TABLE 11–2.—*Some common stock declines since 1900 versus Consumer Price Index*

Period	Stock prices, percent change	Consumer prices, percent change	Interval to recover stock price high (months)
June 1901 to November 1903	−46	+6	45
January 1906 to November 1907	−49	+7	128
November 1916 to December 1917	−40	+19	32
November 1919 to August 1921	−47	−4	61
September 1929 to November 1929	−48	−0.4	302
April 1930 to July 1932	−86	−20	287
March 1937 to March 1938	−49	−1	105
October 1939 to April 1942	−40	+15	63
May 1946 to June 1949	−24	+29	47
April 1956 to October 1957	−19	+5	29

Source: November 1957 Journal of Insurance—except for the last 2 periods which are our own computations.

What is more, if one invests in stock yielding 2½ percent, it may take a considerable period of time to make up for the return that might be had in more normal periods on stocks or other investments.

If, for example, one purchases stock yielding 2½ percent and assumes the rate of annual dividend to increase 3 percent, it would take 23½ years to achieve a return of 5 percent. If we assume the annual dividend increase is 5 percent, it would take 18 years to achieve a return equal to 6 percent. Considering the return on capital stock one must also remember that there is a 25-percent capital gains tax if the stocks are sold.

The inflation is, of course, a serious matter for any organization or for any business that cannot increase its receipts as fast as its expenses increase. This is particularly true, for example, of the average college. Costs rise because the college has to pay increased prices for material and services even though it does not profit from the increase in productivity that, for example, business firms very often experience. The service the college provides is often a matter of individual attention between the teacher and the student, or between the teacher and the student in relatively small groups. Here automation does little good, though sometimes college administrators underestimate the possibilities. Because they are determined to keep tuition down in order not to penalize poor students, college administrators experience financial difficulties as they find their expenses rising 5 percent a year, say, and without offsetting productivity, and their revenues do not respond to the inflation. Government appropriations, tuition income, gifts, and endowment income tend to lag, and specially when enrollment is rising.

To some extent they try to deal with this problem by investing in common stock insofar as they have funds to invest. It must be remembered that a relatively small number of colleges have resources to invest in common stock or any other investments. In fact, since the beginning of the century the return on investments has declined from about 25 percent of the income of institutions of higher learning to about 5 percent today. This reduction is the result not only of inflation, though I estimated recently a loss of $1 billion since the prewar or about one-third as a result of inflation. Endowment income plays a smaller part also because incomes have risen from other sources as enrollment has risen.