

In a community which habitually occupies its mind with the rise and fall of Stock Exchange prices, such a downward sweep in values is an event of profound interest. It is none the less so when every individual is at liberty to construct and make public his own particular theory as to the cause.

If any one undertakes to sift the various theories propounded to account for what may be called the grand movements on the Stock Exchange, he will probably be impressed with the fact that Wall Street always has ready an explanation for a rise, but finds it extraordinarily difficult to explain a decline. A prolonged and violent rise in prices, such as that of a year ago, encounters regularly three satisfactory explanations. The great capitalists are "putting up prices," and their resources are too great for anybody to stop them. Corporations are going to increase dividends, and the market is anticipating that process. Stocks are rising because this is a country of enormous industrial possibilities, and because it is not safe to be a "bear on the United States." Every one at all familiar with the thoughtful exchange of views which goes on across the stock ticker at such times, will recognize these explanations as old friends.

But a prolonged break in stocks is not to be disposed of so easily. The first perplexity one encounters arises from the fact that whereas, when prices were advancing by leaps and bounds, all the eminent Wall Street authorities agreed that the movement was a proper response to underlying conditions, now, when prices are falling, the same authorities declare with similar unanimity that the market gives an absolutely false reflection of the financial position. There is nothing in the situation to warrant lower prices; the decline is inexplicable. From this attitude, it is a short step to the theory that it is "bears," a malicious and unpatriotic tribe, who are doing all the mischief. How they managed to do it or dared to try it, in the face of the impregnable resources of the great capitalists, which were assigned as a cause of the preceding violent advance, is not explained; that is, perhaps, the weak point of the "bear" theory. Others will throw responsibility on "the Government," and that is always easy to do. Occasions are rare when government is not itself doing something which corporation managers dislike, or else preventing the corporations from doing something which they do like.

The reason, no doubt, why these somewhat roundabout theories, and others like them, are so popular in a falling market, is that they evade the more unpleasant inferences which might be suggested. For instance, severe logic would impel the man who had explained last year's 50-point advance by a coming increase in dividends, to ascribe this year's

decline to a coming reduction of dividends. But Wall Street and its votaries are not often willing to turn the argument about in this way; and, to tell the truth, it is not always necessary to do so. Prices may have risen violently in response to rumors of higher dividends, and the higher dividends may not have materialized. If, after this, prices go down again quite as rapidly as they had just gone up, nobody need infer that dividends must be lower. Even in cases where a dividend had been increased, it will usually be found—such is the mercurial temperament of Wall Street—that the rise in prices was two or three times as great as the increase in dividends would by itself have warranted.

But the philosophy of such a Stock Exchange reaction as has lately occurred is in reality very simple. Two obstacles stand in the way of the complete success of any continuous movement to put up the price of speculative stocks, and they operate alike when the public at large is speculating, and when the speculation is conducted single-handed by a group of powerful capitalists. One is the possibility that prices may be put so high, through expensive credit operations, that real investors stop buying, leaving the speculators to sell for what they can get. The other is the possibility that the speculators may exhaust in their "bull movement" their own credit facilities and the resources of their banks, thus finding themselves compelled to sell their stocks at a sacrifice to pay their debts.

The first of the two obstacles mentioned is always apt to be encountered when the public or the great capitalists get excited over the unlimited opportunities of a particular enterprise or of the country as a whole. They invariably manage to translate into present-day stock-market prices the value anticipated for a property a decade or so from now, if all their expectations are fulfilled and no accidents happen. But as the prudent investing public is somewhat familiar by experience with the flaws of the "discounting" process and the probability of accidents, it invariably retires from a market which it recognizes as governed by such illusions.

The difficulty from exhausted credit facilities comes more rarely, but has been strikingly familiar in the American markets of the decade past, which have again and again presented the curious phenomenon of the most powerful capitalists in the country misjudging completely the credit resources of the season, and the most powerful banks in the country so tying up their funds in Wall Street loans that strenuous efforts had to be adopted to prevent a money market convulsion. In either case, it will be observed that the forced liquidation and the consequent break on the Stock Exchange are the necessary preliminaries to return to a sound finan-

cial position. To what extent the recent prolonged decline in prices, after last year's experiments in a spectacular "bull movement" almost on the heels of a formidable financial panic, is explained by these two familiar aspects of the questions, any one familiar with Wall Street affairs may judge for himself.

#### BOOKS OF THE WEEK.

- Anthologie des Prosateurs Français Contemporains. Tome 1, Les Romanciers. Lemcke & Buechner. \$1.20.  
 Argyll, Duke of. Intimate Society Letters of the Eighteenth Century, edited. 2 vols. London: Stanley Paul & Co.  
 Ballard, A. From Text to Talk. Boston: Sherman, French. \$1.20 net.  
 Blunt, E. L. When Folks Was Folks. Cochrane Pub. Co.  
 Brace, H. H. Gold Production and Future Prices. Bankers Pub. Co.  
 Browne, L. G. Eva's Choice, and Other Poems. Cochrane Pub. Co.  
 Brown, V. The Glory and the Abyss. Dutton. \$1.25 net.  
 Clark, G. L. Notions of a Yankee Parson. Boston: Sherman, French. \$1 net.  
 Coffey, George. Guide to the Celtic Antiquities of the Christian Period Preserved in the National Museum, Dublin. Second edition. Dublin: Hodges, Figgis & Co.  
 Coit, S. Woman in Church and State. London: West London Ethical Society.  
 Cooke, G. M. The Power and the Glory. Doubleday, Page. \$1.20.  
 Crafts, W. F. National Perils and Hopes. Cleveland: F. M. Barton Co. 50 cents.  
 Cuthbertson, W. Pansies, Violas, and Violets. Stokes. 65 cents net.  
 Dino, Duchesse de. Memoirs, 1836-1840. Second series. Scribner. \$2.50 net.  
 Gask, L. The Quest of the White Merle. Crowell. \$1.50.  
 Gates, E. M. H. To the Unborn Peoples, and Other Poems. Baker & Taylor.  
 Gerard, L. The Golden Centipede. Dutton. \$1.25 net.  
 Giddings, J. W. From Here and There. Cochrane Pub. Co.  
 Gilbert Hilton Scribner Memorial Addresses, Delivered Feb. 7, 1910. Yonkers, N. Y.: Fortnightly Club for the Study of Anthropology.  
 Hall, H. R. Days Before History. Crowell. \$1.50.  
 Hawthorne, N. Letters to William D. Ticknor, 1851-1864. First publication, limited. Newark, N. J.: Carteret Book Club. 2 vols. \$25.  
 Howard, J. R. Best American Orations; Best American Essays. 2 vols. Crowell.  
 Hull, E. The Boys' Cuchulain: Heroic Legends of Ireland. Crowell. \$1.50.  
 Jewett, S. God's Troubadour: the Story of Saint Francis of Assisi. Crowell. \$1.25 net.  
 Landels, T. D. Visions. Boston: Sherman, French. \$1 net.  
 Meredith's Celt and Saxon. (Boxhill Edition.) Scribner. \$1.50.

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 Oxford, A. W. The Ruins of Fountains Abbey. Frowde. \$2 net.  
 Peacock, W. Selection and Arrangement of English Essays, with notes by C. B. Wheeler. Frowde.  
 Pitman, N. H. Chinese Fairy Stories. Crowell. \$1.

Robertson, J. A. List of Documents in Spanish Archives Relating to the History of the United States. Carnegie Institution at Washington.  
 Seton, E. T., and Baden-Powell, R. Boy Scouts of America; a Handbook of Woodcraft, Scouting and Lifecraft. Doubleday, Page. 25 cents.  
 Time of the Singing of Birds. (A Collection of Verse.) Frowde.  
 Townsend, J. A History of Abingdon. Frowde.

Wadleigh, H. R. Munich: History, Monuments, and Art. Stokes. \$2 net.  
 Wilkinson, W. C. The Epic of Paul; The Epic of Saul; The Epic of Moses (2 parts); Poems. 5 vols. Funk & Wagnalls.  
 Wright, H. J. Sweet Peas. Stokes. 65 cents net.  
 Zwierlein, F. J. Religion in New Netherland; A Dissertation Presented to the University of Louvain. Rochester, N. Y.: John P. Smith Ptg. Co.

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