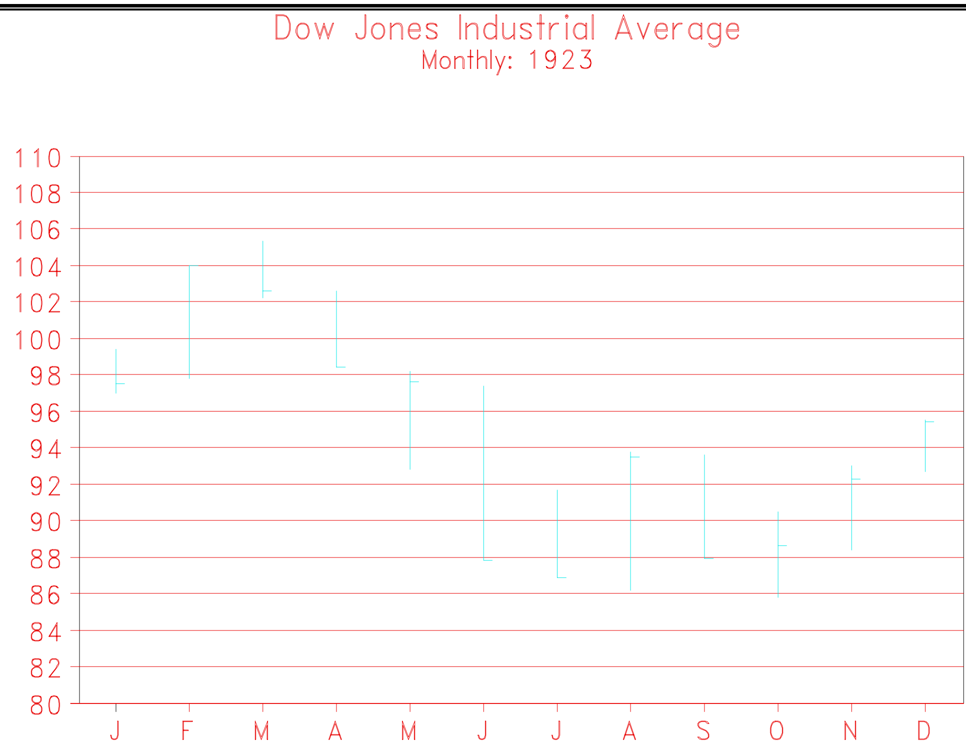
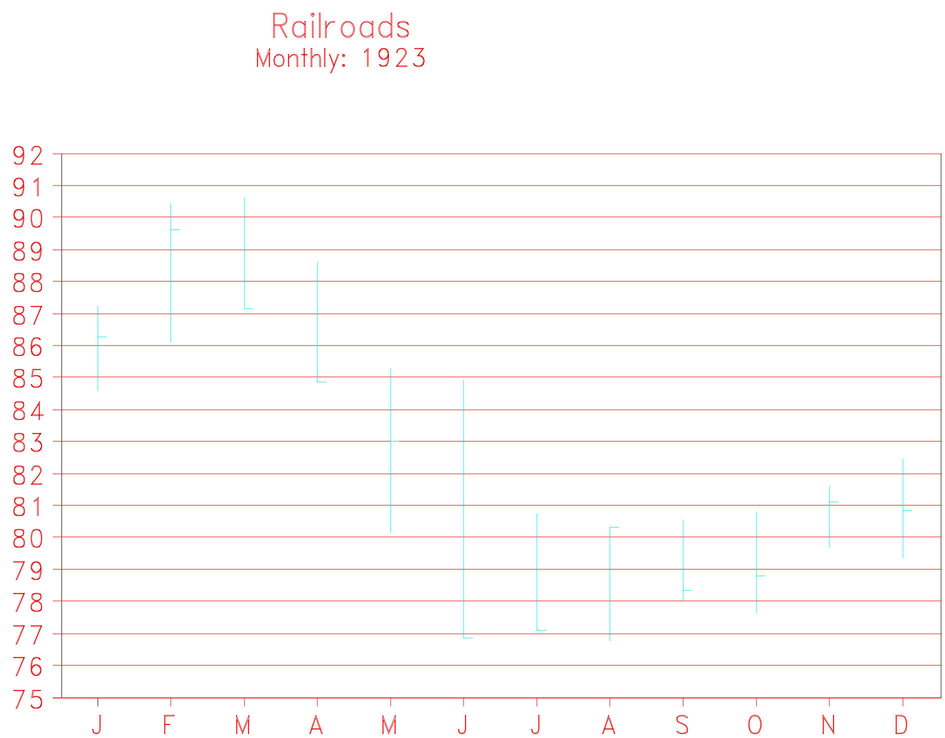


As 1923 dawned upon the annals of time, the stock market initially consolidated to very quiet trading during January, primarily on European news. But the Dow Jones Industrials had held the November 1922 low. February suddenly turned with a vengeance against the numerous professional short interests. The market stormed straight up, exceeding the 1922 highs by reaching 104 and closing near that level in February.

The Federal Reserve, in June of 1922, had lowered the discount rate to 4%, but when economic activity began to rise, the Fed became frightened of potential inflation. In February the Fed raised the discount rate abruptly back to 4.5% after the stock market rallied. But despite this factor, the market pushed higher into March nearly reaching 106. Call money had traded between 6% and 2.75% in 1922 and it was in February 1923 when call money peaked at 6%, matching the 1922 high and only gradually declining into the summer months, where it bottomed at 3.5% for 1923.

The stock market had become a barometer of the general business expectations. In the March 24, 1923 edition of Time magazine, the financial commentary had this to say:

"The financial markets reflected the current situation in general business several months ago; the 'discounting' performed by the stock market last fall is now quite clear to everyone. (Sharp decline from 1922 high.) The problem now before the securities markets consists of similarly forecasting what the situation will be next autumn. The present rate of industrial production has accelerated so swiftly that doubts are now beginning to be entertained in Wall Street as to the ability of this movement to endure. As a result, prices of shares on the Stock Exchange have proved irregular at high levels, with speculative reactions and rallies of only day to day significance. Meanwhile, gilt-edged bonds have proved sluggish and have shown an unmistakable tendency to decline under the prospect, already realized in some measure, of higher money rates. Weaker bonds, however, have

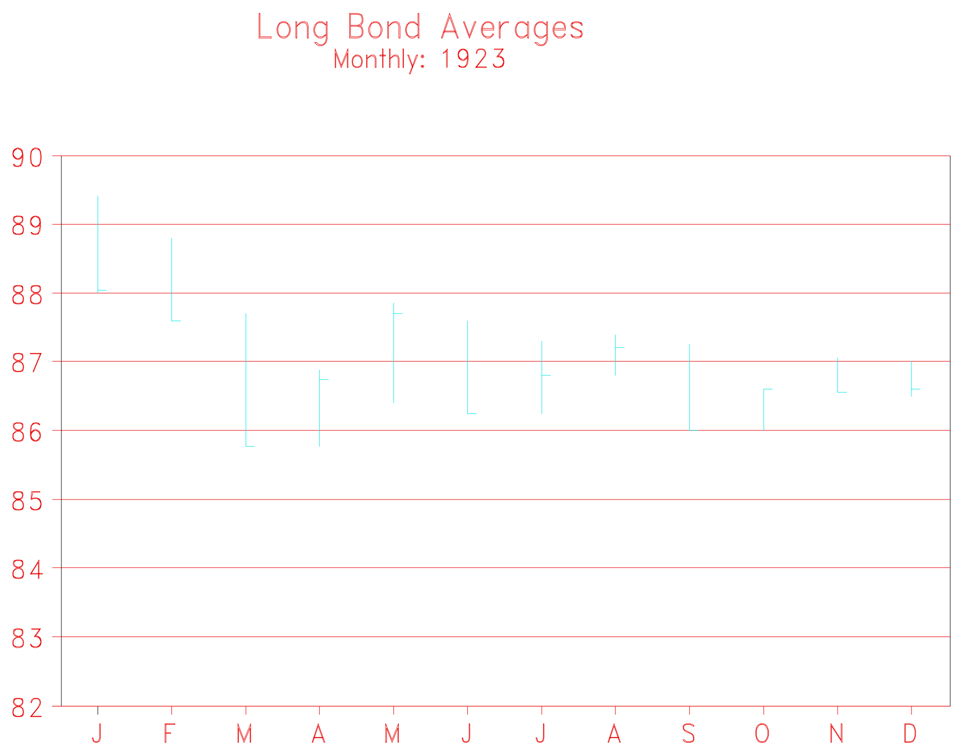


risen rather than declined in many instances, owing to their improved position following better corporate net earnings. French government dollar issues have proved strong."

Here we find that the commentary in early 1923 chose to take the decline in the stock market as a leading indicator, despite the fact that corporate earnings, industrial production, and the U.S. economy had become a slowly evolving shelter for foreign capital. Even the French government had been forced to issue bonds in U.S. dollars in order to find a marketplace. The sharply declining European economies had set-off a shift in international wealth and investment which favored the U.S. economy. Although the 1922 rally was sharp, swift and largely fueled by foreign capital flowing from Britain, Germany and France, the true underlying trend was not noticed by the analytical establishment at that time. Instead, they remained very pessimistic, perhaps influenced by the poor business conditions overseas and the reluctance of the Dow to punch through into new territory above the 106 level. After all, every time the Dow had penetrated above 100 it had always collapsed back, as in 1907 and again in 1920.

Europe remained in disarray. In Germany, Adolf Hitler was sentenced to five years imprisonment after the failure of the uprising that became known as the 1923 Beerhail Putsch in Munich. Germany had defaulted on its reparations, prompting even the United States stock market to decline to some degree. The French and Belgian troops invaded the Ruhr and occupied the Memel area near Lithuania. In Germany, Chancellor Cumo, called for passive resistance but his policy yielded little, if any, results. The attacks by extremists on the republic continued. It was after the "Cabinet of the Great Coalition" under Chancellor Gustav Stresemann when martial law was proclaimed in Germany and Hitler was jailed.

Nonetheless, it was the classic chicken or the egg dilemma for the U.S. financial mar-



kets. Was the sharp decline into 1923, from the March high of 87 points into July, an omen of what was to come or was this a consolidation phase as Europe tried to pick itself up with issuing bonds in dollars? Hindsight has graced us with the ability to note that the wave of industrial innovation and expansion was the leading factor. Second, the grave concerns that had brought capital to the States from Europe were subsiding after the massive devaluations. As the cash eased on its flow into the U.S., the stock market had proved to be a haven for international capital. The peak of the market coincided with the low in the dollar as European currencies began to decline into early 1924. The British pound had peaked at $4.70 in March 1923 and fell back once again to $4.27 by January 1924.

As we have taught at our seminar programs, the more any market continues to test the same number, the higher the probability of pushing through that level. This applies to support as well as resistance. In this case, the Dow had run up to the 100 level four times and failed. Instead of interpreting that as long-term bullish, it was seen as bearish. This one factor kept many people off guard for years and, as a result, they fought the market all the way up, finally turning bullish only after 1928.

1923 was a very important year. It was the year during which the markets corrected from the first bull market rally in 1922 and as such it was very reflective of the consolidation phase of 1984.

On 31 March 1923, Time magazine had this commentary to add to the sentiment which prevailed:

"A Lesson Learned?"

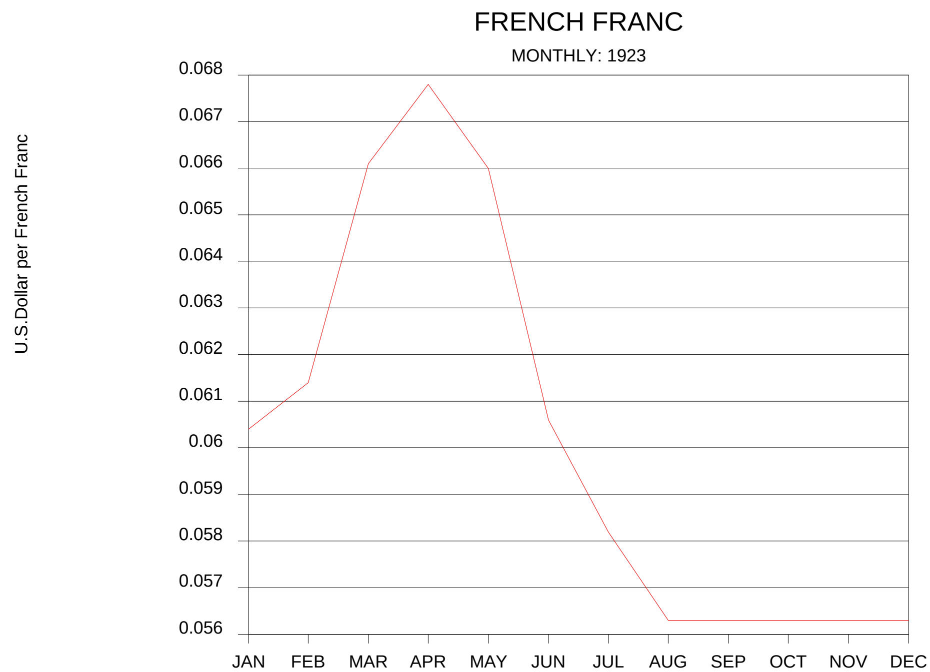
"That the lesson of 1920 has been remembered, if not thoroughly learned, by the average American businessman has been obvious from recent occurrences in the financial markets. The economic signs of a boom have continued, yet tempered by a spirit of caution. Not merely bankers, but

leaders in mercantile circles too are advising against recklessness. The speculating public has grown cautious in the Stock and Cotton Exchanges."

As the market began to decline in the spring, proceeding on its way into a summer low, the caution turned more toward pessimism. In the April 28, 1923 edition of Time magazine the commentary was as follows:

"A general consensus of opinion indicates that the recent expansion in production and distribution has reached its peak. Nevertheless, previous fears that this expansion would broaden into a reckless and unsound speculative movement are less keenly felt. The principal markets seem to have attained an equilibrium, and the question now is whether present industrial and mercantile activity can be maintained throughout the year. The predictions of business leaders are hardly consistent. Secretary Mellon is an out-and-out optimist who sees no evidence of inflation, no cause for alarm, and a long period of prosperity ahead. Charles M. Schwab is cheerful, but feels it necessary to caution businessmen against over-optimism. Charles R. Mitchell, President of the National City Bank, recognizes present prosperity, but warns against the dangers of rising costs produced by overswift expansion. Much the same position was taken by the U.S. Department of Commerce in a recent bulletin. In the case of the stock market, J.L. Livermore, noted operator, is more pessimistic. He points out the large amounts of undigested securities now on the market."

By May of 1923, the market was continuing lower and would not reach bottom until July when it would consolidate through a sideways trend into a near double bottom chart pattern in October. The Federal Reserve also believed that they acted prematurely by raising the discount rate in February. With the market dropping back to nearly 92 points in May, the Fed cut the discount rate back to 4%. In the May 12 edition of Time magazine the commentary reflected the atmosphere surrounding the

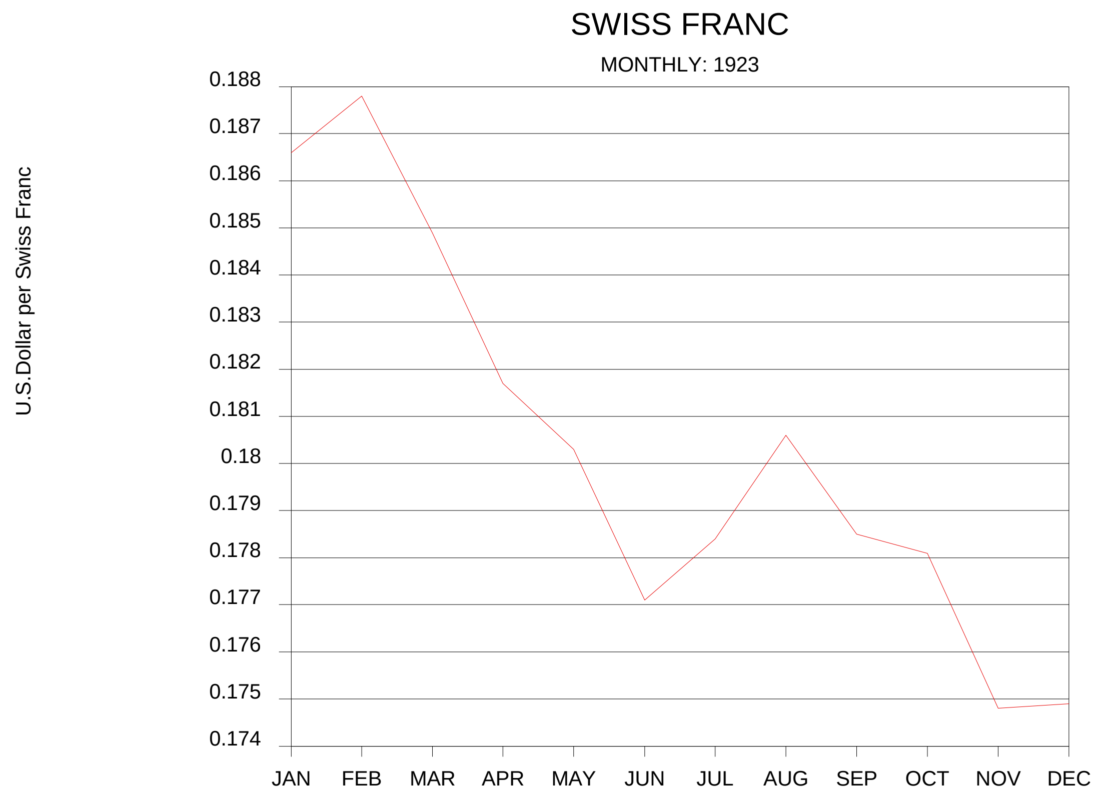


economy and the market as the trend continued lower:

"The pronounced downward movement on the Stock Exchange has given rise to conjecture by the business world as to whether the peak in business activity has not already been reached. The well-known ability of the stock market to 'discount' future conditions has led some business leaders to anticipate the autumn situation this year with less complacency. Industrial news, containing as it did reports of price cuts in oil and weakness in cotton and sugar, tended in general to confirm such less optimistic opinions, although April pig production set another high record. The strong banking position, however, indicates that should present business activity fall off, no such tremendous speculative liquidation as that of 1920 to 1921 will be witnessed, except possibly to a limited extent in real estate. The check-rein to current expansion of trade and industry will, it is generally agreed, be afforded by the shortage of labor, and the already recognized tendency of labor to lessen productivity under higher wages, which is usually a sign that the peak of prosperity is not far away."

In the early 1920s, the preoccupation with commodity prices was much more pronounced than it is today concerning the analysis of the market. With only a few months distance from the strong rally in equities from the 1921 low, it is clear how analytical minds were still greatly influenced by the crash of 1920. Recovery and prosperity were words looked upon with caution, and despite the sharp rally back up to the higher 1919 levels and the influx of foreign capital fleeing an ever-eroding European situation, bullishness was seriously lacking.

Despite the apparently sound conditions of the business community and steady to rising corporate earnings, the general atmosphere was still greatly concerned that the stock market was indicating another collapse in the months ahead. People were sensitive to the prior events and feared that


SWISS FRANC
MONTHLY: 1923
U.S.Dollar per Swiss Franc
0.188
0.187
0.186
0.185
0.184
0.183
0.182
0.181
0.18
0.179
0.178
0.177
0.176
0.175
0.174
JAN
FEB
MAR
APR
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JUN
JUL
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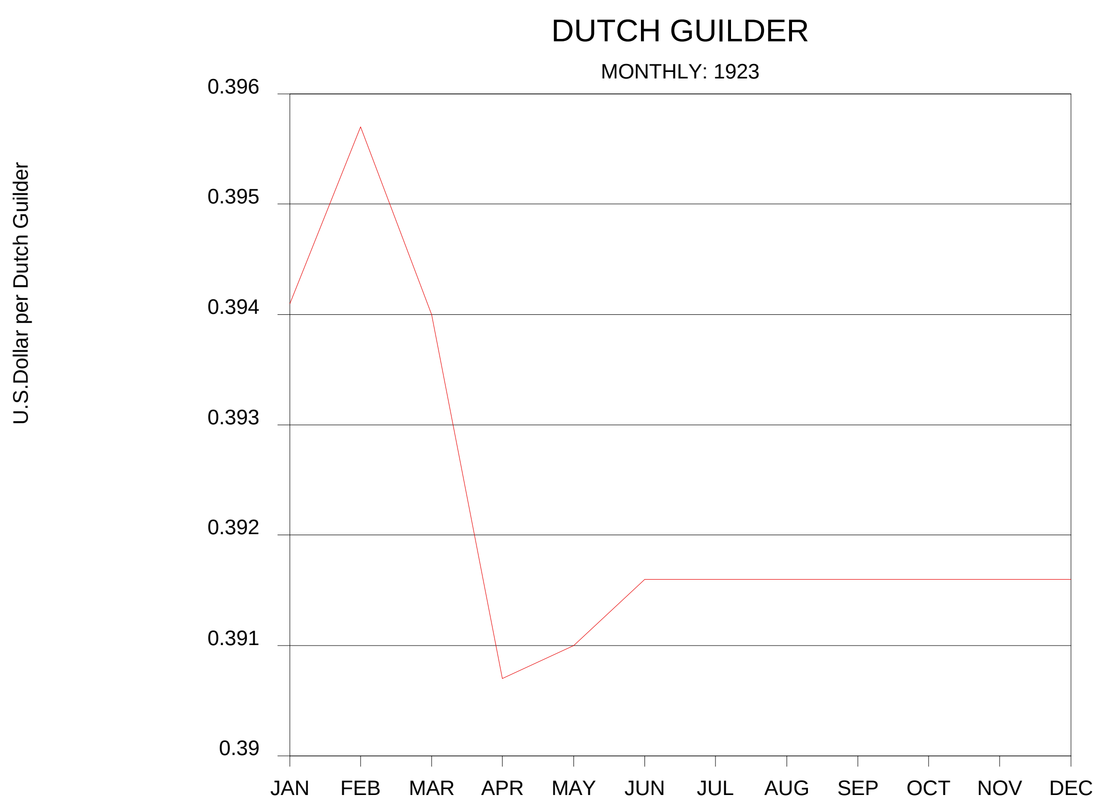
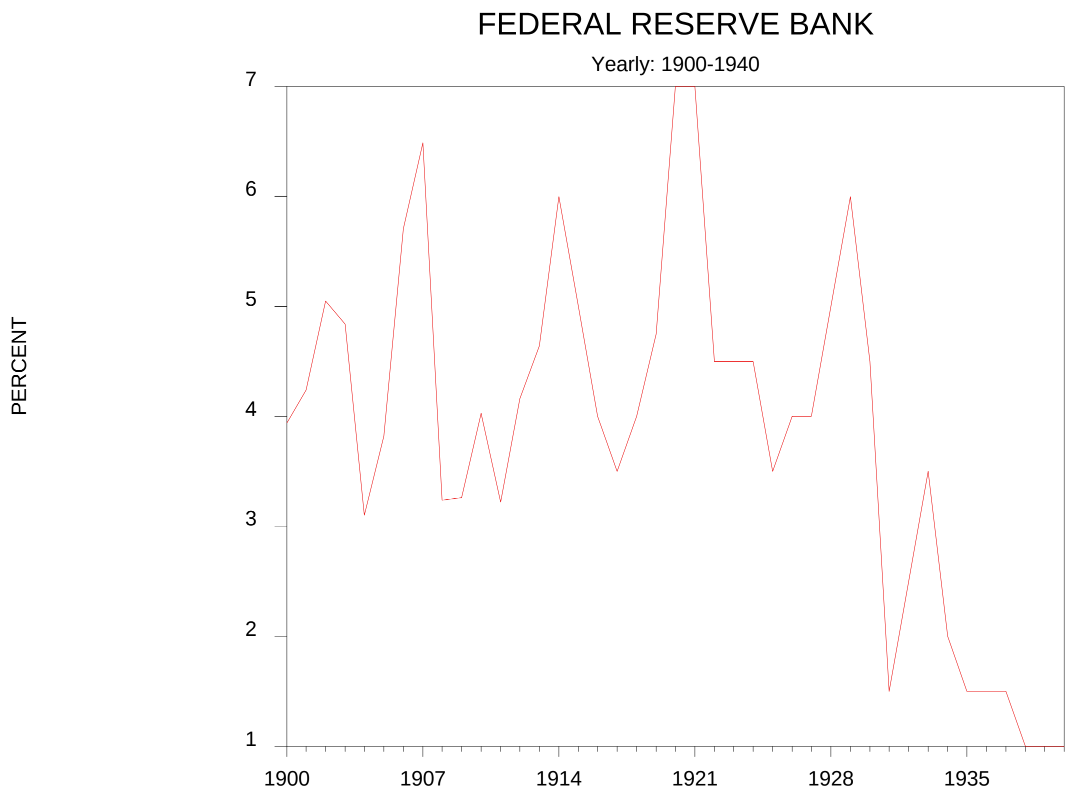
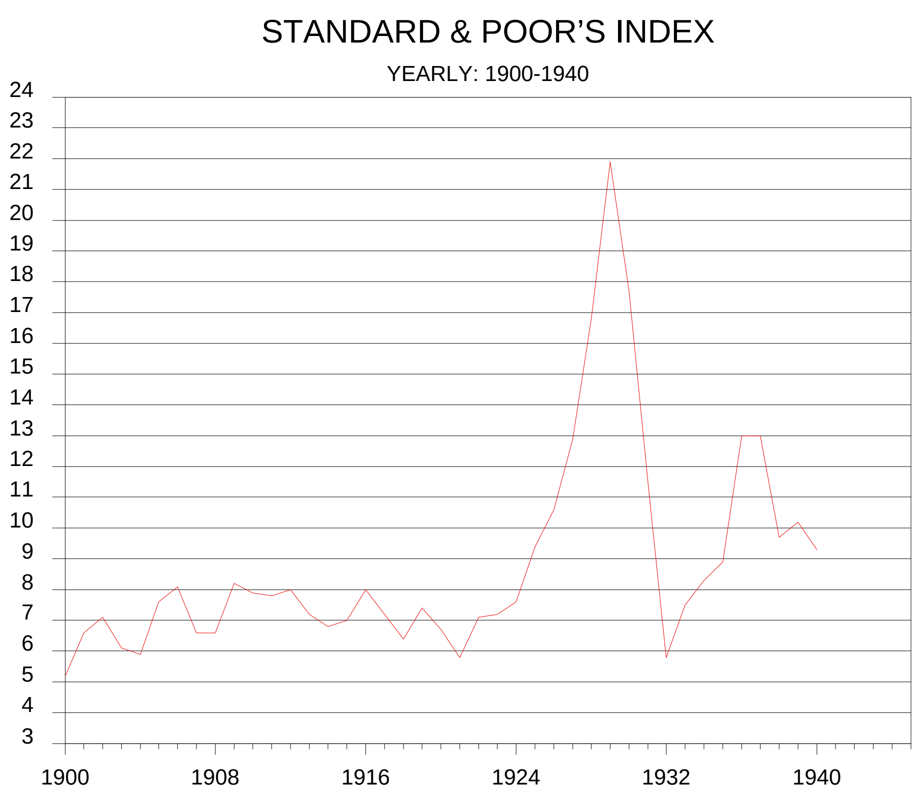
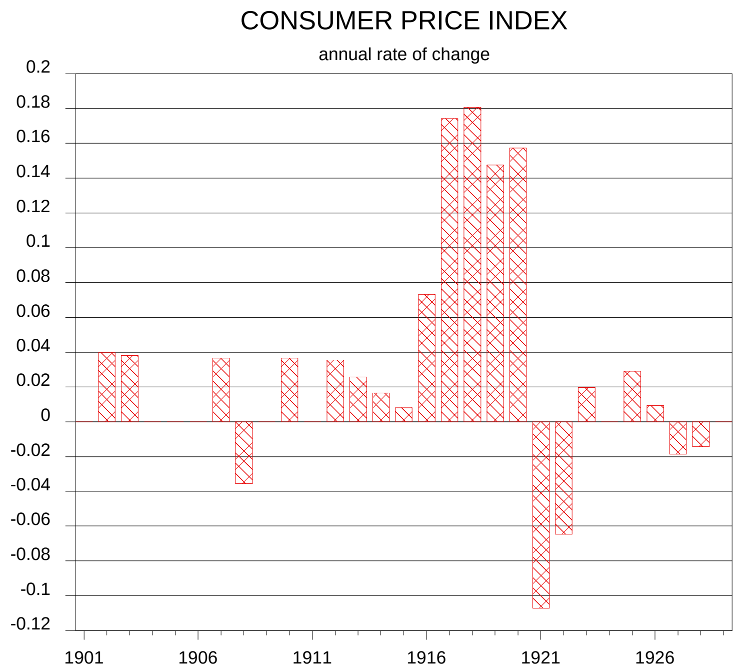
SEP
OCT
NOV
DEC


DUTCH GUILDER
MONTHLY: 1923
U.S.Dollar per Dutch Guilder
0.396
0.395
0.394
0.393
0.392
0.391
0.39
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC





Source: Economic Statistics



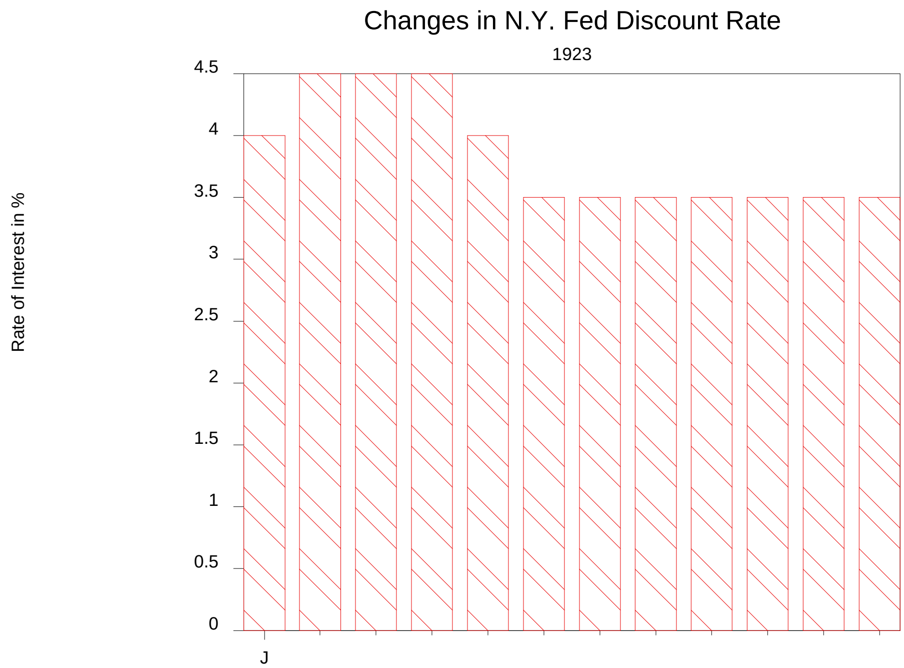
the stock market was a leading indicator forewarning of another impending disaster.

Inflation was almost nonexistent by official standards, quite similar to the 1981 to 1985 Reagan era. Yet admittedly, people were not yet accustomed to heavy taxation. The income tax had been instituted for World War I and had not been repealed. This commentary appeared in the June 4 edition of Time magazine:

"Of money, inflation today there is almost none. But inflation of land and real estate values, inflation in prices produced by inequitable and excessive taxation are obviously factors in the present situation. Sudden liquidation through a collapse in any of these is quite improbable; a gradual dying out of the present boom is more likely. Such an outcome the fitful ups and downs of the stock market today are apparently reflecting some distance in advance of the event."

Opinion began to look upon the high level of taxation as creating real inflation where government claimed none existed. This was one factor which was looked upon as a serious reason for a slow death of the short-lived prosperity during 1922 to 1923 in the minds of the analysts in those days.

This stands in contrast to the majority of thought in the analytical world today. Arthur Laffer's ideas of excessive taxation bringing prosperity to an end are nothing new; they are actually a pre-1929 concept leftover from the days when Adam Smith, rather than Keynes, was regarded as the father of economics in the post-1929 era. Today those concepts are gone and a completely opposite way of thinking exists. Most analysts now look upon tax hikes as a means to reduce inflation and therefore have cheered for such action and purchased stocks. Strangely, analysts believe that in some way it is better to prevent the private sector from making too much, for that would lead to inflation which erodes the underlying value of stocks as it does with



bonds. They somehow lost sight of the effects of a huge bureaucracy sucking up too much of the working capital within the private sector. Perhaps they never realized that economically the only difference between capitalism and communism today is that communism takes 100% whereas capitalism takes 50%. The higher the tax shelter, the closer an economy comes to destruction.

As the market approached the first low in July 1923, three stock brokerage firms went bankrupt. Most bankruptcies were caused by the sharp decline in the stock prices themselves. This had an adverse effect upon the market as it consolidated through the summer months only intensifying the fears of a renewed depression. But interest rates were not yielding to what most people had thought to be normal. Most commentary remarked specifically about the high rates, citing that if they declined it would confirm a depression through the lack of corporate demand. The discount rates at the New York Fed stood at 4% after the May cut. In June the Fed lowered the discount rate to 3.5% where it remained until August 1924. This action did not support the market, but rather intensified the fears of a depression.

On July 5, the Bank of England hit the market with a surprise by raising its discount rates to 4%; it had previously remained unchanged at 3% since June 15, 1922. The 4% rate was just a point under the U.S. rate and the financial analysts boasted that this proved that the N.Y. financial markets were the leaders in the world and that Britain, as well as all other nations, would have to realize that the U.S. markets were the dominant forces. They saw no hope for Britain until the pound returned to the then so-called par value at $4.86 with the dollar.

We can see that July continued lower and actually provided the lowest monthly close on the Dow Industrials for that year. In the July 30 edition of Time magazine, the following commentary appeared when the stock market was at its lowest point in 1923:

"The impending German collapse, the agricultural depression and the likelihood of radical and deeply harmful legislation in Washington next winter continue to heavily overhang the markets. As a sign of the times, it is reported that seashore cottages do not rent quite so readily this summer as last. Money is easy, though rates are firm."

The atmosphere was still quite depressed. People just could not possibly see the stock market rising as long as commodities themselves remained depressed. This relationship of the market to commodities had become fairly well entrenched, particularly since the stock market peaked in 1919 precisely along with the entire commodity group from metals to agriculture. The perception of declining commodity prices was viewed as lower profits in agriculture, less traffic in freight and thereby less demand, which posed an adverse effect upon the entire marketplace. This is a theory that is not even remotely used in this day and age. Interest rates were a concern, but at the same time higher interest rates were not interpreted as being very bearish. They recognized the fact that as business expanded, the demand for money also rose. For them the shocking thing was to see easy money with firm rates.

At the peak of pessimism, August provided a sharp correction back up, which was a bit of a surprise. At the same time, it was viewed as merely a reaction and of no real importance given the serious events of those times. It was reported in Time magazine on August 13, 1923 as follows:

"The comparative steadiness of prices after the unexpected death of President Harding has been all the more remarkable for coming in the midst of an obviously 'bear' stock market."

The business section had carried a few interesting articles which apparently were signs that the underlying economy was still sound, yet everyone chose to ignore them at the time.

Studebaker's profits for the quarter ending June 30, 1923, showed net sales of $49,370,091 as against $45,606,044 for the same period during the boom in 1922. Even after expenses, the second quarter of 1923 provided a $7.2 million net profit compared to 1922, which provided a $7 million profit. This is only one example of how corporate profits were continuing to grow despite the fact that the financial community was overconcerned about a potential depression.

It seems to be only natural for people to believe that once a certain set of circumstances become reality, that the same set of circumstances will continue in motion from there on out until the end of time. Here we distinctly found that the so-called experts in economic and financial analysis were all very bearish and looked upon the fall as potentially leading toward a depression. They believed that the strong economic signs were merely lagging and that the stock market was a leading indicator to future business conditions. They saw easy money yet firm rates. This they felt was not a clear sign that capital was in demand, and if it were not, then expansion must be slowing. These types of analysis on the fundamental level stand in contrast to what is normally believed today. Yet, at the same time in 1985, and back in 1982, people refused to believe that the rally in the stock market was indicative of anything at all other than a strange event which had to correct back down.

In the August 20, 1923 edition of Time magazine we found additional commentary:

"The prophets of economic disaster have so long pointed out the dangers to Germany in hopelessly inflating her paper currency that Wall Street has become blase to the impending financial collapse of Germany. News this week was obviously still-crescendo-all previous price and currency records were as usual outdone, as the long-prophesied political overturn arrived. Yet the view was taken that Germany had already ruined herself, and just how long it would take her to find it out made little difference to domestic business."

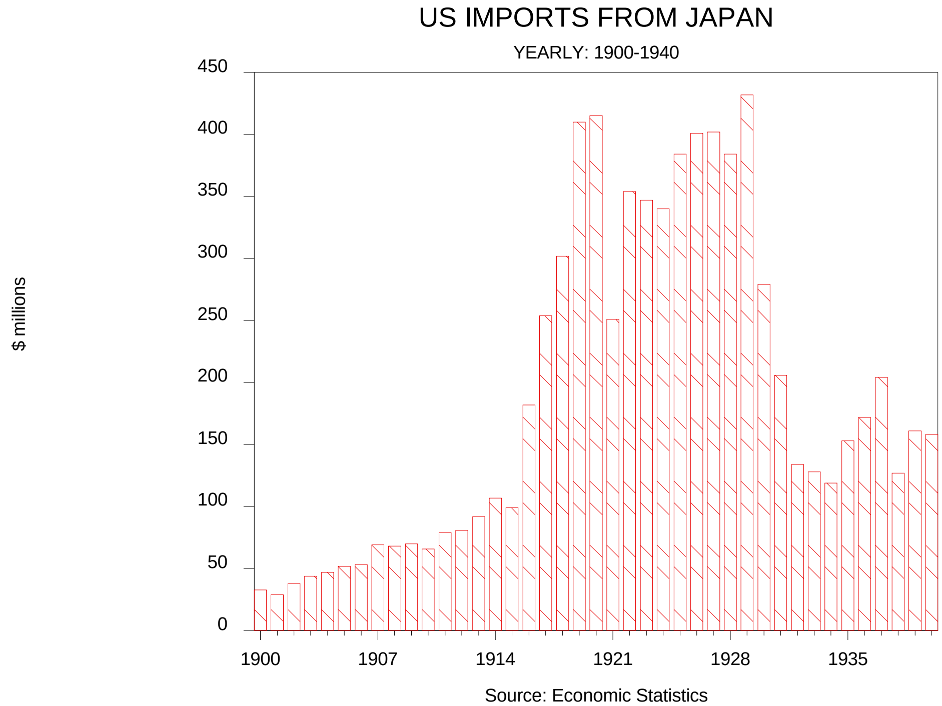
What everyone couldn't figure out was that the collapse of Germany through her hyperinflation was supposed to be an ill omen for the world. Many had asserted that the downfall of Germany would eventually cause other defaults throughout Europe, which in turn would depress the U.S. economy. Talk of this scenario had begun in early April. Therefore, the stock market had begun to decline in unison with the rise in the dollar from March 1923.

However, as this news became widely discussed in June and July and the press began its hype, it was as if the news was already discounted. The U.S. stock market bottomed in July and rallied sharply in August. September dropped back down again but held the July low. In October, the market made a new low for the year but closed above the July low. The dollar continued to strengthen into January and the stock market rallied as well. Foreign capital once again began to flow toward the U.S. market, moving directly into equities as a safe haven from European turmoil. This provided the base building during the mid-1923 session, a scenario which had not been discussed.

In addition to Harding's death and the pending collapse of Germany, the summer of 1923 presented more problems internationally. A massive earthquake had struck Japan and seriously disrupted her productivity. Again debate was two-sided but once more the doom and gloom was put forth. The stock market dropped sharply into the end of September as it prepared to make its final low in October.

On 17 September 1923, Time magazine once again reported the debate:

"The Japanese earthquake proved a gloomy influence in financial London, owing to the extensive British investments and interests throughout the Orient. In New York during the past week, its influence was practically negligible except as a subject of debate. Some American business leaders look upon it as a boom to our industries, because of the extensive purchasing of our products which it should occasion. Others consider it the forerunner of financial depression here, pointing out the effect of the Chicago fire in 1871 upon the Panic of 1873, and the San Francisco earthquake of 1906 on the Panic of 1907. Both views are extreme, and the truth lies somewhere between them. Prosperity is not created by wrecking cities, or the recent War would have created unparalleled prosperity for many years, instead of the irregular and frequently oppressive results now seen throughout Europe. On the other hand, few losses by American insurance companies are looked for, and in consequence little financial liquidation here. The principal loser will be Japan herself. More issues of Japanese securities in the near future are not unlikely. Meanwhile, a genuine curtailment in Japanese naval and military programs will be inevitable, if Japan's economic recovery is to be swift."

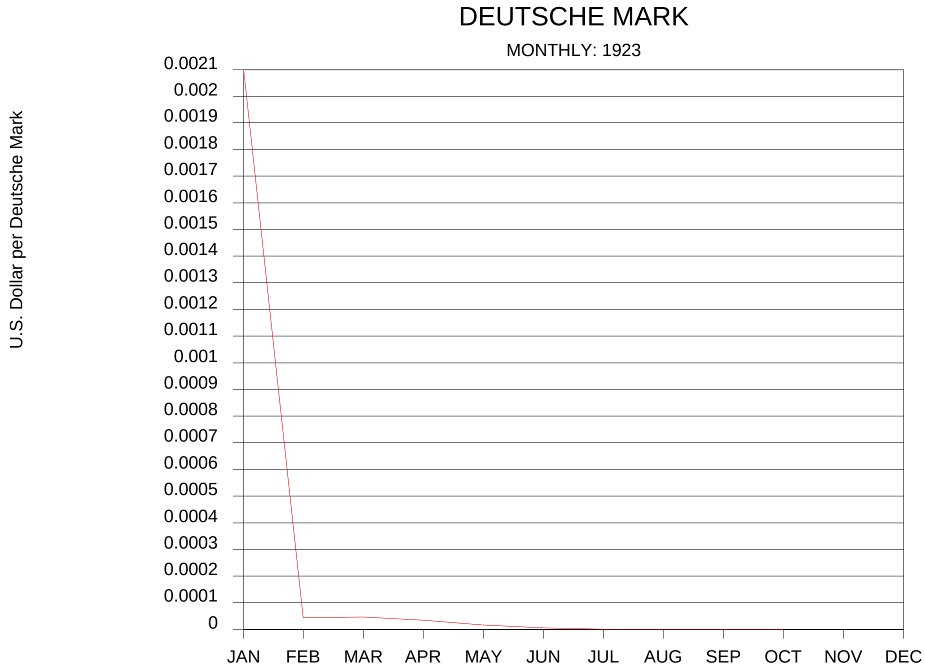


The logic applied by Time magazine was quite clear-cut. The Japanese earthquake did not involve any direct loss to the U.S. so the doom and gloom boys, who appear to have been seeing gloom in just about everything, were stretching things a bit too far. Nonetheless, with the added advantage of hindsight, Japanese investment in the U.S. markets was withdrawn by the sheer demand of capital in the homeland. This no doubt had a short-term effect of selling pressure in the equities which was noted during September. Yet the U.S. production seemed to benefit in the fall and corporate profits continued to rise.

The trade perspective with Japan had changed. Imports from Japan to the U.S. peaked at $354 million in 1922 and declined to $347 million in 1923, followed by a drop to $340 million in 1924. This amounted to a 4% decline from the U.S. perspective while exports to Japan rose from $222 to $253 million during the same corresponding period, which was a gain of 13.9%. Therefore in the end, the U.S. industry benefited and the ill omen of previous disasters failed to materialize.

On October 1, 1923, Time magazine made this comment as the stock market continued to decline into early October: "As the Fall season develops, there is evidence that the declining stock market last Spring forecast general conditions in trade with some accuracy. A more conservative attitude prevails in mercantile circles; some disappointment is being expressed by previous optimists concerning the Autumn outlook."

Everyone continued to keep a watchful eye upon the stock market - more so than upon the production numbers and corporate profits. Although fundamentally business was still doing well, the fear of depression and collapse still lived on in the minds of the analysts. Auto sales for the first eight months in 1923 exceeded the entire year's sales during both 1921 and 1922. This was a clear sign that the consumer was not backing off and although rates re-



mained firm due to consumer demand, money was easy to obtain. In the long run, the consumer proved to know more about the market and the economic future than the professional analysts and speculators who tried to forecast the future by every new tick in the market.

In the October 29, 1923 edition of Time magazine this note was published:

"This status quo of business can often be determined by the prophecies of various business groups. Some manufacturers are stoutly insisting in public that the stock market no longer accurately discounts the future, while privately they are trimming their sales for 1924. Most merchants, whose sales have not yet started to decline, apparently foresee limitless prosperity ahead.

"A prophet of a different sort is Leonard P. Ayres of the Cleveland Trust Co., whose predictions as to the trend of business have in recent years proved so accurate and courageous that his remarks are always worth listening to. His mouthpiece, the fortnightly bulletin of the Cleveland Trust, now expresses its opinion that 1924 will be a year of diminished prosperity, and cites the obvious decline in output in iron and steel, automobiles, tires, cotton, wool, shoes and building construction. It also declares that short-term interest charges are about to begin a long decline. That in consequence, food prices should respond by commencing a gradual rise. The bulletin very sanely concludes: ‘here is good reason to believe at the present time we are not headed for any drastic period of depression, but nearly all the familiar indications point to a less active year in 1924 than that now drawing to a close. It seems probable that general business will decline to levels lower than the present ones before it will again recover to any such pitch of activity as it reached last spring.’"

The stock market was undoubtedly viewed as an important indicator for the future. But just as the well-known analysts of those days throw in the towel on the very low of the industrials that October of 1923, others were not quick to realize that something was brewing. No one stepped back far enough to realize that the market was following the dollar in the midst of a world in economic turmoil.

November saw a sharp rally in stock prices, which would eventually continue for five months as the Dow rallied from the October low at slightly below 86 back above the 100 level, testing the 1923 Spring high. On November 5, 1923, Time magazine had these comments:

"Prophets of future tendencies in business, and particularly those practical seers who attempt to cash their foreknowledge in the stock market, have been considerably bewildered at the outlook during recent weeks. On the one hand, the ordinary signs of approaching depression, such as declining iron production and falling stock prices and interest rates are apparent to all. On the other hand, business leaders talk optimistically, merchandising is very heavy and profitable, and railroads are getting some fat around their bones; worst of all, the stock market refuses to decline.

"The inconclusiveness of the stock market has led some bankers and manufacturers to declare that it is no longer a reliable barometer to future business. The same opinion, incidentally, was frequently expressed during the prophetic decline in prices which occurred in 1920.

"It may be, however, that the stock market is now, as upon former occasions, a better index to the future than the post prandial discourse of many of its critics. The largely featureless stock market of the past few weeks may prove next Spring to have reflected a period of duller but largely painless business conditions. But by that time, the public who watch stock prices will be more interested in their bearing upon the Fall of 1924 than upon their forecasting accuracy this Autumn.

"Money had been perceptibly easier. Ordinarily this fact would possess considerable significance as to next Spring's business. With our excessive gold supply, however, it is safe to assume only that declining interest rates should mean rising bond prices."

The market began to rally after a brief but sharp panic sell off after the rally in August. As we can see from the previous commentary of November 5, 1923, the pessimism persisted. The majority remained convinced that the market was a leading indicator and that interest rates simply had to decline. But at last, some clear points were revealed, which through hindsight illustrated the true trend of the economy which would set the tone into 1929. The market began to rally that November. Time magazine reported in the November 12, 1923 edition as follows:

"The center of the American business stage has been almost monopolized by the stock market during the past week. Ten days ago share prices were distinctly weak; of the speculative 'leaders,' Can declined l/4 in a day, Baldwin 7/8, Studebaker 7/8, Steel 1 1/8. Even the reliable chain stores sold off sharply. Stuart Warner dropped 3 3/4.

"Then came the turn. Late one afternoon, U.S. Steel revealed a fine quarterly statement, declared an extra dividend of 1/4. Next morning, by curious coincidence - if it was a coincidence - the redoubtable Jesse L. Livermore announced, apropos of nothing in particular, that he had turned bullish, that with agricultural recovery and a European settlement near at hand profits lay on the buying side, and that next year should be prosperous without becoming a boom. Stock prices soared. Can rose 5 5/8 that day, Baldwin 5 1/2, Studebaker 5 5/8, Steel 5 1/8, with lesser advances throughout the list even among the rails. Sales on the Stock Exchange passed the million mark each day the rest of the week and prices continued to advance, fractionally but steadily."

"These optimistic events at once split Wall Street into two schools of thought. One declared its belief that the turn had come and that pessimistic predictions regarding 1924 had been overdone. The other, bearish to begin with, continued in that frame of mind; it viewed with cynical suspicion the remarkable coincidence of the extra Steel dividend, Judge Gary's colorful prophecies, broker Livermore's equally colorful announcement, the upward rush in the price of the four present leading speculative stocks."

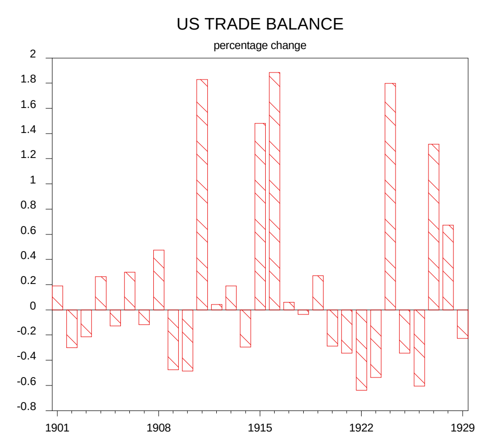
"When it came to explaining the motive behind the alleged bull manipulation of the stock market, however, differences of opinion were expressed. Some were impressed with the maneuver chiefly as a drive against 'short interest' which was believed to be large. Others pointed out that 1924 was a Presidential year, that the Party in power might show more than verbal gratitude to anyone who could prevent depression and maintain prosperity at least until after election day. A third school maintained that large interests wished to stir up a good market in order to liquidate securities likely to decline further next year. All agreed, however, that, if manipulation was responsible, it was no 'piker's game,' that substantial financial interests had seriously committed themselves to it."

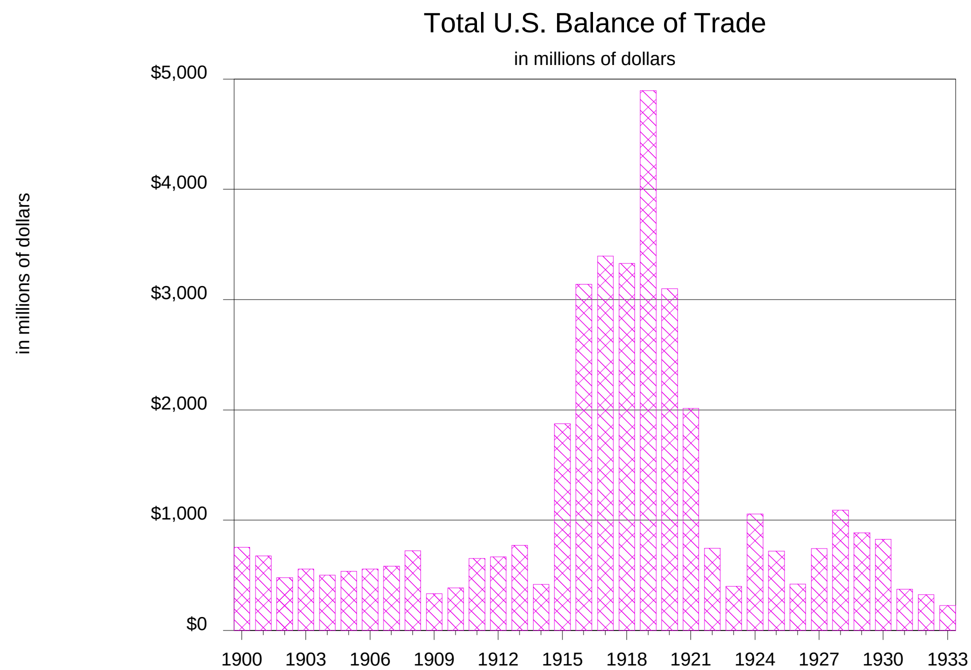
"The test of all these wildly varied views should come by the beginning of December, when Congress meets, although the reason for the price advance may not be clear even to the initiated before next Spring."

"The stock market, as is well known, usually acts as a thermometer and barometer to general business conditions. The questions now asked are: Is someone putting a lighted match under the thermometer bulb? If so, who?"

This article in Time magazine illustrates several interesting points. Those who were "bearish to begin with" refused to allow the market to guide their analysis. They were bent upon having a depression and chose to slander Livermore by suggesting that he might gain some personal favors from the President if he could make the market go up. The excuses were, quite frankly, defamatory and uncalled for.

In Germany during November 1923, the Stresemann Cabinet was forced to resign in the face of a vote of "no confidence." But, the new cabinet under Wilhelm Marx was





finally able to bring currency stabilization in December, which helped restore confidence even in terms of the U.S. market. The collapse of the mark to 4.5 trillion to the U.S. dollar in November was indeed a historic case of hyperinflation. But the worst was essentially over even though the dollar would continue its rise into January 1924.

Through an international perspective and viewing the import/export numbers, it is not difficult to see why the stock market had supported during 1923. Its bottom was not created by manipulation for, indeed, it would have taken a lot more than a group of men to halt a decline as evidenced by every preceding panic. With foreign exchange in turmoil and devaluations of unprecedented order in Europe, it would have been an unwise foreign investor who was not drawn to the dollar during this period.

The American analysts clung to their theories that declining interest rates were a sign of declining demand for capital and, as such, a warning of recession or depression. Indeed, this theory had always worked before. The stock market had risen with higher rates as expansion led to higher demand for capital. The fear of inflation was largely due to government intervention as that which took place in 1920. But the analytical world failed to realize that interest rates may have declined because of the excess capital which was flowing into the U.S. in flight from European currencies. As such, they analyzed the market solely from a domestic perspective and failed to broaden their minds to conceive of the international concerns among capital.

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