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CROP AND BUSINESS CONDITIONS IN THE
NINTH FEDERAL RESERVE DISTRICT.
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The coming of Peace presents several questions of practical importance, one of which is the need of adequate protection for the many thousands of people who are now engaged in the accepted sense, but who have submitted financially to the successive War Loans. While exercising control over issues of securities for capital purposes in order that currency during the war might not be incompatible with the interest and purposes, the Capital Issues Committee in Washington, and its various branch committees, have likewise exercised effective control over a miscellaneous assortment of security issues, which may be classed in their order as speculative, unsound, doubtful, fraudulent.

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There is already evidence that the cessation of hostilities under the Armistice may be expected to early reflect itself in improved traffic conditions throughout the Northwest. There is some improvement in the car supply, and grain which has been held back on the farms, because of poor shipping facilities, and because of bad roads, is moving more freely to the markets. Shippers are beginning to give evidence that there will be a strong demand shortly for a return to normal traffic conditions, and that there will be heavy pressure brought to bear from all quarters for a restoration of the prompt and efficient service that formerly existed in both freight and express transportation. While this may not come rapidly, there are indications that there will be a steady improvement proportionate to the lessened burden upon the transportation system because of the movement of government material and supplies. Out of many conditions that will result from the progress toward a declaration of peace, this, at least, will be welcomed by all who are obliged to rely on transportation service.

Some slight labor readjustment has already occurred, and there is an improvement in the labor supply as compared with 30 days ago. As the business of the Northwest has not been so largely that of war production as in some other sections of the country, there is every probability that projects that have been held back, construction that has been deferred, activities that have been suspended because of the shortage of men, will afford opportunities for employment that will rapidly take up the slack. The principal products of this territory will continue to be in strong demand throughout all of 1919, and there is no evidence in either business or banking circles of any apprehension as to conditions during the coming year. The question is frequently raised as to whether the district is in a position to offer satisfactory employment to the many men who have been called overseas or into the camps, but it should be borne in mind that the business of this territory is increasing very rapidly, and that production, both on the farms and in the factories, has for a number of years past shown a heavy annual increase. The close of the war will undoubtedly bring a period of active development of the resources of these states, and in a

district which is fortunate in not having suffered a severe dislocation of its ordinary activities because of the war, and where there has been substantial prosperity, there is every probability that there will be satisfactory opportunities, not only for all of those who are shortly to return, but for labor forces that have had steady employment since the beginning of the war. Probably nothing more than a temporary period of readjustment is to be looked for.

The coming of Peace presents several new problems of practical importance, one of the most important of which is adequate protection for the many thousands of people who are not investors in the accepted sense, but who have subscribed liberally to the successive War Loans. While exercising control over issues of securities for capital purposes in order that current financing during the war might not be incompatible with the Government's interest and purposes, the Capital Issues Committee in Washington, and its various branch committees, have likewise exercised effective control over a miscellaneous assortment of security issues, which may be classed in their order as speculative, unsound, doubtful, fraudulent and grossly fraudulent. These run all the way from enterprises promoted by men with a sincere purpose, but of limited business, financial or technical ability, to enterprises, the main business of which is to sell stock for the benefit of the promoters. In addition to enterprises selling stock, bonds or securities of the usual and customary forms, there have also appeared numerous enterprises offering participating certificates, memberships, and other devices, by means of which they evade both state and national jurisdiction, while at the same time accomplishing the purpose of taking substantial sums of money from investors.

Within the Ninth District, it is altogether probable that within the last two years investors have been persuaded to part with not less than \$25,000,000 in exchange for various kinds of securities, from which there is little hope of return in the form of profits or dividends, and in many cases not even a substantial prospect of salvage through liquidation.

The business of selling stock is highly specialized. Promoters, who are clever, customarily avail themselves of competent legal advice, and proceed with the utmost thoroughness, method and system in the promotion of the issues in which they are interested. Schools for salesmen are a common incident to these campaigns, and in these schools, salesmen are trained in the effective methods of making their arguments plausible to the investor. When they take the field, they are in charge of an expert manager. They operate frequently in groups, dividing a given territory among them, and rapidly and systematically clean up all the "prospects" within that section. The compensation of these men is usually in the form of commissions ranging sometimes as high as 25 percent, and commonly from 15 to 20 percent. It is, therefore, clear, that a clever salesman who could average the sale of only one \$100 share per day, would make a profit of from \$15 to \$25 a day, or much better earnings in all probability than he would be able to obtain in any other line of business. A student in one of these salesmen schools reports the following statement from the instructor:

"The sales manager gave us a talk on financial conditions in this country as well as in Canada dwelling particularly on the fact that there has never been a time when all the suckers have so much money as they have at present. He said as soon as the local stuff (stock) is disposed of, there will be a manufacturing project with several millions of stock to sell, which will be located at....."

The Liberty Bond holdings of both the farmers and the city dwellers are, as secret service reports made to the District Committee on Capital Issues for this district indicate, the objective toward which a considerable number of the doubtful enterprises are now moving, and it is probable that unless holders of Liberty Bonds are warned, that there will be a raid of considerable proportions upon their holdings, and many of the bonds which should remain as an investment in the hands of their present owners will be taken over by promoters in exchange for worthless or doubtful stock or securities. The existing Capital Issues Committee in Washington and its branches will have an active life terminating six months after the President's proclamation announcing the treaty of peace. It will exercise supervision over all issues of securities as before, with the exception that its jurisdiction over issues not exceeding \$100,000 has been suspended. There is a strong probability that the President, acting under the authority contained in recent financial legislation of Congress, will delegate to the Treasury Department of the United States new authority to control dealings in Liberty Bonds, especially those of an objectionable character. In the meantime, it is the consensus of opinion of men who are familiar with the present situation, that Liberty Bond holders should be advised that their bonds have a definite value fluctuating with the market from day to day. They should be warned not to deal with traveling stock peddlers or buy stock or securities except through reputable banks and investment houses or from agents having standing and reputation and established in business locally. They should be cautioned, if prompted by necessity to sell their bonds, to first take the precaution of consulting with their local banker and obtaining the market quotations.

If the average investor had knowledge of the methods employed by those interested in promotion schemes, he would hardly countenance any proposition involving the exchange of Liberty Bonds for stocks, or in any event not until the proposition had been submitted to the judgment of the local banker.

Banking and business conditions throughout the district remain much the same as during the previous month. A favorable fall permitted the farmers to accomplish a large amount of work, and with satisfactory spring conditions, there will be an encouraging outlook for a large crop acreage.

A resumption of building activities is impending, but will depend to a large extent upon the cost of material and the cost of labor. Probably no great activity is to be looked for prior to the close of the winter.