MONTHLY REVIEW

Contents:

FEDERAL RESERVE BANK OF MINNEAPOLIS

OCTOBER 1963

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Introduction

Monetary controls are of two types, general and selective. General monetary controls are designed to regulate the total supply of credit within the economy while not determining how that total is to be allocated among the many alternative uses. General monetary controls leave the question of *who gets how much for what purposes* for the market to decide. Selective monetary controls are designed to influence the volume of credit to be used in particular sectors of the economy. The imposition of margin requirements (the maximum percentage of stock purchases which can be transacted on borrowed money) is a selective control influencing the flow of credit into the stock market. When the margin requirement is set at 40 percent, 60 percent of the dollar amount of stock purchases can be transacted on borrowed money. When the margin requirement is set at 90 percent, 10 percent of the dollar amount of stock purchases can be transacted on borrowed money. The implications of this ability to vary the proportion of stock purchases transacted with borrowed money is what this article examines.

Stock market functions

Providing a secondary market — A stock exchange is a market place where corporate stocks are bought and sold. At a stock exchange securities can be bought and sold or traded one for another. The motives to purchase corporate stock are many, including dividends, hedging, and speculation, to list a few.

One of the ways in which a corporation may obtain additional capital is to issue equity claims. The sales of these securities brings into corporations new funds for capital expansion and are called *primary sales.*

The sales of corporate securities we hear about each day are usually not primary sales. These most commonly reported sales merely represent the transfer of stock from one owner — other than the issuing corporation — to another owner. Consequently, they do not result in a flow of funds into corporate treasuries. They are referred to as *secondary sales.* Prices and volumes of secondary sales are reported for each stock, and are summarized for industrial groups, by such well-known indices as the Dow Jones Industrial Average and the Standard & Poor's 500 Stock Index. Secondary markets contribute nothing to the treasuries of corporations directly, but by facilitating resale secondary markets contribute to the ease with which primary sales are made and reduce the costs of equity financing. A secondary market endows a new issue with a higher level of liquidity; that is, the existence of a secondary market means that any existing equity claim may, with greater facility, be eliminated from investment portfolios. Thus, the existence of a secondary market tends to result in a smaller risk premium being levied upon primary sales of equity claims and accordingly lowers the relative cost of this method of corporate financing.

Security prices — The price a security will sell for is determined by the market interaction of those offering to sell and those desiring to buy. The price thus resulting is determined by the sale of only a small percent of the total equity claims of a particular corporation. Two examples will suffice. On December 31, 1962, American Telephone and Telegraph company had 243,101,133 shares of common stock outstanding, 79,100 shares of which were sold on a daily average basis during the last week of 1962, or three hundredths of 1 percent. Munsingwear Incorporated had outstanding 792,798 shares of common stock on December 31, 1962, 575 shares of which were sold on a daily average basis during the last week of December 1962, or seven hundredths of 1 percent. The daily

sale of only a small percentage of the total capital stock in a given corporation creates potential price instability, for the offers to sell can shift widely.

Ideally, the price determined by the market interaction between buyers and sellers represents a consensus view about the expected value today of the cumulated future dividends and capital gains or losses accruing to the holder of a particular corporation's stock. If the discounted value today of the expected stream of future dividends and capital changes flowing through a corporation is less than the price of the stock, the price will tend to fall. By contrast, if the discounted value today of the expected stream of future dividends and capital changes is greater than the price of the stock the price will tend to rise. The idea is that in the long run the price of a security converges upon that price which the future earnings and capital changes of a particular corporation would warrant.

In the short run security prices can and do represent more than an estimation of discounted expected earnings and capital changes. For example, securities become mechanisms for hedging, speculation, and proxy fights. Apart from the immediate economic activities and prospects of the corporation, such activities can distort prices, create or destroy wealth, alter risks, and so forth. For example, take the case of a corporation with an apparently stable future. For some reason the price of the stock of this corporation starts falling. Since individuals holding this security during its price decline cannot sell the security for as much money as they formerly could, they have lost wealth. Economic theory suggests that this loss of wealth may have implications for the rest of the economy. The stockholders, considering themselves less wealthy than before, might reduce consumption or take other possible actions in consequence of their loss of asset value. The stock loss has reduced wealth, changed the risk involved in owning this security, and established a difference between the price of this security and the price that future prospects of our example corporation would warrant (assuming the original price to have evaluated correctly the discounted value of the expected stream of dividends and capital changes).

Stock margin regulation—historical sketch

During the money panics which occurred before the establishment of the Federal Reserve System in 1913, security markets regulation was suggested. In 1913, the New York Stock Exchange established margin requirements to provide a "proper and adequate" margin on customer accounts. Brokers violating the margin requirement could be suspended from the exchange for one year. The Federal Reserve Act, which became law later that year, sought to further limit the flow of credit into the stock market by denying commercial banks the privilege of borrowing at the Federal Reserve on notes using securities as collateral. During World War I, the stock market was regulated directly by a committee of bankers to facilitate war financing. The entrance of the U.S. into World War I was followed by withdrawals of funds from the call loan market by banks to buy Government securities and to make loans on Government securities for their customers. It was thought that the resulting shortage of funds in the call loan market might disrupt stock prices, and that falling stock prices would disrupt the marketing of Government securities. The committee of bankers was created to insure that the $450 million loaned on call at that time by New York banks would continue to be available for security loans on non-Government stocks and bonds. This control ended soon after the war ceased. Its importance, beyond its contribution to war financing, was to establish the fact that selective control of credit transactions on the stock market was possible. During the 1920s the provision denying banks the privilege of borrowing at the Federal Reserve on notes using securities as collateral was tested. Stock prices were rising rapidly and banks discounted other eligible paper, effectively circumventing the provision.

The country and the stock market were riding high in the 1920s. Stock prices were rising on the wings of excessive speculation financed with bor-

rowed money. Although aware of the situation, the Federal Reserve could do little. As indicated earlier, the provision that banks could not borrow from the Federal Reserve on notes using securities as collateral was inadequate to curb the flow of credit to the stock market. General monetary tools could not be tightened sufficiently to curb stock market credit increases without risking curbing growth of the economy. The economy had experienced three recessions during the decade of the 1920s along with an average unemployment rate of 5.1 percent. Thus, the feasibility of tightening monetary policy was questioned. The Federal Reserve was saddled with an inadequate regulatory device. Stock prices rose rapidly from 1922-1929, increasing 181 percent while corporate savings increased by 33 percent, as shown in table 1.

TABLE 1—STOCK PRICES AND CORPORATE SAVINGS, FOR SELECTED YEARS 1922-1933*

Year	Stock prices**	Corporate savings***
1922	71.5	$1,747
1924	76.9	1,575
1926	105.6	2,335
1927	124.9	1,115
1928	158.3	2,429
1929	200.9	2,320
1930	158.2	— 4,255
1931	99.5	— 7,327
1933	67.0	— 4,481

*Source: The Economic Almanac, 1943-1944.

**Standard & Poor's Composite Index of 500 common stock prices, 1935-1939 = 100.

***Excess of current receipts over current disbursements in millions of dollars.

(The reader will recall how stock prices in the long run tend to converge upon that price which a corporation's future earnings and capital changes would warrant. The conceptual scheme is that of giving a present value to an expected stream of cash flows through a corporation. Because of the non-cash charges included in corporate costs which reduce stated corporate profits—depreciation is an example—corporate profit data are probably not an adequate measure of this cash flow. Thus, corporate savings — the excess of current receipts over current disbursements — are used to measure this cash flow more adequately and to stress further the cash flow concept in stock price determination.)

Such mis-evaluations by the stock market tend to create instability. In October, 1929, the market collapsed. It cannot be said that the collapse of the stock market caused the depression which followed; however, it was undoubtedly a contributing factor.

The time had come for what hitherto had been suggestions for stock market regulation, private efforts to establish margin requirements and temporary regulation of security credit to facilitate war financing, to assume concrete form in law. The rapid fall in stock prices which was part of the severe depression of the 1930s necessitated that security loans by banks be liquidated. Forced selling to meet margin calls further intensified the decline in stock prices. A cycle of margin calls, forced sales, price declines and new margin calls, occurred from October, 1929 to the middle of 1930. Realization came that rapidly rising stock prices financed with borrowed money sow the seeds of stock market losses, and that the losses are endured by both the speculator and the saver. Controls were therefore devised, which would at least dampen the severe security price fluctuations brought about by the purchase of stocks on credit, thus permitting earnings and capital change expectations to perform an expanded role in price formation.

On May 27, 1933, the Securities Act of 1933 was passed. It was to become the first of our two major securities acts. President Roosevelt was quoted as saying, "This proposal adds to the ancient rule of *caveat emptor* [let the buyer beware] the further doctrine 'let the seller beware'," and "It puts the whole burden of telling the truth on the seller." This act was aimed at the proper disclosure of information when new securities were issued. It was to insure a readily available

body of sufficient information when primary sales of a security were to be conducted. Out of the Senate Investigation of Stock Market Practices, popularly known as the Pecora Investigation, emerged the Securities Exchange Act of 1934 — the second of the U.S.'s two major security acts. This act regulates practices on the securities exchanges and in over-the-counter markets. Some of the abuses this act sought to correct were misrepresentation, wash sales, and unfair use of "inside information" by corporate officers. Among its many provisions, this law gave the Federal Reserve System selective control over security credit. It was to be the U. S. Government's first direct experience with a selective control aimed at security credit regulation not for the purpose of facilitating war financing. On February 9, 1934, President Roosevelt sent a special message to Congress urging stock exchange regulation "for the protection of investors, for the safe-guarding of values, and, so far as it may be possible, for the elimination of unnecessary, unwise, and destructive speculation." Regulation T issued in 1934 and Regulation U issued in 1936 implement the basic powers given by Congress to the Federal Reserve System. Regulation T applies to security credit extended by brokers, while Regulation U applies to security credit extended by banks. It was found necessary to control both loans by banks and by brokers for effective margin requirement regulation. For example, if only brokers' loans are controlled, then banks can make loans for stock purchases, and if only loans by banks are controlled, then brokers can loan money for stock purchases. Thus, effective regulation of stock credit required that both potential sources of stock credit be controlled. Regulations T and U enable the Federal Reserve System to alter the volume of security credit through varying margin requirements. Congress, by giving the Federal Reserve System the power to regulate margins, indicated its intent to establish margins as a selective tool of the Federal Reserve System to be used in fulfilling their responsibility of regulating credit conditions. Margin requirements have been varied vigorously by the Federal Reserve System, ranging from a low of 40 percent from November 1, 1937 to February 4, 1945, to a high of 100 percent from January 21, 1946 to January 31, 1947. Margin requirements were changed 16 times from 1936 through 1962.

TABLE 2*—EFFECT OF CHANGES IN MARGIN REQUIREMENTS ON CUSTOMERS' NET DEBIT BALANCES, FEBRUARY 1, 1947-JULY 28, 1960**

Effective date of margin changes	Margin requirement change	Av. monthly change in net customers' debit balances in preceding six months (in millions)	Av. monthly change in net customers' debit balances in following six months (in millions)
1/17/51	+25%	$ 16,667	$—24,167
1/04/55	+10	95,000	36,667
4/23/55	+10	103,167	6,167
8/05/58	+20	92,833	42,833
10/16/58	+20	75,833	42,667
2/01/47	—25	—35,333	— 3,833
3/30/49	—25	— 7,667	35,000
2/20/53	—25	— 7,000	55,333
1/16/58	—20	—61,333	92,833
7/28/60	—20	—40,333	36,000

*Source: Federal Reserve Bulletins.

**Excluding balances with reporting firms (1) of member firms of the New York Stock Exchange and other national exchanges and (2) of firms' own partners.

Margin regulation effectiveness

This section examines the effectiveness of margin requirement variation as a selective instrument of credit policy and also assesses its probable impact on stock prices. The effect of varying margin requirements on stock credit can be studied by measuring changes in customers' net debit balances (credit extended by brokers to their customers). Table 2 shows the average monthly change in dollars in such balances for the six months before and the six months after the month in which the ten

(Continued on page 10)

Current conditions . . .

The economy of the Ninth district seems to have ended the summer period on a moderate up-note. Farmers have produced larger crops than were expected at midyear with final output above the five-year average and at near record proportions. Prices received by farmers improved some during the third quarter following a sharp slump in livestock prices in the spring period. Admittedly, however, the farmer continues to experience an excruciating price-cost squeeze which precludes much if any improvement in his net income position. Nevertheless, the farmer's gross income may have expanded more seasonally during the third quarter than it usually does. This, of course, is of considerable significance to the merchants and businessmen who service the farmer. Current reports indicate favorable machinery and equipment sales in the rural areas. Furthermore, much of the district has recently been covered with generous rain which has insured good fall pasture and feed conditions. It also has permitted good seeding conditions for the important winter wheat crop.

Total nonagricultural employment increased only moderately during the summer period. However, employment gains in manufacturing and in construction work were good. In general, district employment trends seem to be following approximately the same pattern as in the U. S., although weekly hours worked in manufacturing have been consistently higher in the Ninth district during this summer period. One of the serious problems in the economy is keeping employment ahead of the expansion in the number of young people coming into the labor force.

In contrast to only a moderate expansion in employment, trends in such business indicators as bank debits, retail trade, industrial use of electric power, and personal incomes have been strong in recent weeks. For example, total district personal incomes in July and August were up 5.4 and 3.9 percent from the same months a year earlier. Since January this year, personal incomes have averaged above the first eight months of 1962 by better than 6 percent. This is a better performance record than for the U. S. where improvement was below 5 percent.

Activity in the district's mining and oil industries during recent months has not quite matched year earlier performance in terms of output and employment.

In district banking, both time and demand deposits increased during the summer period with time and savings deposits continuing to exhibit a strong upward thrust. Bank loans, seasonally adjusted, also advanced moderately by the end of the summer period in late September. Total bank investments, on the other hand, have declined slightly. Bank borrowings at the Federal Reserve bank

and the use of federal funds at district commercial banks showed a declining trend from late June to late September, indicating a moderate liquidity improvement.

The following selected topics describe particular aspects of the district's current economic scene:

CROP PRODUCTION DOWN

The estimated output of wheat in the Ninth district is expected to be just over 275 million bushels, according to the September crop report of the U. S. Department of Agriculture. This figure represents a 3.3 percent decline from last year's output and also a significant change from earlier expectations about the 1963 crop. In August it was estimated that this year's crop would exceed that of 1962 by 2.0 percent. Since August, however, high temperatures and short moisture conditions in some areas of the district have adversely affected anticipations about yields. The sharpest revision in the estimates occurred in South Dakota where the wheat crop is now placed at 1.6 percent under last year rather than the 8.0 percent increase expected in August. The only state to escape a downward revision in the wheat crop was Montana where the estimates remained unchanged at 23.3 percent over 1962. The North Dakota estimate in September indicated an increased reduction in wheat production of 19.5 percent compared to 13.6 percent in August. The Minnesota wheat crop is now expected to be only 20.7 percent higher than 1962 rather than the 33.9 percent increase expected earlier.

NINTH DISTRICT CROP PRODUCTION ESTIMATES AS A PERCENT OF 1962 CROP

	July estimate	Aug. estimate	Sept. estimate
All wheat	94.4	102.0	96.7
Corn	111.4	114.7	120.8
Oats	91.8	93.2	91.0
Barley	86.0	94.3	95.4
Flax	96.5	98.5	95.6
Soybeans	—*	125.9	129.3
Rye	58.8	60.3	60.3

*Not estimated.

Most of the crop deterioration occurred in spring grown wheat. Durum wheat estimates were revised downward 3 percentage points, while other spring wheat is now expected to fall 5.4 percent short of last year rather than the earlier anticipated increase of 2.3 percent. Downward revisions were also reported for the district oats and flax output while a modest increase was reported in the barley production estimates.

Considerably better weather conditions prevailed in the district corn and soybean areas. Estimated corn production at 475.5 million bushels is an increase of 20.8 percent over last year's output. In early August it was anticipated that the output would exceed that of last year by 14.7 percent. An expected output of 62 million bushels of soybeans reflects a 29.3 percent improvement over last year and also a considerable improvement over the August estimate.

FARM LAND VALUES CONTINUE UPWARD

Farm land values in the district continued the upward trend during the past year. Between July 1962 and July 1963, land values increased 7 percent in South Dakota, 6 percent in North Dakota and 5 percent in Montana and Minnesota. The following shows the growth in per acre value of farms for selected years:

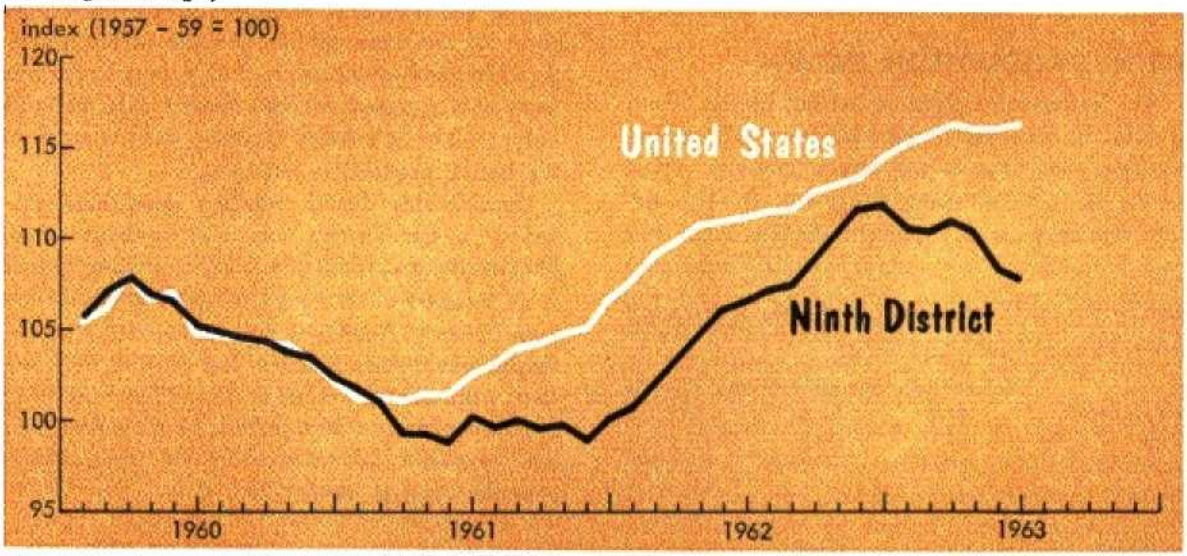
	1953	1958	1963
Minnesota	$109	$143	$162
Montana	24	30	40
North Dakota	37	46	59
South Dakota	39	46	58

Farm land real estate prices for the entire U.S. increased 6 percent between the July 1962 and July 1963 reporting dates. This moved the index of value per acre to the record level of 127 percent of the 1957-1959 average on July 1.

RETAIL SALES EXPAND

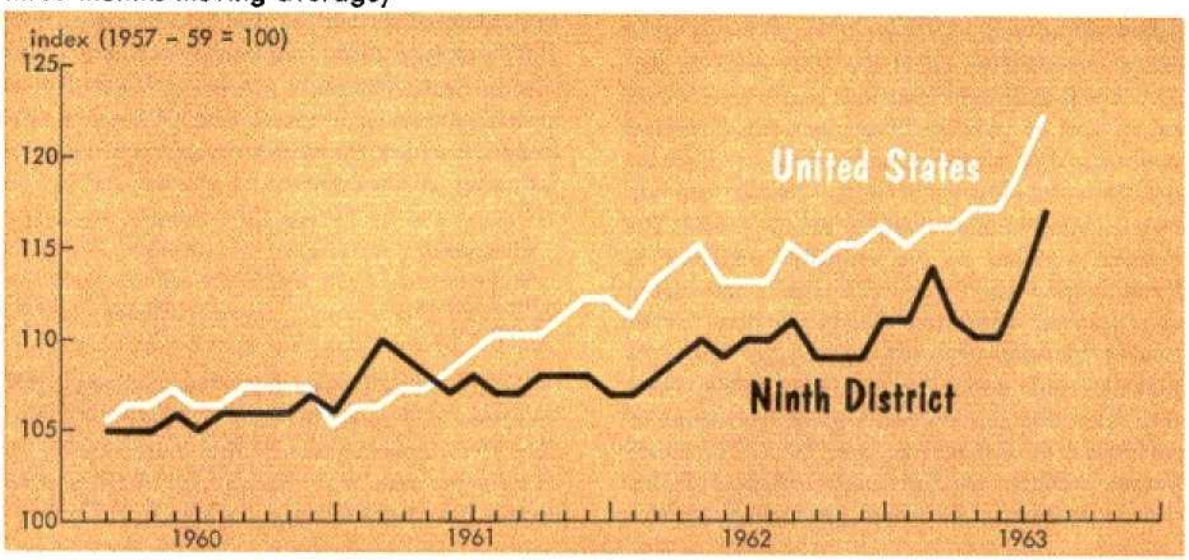
Consumer spending, as reflected in retail sales, has been a prime factor contributing to the economic growth in the district and in the nation. However, the rise in sales in this district has not been as steady as in the U.S. due to greater fluctuations in the income individuals have at their disposal.

Chart 1—United States and district retail sales, 1960-1963* (seasonally adjusted—three months moving average)



*The Bureau of Census' sample excludes sales of retail chains with more than ten outlets.

Chart 2—United States and district department store sales, 1960-1963 (seasonally adjusted—three months moving average)



Since this district economy is heavily weighted by agriculture, the income pattern varies more than in highly industrialized regions during periods of economic expansion. The record farm crops of 1962 added greatly to the income in rural areas. This resulted in an increase in personal incomes and in an exceptionally high volume of retail sales in the latter half of the year.

For the first six months of this year, district sales in the Bureau of Census' sample of retail stores[1] were up 5 percent from the comparable period of last year. However, in these stores sales fell markedly during the first half of this year compared with the peak reached last November. Sales expanded sharply in 1962; the seasonally adjusted index rose from 102 percent in January to 113 percent in November (1957-1959 = 100 percent). Then, in the first half of this year, they declined quite consistently through June. In fact, June sales were below those of a year earlier, but July sales again were up substantially.

The decline in district seasonally adjusted sales occurred among a wide range of merchandise. The sale of new cars rose sharply with the introduction of 1963 models, but they lagged beginning in May when sales are generally at the seasonal peak. Reflecting a slowdown in building activity last winter due to the severe cold weather, lumber, building materials and hardware sales began to dip as early as February. After heavy purchases of farm equipment last fall, they too declined. The same downward trend was apparent in apparel, furniture, appliances and even food.

Purchases of other merchandise continued strong, so total department store sales, seasonally adjusted, increased in the first half of the year. The index in August rose to a new high of 121 percent of the 1957-1959 base period. However, these sales in the current economic recovery period, which began in February 1961, have expanded consistently at a slower rate than in the nation (see charts).

[1] The sample excludes large retail chains but is the broadest coverage available in the district.

In the U.S., the rise in total retail sales has been very steady. Since the beginning of 1957, the seasonally adjusted volume has risen in 20 of the 26 quarters. During this period the per capita income of the American consumer rose from $2,048 to $2,366, and the amount he spent for merchandise and services has remained within a range from 92.2 percent to 93.8 percent of his annual disposable income, indicating that current consumption tends to parallel the rise in income.

Nationally, total retail sales advanced in recent months from an earlier plateau. Seasonally adjusted sales rose in both June and July to a new high level of $20.6 billion and $20.7 billion respectively. The adjusted August sales did not exceed the July level because of the slump in sales at automotive stores, due in part to the depletion of dealers' inventory of most 1963 models and to the fact that 1964 models were not scheduled for delivery until September. The Bureau of Census' estimate of weekly sales of retail stores indicates that the volume held up well during the first half of September.

TIME DEPOSITS IN THE DISTRICT

Time and savings deposits at district member banks expanded by $25 million during the month of August. This gain is the largest for any August on record and exceeds by a sizable margin the previous record increase of $21 million in August of 1962. Information for the early weeks of September indicates that the advance is continuing, though not at the same noteworthy pace.

At city member banks the August expansion of time and savings deposits amounted to $12 million, an increase that was more than double any previous August expansion and one that substantially accounts for the district record. At country member banks the rise in deposits totaled $13 million but was not enough to match some of the gains that have been registered in past years for the month under review.

A wider perspective on the August figures can

be obtained by considering the increase in time and savings deposits over a longer span of time. During the first eight months of 1963, deposits grew by $203 million. This represents a 9.1 percent gain that is only exceeded by the percentage gains of 1957, 1958, and 1962 (see table).

TIME DEPOSITS OF DISTRICT MEMBER BANKS, FIRST EIGHT MONTHS, 1956-1968

	Change in deposits during first eight months	
Year	Absolute (millions)	Percent
1963	$203	9.1
1962	328	18.3
1961	115	6.9
1960	33	2.1
1959	50	3.2
1958	138	10.1
1957	135	11.3
1956	26	2.3

The impressive gains of 1962 and 1963 are partially the result of changes in Regulation Q by the Board of Governors of the Federal Reserve System. Early in 1962 and again in July of 1963 the Board revised the regulation to permit banks, if they so desired, to offer higher interest rates on various classes of time and savings deposits. Many member banks responded to the 1962 administrative change and increased the rates they would pay to depositors in order to compete more effectively with other savings institutions. The deposit gains noted above resulted in part from this heightened competition. The recent July change in Regulation Q promises to bring further deposit increases in the months ahead as member banks again adjust their interest rates. Indeed, the remarkable advance of August may be a reflection of the July change in regulation. —END

(Margin requirements: continued from page 5)

margin increases or decreases from 1947-1960 became effective.* It should be stated that increases in customers' net debit balances preceded a rise and decreases preceded a fall in margin requirements in each of the ten observations. Changes in margin requirements were followed in each case by a change in pace, if not in direction, of the dollar amount of customers' net debit balances. Increasing margin requirements during a period of customers' net debit balances expansion slowed the pace of this expansion in four instances while reversing the direction of the expansion in one instance. Decreasing margin requirements during a period of customers' net debit balances contraction decreased the pace of this contraction in one instance while changing the direction of the contraction in four instances.

Statistical evidence suggests that margin requirements do influence the trend of stock prices. Table 3 shows the change in the Standard & Poor's Composite Index of 500 common stock prices for the six months before and the six months after the month in which the ten margin increases or decreases from 1947-1960 became effective. Stock prices rose during the six months preceding each increase in margin requirements between 1947 and 1960. Prices declined in the six months preceding each reduction in margin requirements except in two cases, that of February 20, 1953 and July 28, 1960, and the rise in stock prices was not too large in those instances. In the six months following each margin increase, the trend of stock prices continued to advance. In three of the five

*The choice of six months is arbitrary. A period of time long enough for the effects of margin requirement changes to be seen, while short enough so that other economic influences would not tend to dominate the effect of margin changes, was desired.

instances the rate of increase in stock prices was reduced after margin requirements were increased. In the six months following each of the five reductions in margin requirements, stock prices rose in three instances and declined in two. The direction of change in stock prices was altered in three instances while the rate of change in stock prices was accelerated in two instances.

Summary

A partial listing of the functions that secondary security markets perform includes: estimating the discounted value of an expected stream of cash flows through a corporation, facilitating the sale of primary issues of corporate securities by providing a market in which these securities can be resold, providing a place where hedging and speculation can occur, and — by such activities — creating and destroying wealth. There is evidence which seems to suggest that at times speculation financed with borrowed money has established corporate stock prices at a level different from that which the expected stream of future earnings and capital changes of corporate enterprise would warrant.

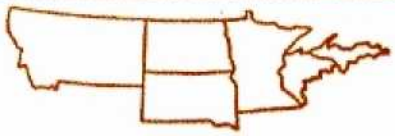
Prior to the Securities and Exchange Act of 1934, margin requirements were proposed to hold in check speculative excesses — particularly in times of monetary panic. In 1913, the New York Stock Exchange established margins to provide a "proper and adequate" margin on customer accounts. During World War I, call loans to finance the purchase of non-governmental securities were regulated by a committee of bankers to facilitate war financing. Today margin requirements are regulated by the Federal Reserve Board of Governors by authority given in the Securities and Exchange Act; the Act was implemented by Regulations T and U of the Board of Governors.

TABLE 3—MARGIN CHANGES AND THE TREND OF STOCK PRICES

Effective date of margin change	Margin requirement change	Av. monthly change in stock price index in preceding six months	Av. monthly change in stock price index in following six months
1/17/57	+25%	1.69	1.20
1/04/55	+10	10.02	11.82
4/23/55	+10	8.42	7.25
8/05/58	+20	8.10	11.78
10/16/58	+20	11.42	10.25
2/01/47	—25	— 4.73	— 5.71
3/30/49	—25	— 1.95	.97
2/20/53	—25	1.83	— 2.45
1/16/58	—20	—12.03	8.10
7/28/60	—20	1.22	15.52

It is difficult to evaluate the effects of regulatory devices, for it is not known what would have been the behavior of the variable being evaluated had not regulation existed. The method used in this article to evaluate the effects of margin requirements suggested that margin regulation is effective in changing the pace, if not the direction, of the dollar amount of stock credit extended by brokers to customers for the purchase or carrying of securities. Margin requirements also appear to influence the trend of stock prices. The influence of margin requirements on stock prices was not as direct, and did not appear as significant, as their influence upon stock credit.

—Richard Budolfson



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