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B. LOAN AND INVESTMENT ASSETS

(a) COMMERCIAL AND MERCANTILE ASSETS

I. HUNT, PEARSON

[YALE UNIVERSITY]

*Recent changes in the volume of self-liquidating loans of commercial banks*¹

Published figures purporting to indicate the volume of self-liquidating bank loans are being critically examined with the object of evaluating their adequacy and of measuring the secular and cyclical changes they reflect. Supplementing this statistical survey, analysis is being made of: (a) the causes of changes in self-liquidating bank loans, as for example, alterations in business financial practices, the rise of competing loan agencies, depression, etc; (b) methods by which individual commercial banks have adapted their operations to changes in demands for so-called commercial loans; (c) repercussions of changes in credit demands directly associated with self-liquidating business transactions on the operations and functions of the Federal Reserve System.

The probable date of completion is uncertain.

See also ID7

¹ Ph.D. thesis, Harvard Graduate School of Business Administration.

(b) CONSUMER AND PERSONAL FINANCE ASSETS

I. RUSSELL SAGE FOUNDATION, DEPARTMENT OF REMEDIAL LOANS

Economic characteristics of consumer debt

In conjunction with a comprehensive program of investigation within the field of consumer credit, an intensive study is in process of the economic characteristics of consumer debt, defined as the sum of all obligations of persons for loans incurred in their capacity as consumers. The purpose is to apply quantitative measures to various types of consumer debt in order to determine their current quantitative importance and their secular, seasonal and cyclical changes in relation to those of other economic series reflecting production and consumption activity. The consumer debt time series being assembled and analyzed fall into five classes. The first includes short term consumer loans by specialized lending agencies, as for example: (a) credit unions, (b) small loan companies, (c) industrial banks, (d) personal loan departments of banks, (e) pawnbrokers, (f) loan sharks, (g) employee and philanthropic funds. The second covers mortgage loans on homes by: (a) building and loan associations, (b) insurance companies, (c) banks, (d) other lenders. The remaining classes of consumer debt pertinent to the study include miscellaneous loans with a consumer contract extended by various agencies, mainly banks; instalment credit advanced through the medium of finance companies; and service credit extended by doctors, dentists, hospitals, undertakers and landlords. So far as practicable, year end data, recorded and estimated, are being collected from 1910 to 1936 for all types of lender. The effort is being made to collect monthly debit

balances from 1929 to 1936 for typical institutions and lenders for as many classes of consumer debt as possible.

In preparation under the immediate direction of Rolf Nugent, Director of the Department of Remedial Loans. Originally launched in 1934 in cooperation with the Consumers' Advisory Board of the National Recovery Administration, findings are not expected to be available for publication before the end of 1937.

For other parts of this project see IID6 and 7

(c) INVESTMENT ASSETS

1. U. S. DEPARTMENT OF COMMERCE, BUREAU OF FOREIGN AND DOMESTIC COMMERCE, FINANCE DIVISION

Foreign investments in the United States

A comprehensive survey of foreign investments in the United States at this time serves several specific purposes. In the first place, it affords more adequate data with which to estimate such balance-of-payments items as interest and dividend paid by Americans to foreigners. Second, it affords a check against reported changes in foreign investments in the United States. Third, it gives a more satisfactory measure of the magnitude of foreign investments in the United States than has heretofore been available for reference use in evaluating the financial significance of changes in American investments of foreigners from time to time. When completed, this survey will show the present status of foreign investments in the United States, classified by appropriate investment categories according to the foreign country in which nominal ownership resides and according to the American industry in which the investment is held. Changes

since 1929 in American investments of foreigners will also be shown.

In preparation under the direction of Amos E. Taylor as a Finance Division project. The final results are expected to be published as a bulletin of the Bureau of Foreign and Domestic Commerce before June 1937.¹

See also IIB(c)3

¹ Preliminary results as of the end of 1935 were published as Special Circular No. 417 of the Finance Division.

2. SECURITIES AND EXCHANGE COMMISSION, RESEARCH DIVISION

Census of American listed corporations

The purpose of this investigation is to analyze registration statements filed with the Securities and Exchange Commission under the Securities and Exchange Act of 1934 by corporations fully registered with the Securities and Exchange Commission under that Act at the end of 1935. Most of the financial information included in the statements pertains to the calendar year 1934. Besides a general survey based on data available for all listed corporations for this specific year, summary surveys are being made for each industry group. As tentatively planned, these industry surveys will contain: (a) general information as to each registrant; (b) a tabulation of corporate interrelationships; (c) security issues included in consolidated balance sheets; (d) ownership of registered issues by registrants and their affiliates; (e) the market value of registered issues; (f) combined balance sheet data, including principal asset items as a percentage of total assets and principal liability items as a percentage of total liabilities; (g) combined profit and loss state-

ments, with principal profit and loss items expressed as a percentage of total sales; (h) selected assets and income relationships (ratio analysis); (i) a classification of selected expenses.

A similar survey of the first annual reports filed with the Commission by the same registrants is being made, containing information pertaining to the calendar year 1935.

In preparation under the direction of Paul P. Gourrich and James C. Buckley as a WPA project sponsored by the Securities and Exchange Commission. The information obtained for the two periods will not be published before summer 1937.

3. BROOKINGS INSTITUTION

America's stake in foreign investments

This is a study of the growth and present status of foreign investments in the United States and of American investments abroad. Both direct and portfolio assets and liabilities are included. The direct investments are considered in terms of the large industries represented. The analysis and estimates of the foreign portfolio of American securities before, during, and since the War, are based on a detailed study of data from various sources, including the current investigation by the Department of Commerce of foreign investments in the United States. The American portfolio of foreign loans has been analyzed loan by loan in terms of the amounts originally taken in the United States, prices paid and interest rates, annual repayments of principal, the amounts now outstanding, and the present situation with respect to payments on principal and interest.

In preparation by Cleona Lewis, publication is scheduled for summer 1937.

See also IIB(c)1; IVC8

4. COWLES COMMISSION FOR RESEARCH IN ECONOMICS

Common stock prices, 1871-1936

As part of a long range research program, the Cowles Commission has a comprehensive investigation of the movement of stock prices currently in process. The objectives are three-fold: first, to compile more adequate and inclusive indexes of stock prices and related series covering the entire period 1871-1936 than have been available heretofore; second, to identify and evaluate the different factors affecting stock prices throughout the period; third, to appraise in the light of statistical evidence various theories of stock market action. New common stock indexes, compiled by 68 industry groups, are in preparation: [1] monthly indexes of (a) stock prices, (b) stock prices adjusted for reinvestment of dividends, (c) dividend payments, (d) yields; and [2] annual indexes of (a) earnings, (b) earnings-price ratios. These indexes, adjusted for all changes in capital structures, include all stocks for which transactions on the New York Stock Exchange were reported during 1871-1917; for subsequent years they are based on Standard Statistics indexes which cover over 90 per cent of the total value of common stocks listed on the New York Stock Exchange, as well as other leading issues. Using the assembled common stock indexes as material for further study, intensive analysis is being made of: (a) differences in stock yields for various industry groups; (b) trends in stock prices and the economic tendencies and influences with which they may be associated; (c) the relative variability, sea-

sonal and cyclical, of stock prices of different industry groups; (d) the validity of various theories of stock price behavior.

In preparation under the immediate direction of Alfred Cowles, 3rd, the results are to be published in two monographs. The first, which will present the several indexes compiled for the project, is expected to be issued in 1937 under the title, *Common Stock Indexes, 1871-1936*.

See also IICr

5. NATIONAL BUREAU OF ECONOMIC RESEARCH

Some theoretical problems suggested by the movement of interest rates, bond yields and stock prices in the United States since 1856

Fundamentally a statistical and theoretical study of the actual behavior of interest rates in the market place, virtually all problems treated have to do with the role and relationships of interest rates and security prices in the cyclical movements of business activity. The questions to which it is directed may be briefly stated as follows: What is a rate of interest? What are the mathematical characteristics of interest rates? How and why do rates vary among themselves at the same time, and how and why do they vary from time to time? How and with what regularity are interest rates related to other economic phenomena? What are the most important factors that influence them? To what extent and under what circumstances do the movements of rates seem consistent with rational human conduct, and to what extent and under what circumstances is explanation hindered rather than helped by assumptions of rigid rationality?

The development of answers to these questions proceeds along the following pattern: (a) analysis of the concept of long term interest rates and their financial and mathematical implications; (b) a consideration of the theoretical and practical difficulties of comparing long term interest rates as between different dates; (c) investigation of movements of bond yields by different grades of bonds and an analysis of bias or 'drift' of bond yield indexes growing out of the changing qualities of the bonds that they cover; (d) intensive examination of the problem of bias or 'drift' in bond yield indexes and in indexes of prices of common stocks; (e) comparisons of railroad bond yields and stock prices; (f) analysis of the relationship between bond yields and commodity prices; (g) a study of interrelationships of movement between short term interest rates and long term rates as reflected in railroad bond yields; (h) an extensive survey of the relationships among the cyclical movements of interest rates, security prices and various indexes reflecting business activity over seventy-eight years. Appendices deal with technical problems involved in (a) statistical measures of price changes; (b) methods of weighting indexes of bond yields to avoid bias or 'drift' resulting from the changing quality of bonds; (c) interpreting gold yields of bonds payable as to principal and interest in currency.

Under the direction of Frederick R. Macaulay of the National Bureau's research staff, this investigation has been in process for several years. The book is in press.

See also ID₄; IIA₁₃ and 16; IIC₄

6. MOODY'S INVESTORS SERVICE

Rates of income capitalization

With the objective of developing more satisfactory criteria for judging the degree of overvaluation or undervaluation of prices of equity securities in relationship to bond prices, the relative rates of income capitalization in New York and London for the War and post-War periods and so far as practicable for the pre-War period are to be examined intensively. As a preparatory step, compilation of a comparable series of data on representative equities and bonds in the two markets is in process. Careful comparative study of the behavior of rates of income capitalization for high grade equities and bonds will be made when the data have been assembled to determine whether typical patterns have obtained in the past under boom and depression conditions.

In preparation under the direction of Donald B. Woodward as a firm project, the results will be reported in the regular publications of Moody's Investors Service.

7. STANDARD STATISTICS COMPANY

Corporation profits since 1900

Plans for this project call for a thoroughgoing study of corporation profits in the United States since the beginning of the present century to arrive at an accurate measurement of their size and cyclical swings. How profits fluctuate and trends develop in different industries are to be studied and the main causes of cyclical variation and trend movement are to be identified. Particular attention is to be paid to the disappearance of important sums of capital accompanying cyclical variation, and to the possible reasons for such disappearance.

In preparation under the direction of Laurence H. Sloan, editor-in-chief, as a firm project. Because of the scope of the investigation and the difficulty of assembling materials for years prior to 1920, it is not possible to indicate a date for completion.

See also IVC₉

(d) URBAN MORTGAGE ASSETS

I. FEDERAL HOUSING ADMINISTRATION, DIVISION OF ECONOMICS AND STATISTICS

Technique for real estate analysis

In order to further the assembly and analysis of data reflective of trends in real estate transfers, mortgage financing, building activity, subdivision growth, and related factors characterizing local area real estate developments, this technique for conducting intensive local real estate investigations has been prepared. By means of this technique it is contemplated that detailed county surveys will be made, based on public files of deeds and mortgages recorded, building permits issued, lots recorded, and tax assessment records, together with appropriate summary analyses of the surveyed data. The technique as drafted calls for a detailed analysis of some data for from fifteen to twenty years, and other data for a longer period. It is hoped that WPA projects of this type will be launched under local sponsorship in a number of cities.

In the development of the technique and the planning of local real estate survey projects, the Division of Economics and Statistics is cooperating with the Coordinating Committee of the Work Progress Administration

and the Central Statistical Board. L. Durward Badgley is in charge of this project for the Division.

See also IIB(d)₃

2. NATIONAL BUREAU OF ECONOMIC RESEARCH

Economic position of urban residential real estate (Real Estate Financing and Economic Stability)

In order to make generally available the mass of materials pertaining to urban residential real estate assembled by the Financial Survey of Urban Housing of the Bureau of Foreign and Domestic Commerce in 1934 and by other governmental agencies currently and in the past, a source book is in preparation presenting basic data on this part of the real estate field. Present plans call for the organization of the data along the following lines. An initial section will be devoted to the value classification and distribution of urban real estate, covering specifically: (a) measures of the aggregate importance of real estate for selected dates and the distribution of ownership; (b) the dollar value and geographical distribution of the principal classes of real estate, 1930-36; (c) the trend of real estate values as reflected in the value of mortgaged properties for selected cities and in construction costs; the distribution of urban residential property by type of structure, materials, age and value groups. A second section will deal with rents on urban residential property, covering such items for recent years as: (a) the aggregate annual and monthly rent bill; (b) the average rental for principal types of property; (c) the trend of rents in selected cities; (d) differences between gross and net rentals by type of facility and property; (e) delinquency in rent payments by rent groups for certain years. A third section will concern itself with the

relation of rents to real estate values, and a fourth with the volume of residential construction from 1919 through 1936. Another section is to present data on residential rents in relation to family income, while the final part is to be devoted to financial elements affecting the volume of mortgage debt, as the ratio of debt to property value, the terms and sources of mortgage credit, and distinctive risk elements affecting mortgage loans.

In preparation under the direction of David L. Wickens, an Associate of the National Bureau. Publication of this source book is planned in summer 1937.

For a supplementary description see IVE8; see also IVE6; VC₂

3. OHIO STATE UNIVERSITY, BUREAU OF BUSINESS RESEARCH

Real estate finance survey, Franklin County, Ohio

Based on accessible public records of real estate transfers, mortgages and foreclosures, analysis is being made of trends in real estate financing in Franklin County, Ohio, for the last two decades. Data are being assembled indicative of: (a) the volume, type and location of new building activity; (b) the volume of real estate transfers; (c) the conversion of agricultural land into real estate subdivisions and the absorption of new subdivision lots into active use; (d) the volume, type and terms of mortgages; (e) volume of real estate foreclosures and distress sales.

In preparation under the direction of Lester S. Kellogg as a Research Bureau project, and financed with WPA funds. Tentatively, completion of the investigation is expected by early fall 1937.

See also IIB(d) 1

(e) AGRICULTURAL MORTGAGE AND OTHER ASSETS

I. U. S. DEPARTMENT OF AGRICULTURE, BUREAU OF AGRICULTURAL ECONOMICS, IN COOPERATION WITH THE WORKS PROGRESS ADMINISTRATION

Farm mortgages, land values, land transfers and farm taxes

Nationwide in scope, this project is undertaking to assemble more reliable data on farm mortgage debt, land values and transfers and farm taxes. Three types of data are being gathered in about 900 agricultural counties. The first type covers farm mortgages filed and released as reported in county records from 1917 through 1935, with a view to ascertaining the types of lenders, rates of interest charged, average amounts loaned per acre by each type of lender, and the disposition of the mortgages. The data compiled for each mortgage cover: (a) information as to the borrower and lender; (b) the amount and terms of the mortgage, including the date of execution, interest rate, method of payment, maturity date and extensions; (c) a description of the mortgaged property. The second type of data covers farm real estate transfers over the period 1900 through 1935 and is intended to disclose the average prices of farm real estate and the volume transferred by various methods. The third relates to farm real estate taxes for a representative sample of farms in each county studied to serve as a basis for indicating trends in farm taxes, and covers the years 1890 through 1913, data for subsequent years already being available.

In preparation under the general direction of Donald Jackson as a National Research Project of the WPA. Various state agricultural experiment stations have co-

operated in the field work which is now practically completed. Final tabulations of data are expected to be completed by June 1937. The results of the national survey will be published by the Works Progress Administration and the Bureau of Agricultural Economics. A number of the state agricultural experiment stations cooperating in the project are expecting to issue bulletins containing material assembled in local surveys.

See also VC₂

2. NATIONAL BUREAU OF ECONOMIC RESEARCH

Agricultural real estate and business cycles

Concerned with the relation of farm real estate and its financing to major economic changes affecting rural areas, this study subsumes a variety of data pertinent to the quantity and movement of farm mortgage credit. Statistics are presented on: (a) the volume and value of different classes of property; (b) land secured debt and the ratio of debt service to farm income for different classes of farms and regions; (c) the terms, as interest rates and amortization of farm mortgages; (d) the distribution of the ownership of farm mortgage obligations among different types of financial institutions.

In preparation as part of the National Bureau's research program devoted to real estate financing and economic stability under the direction of David L. Wickens, an Associate of the National Bureau. Financed by funds especially contributed by the Social Science Research Council, the results of the study are expected to be published as a separate monograph by the National Bureau.

See also VC₂

(f) PUBLIC SECURITIES

I. SOCIAL SECURITY BOARD, BUREAU OF RESEARCH AND STATISTICS

Financial reserves for old age benefits under the Social Security Act in relation to the Federal debt

A long range research project has been started to study the probable nature of the influence of reserves for old age and unemployment benefit payments. Preliminary plans for this study include a description and analysis of the Federal debt: (1) so far as material is available, and in collaboration with other agencies, a study of the distribution and ownership of the Federal debt; (2) changes in the nature and ownership of the Federal debt during the last five years; (3) probable future changes growing out of gradual, partial or complete retirement of the present debt as funds accumulate in special Social Security Accounts.

A second part of the project is a study of the possible effects of accumulations of special funds under the Social Security Act on financial markets and security and commodity prices. A third part is to be directed to questions concerning the use of debt policy and credit operations for the sake of increasing economic stability. Materials available at the Treasury, the Federal Reserve Board and member banks will be used, with few new data.

At present in an exploratory stage, in preparation under the direction of Eleanor L. Dulles as a Bureau of Research and Statistics project. Essentially a long range

project, no indication of approximate date of completion is now possible.

See also IIB₁ and D₃

2. HUBBARD, J. E.

[HARVARD UNIVERSITY]

Absorption of the United States debt

The problem with which this study is concerned is the distribution of ownership of the Federal debt, and the significance for financial organization that this distribution of ownership may have. The attempt is made to distinguish quantitatively between banking and non-banking ownership of the Federal debt for every fifth year from 1900 to 1915 and for every year from 1919 through 1936. Changes in ownership are being analyzed on the basis of the resulting estimates.

Initial results of this study have been published in the *Proceedings* of the American Economic Association for the 1936 meetings.¹ It is intended to bring the data up to date annually. The Committee on Research in the Social Sciences of Harvard University has provided financial assistance for the conduct of the inquiry.

¹ In addition, see also Joseph E. Hubbard, 'Absorption of the United States Debt,' *Review of Economic Statistics*, Vol. XVIII, No. 3, August 1936, pp. 126-33.