

Dulness in Stocks May Presage Recovery

In the Past, Market Inertia Has Been the Forerunner of Improvement; the Stock Exchange Will Fight Misrepresentation; Prospects in the Oil Trade Seem Brighter

By ROBERT WINSMORE

ALTHO no longer in doubt as to election results, and altho confronted with various matters ordinarily stimulating to speculative temper, the stock market moved into November with its extreme sluggishness unchanged. Stock-Exchange professions of disappointment over the results of President Roosevelt's meeting with the bankers at Washington grew louder when the market itself failed to reflect enthusiasm in high financial quarters, and there was grumbling indifference to later happenings which would have stirred a less gloomy Wall Street into action of one sort or another.

Undeniably, the continuing apathy is discouraging to those in the business world who habitually look to the market for a sign of what lies ahead for the country's trade. It is dangerously easy, however, to mistake and overestimate the significance of such an inert market as that of the past few months. That there has been no improvement in the general price-level of stocks is, to be sure, a reflection of wide-spread uncertainty, but it is far from being a storm-signal. Neither is it a denial

**Historical
Precedent
of
Recovery**

that recovery is in the making.

As a matter of fact, just such stock market torpor is the historical precedent of recovery. Just such unresponsiveness, such inactivity, such deep Wall Street gloom have followed other great dislocations, have preceded other great reconstructions. All the major upward movements of American security values in the last forty years have developed out of periods of disheartening market uncertainty and sluggishness comparable to, even closely paralleling, that of to-day.

♦ ♦ ♦

One might reasonably assume that, after three years of widely head-lined attack, investigation and resultant Federal regulation, the stock market would know what the public thinks of it, and why. Ostensibly, however, the New York Stock Exchange is still uncertain. Last week members, employees, and associates throughout the country, to the number of 9,000, were called upon by President Richard Whitney to supply additional information by answering a questionnaire with respect to the attitude of the public in their several localities.

"Is there a feeling of antagonism?" President Whitney inquired. "Is there a general misunderstanding of the functions of the Exchange? Can you suggest the reason for such misunderstanding?" And so on, with varying degrees of naïveté.

Many of the questions seemed smug and superfluous. Others seemed intentionally significant. Who, it was asked, are the particular persons whose writings and speeches have influenced misunderstanding? Are your newspapers willing to take specific articles giving the facts, so that the truth may be known? How can accurate information be conveyed to your business men?

Thus and otherwise, the premier American stock exchange disclosed its new purpose to use planned publicity and battle aggressively against what it holds to be misinformation and misrepresentation of its province and its practises. To that end it invited criticism and counsel from its members and dependents, stoutly denied intent to spread propaganda, and promised nation-wide dissemination of facts only.

Perhaps a little less publicity given to such publicity plans would have been advisable. Unfortunately, both press and public have had experience with similar denials and promises by suspected enterprises in the past, and the Stock Exchange's so-openly proclaimed sincerity will not be immediately accepted without reserve by either.

♦ ♦ ♦

The Stock Exchange has also been figuring much in the news of late for reasons quite apart from its publicity project.

To investment bankers in convention at White Sulphur Springs, President Whitney, as quoted, gave surprizing assurance that, operating under the new Federal regulations, the American securities business can move forward to a pace of activity greater

than it has ever known. In view of the Exchange's long and bitter fight against Federal regulations, such about-face optimism from its official spokesman has naturally been the subject of much Wall Street comment, and no little disagreement.

Then, too, the Stock Exchange has, by compulsion, made public exhibit of its own financial condition for the first time in its history. Its balance sheet shows the organization's net worth to be approximately \$27,500,000, which is not greatly in excess of the \$26,000,000 valuation at which it carries its real estate and plant. Each of the Exchange's 1,375 seats, therefore, has a property equity of at least \$20,000 apart from its value as a serviceable business asset.

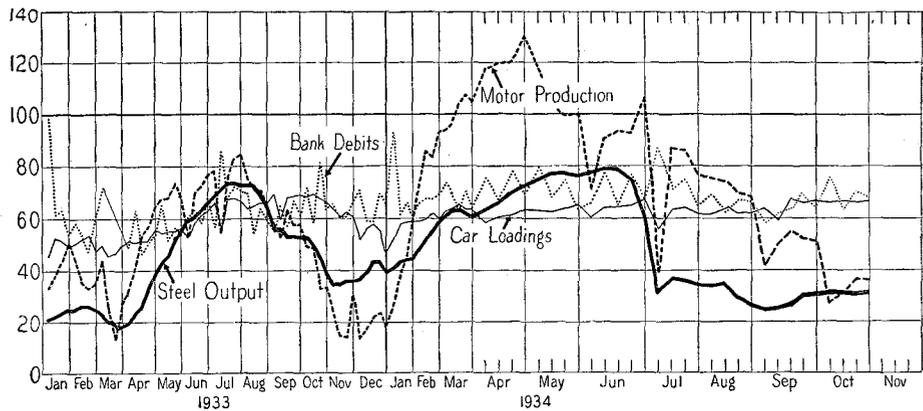
Last week, following the publication of the figures previously unknown to most owners, the market value of the seats fell abruptly to \$70,000, or to nearly the lowest price recorded since the Exchange membership attained its present size.

Chiefly, the drop was a reflection of the continuing dulness of the stock market and the consequently minimized earning-power of members of the New York Stock Exchange.

Oil men were cheered, but apathetic Wall Street showed no more than mild interest last week when announced curbing of "hot" oil production in East Texas coincided with seeming new promise of early stabilization of the petroleum industry. Oil company shares made only modest response in the stock market. Comment was frankly skeptical in the financial district, where distrust of any attempted regula-

**Stock
Exchange
and
the Public**

**Optimism,
Equities,
and
Seats**



Four Indicators of Business Activity

This chart shows in percentage of deviation from the basis of weekly average for 1923-1925, inclusive, steel ingot production in percentage of total plant capacity, total freight car-loadings, bank debits outside New York City, and automobile production. It covers the week ending October 27

tion of oil production has long been prevalent.

It is the Wall Street view that the Texas output of illegal oil, altho disturbing, has been merely contributory to disorder that is due primarily to the continuing failure of the Petroleum Administration Board to keep legal production within prescribed limits.

Week after week, the "lawful" output figures have been in excess of "Federal allowables," and the fact that overproduction has been due only in part to outlaw producers has sustained doubt as to establishment of any firm base for lasting oil-trade improvement at this time.

Just now, however, it is the Wall Street fashion to doubt everything. Legal oil production has recently dropped close to the Federal quota. The Texas curb, if effective, can not fail to bring about a marked change for the better in the situation. At the same time, the apparent ending of spectacular gasoline price-cutting throughout the country will probably have much influence, at least upon consumer sentiment.

In the circumstances, the oil-company securities may not be as undesirable at the moment as many stock-market followers seem to think.

The Foreign Trade Council

In the Hotel Commodore at New York City, last week, 1,500 delegates to the twenty-first annual convention of the National Foreign Trade Council gave attention through three days while noted speakers ardently denounced economic nationalism, urged reciprocal trade agreements, and held international trade to be indispensable to full and stable prosperity at home and abroad. Selfish tariffs, and their selfish advocates, were assailed, and the American merchant marine's cause was strongly pleaded. Expansion of American trade with Canada, Latin America, and the Orient was a special topic.

High-lights of the convention were addresses by Secretary of State Cordell Hull and Secretary of Commerce Daniel C. Roper. Both took occasion to hold the Hawley-Smoot Tariff of 1930 responsible for much of the subsequent disaster to American industry. Both voiced high hopes for the results of the Reciprocal Trade Agreement Act.

Secretary Roper declared: "Foreign trade and domestic business can not be set apart as separate economic entities. . . . There is no such thing as permanent national self-sufficiency for any country. . . . The day has definitely passed when we may expect to unload our surplus products upon foreign countries without fair consideration of their needs and requirements."

Among speakers on behalf of Central and South American countries, John B. Glenn, New York agent of the Banco Nacional de Mexico, attracted attention by pointing out the exceptional strength of Mexico's economic situation. "It is the brightest spot on the world's business map to-day," he asserted.

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The principal result of these forces is to impair the savings of a large number of thrifty small investors. When, however, the far-reaching consequences are sufficiently realized by investors, and their protests become sufficiently vigorous, they will receive the consideration they deserve.

Look for a discussion of these problems in the October issue of the Associated Magazine, which is a special security holders' number. The magazine is sent free to all Associated security holders. Others may obtain it for 10c.

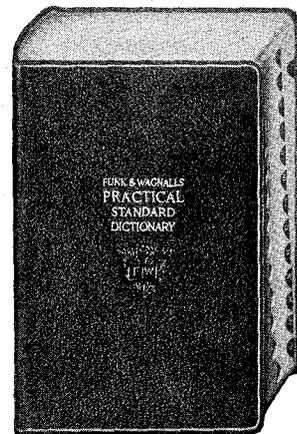
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**Labor Pushes the A. & P.
Family Into the Spot-Light**

(Continued from page 9)

Hartford once said, in another connection: "A man must know that his job is safe, that his good work will be rewarded with the promotion and pay that it deserves."

The A. & P. replied to the Cleveland unions that there was no dissatisfaction in its staff, and asked that the Managers' Local present figures on membership. The union refused, repeating its charge that there had been discrimination against company employees who had joined unions. Pickets appeared at the warehouses, and blocked delivery to the stores from other sources, warning A. & P. employees to quit. John Hartford says he appealed futilely to city and national authorities.

On October 27, after a strike of eighty teamsters, employed by contractors who work exclusively in transporting goods from the A. & P. warehouses to the stores, Hartford startled Cleveland by announcing that he was closing all the stores there, and discharging the 1,900 employees.

A hint of what was to come might have been found in the company's shutting down of its large warehouse in Jersey City, and moving away when truckmen went on strike twelve years ago.

Shocked by the realization that many faced a winter on charity, 700 clerks and managers framed a resolution stating that they always had been treated fairly, and expressing resentment at the outside interference responsible for their plight. There never was any strike in the A. & P. stores, and the company estimate of union members in their ranks is forty. Some employees recalled that John Hartford had said: "After a man has worked loyally, for a reasonable time, the responsibility of his employer to him is as great as his responsibility to his employer."

While the National Labor Relations Board in Washington tried to smooth out the trouble, charges and countercharges were made. Mayor Harry L. Davis of Cleveland insisted that adequate protection had been given, and that police had been held in reserve for a call from the company. Both sides cried coercion. The company held that the unions were attempting to coerce happy employees into joining. The unions said that the employees had been coerced by the management until they were no longer "free agents." Thomas A. Farrell, Secretary of the Cleveland Federation of Labor, declared several cases of discrimination had been brought to his attention. Hartford accused Farrell of breaking faith in permitting the truckmen to disrupt his business. Farrell answered that the contract with the trucking company had been broken when the latter attempted to run through picket-lines.

In Washington, a peace program was evolved under which the A. & P. would reopen its stores, and reinstate its employees, sending to them a statement that the company had no objection to their affiliating with any union. The union was to forswear intimidation, and insistence on the closed shop.

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From Our Readers to Our Readers

Do the Comics Need a Housecleaning?

To the Editor of *The Literary Digest*—Sir:—While the public is trying to clean up the movies, which doubtless need cleaning, let us also try to clean up the funnies, that are daily put before the public. There are few that do not portray some sort of banditry, treachery, and immoral subjects. This mess is put before our children daily, and all know that all children are fond of the funnies. Start a move to crusade for better and more educational funnies.
J. D. HERRON.
Roswell, New Mexico.

Strikes and Picketing

To the Editor of *The Literary Digest*—Sir:—In the October 20 issue Mr. L. Long states every man has the right to strike. Right. The law also says he has the right of peaceful picketing.

Impartial investigation will show picketing is peaceful, until the armed forces inside the employer's property start firing; not at the employee's home, but at his person. This has been done, as labor can substantiate, especially if the picketing is accomplishing its ends.

True, both sides have the right to appeal for protection. Employers in Minnesota appealed recently for "protection," but when the Governor used the troops to preserve order, showing partiality to neither side, it wasn't what the employers wanted.

Personally, I think Mr. Long really means to say that every man has the right to quit—instead of the right to strike. What good would it do to strike without picketing?

D. E. LOGAN, JR.

Sugarland, Texas.

The Average Man's Creed

To the Editor of *The Literary Digest*—Sir:—I believe in the destiny of this great United States—and that liberty and the pursuit of happiness will remain sacred against the onslaught of foreign cults.

I believe in the millennium as an ideal, but as one which can not be realized in the midst of the greatest depression since the Dark Ages.

I believe that we were temporarily betrayed by certain of our financial, industrial, and social leaders; but not that we are justified in convicting all business for the sins of the few. Nor do I believe in substituting an oligarchy of politicians and bureaucrats for a former aristocracy of industry.

I believe that our choice lies between a system under which individual fortitude, skill, faith, wisdom, and frugal living will give to everyone, however humble, all reasonable rewards, and a system which regiments the individual into living without hope or incentive. I believe that this choice can not be long deferred; that THE HOUR is here; and that every man and woman who takes thought of the morrow must express his choice promptly, courageously, and militantly.

I believe that no nation can spend its way out of this depression, for the remedy of extravagance must surely be more terrible than the illness; that only patience, hard work, business idealism, and inspired leadership can lift us out of the morass into which our past extravagances have led us.

I believe that statesmanship will replace politics; and that statesmen will have the support not only of a new order of patriotic business leaders, but of those equally important leaders of labor, educational, and religious groups, whose judgment is ripened by experience and tempered by the lessons taught by history.

I believe that government can furnish the opportunity to work only temporarily and to a limited extent; and that soon, very soon,



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Father—Dear Father

—Hutton in the Philadelphia Inquirer

industry alone can and must furnish that opportunity.

I believe that those foreign agitators who urge others to shirk in the hope of destroying our economic and governmental functions, should be deported or put in compulsory labor camps.

I believe that the lack of food and sustenance for millions in the midst of plenty is a crime against God and nature; that the right to sustenance will be recognized cheerfully by all economic, religious, social, and political faiths, regardless of the degree or manner of sacrifice by those able to contribute; that we will make no progress by destroying crops and cattle, but only by producing all we can and contributing the surplus voluntarily, or by reasonable compulsion, among the needy.

I believe that where food and sustenance will not abolish misery, public funds contributed by all who are more fortunate, according to their ability, must be made available. The distribution of these funds must be taken out of politics, and it should be entrusted to those semi-public agencies who administer according to human needs.

I believe that legislation and bureaucratic

A National Acclaim Fund

To the Editor of *The Literary Digest*—Sir:—Whenever an alert citizen distinguishes himself by a clever piece of public service, e.g. the chap who discovered the Lindbergh ransom note and brought a solution of the baffling case near, I feel like applauding vigorously. A relieved America joins me, I feel sure. Calm reflection will reveal, however, that applause is perishable and non-negotiable. Why can't we have a National Acclaim Fund by which the American people could express admiration or sympathy in a material way? As our racketeers and their finger-prints are advertised to aid their apprehension, so our heroes and their achievements could be publicized over a little coin collector. One or two million nickels would assure the respective person of America's appreciation. It would be a material aid, too, in crime detection.

(REV.) HERMAN BIELENBERG.

Oil City, Pennsylvania.

decrees, often reminiscent of the ancient gods of vengeance, have had their necessary victims; that the time has come to realize that all classes and groups are in the same boat, and that the boat can weather the storm only if the entire crew will pull together.
New York City. ALBERT F. JAECKEL.

Small Loans—From the Bank's Viewpoint

To the Editor of *The Literary Digest*—Sir:—Recently one of your readers complained that his bank charged usurious interest rates. He gave as an example a three-month loan of \$25 for which he had paid fifty cents interest and a fifty-cent service charge—and then concluded that he had been actually assessed 16 per cent.

If he were to go to his bank and ask the loaning officer exactly how much it cost to make this loan, he might be much surprised to learn that ninety cents barely covered the expense involved. (I will gladly submit itemized figures proving this statement to anyone interested.) In other words, his banker made a profit of only ten cents, or just 1.6 per cent. per annum. If the banker found it necessary to spend any time in the collection of the loan, even that small earning would be completely wiped out.

In former days when demands for loans from deserving firms and individuals were plentiful and the greater part of every bank's assets were profitably invested, many services could be rendered without charge. To-day, there is a drastic difference. Banks have approached a liquidity ratio undreamed of a few years ago. Cash and low rate government bonds sometimes equal 80 per cent. of a 1934 bank's deposits. Many banks have less than 25 per cent. of their funds in local loans which usually yield from 5 per cent. to 8 per cent. Borrowers who deserve credit are afraid to borrow or at present do not need to, and banks can not lend to those who might not repay their notes. Accordingly, bank income has decreased tremendously.

The first thing every good merchant does when profits drop is to cut expenses. Banks did this, but it wasn't enough. They found it necessary to assess charges against services that *actually* cost the bank money to maintain. The first to feel these fees was the unprofitable small checking account. A service charge—or "stop-loss" charge, if you please—was instituted to repay the bank for cash it disbursed to keep the small depositor supplied with checks, pass-books, forms and bookkeeping facilities.

Small loans, likewise, have felt the service charge, because every bank customer should pay his own way exactly as he would be required to do when purchasing goods from a store. If the business he gives his bank falls in the "loss" class, he should reimburse the bank at least to the amount that it costs to serve him. This is the theory under which reasonable service charges are now being made by banks throughout the country—charges that have been forced by conditions upon banks so that their annual reports will terminate on the right side of the ledger.

JOS. F. CORNELIUS.

Spokane, Washington.

For Standardizing Buttons

To the Editor of *The Literary Digest*—Sir:—Buttonholes? Bah! Consider buttons.

Sometimes our shirt loses a button. Then we find that we have approximately a million and forty-three buttons from abandoned shirts, not one of which, in design or dimension harmonizes with those remaining on our current garment.

This is to notify the Bureau of Standards to ignore the trifling controversy over buttonholes; And to request the coming Congress to appoint a High Commission for Standardizing Garment Buttons.

A. J. KECK.

Aurora, Colorado.