

GOSSIP OF THE STREET Summary of Fluctuations in Stocks on New York Exchange During 1919

1919 A YEAR OF PROBLEMS FOR THE FINANCIAL WORLD

Collapse of the Highly Inflated Speculative Bubble Saved Country From a Serious Reckoning

NINETEEN NINETEEN will go down in the annals of the financial world as the problem year. Never in the history of the country has so many complicated problems cropped up with such alarming multiplicity as during the twelve months period just closing—problems solution of which have taxed the minds of the nation's brainiest specialists in finance, industry, labor and other economic and social questions. Some were adjusted entirely satisfactorily with order brought out of conditions little short of chaotic. Others, possibly more intricate, are still in process of solution, with every promise of the irritating wrinkles being soon ironed out, so that the outlook for a complete realignment of financial machinery in the new year may be said to be encouraging.

Because of these ever multiplying problems the average banker, business man, and investor will not be surprised to find that most everybody concerned has been living under a high tension, for the twelve months period was conspicuously marked by active speculation in only securities and commodities, but in almost every form of value. All were but a natural outgrowth of the effects of the great European war, which has since its industry and commerce.

Shifting Foreign Situation Constantly shifting changes in the foreign situation made the task of restoration much more difficult, as this was ever a source of uncertainty. In point of fact, however, the world's supremacy was ready to be attained because the world-wide scarcity brought increasing rather than decreasing demands for our products, enough to make the exports of our raw materials and supplies.

In this connection it is interesting to note that the National City Bank of New York estimates that the country in 1919 more than tripled those of the opening year of the war, or at the rate of \$10,000,000 a day. Much of this expansion is represented by values, but expansion of the country's production, particularly Europe's post-war difficulties in retrieving her own standard of manufacturing enterprises through a year of suspension of hostilities.

Coming down to the stock exchange operations for the year, it is a question whether those interested were ever seriously concerned regarding the speculative problem. In fact, the market was so buoyant that it was not until late in the year that the general public was reminded of the underlying conditions. At least this seems applicable to the wild speculative orgy which ran rampant throughout the year, and which was the cause of the greater part of 1919.

Wild Speculative Mania The many consecutive million-share markets between April and December alone tell the story of the widespread speculative mania. When the market was so buoyant that it was not until late in the year that the general public was reminded of the underlying conditions. At least this seems applicable to the wild speculative orgy which ran rampant throughout the year, and which was the cause of the greater part of 1919.

Unlike the wide market movements in the previous years of the European war period the outbreak of speculative enthusiasm in 1919 was associated with totally different connections. The big bull market of 1919, commonly known as the "War Boom" market, was touched off by the transition of the country's largest industries from a peace to a war producing basis. The equally violent bull movement of 1919 had its inception in the prospect of a restoration of huge war profits by the same industries. The demoralizing downward swing of 1917 was influenced entirely by the transition of the country from a peace to a war producing basis, as well as the effort to help the government finance the war. Burdensome war taxation and government financing were the controlling influences of the subsequent market of 1918.

By some observers the impetus for the unbridled bullish enthusiasm of 1919 was derived from the belief in a wide extension of the country's prosperity following the ratification of the peace treaty and return of the world at large to peaceful pursuits.

Drove Prices Up Recklessly This may have been an incentive and possibly the nucleus for the big market, but the furious trading in oil, lambros, automobile stocks and all other industrial specialties had only a flimsy foundation. It was simply and purely a case of the people having more money than brains.

It was solely the handiwork of a number of reckless pools and cliques day after day from the middle of August to the first part of November that drove prices of the industrial speculative issues almost to the sky line. As the latter part of the year reached the government financing was due to the member banks of the Federal Reserve system during most of the year had, under redoubtful with the Federal Reserve bank obligations to the extent of \$1,500,000,000 or \$2,000,000,000, while all other bills did not exceed \$250,000,000.

As an official of one of the large western banking institutions in diagnosis of the credit situation says: "The ultimate cause of the return to more normal conditions depends on the capability of our people to produce more and save more, and thus gradually absorb the outstanding war obligations. The Federal Reserve Board can only assist such a movement; it cannot by its own power produce sudden and complete changes. Our country possesses of enormous resources in all directions, and our people showed during the war that in the times of crisis they are able to make all the sacrifices and that they are not to be doubted we shall pass safely through the present crisis. There is no need of despairing and becoming impatient. The experience of the Federal Reserve bank and our own Civil War shows that it takes a long time for nations to overcome the effects of great wars. The war through which we have just passed has been a so much greater cataclysm than any other that has preceded it that we must not expect a complete return to normal for several years."

While 1920 has been left the heirloom of the solution of vexing problems from 1919, still the new year opens from a broad gauge point of view with an outlook far more promising, far more indicative of happier and brighter times than the dawn of 1919. It is significant that some of the shrewdest judges of industrial conditions take a decidedly optimistic view of the future. Recognized financial experts too are of the opinion that the worst of our worries are behind us.

Greatest of Bull Markets

Laying aside the motive, impulse, influence, condition and any other factor, the bull market of 1919 was the most stupendous of its character in the history of Wall Street. It eclipsed all other previous upward swings for many reasons. Foremost of these, first was the enormous volume of the high-priced industrial stocks; second, the number of consecutive million share markets; third, the immense public following and lastly in the large number of stocks dealt in.

There is no telling how long the speculative orgy might have kept up had it not been for the money market; at least for the radical steps taken by the Federal Reserve Board to correct the serious credit inflation which was rapidly becoming hazardous. This action, it is only fair to state, did not come without warning. On the contrary on more than one occasion many weeks before the speculative bubble collapsed, it forced the member banks to curtail loans to speculators and to fortify the bank position.

It only required a few hours by the board after visiting Wall Street early in November to conclude that the speculative orgy was endangering the whole financial situation, and a serious money panic was inevitable if the lead was not lightened. The next day, however, five months before had quipped the Federal Reserve banks about the use that was being made of credits based upon redoubtful grants of loans to speculators. The warning was not to provide funds to support an unreasoning speculation in securities.

When the speculative deluge was running in full force, the committee of the Federal Reserve Bank was paying attention to caution signals or other forms of warning. It was simply a question of getting aboard at the psychological moment and being swept away by the onrushing mad current. So when the pyrotechnics in quotations suddenly and violently collapsed on November 12 the bull boom melted in this air.

From November 12 until the latter part of December the heaviest liquidating movement of the war period followed. In the next few days, in fact, the transactions approached the 3,000,000-share mark. Under this increasing weight of pressure prices fell faster, than they had previously been boosted prior to applying the brakes. Not only were all the advances wiped out, but many in addition were swept down to the lowest level of the year, with many of the high-grade investment issues approaching panic levels.

For some time there was grave danger of the reversal movement reaching as senseless extremes as that of the inflation campaign. With the flood of enervated liquidation they accompanied extensive stock selling. In consequence, by the middle of December, the market reached what is technically designated as a "panic" point. Efforts to reduce these overextended bear commitments brought a violent rebound. By reason of its artificial structure the recovery movement was not sustained and was followed by the customary backing and filling process usually witnessed during adjustment periods, bringing the market to a stable level.

Serious Trouble Averted In light of what has happened since the compulsory checking of the wild speculative orgy of the stock exchange, it is apparent to every unbiased and fair-minded person that a wide-spread liquidation following the bursting of the speculative bubble saved the country from a much more serious reckoning than the Federal Reserve system's unsetting and panicky condition was confined to the overvalued stock exchange speculators. The ultimate cause of the return to more normal conditions depends on the capability of our people to produce more and save more, and thus gradually absorb the outstanding war obligations. The Federal Reserve Board can only assist such a movement; it cannot by its own power produce sudden and complete changes. Our country possesses of enormous resources in all directions, and our people showed during the war that in the times of crisis they are able to make all the sacrifices and that they are not to be doubted we shall pass safely through the present crisis. There is no need of despairing and becoming impatient. The experience of the Federal Reserve bank and our own Civil War shows that it takes a long time for nations to overcome the effects of great wars. The war through which we have just passed has been a so much greater cataclysm than any other that has preceded it that we must not expect a complete return to normal for several years."

The Credit Inflation The all-absorbing closing chapter of the financial history was found in the monetary conditions. The 12, 15, 18, 20 and 25 per cent call money rates and the 8 and 9 per cent rates for deposits of the inflated credit situation. It must be borne in mind, however, that much of the credit inflation was due to the government financing which was due to the member banks of the Federal Reserve system during most of the year had, under redoubtful with the Federal Reserve bank obligations to the extent of \$1,500,000,000 or \$2,000,000,000, while all other bills did not exceed \$250,000,000.

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Table with columns: High, Low, Last, Net. Lists various stocks and their price fluctuations throughout 1919.

Philadelphia Stock Summary for 1919

Table with columns: High, Low, Last, Net. Lists Philadelphia stocks and their price fluctuations for 1919.

RICHARDSON AT P. R. T. POST

New Director of Operations Assumes Duties Today G. A. Richardson took up his new duties as vice president in charge of operations for the Philadelphia Rapid Transit Co. today. He has been a member of the executive staff since last April, and has been engaged in practical work ever since he started in the business, eighteen years ago, as an electrician's helper. He is thirty-seven years old and is one of the youngest street railway executives in the country.

1919 BUILDING HERE RECORD

Permits in City Exceed Figures of 1918 by \$49,636,080 New structures for which building permits were issued during 1919 had an estimated cost of \$65,088,750. This total in 1919, and was \$15,192,180 greater than the total in 1918, which was a year of great building activity. The last year was a record year in the history of the Bureau of Building Inspection.

PENNSYLVANIA COMPANY for Insurances on Lives and Granting Annuities TRUST AND SAFE DEPOSIT COMPANY Capital and Surplus \$7,000,000

LIBERTY BONDS Bought, Sold and Quoted Call, Phone or Write Liberty Bond Department

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MESSRS. W. H. NEWBOLD'S SON & CO. 511 CHESTNUT STREET TAKE PLEASURE IN ANNOUNCING THAT THIS DAY BEEN ADMITTED AS A GENERAL PARTNER IN THEIR FIRM

MR. RICHARD E. NORTON HAS THIS DAY BEEN ADMITTED AS A MEMBER N. Y. Stock Exchange Philadelphia, January 1, 1920

MR. GEORGE L. ESTABROOK AND MR. EDWARD W. CLARK, 3RD HAVE THIS DAY BEEN ADMITTED TO PARTNERSHIP IN THEIR FIRM Philadelphia, January 1, 1920

MR. WILLIAM W. BATTLES and MR. WINTHROP H. BATTLES have been admitted as general partners BATTLES & CO. Investment Bankers INDEPENDENCE SQUARE, EAST January 1st, 1920

MR. ROBERT C. CLAY HAS BEEN ADMITTED TO AN INTEREST IN OUR BUSINESS FOR THE PHILADELPHIA, JANUARY 1, 1920

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NEW YORK, PHILADELPHIA, LONDON AND PARIS. December 31st, 1919. MR. JUNIUS SPENCER MORGAN, JUNIOR (son of our Mr. Morgan); MR. ELLIOT COWDIN MASON (son of our former partner, Mr. Robert Jackson); MR. GEORGE WHITNEY (nephew of our former partner, Mr. Edward P. Whitney); are this day admitted as partners in our firm in New York, Philadelphia, London and Paris.

J. P. MORGAN & CO., New York; DREXEL & CO., Philadelphia; MORGAN, GRENFIELD & CO., London; MORGAN, HARBES & CO., Paris.

We have for sale: Penna. Co. 4s, 1952 5.00% Cleve. Elec. 5s, 1939 5.75% Erie Ltg. 5s, 1967 5.75% West Penn. Rwy. 5s, 1931 6.25% Empire Gas & Fuel 6s, 1925 6.50%

Carstairs & Co. Members Philadelphia and New York Stock Exchanges 1419 Walnut Street 71 Broadway, N. Y.

LIBERTY BONDS All Issues Bought and Sold \$50 \$100 \$500 \$1000 GRAHAM, PARSONS & CO. 435 Chestnut Street Philadelphia

West Penn Power 5 Year 6% Conv. Deb. 96 & Int. yielding 7% PAUL & CO. Members Phila. Stock Exchange 1421 Chestnut Street

Fidelity Trust Company Member Federal Reserve System Capital \$5,000,000 Surplus \$1,600,000

NATIONAL TAX AUDIT BUREAU Tax Experts Public Accountants Have Removed Their Offices to 708 Real Estate Trust Building Walnut 3286 Race 908

Lawrence E. Brown & Co. CERTIFIED PUBLIC ACCOUNTANTS 1615 REAL ESTATE TRUST BLDG. Investigation and audit partnership, and corporate and individual income tax returns.

FINANCIAL WE ARE PLEASED TO ANNOUNCE THAT FRANK D. HERTHORN HAS BEEN ADMITTED TO OUR FIRM AS A PARTNER IN OUR FIRM. GUY P. BIDDLE MORRIS E. SNEELY

PHILADELPHIA, PA., JANUARY 1, 1920. The undersigned have this day formed a partnership under the firm name of Horst T. Potts & Co., to continue the business of the Cheney Sales Corporation, an action which has heretofore been carried on under the name of H. T. Potts & Co. The undersigned hereby agree to continue until December 31st, 1920, the business of the Cheney Sales Corporation, an action which has heretofore been carried on under the name of H. T. Potts & Co. The undersigned hereby agree to continue until December 31st, 1920, the business of the Cheney Sales Corporation, an action which has heretofore been carried on under the name of H. T. Potts & Co.

CHENEY SALES CORPORATION Notice is hereby given that by resolution of the Board of Directors of the company, the regular annual meeting of the company, to be held at the office of the company, at 110 N. Front St., Philadelphia, on December 31st, 1919, at 10 o'clock p. m., at the office of the company, at 110 N. Front St., Philadelphia, on December 31st, 1919, at 10 o'clock p. m., at the office of the company, at 110 N. Front St., Philadelphia, on December 31st, 1919, at 10 o'clock p. m.

MR. ROBERT C. CLAY HAS BEEN ADMITTED TO AN INTEREST IN OUR BUSINESS FOR THE PHILADELPHIA, JANUARY 1, 1920

WE BEG TO ANNOUNCE THAT MR. RICHARD E. NORTON HAS THIS DAY BEEN ADMITTED AS A GENERAL PARTNER IN OUR FIRM

ANNOUNCEMENT Mr. Charles Wm. Potts has this day withdrawn as a partner in the firm of Potts & Co., the business of which is conducted under the firm name of Horst T. Potts & Co. The undersigned hereby agree to continue until December 31st, 1920, the business of the Cheney Sales Corporation, an action which has heretofore been carried on under the name of H. T. Potts & Co.

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