METHODS OF 'CHANGE HIT

(Continued from page 1.)

interfere with the former. The experience of Germany with similar legislation is illuminating. But the Exchange, with the plenary power over members and their operations, could provide correctives, as we shall show.

"Purchasing securities on margin is as legitimate a transaction as a purchase of any other property in which part payment is deferred. We therefore see no reason whatsoever for recommending the radical change suggested, that margin trading be prohibited.

"Insofar as losses are due to insufficient margins, they would be materially reduced if the customary percentage of margins were increased. In preference to recommending legislation, we urge upon all brokers to discourage speculation upon small margins and upon the Exchange to use its influence, and if necessary, its power, to prevent members from soliciting and generally accepting business on a less margin that 20 per cent."

Pyramiding, that is the use of paper profits as margin for further commitments should be discouraged, says the committee. In this connection it is suggested that if brokers and the banks would make it a rule to value securities for the purpose of margin or collateral, not at the current price of the moment, but at the average price of, say, the previous two or three months" (provided that such average price were not higher than the price of the moment the dangers of pyramiding would be largely prevented.

"We have been strongly urged to advise the prohibition or limitation of short sales," says the report, "not only on the theory that it is wrong to agree to sell what one does not possess, but that such sales reduce the market price of the securities involved. We do not think that it is wrong to agree to sell something that one does not now possess, but expects to obtain later. Short-sellers endeavor to select times when prices seem high in order to sell, and times when prices seem low in order to buy, their action in both cases serving to lessen advances and diminish declines of price. In other words, short-selling tends to produce steadiness in prices, which is an advantage to the community. No other means of restraining unwarranted marking up and down of prices has been suggested to us." The committee here calls attention to the New York law of 1812 which declared void all short sales, and to the law of 1858 repealing the act of 1812 and legalizing short sales.

Manipulation of prices is divided by the committee into two classes: First, that which is resorted to for the purpose of making a market for issues of new securities, and second that which is designed to serve merely speculative purposes in the endeavor to make a profit as the result of fluctuations which have been planned in advance. The report then says:

"The first kind of manipulation has certain advantages, and when not accompanied by "matched orders" is unobjectionable per se. It is essential to the organization and carrying through of important enterprises, such as large corporations, that the organizers should be able to raise the money necessary to complete them. This can be done only by the sale of securities.

"The second kind of manipulation mentioned is undoubtedly open to serious criticism It has for its object either the creation of high prices for particular stocks, in order to draw in the public as buyers and to unload upon them the holdings of the operators ,or to depress the prices and induce the public to sell. There have been instances of gross and unjustifiable manipulation of securities, as in the case of American Ice stock. While we have been unable to discover any complete remedy short of abolishing the Stock Exchange itself, we are convinced that the Exchange can prevent the worst forms of this evil by exercising its influence and authority over the members to prevent them. When continued manipulation exists it is patent to experienced observers."

Severe condemnation of "matched orders" is expressed. "We refer" the report says, "to that class of transactions engineered by some manipulator, who sends a number of orders simultaneously to different brokers, some to buy and some to sell. Since they are legal and binding, we find a difficulty in suggesting a legislative remedy. But there the activities of two or more brokers in certain securities become so extreme as to indicate manipulation rather than genuine transactions, the officers of the Exchange would be remiss unless they exercised their influence and authority upon such members in a way to cause them to desist from such suspicious and undesirable activity.

"The subject of corners in the stock market has engaged our attention. The Stock Exchange might properly adopt a rule providing that the governors shall have power to decide when a corner exists and to fix a settlement price, so as to relieve innocent persons from the injury or ruin which may result therefrom. The mere existence of such a rule would tend to prevent corners."

The board of governors of the Stock Exchange should improve present conditions with regard to failures of brokers, according to the committee. It is suggested that the books of members of the Exchange should be subject to periodic examination under rules to be prescribed by the Exchange. It is declared further that when a broker sells a customer's securities for his own benefit, he should be held guilty of larceny and a statute to that effect is recommended It is set forth also that rules should be made to prevent dealing for any clerk or subordinate employe of a bank or other moneyed corporation. More stringent requirements for the listing of securities on the Stock Exchange are advocated, among them that the Exchange should exact a statement showing how much of the stock of the company has been issued for cash and also showing what commission has been paid to the promoters. The unlisted department, except for temporary issues, should be abolished, says the committee. It is in the unlisted department that stocks of certain companies are traded in. The passage of a statute is advocated providing that in case any purchase or sale by a broker was not actual and bona fide, the customer shall recover three times the amount of the loss he sustained there. Preservation of the sheets of the Exchange Clearing House for six years is recommended. It is also recommended that trading on the Exchange be done on the basis of a reasonably small unit, say 100 shares of stock and that a bidder for more than 100 shares be required to accept offers in the 100 share units. This, it is held, would tend to prevent matched orders."

The Curb Market.

The unorganized status of the Curb market, especially with reference to mining shares is discussed by the committee, as follows:

"Bitter complaints have reached us of frauds perpetrated upon confiding persons, who have been induced to purchase mining shares because they are quoted on the curb; these are frequently advertised in newspapers and circulars sent through the mails as so quoted.

The abuse of advertising is gone into at some length, the committee declaring that much of the discredit in the public mind attaching to Wall Street is due to frauds perpetrated by means of alluring advertisements.

"Papers which honestly try to distinguish between swindling advertisements and others, may not in every instance succeed in doing so," the report says, "but readiness to accept advertisements which are obviously traps for the unwary is evidence of a moral delinquency which should draw out the severest public condemnation.

"Another serious evil is committed by men who give standing to promotions by serving as directors without full knowledge of the affairs of the companies." An amendment to the Penal Code is recommended providing that any person who advertises falsely concerning a corporation shall be guilty of a misdemeanor and that any publisher of a newspaper or other publication who fails to obtain from the person responsible for such an advertisement a written and signed statement to the effect that such person accepts responsibility for the same shall be guilty of a misdemeanor.

THE RAILWAY FRANCHISE

Citizen Discusses and Criticises Blake Street Car Franchise.

Editor Coos Bay Times:—

This is to beg space for a few lines with reference to the Blake street railway franchise. Section 1 of the franchise provides for single or double track on Broadway and Front streets. It provides for side tracks switches and turn outs. The question is, in front of whose property will the side tracks be? It is not very nice to have side tracks with freight and logging cars standing on them in front of your retail business property.

Section 7 says cars shall be run upon a regular time schedule every day between the hours of 7 o'clock a. m., and 9 o'clock p. m.

What kind of cars does this section mean? Is it freight or passenger cars? The franchise says cars.

Section 8 says that the cars on which freight is hauled shall conform in general appearance to the passenger cars used upon said railroad. Then follows a provision that any old kind of cattle, logging or freight car may be used. How about that?

Section 9 says that whole freight trains are to be hauled over the road. The question is what's the use in having varnished freight cars when any kind of a freight train car go over the road. Why is the varnished car joker in the franchise?

The same section also provides that any and all roads or corporations shall be permitted to haul freight and passenger trains or cars over the road. That's a good clause so far as it goes, but the same section provides the road shall receive freight and freight cars at any warehouse or factory in the city of Marshfield.

Section 8 states that no freight cars shall be hauled over its line on Broadway, North. Supposing a firm or corporation should build a factory or warehouse on Broadway North, and put in a spur and connect with the Broadway North line; and say, we have freight and we want you to take it in freight cars over your line or road as specified in section 9 of your franchise.

Then, what?

Again, supposing the property owners on Broadway North sign up with the understanding that no freight cars will be permitted to go over that part of the line and after the road is built the factory and warehouse men on Broadway North demand that freight be taken over that part of the line as provided in section 9; then what?

Section 10 provides that the railroad will be built only upon graded streets covered by the franchise. North Front street has nearly a mile of pile bridge you would call that a graded street, would you?

Could you force the owner of the franchise to build on any street named in the franchise which is not graded?

Surely you could not according to that clause. Supposing the streets would not be graded for a number of years, then, what?

Section 10 also provides that construction shall commence within four months after the lawful passage of the franchise. What does lawful mean?

Who is to be the judge as what is lawful passed or not? What is there to hinder the owner from telling the city that his franchise is not lawfully passed and thus forcing the city to find out from the courts if it is or not?

Why not simply state after the passage hereof, and cut out the joker "lawful"?

If space permitted, a number of more defects might be enumerated, but however, they will appear on the surface before the required number of property holders will have signed up.

Before closing, the final question might be asked which is; what use is a mile of track with no beginning and no end in Marshfield holding the streets up for more than two years and probably longer? Which surely will be the case if the franchise is passed as now drafted.

Another question: How long is the council going to give Mr. Blake to get the property holders to sign up in?

Supposing Mr. Blake is given six months' time to do this in, and he gets only 60 per cent of the required 75 per cent, and 30 per cent of these 60 per cent insist that Blake shall have the franchise and the city council by resolution is committed to the Blake franchise, then, what?

Again, supposing the council passes the resolution as presented, indorsing the franchise as now drafted and Blake gets the required number of property holders to sign and the council finds that changes in the franchise, which will be of vital interest to the city at large should be made and Mr. Blake should insist that the franchise should be passed just as indorsed by that resolution because the property holders had signed it on that condition, then what?

After all, why not find out from the property holders first and then have the city council take action?

CITIZEN.

TO FIGHT FOR 'B' STREET LOT

City Council Decides to Get Property If Possible for Street.

The city council last evening decided to continue the fight to secure the 'B' street lot for opening up Commercial avenue to the waterfront. City Attorney Snover was instructed to either go to Portland or have J. M. Upton who assisted him in trying the case appear in the federal court there next Monday to represent the city when the motion for final action in the case will be brought up in federal court. The council appropriated $75 for the expense of the trip and also provided for the issuance of another warrant for $10,500 to pay for the lot.

Under the motion made by Attorney Goss for the C. A. Smith Company, the city will be required to accept the lot and provide payment for same or to refuse to take the lot and pay the costs of the litigation. If a warrant is tendered in payment, the C. A. Smith Company will object to it on the ground that the city has exceeded its legal limit of indebtedness.

A report from the committee of the city council appointed some time ago to arrange for taking the property was presented last evening.

Establish Grade.

The grade on Flanagan avenue, between Tenth street and Twelfth court was formally established last night. The abutting property owners were given the privilege of doing the grading by private contract.

The question of sidewalks came up again last night. Councilman Albrecht wanted the walks made in conformity with the resolution passed sometime ago He severely censured City Engineer Sandberg for changing from this. It was found that the telephone poles along Central avenue had been put in for a ten-foot walks and President Douglas of the Telephone Company, explained that it would be very expensive to change them. This fact coupled with requests from property owners resulted in the Central avenue walks being left at ten feet. The council, however, decided that walks in the future should conform with the ordinance specifying their width.