluding none, and all on the same basis.

NO CAUSE TO COMPLAIN

A criticising optimist, with apparently the evidence in the matter, protests to the editor that in the complaint about hard times is too much cry and too little wool. He says several of the business men of the Sandhills note an increase over business of a year ago, that the postoffice has done more business, that the streets of the villages show an increase of traffic, and that if we would turn around and look at things with the hopeful eye rather than with the one with the blinder over it we would see that this is a pretty good winter in a pretty good world, and in every conceivable way far ahead of many of the recent years. He shows the figures to sustain his case, and seeing that he stands on right solid ground nothing remains but to pass along his advice to take a reef in our community back bones, saw wood and have confidence in the days that are ahead.

It is an old story that when Christian saw the lion in the way ahead of him, and was frightened and wanted to turn back he had the courage to go a little further before turning and when he got far enough up the hill to see the real condi-

tions it transpired that the lion was chained. This optimist insists that if we quit our sob stuff, stiffen up our back-bones, go to work at the things that are in front of us, and have the nerve that for the last ten thousand years has kept the old world jogging, we will get up to the lion and find it like all other lions, chained fast and not much more to it than a scare.

When you look the situation over you realize that the United States to-day is the richest nation the world ever saw, that prosperity has extended downward farther to include the whole mass of people more than ever before, and that the conditions are for more of the staples, more of the luxuries, more of the comforts and more of everything than any people ever before had, and that tears never get anybody very far any way. So, buck up. Fit your actions to the conditions. Have faith in your ability to saw your wood, and go to it on whatever scale the factors make possible. Never confess that you are dead until you see the man come with the flowers.

WE HAVE EATEN THE SEED CORN

Already the farmers are making their tobacco seed beds. Already they are wondering about financing themselves for the summer. The banks are not in the same easy position to advance funds for farm purposes, for the banks have much money only when much money is available. Too much inclination is seen to blame the banks for the scarcity of funds, but we may as well recognize the fact that we have eaten our substance and that before we can ride as high as we did in the recent past we must walk through—the Slough of Despond and the Valley of Humiliation. It has been a popular cry to the people to spend their money freely that business may be stimulated. But the cake that is eaten is not kept. The money was spent a year ago. We are paying it now. It is an unhappy fact that months ago we as a people jeopardized our incomes expected at the present to buy the commodities of the past. Instead of preparing ourselves to buy today the things we need and should be able to pay for today we bought things long ago that we promised to use today's income to pay for, and we have no money now to spend, as the advisers suggest.

We may philosophize all we want to, but we must get our noses to the grindstone, pleasing though the task may be or not, for the grand old organization of prodigal sons has been making recruits by the thousands for the past ten or twelve years. Thrift may be a vice, but it is a comfortable vice when the flour barrel is empty and the bill collector knocks at the doors.

It is all right to buy as far as our needs and our abilities permit. But it is folly to think that we can induce prosperity by spending money that we do not have when we can get no further credit. Today buying that does not include paying is not encouraged by the sellers. And that is what the farmer faces, and with him everybody else. The big thing for the farmer and all the rest of us is to try to make at home every pound of food that the family and farm stock call for, and to make everything else as far as possible that may be needed. The landlord must encourage such a policy, and the merchant and very one else. On the day that North Carolina gets to the point where we can use our money to buy the things we need today, instead of to pay for the dead horses we have already worn out that old ailment of empty bellyache will cease to be an epidemic. It is a hard experience, but present conditions would not have scared our grandfathers. Instead of buying more cakes at the stores on credit if they could get further credit they would have raised some corn and cow peas and sweet potatoes and put their feet under a table loaded with things they knew they could get without paying back debts. We have to pattern a little by the old fellows who did not have as many expenses, but who could throw strangle-hold around hunger and floor the adversary by aggressive prudence. It is not half as hard to dig if you make up your mind that it has to be done and that you can do it, which is our present situation.

Diversification and Vigilance

Fundamental Principles of Investment Outlined in Article Written For The Pilot By Economist in Visit Here

By Walter F. Jarvis
(Munds and Winslow)

The following article was written for The Pilot by Mr. Jarvis, well known economist, now a guest in Pinehurst:

Too often have investors made the unfortunate mistake of purchasing securities to "put away in their safe deposit boxes and forget them." We are living in an unprecedented age of social, economic and scientific change and, one needs but to study the history of market values of certain European Government bonds since 1914, or of a goodly number of Municipal bonds of this country issued during various periods of inflation, or the bonds of any number of street railway companies that were considered prime investments a decade ago, or, of recent moment, the tremendous readjustment of security values experienced during the past eighteen months to realize the transcendent importance of "Diversification and Vigilance" in maintaining the safety of one's investments.

Safety is a quality of investment that cannot be measured and should be based upon the objective to be attained. Maximum safety, for the representative investor, exists between the limits of ultra-conservatism—so safe as to be comparatively unprofitable, and outright speculation—relatively unsafe because of the uncertainties inherent in high returns. The following sentence after "inherent in high returns." Changes in economic conditions, money rates, commodity prices, gold supply, taxes and abnormal industrial conditions all have an effect on invested capital and must be carefully observed, so that securities which are likely to depreciate may be disposed of and the proceeds reinvested. In short, the success of an investment fund, like that of any business, depends on management, and, to successfully manage one's investments, one must be a constant seeker after knowledge. One of this country's foremost investment Funds, The Carnegie Corporation, stressed the importance of "Vigilance" in the following statement:

"The funds of a great Endowment can be kept intact only by a systematic revision month by month of all the securities of the Endowment and by a continuous process of sale and exchange as circumstances may effect the financial soundness of this or that security which the Trust holds."

Spreading the Risk

The wisdom of not placing all one's eggs in the same basket has become a truism in the purchase of securities and is the epitome of the theory of diversification. Diversification, the distributing and minimizing of risk, is one of the first principles of judicious investment, and can be intelligently carried out only in conjunction with a "Definite Plan of Investment." Such a Plan, flexible as a whole, combines defensive measures against adverse and unforeseen conditions, and offensive measures to capitalize favorable situations, and, is carried out through a combination of bonds and stocks in proper apportionment. The primary objects of a "Definite Plan of Investment are: (1) The employment of capital to insure a satisfactory income; (2) The preservation of capital and (3) The building up of an estate.

There can be no such thing as an Ideal Plan of Investment suitable for all investors. The problem of each investor is quite individual and different and, has to do with one's age, business and social requirements, depend-

ents, insurance and other considerations, and, so the carrying out of an intelligent Plan of Investment involves the purchasing of securities that are appropriate as well as sound, and in their selection following out the principle of diversification.

Diversification in the purchase of securities should be carried out along the following lines:

- (1) Distribution of Risk—so that not more than a given percentage will be tied up in any one industry or locality.
- (2) A reasonable percentage of the total in Bonds—to insure stability of income.
- (3) A reasonable percentage in Common Stocks—if carefully selected, they afford an opportunity to share in the growth and prosperity of the country.
- (4) Liquidity of Assets—so that funds may be readily available in case of emergency or to take advantage of business or market opportunities.
- (5) Orderly sequence of Maturities—so that funds may be available regularly for reinvestment and extraordinary demands.

Investment Units

As to the percentage of a total fund to be invested in any one issue, a unit of investment should be decided upon and this will vary with each investor. For the representative investor holding say \$100,000 or more in securities, the unit of investment should be about five per cent. Necessarily the smaller the total amount of the investment fund, the larger the percentage per unit. The first one thousand dollars of savings should be invested in a government bond, or in a savings bank account, or in a building and loan association. As wealth is accumulated the unit of investment can be set at \$1,000, then \$2,000, and upward depending on the investor's particular situation. In building an investment account from savings, the unit of investment may be taken as the amount which can be saved each year.

The greater the number of investment issues held, the greater the care necessary in order to give each issue due consideration. Consequently, Over-Diversification can be carried out to as harmful an extent as Under-Diversification, which is neglecting the principle of Diversification.

One of the outstanding investment funds of the world is that of the Sun Life Assurance Co., of Canada, whose most recent statement showed security holdings of a total value of \$460,500,000.00. Of this amount, 79 per cent was represented in stocks and the balance of 21 per cent in bonds.

Today, finance is a profession quite as much as medicine or law. One does not consciously go to a poor lawyer, nor to a doctor who is behind the times, and as a broad financial experience is a necessary background for the successful handling of an investment fund, it does not seem wise to attempt so serious and vital a responsibility without consulting and following the advice of a reputable investment house. Such an institution, with its well organized and equipped statistical department, and its personnel of trained investment specialists, has the facilities and experience to apply the two cardinal principles of successful investment, "Diversification and Vigilance." Through its counsel, the investor can build up a sound and practical investment structure so appropriate and so diversified that it will continue unimpaired and gather strength over a period of time.

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HORSES ARE COMING, AND SPRING IS JUST AROUND THE CORNER NOW.

An excellent authority on Sandhill prospects say the horse is becoming a close second to golf in the interest awakened in this section.

Stables are steadily increasing in number and the increased arrivals of horses are attracting attention every day.

A horse gets lonely without his folks, and stables indicate houses for owners.

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