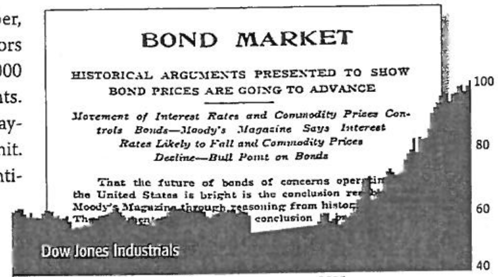
last week of December, when Moody's Investors Service had only $5,000 remaining in its accounts. Nonetheless, Moody played his hunch to the limit. He printed a large quantity of the forecast and mailed it out far and wide in the financial markets, to every corporate official, to every member of Congress, and to his own subscribers as well as leading newspapers. It created an immediate sensation and an immense amount of publicity.



After the New York Stock Exchange reopened in December 1914, Moody's bullish forecast for 1915 proved correct. The market soared, as did sales of Moody's services and publications.

When the market reopened, Moody's call proved to be correct. The crash that many had feared did not materialize. Instead, the markets began an upward climb that did not let up until the autumn of 1915. The Dow-Jones Industrials Average rose from under 60 at the beginning of the year to over 100 by year's end. Also, Moody had strongly (and accurately) recommended a list of stocks that would be favorably affected by war demands—the most notable being Bethlehem Steel, which rose from 40 to over 660 by September of 1915.

This helped to put Moody's weekly service on the map. New subscriptions and payments for lapsed subscriptions piled in and sales of Moody's Analyses, especially the new Industrial Manual, soared. In 1916, the offices of Moody's Investors Service were expanded and staff increased. Moody's brother Will joined the firm, as did "an industrious youth named John Sherman Porter." (Porter would become editor-in-chief of Moody's Manuals in 1925, a job he held for 38 years.)

STORY OF AN INSTITUTION

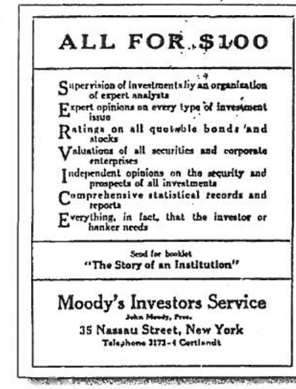
The same year, Moody's put out a booklet, "The Story of an Institution," which described the firm's position at that time. The booklet and associated advertising proclaimed that "The Institution known as 'Moody's Investors Service' is John Moody."

The booklet added that "More than 500 banking firms and 250 banks in New York City, plus several thousand banks and other financial institutions outside

New York are regular subscribers, as are several thousand individual investors scattered all over America." It boasted further that Moody's gross business ran in the hundreds of thousands of dollars, and that the dollar value of securities "examined and passed" by Moody's aggregated to several hundred millions of dollars annually.

Moody's then charged $100 for the entire service, including supervision of investments, the weekly letter and weekly analyses, the two rating books (with monthly updates), and general analyses published monthly. Among several other selling points, Moody's advertising now emphasized customer service:

> To operate a business of this kind involves an extensive organization and a large corps of experts. But close personal attention to the interests of his clients has always been a feature of Mr. Moody's work. It will be realized how close this attention has been when it is stated that during the past six and one-half years Mr. Moody has dictated over 44,000 personal letters to individual subscribers to the Service, all on purely investment subjects.



Beginning around 1916, Moody's entire service was available to clients for $100—including the weekly letters, the manuals, and comprehensive supervision of investments. Overall the emphasis was on customer service.

Meanwhile, Moody's Manuals then being published by Roy Porter continued to be a competitive threat and Moody stepped up his efforts to advertise product differentiation. One strongly worded example of this appeared in the preface to the 1916 editions of Moody's Analyses:

> The success of *Moody's Analyses of Investments* during recent years as a business enterprise has been little short of remarkable. Each year its circulation and popularity have grown until today it is recognized as the great authority on investment value . . . It is the only publication in existence which furnishes investment ratings and analyses of an authoritative character. A few crude imitators have attempted to appropriate Mr. Moody's ideas, but such attempts have failed as they are bound to do so. The ultimate disaster of the pirate is his well deserved punishment.

RATING A FLOOD OF FOREIGN SECURITIES

With the onset of the First World War, America turned from a debtor country into what Moody termed "the great creditor nation of the world." Because no foreign securities could be floated in the London, Paris, or Berlin markets owing to wartime exchange controls, New York became the center of international finance and the

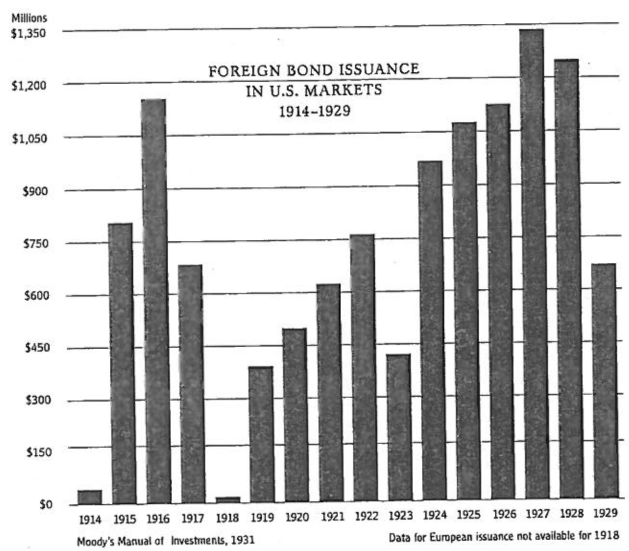
U.S. markets saw a rapid increase in issuance of dollar-denominated foreign bonds. At first, these were issued mainly by European entities, particularly British, French, and Belgian governments; soon, issuance by governments and corporations was also strong from Canada, Latin America, and, to a lesser extent, the "Far East."

The flood would continue for years. Foreign securities issuance in the U.S. surpassed the million-dollar mark in 1916, subsided during the intense war years of 1917 and 1918, then resumed again to average over $740 million annually from 1914 to 1929 (see chart below).

In response, Moody's got to work in 1917 compiling a separate rating book on foreign and American government and municipal securities. Moody recalled that when the first government book, *Moody's Analyses of Governments and Municipals,* was published near the close of 1918, "it was an instant success."

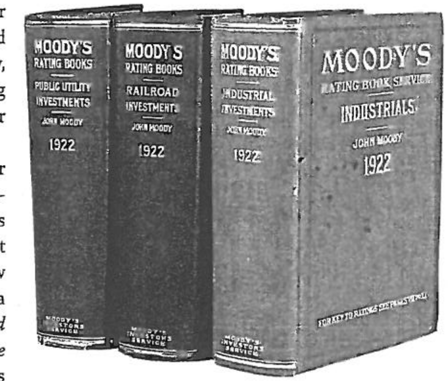
The next year, Moody's split its Industrials-Public Utility Manual into two separate volumes. By 1919, as a result, Moody's had four popular manuals to sell instead of two, which was a key reason that revenues more than doubled that year to $370,000. At the same time, Moody's "called the turn perfectly" in the Weekly

With the onset of World War I, increasing numbers of foreign governments and municipalities began borrowing heavily in the Yankee Bond Market. After a brief hiatus during the height of the war, foreign bond issuance continued strong through the 1920s.



Letters on the business recession and bear market of that year. The firm nearly doubled its gross and net in 1920. "This," said Moody, "justified us in establishing our Profit Sharing and Bonus systems—which grew every year after that."

From Moody's advertising, we gather that he was keeping his promise of sticking to business and devoting the bulk of his energies to Moody's Investors Service. But Moody's energy was prodigious. Somehow he found the time to research and write a history of American railroads, *The Railroad Builders: A Chronicle of the Welding of the States,* which was first published in 1919 as Volume 38 in the Yale University Press series entitled "The Chronicles of America." (See page 112.)



In 1919, Moody's split the Public Utility-Industrials manual into two volumes and retitled the manuals "Rating Books."

IMPROVING MOODY'S GOVERNMENT RATINGS

Moody admitted that his government book for 1918 was "rather crude and very incomplete." It provided analysis and ratings on a total of 30,000 bond issues, 25,000 of which were issued by the U.S. government and U.S. municipalities (with overall municipals coverage estimated at 90 percent).

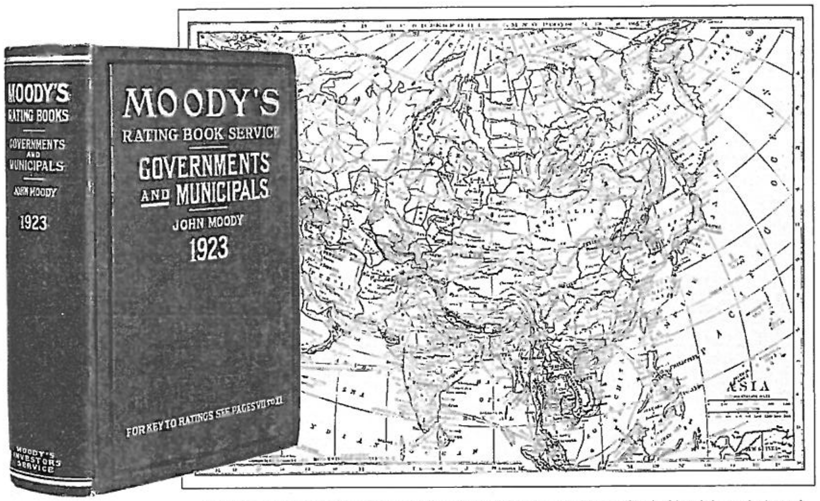
Of four sections in the 1918 manual, the first covered U.S. dependencies (including Alaska, Hawaii, Puerto Rico, and the Philippines), followed by a section on American states and municipalities, and one on the Dominion of Canada together with its provinces and municipalities. The fourth section provided 127 pages of data on foreign governments and cities but did not venture to include ratings for most countries, particularly "the newer and undeveloped ones of South America and dilapidated countries of the Balkan States and Turkey." The book included information—but no ratings—on securities of issuers in Germany, Austria, Russia, and several other countries for which data were then insufficient due to ongoing war.

The 1919 government book was still not complete, but its introduction promised that succeeding editions would be improved, "so that ultimately the volume will cover its field in the same uniform and complete way that our Analyses of

Steam Railroads and Public Utilities and Industrials cover their respective fields." The 1923 edition came close to fulfilling that promise. It was markedly larger, with some 570 pages of analyses on foreign government issuers and ratings on practically all foreign bonds listed. This foreign section was now placed at the beginning of the 1,800-page book and included fourteen full-color maps of major European countries and regions from Asia and Africa to Central and South America. The U.S. sections were also expanded and the rating system markedly improved.

In the 1919 edition, the U.S. government, along with most states and municipalities were rated Aaa ("High Class"). This, according to the volume's introduction, was "primarily due to the fact that, in general, state laws go far to protect the bond issues which are created by both large and small municipalities." For several years, all ratings below A were consolidated in one category: "Baa and lower."

By 1923, Dr. Max Winkler, whom Moody termed "a walking statistical table of European affairs," was in charge of the government book and the firm had set up a "Foreign Statistical Department" to supply information for foreign analyses and



With the 1923 edition of its Governments and Municipals Rating Book, Moody's analysis and ratings coverage extended across all continents. In addition to rating nearly all North American municipalities, the book included 570 pages of coverage on foreign issues from 84 countries, complete with maps of key regions globally.

MOODY'S SOVEREIGN BOND RATINGS, 1923

Ratings on Individual Dollar-Denominated Government Securities

	Highest	*Lowest*		*Highest*	*Lowest*
Argentine Republic	Aa	Baa	Algeria	Ba	Ba
German Austria	Caa	C	French Congo	Baa	Baa
Belgium	A	Baa	Madagascar	Ba	Ba
Bolivia	Baa	Ba	Tunis	Ba	Ba
Brazil	A	B	Guadeloupe	Ba	Ba
United Kingdom	Aaa	Aaa	Martinique	Ba	Ba
British East Africa	Aaa	Aa	French Indo-China	Ba	B
Gold Coast	Aa	Aa	Germany	C	C
Nigeria	A	A	Greece	Baa	Caa
Rhodesia	A	A	Guatemala	B	B
Sierra Leone	A	A	Haiti	Caa	B
Union of South Africa	Aaa	Aa	Honduras	Ca	Ca
Bahamas	A	A	Hungary	Ca	C
Barbados	A	A	Italy	A	Baa
British Guiana	A	A	Japan	Aa	A
British Honduras	A	A	Jugo-Slavia	Ba	Ca
Dominion of Canada	Aaa	Aaa	Latvia	C	C
Jamaica	Aa	A	Liberia	Ba	Ba
Leeward Islands	A	A	Lithuania	Caa	Caa
Newfoundland	Aaa	Aaa	Luxemburg	Baa	Ba
Trinidad and Tobago	A	A	Mexico	Ba	Caa
Windward Islands	A	A	Morocco	Ba	Ba
Ceylon	Aa	Aa	Netherlands	Aaa	Aaa
Hong Kong	A	A	Dutch East Indies	Aa	Aa
India	Aa	Aa	Dutch West Indies	Aa	Aa
Straits Settlements	Aa	Baa	Nicaragua	Ba	Ba
Australia	Aaa	Aaa	Norway	Aaa	Aa
New Zealand	Aaa	Aaa	Panama	Aa	A
Fiji	Baa	Baa	Persia (Iran)	Ba	Ba
Bulgaria	Caa	Caa	Peru	Baa	Ba
Chile	A	Ba	Poland	B	C
China	Baa	Caa	Portugal	Baa	B
Colombia	Baa	Ba	Rumania	Ba	Ca
Costa Rica	Ba	B	Russia	Not Rated	
Cuba	A	Baa	Siam	Baa	Baa
Czecho-Slovak Republic	A	B	Spain	A	Baa
Denmark	Aaa	Aa	Sweden	Aaa	Aaa
Iceland	Baa	Baa	Swiss Confederation	Aaa	Aaa
Ecuador	Ba	C	Turkey	Aa	C
Egypt	Aa	A	United States of America	Aaa	Aaa
Finland	Ba	B	Uruguay	A	Ba
France	Aa	Baa	Venezuela	Baa	Ba

Source: *Moody's Rating Book Service, Volume III—Governments and Municipals*, 1923 ratings. That year the government rating system was more clearly defined, with a Aaa-through-C scale that can be summarized as follows:

Aaa	First Grade
Aa	Strong, fundamentally secure
A	Good
Baa	Some speculative quality
Ba	Lower, but some investment quality
B	Paying interest, but in danger of defaulting
Caa	Dangerously weak
Ca	Still lower plane
C	Gamble

Moody's Governments and Municipals Rating Book for 1923 also included a relatively complete listing of sovereign-level ratings, ranging from Aaa-rated Sweden and the United Kingdom down to C-rated Germany and Latvia. (See table page 65.)

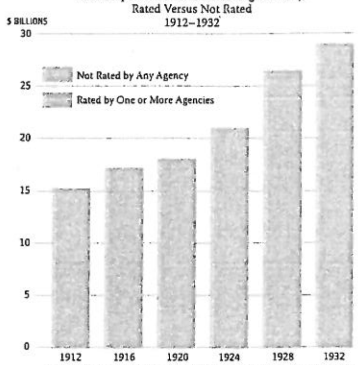
COMPETITION IN THE RATINGS BUSINESS

For years after the government book was introduced, it was the only comprehensive manual covering government securities, foreign or domestic. In fact, Moody's maintained a monopoly on U.S. municipal ratings for the next three decades. "No other concern seemed wide awake enough to enter the field," said Moody.

The field of corporate securities was another matter. Seven years after Moody introduced the first securities ratings, their use finally became sufficiently embedded in the day-to-day operations of capital markets to attract competitors.

Poor's Publishing issued its first ratings in 1916 using essentially the same scale as Moody's, with asterisks to distinguish grades within the letter rating categories A through D (see table page 67). Like Moody's, Poor's also rated both bonds and stocks; Freeman Putney, who had discussed the idea earlier with Roger Babson, became affiliated with Poor's and was placed in charge of ratings.

GROWTH OF AGENCY RATING COVERAGE
U.S. Corporate Bonds Outstanding Annually, Rated Versus Not Rated
1912–1932



Source: W. Braddock Hickman, *Corporate Bond Quality and Investor Experience*, 1958

In 1912, Moody's ratings on railroad securities covered more than half of the dollar volume of U.S. corporate bonds outstanding. With the introduction of its public utility ratings, Moody's rated more than 90% of the market by 1920.

Standard Statistics entered the rating field in 1922, also using a similar scale to rate bonds and stocks, with the number one and plus signs to distinguish letter grades. Luther Blake put Harold G. Parker in charge of the firm's rating department.

Fitch Publishing Company was next to enter the rating business. The company was founded in 1913 by John Knowles Fitch as a publisher of financial statistics, mainly for the New York Stock Exchange. The firm later reached a broader range of customers in the investment community with the publication of *The Fitch Bond Book*. Fitch began rating corporate debt in 1922, with editorial vice president Henry P. Clancy in charge of ratings; its first public ratings were published in the 1923 issue of *The Fitch Bond Rating Book*. The firm introduced the AAA-through-D scale, which was later adopted by Standard & Poor's when it purchased Fitch's publishing business in 1960.

From their inception, the four rating scales stretched down to the D level, which was generally accepted to mean "practically valueless." As Moody's did until 1923, Standard used an E and F rating and Poor's scale extended down to H; but both concerns rarely made use of these "sub-categories" and Poor's acknowledged that they were "not ratings in the strict sense of the word." For a while, Poor's also maintained three "super-ratings"—an A with five stars (A^{*****}) for U.S. government bonds,

Poor's Publishing advertised its rating service in *The Wall Street Journal*, May 12, 1922.

The Fitch Publishing Company announced its new rating service June 13, 1924, also in the *Journal*.

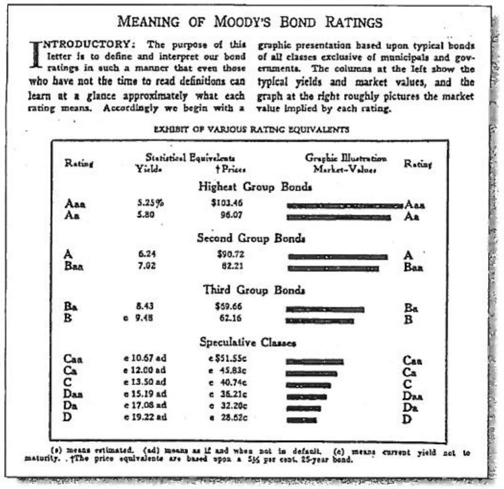
SYMBOLS OF THE PRINCIPAL RATING AGENCIES

Fitch	Moody's	Poor's	Standard	Majority Interpretation
AAA	Aaa	A^{**}	A1+	Highest
AA	Aa	A^{*}	A1	High
A	A	A	A	Sound
BBB	Baa	B^{**}	B1+	Good
BB	Ba	B^{*}	B1	Fair
B	B	B	B	Somewhat speculative
CCC	Caa	C^{**}	C1+	Speculative
CC	Ca	C^{*}	C1	Highly speculative
C	C	C	C	Extremely speculative
DDD	Daa	D^{**}	D1+	Low or weak
DD	Da	D^{*}	D1	Small or very weak
D	D	D	D	Practically valueless

Source: Gilbert Harold, *Bond Ratings as an Investment Guide*, 1938 an A with four stars for other "impregnable" obligations, and an A with three stars indicating the "Very Highest" investment quality.

MOODY'S RATING COUNCIL

Beginning with the 1923 rating books, Moody's announced that it had developed "over the course of years a special group of experts called the Rating Council." The Council included "more than a dozen thoroughly qualified students of investment values" covering railroads, industrials, public utilities, foreign governments, and American municipalities, and each expert had research assistants. Speaking specifically of rating methods, the statement assured users of Moody's ratings that, "Under the general guidance and supervision of Mr. Moody, carefully tested, scientific formulae have, in the course of time, been developed and perfected, for the proper rating of the various types of bonds and stocks. No single rating is ever determined without full and complete application of these methods and principles."



MEANING OF MOODY'S BOND RATINGS

INTRODUCTORY: The purpose of this letter is to define and interpret our bond ratings in such a manner that even those who have not the time to read definitions can learn at a glance approximately what each rating means. Accordingly we begin with a graphic presentation based upon typical bonds of all classes exclusive of municipals and governments. The columns at the left show the typical yields and market values, and the graph at the right roughly pictures the market value implied by each rating.

EXHIBIT OF VARIOUS RATING EQUIVALENTS

Rating	Statistical Equivalents Yields	†Prices	Graphic Illustration Market-Values	Rating
		Highest Group Bonds		
Aaa	5.25%	$103.46		Aaa
Aa	5.80	96.07		Aa
		Second Group Bonds		
A	6.24	$90.72		A
Baa	7.02	82.21		Baa
		Third Group Bonds		
Ba	8.43	$59.66		Ba
B	e 9.48	62.16		B
		Speculative Classes		
Caa	e 10.67 ad	e $51.55c		Caa
Ca	e 12.00 ad	e 45.83c		Ca
C	e 13.50 ad	e 40.74c		C
Daa	e 15.19 ad	e 36.21c		Daa
Da	e 17.08 ad	e 32.20c		Da
D	e 19.22 ad	e 28.62c		D

(e) means estimated. (ad) means as if and when not in default. (c) means current yield not to maturity. †The price equivalents are based upon a 5½ per cent. 25-year bond.

In 1923, Moody offered this graphic illustration of the meaning of Moody's bond ratings to readers of Moody's Investment Letters.

In his 1924 article on Moody, B.C. Forbes noted that Moody then had "150 coworkers, of whom nearly forty trained experts do nothing but analyze and supervise the investment holdings of banks, trust companies, trustees, millionaires, and investors." Fees for the consulting service, according to Forbes, were running from $200 to thousands of dollars annually. He added that "Moody's has forty-two foreign correspondents fitted to respond immediately to requests for specific information or data, and since we are on the eve of an unprecedented outflow of capital to Europe and elsewhere, this branch of the business is becoming more and more important."

In part because of these developments, none of the new competition in the ratings field seems to have diminished Moody's bottom line. By 1924, the firm had raised the price for its four volume set of manuals to $20 each. That year, Moody's

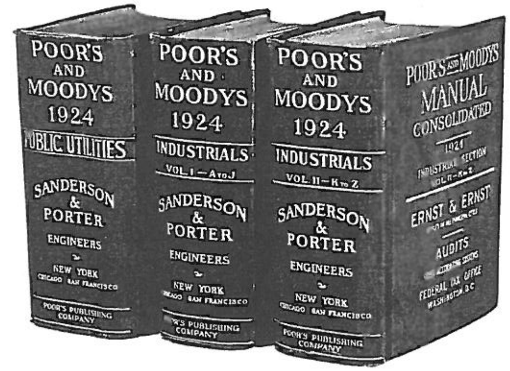
sold 24,000 copies of the manuals and the firm's overall revenues passed the million-dollar mark for the first time. Revenues continued to be bolstered by the agency's fast growing investment consulting service, said Moody, "as the big bull market got under way for its long climb stretching five years ahead, with bond selling investment business spreading all over the country."

BUYING BACK THE "MOODY" NAME

In 1919, Moody Manual Company (owned by Roy Porter since 1914) had merged with Poor's Railroad Manual Company to form Poor's Publishing Company. As a result, Poor's became the publisher of Moody's Manuals. For a decade, Poor's was only listed as publisher. But in 1924 the firm renamed the manual, with the title *Poor's and Moody's Manual Consolidated* emblazoned on the spine and front cover.

The existence of a separate Moody brand had long irked Moody and the resulting market confusion was a drag on sales. Seeing his name next to Poor's on "Moody's Manuals" must have been the last straw. Porter later admitted (in a memo he dictated in 1937) that he used both the Poor's and Moody's names because of the "nuisance value." He further noted that a decade or so earlier Moody Manual Company had only narrowly defeated a motion to convert a temporary injunction against Moody's renewed publishing activity into a permanent one.

But that was now history. In 1924, Moody and his mangers felt that the firm was strong enough financially to buy out Poor's right to the Moody name. Moody had assumed that it would be worth at least a quarter of a million dollars. "But



For five years, after Moody Manual Company became part of Poor's Publishing, Poor's was only listed as publisher inside the Moody's Manual. In 1924, the Poor's name appeared prominently on the manual's front cover and spine.

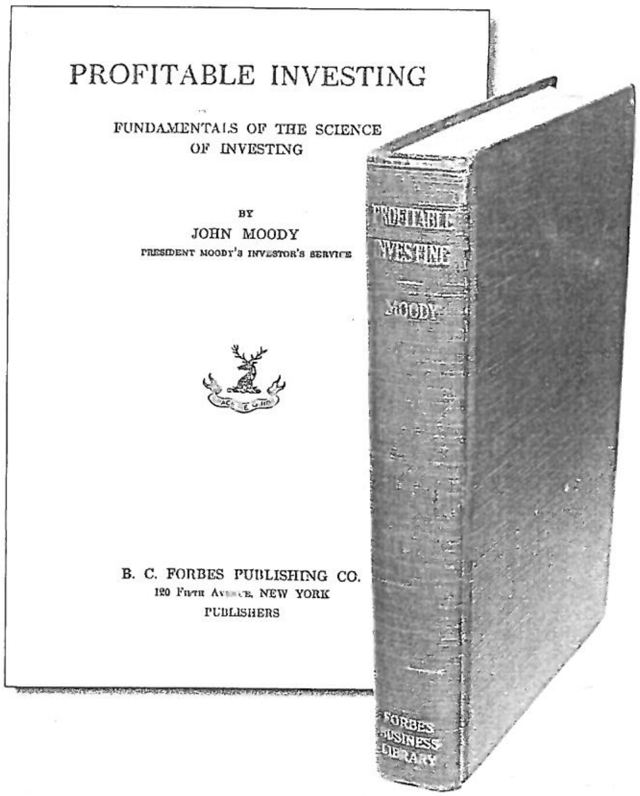
JOHN MOODY'S ADVICE ON PROFITABLE INVESTING, 1925

In 1924, Moody published "the cream of his investment advice" in 21 articles appearing in *Forbes* magazine. B.C. Forbes, introduced him as "Grand Marshall of the Army of Investors," adding that "as an advisor on how to handle investment funds, John Moody has a larger following than any other man in America."

Moody titled his first article, published October 15, 1924, "Modern Investor Has the Nation—the Whole World—at His Feet." Another was titled "You Invest? First Requisite on Becoming an Intelligent Investor."

A year later, B.C. Forbes Publishing Company brought out the series in book form: *Profitable Investing: Fundamentals of the Science of Investing.* The facing page contains brief selections from that book.

"Bankers, investors large and little, trustees of big estates and others gladly pay the author of this book nearly two million dollars a year for his services, and bond salesmen constantly quote, as the supreme authority on the merit of an investment, Moody's Ratings."
—B.C. Forbes, 1924



A BILLION DOLLARS LOST EACH YEAR

It is currently estimated that at least half a billion dollars per annum is lost by the people of the United States through the promotion of worthless securities by unscrupulous men. It is my personal opinion that this estimate is extremely low and if we include the vast amounts which are lost by people who are not necessarily cheated but whose judgment is unsound or who are misled through ignorance, we would probably find that the annual loss might aggregate at least a billion dollars. This amount is a staggering one. It is even more than the American Congress has probably wasted in its extravagant years.

INVESTING MONEY WISELY

The problem of investing money wisely and safely cannot be solved for anybody by simply concentrating on the specific merits or demerits of particular securities themselves. There is one great underlying aspect of the whole problem which must first be given proper consideration. This is the problem of studying and analyzing the broad fundamentals which at any given time underlie all business, financial, and industrial activity.

INVESTMENTS FOR BUSINESS MEN

The first consideration that should be given full weight by any business man in investing money is to confine his selections to securities which will not divert his attention from his business, which will not impair his health and which will not disturb his sleep. The true purpose of a business man's investment should be something which will enable him to sleep better and not poorer. This implies that it should be something of exceptional security which does not fluctuate in a speculative market under all ordinary conditions, and which constantly gives him the feeling of having secure reserve.

Of course, I do not wish to imply that business men should confine their investment selections exclusively to fixed income-bearing securities or to the types of bonds which are in the Aaa class. A business man can afford to buy many junior bonds of demonstrated security and also can afford to buy high grade stock issues. But no business man who is really active in business life and has capital at stake, can afford to trade aggressively in securities or buy and sell stocks or bonds, for short turns and primarily for securing quick profits.

INVESTMENT POLICIES FOR WOMEN

It is unfortunately a fact that a very large percentage of women investors are "easy marks" for the promoter and get-rich-quick schemer. They are much more apt to listen to plausible stories of stock market tips and other rainbow opportunities than is the average practical business man. Many stories could be told of women who have inherited substantial sums of money and have immediately been persuaded by friends, relatives or interested and unprincipled men, to put their entire inheritance into some promotion scheme or some type of security which results in complete and immediate disaster . . .

Added to this might be classed the people, generally, who live on moderate salaries and attempt to do a little systematic saving from year to year. At the outset it should be emphasized that none of these people should attempt to speculate in either stocks or bonds. The importance to them of absolute security of principal is very great and should not be overlooked for a moment.

MANAGEMENT OF INVESTMENT FUNDS

There are three major principles to be adopted in broad investment management. These three are, first, the rotation of investment holdings in accordance with financial and business conditions; second, the proper diversification of one's holding, whether bonds or stocks; and, third, the scientific use of ratings and of economic facts in making investment decisions.

fortunately for us," he recalled, "the men controlling Poor's at that time had small ideas—and needed cash. They expressed a willingness to sell their limited copyright (which they could not use in any other activities except as a partial label on their own manual). To our delight they offered to sell for only $100,000. Cheap as dirt! We instantly closed the deal."

"With our two chief competitors, Poor's and Standard, digging their graves with printing plants, all was now clear sailing for us."

Moody worried that the Poor's outfit would use the cash to improve their own manuals and in that way compete more successfully. Instead, says Moody, they at once began to sink it all into a printing plant scheme near Babson Park, which Roger Babson was developing up in Wellesley, Mass. "Of course this delighted us," Moody recalled. "With our two chief competitors, Poor's and Standard, digging their graves with printing plants, all was now clear sailing for us." Soon after that, Moody's raised the price of the manuals from $20 to $25 a copy, and manual sales continued to increase, as did overall revenues until 1930.

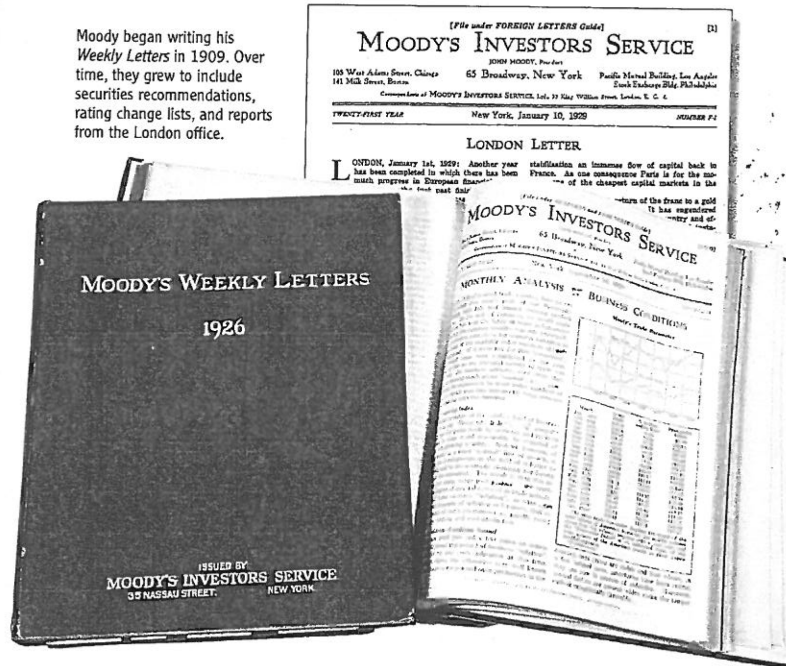
SELLING, ADVERTISING, AND A SUBSIDIARY

In this time of optimism and financial strength, Moody's did several other constructive things to extend its core business into the broadening markets of the Roaring Twenties. As early as 1922, Moody's had established a permanent office with analytic staff in Chicago to cover the Midwest. The company also established a sales center, then a full research arm, in Los Angeles to serve the Pacific Coast.

Throughout the 1920s, Moody traveled around the country making speeches at men's clubs and various bankers' gatherings: "I was everywhere welcome as a spellbinder who could usually talk bullish on the bond and stock markets—especially among those dealers who were strong for Moody's Ratings—which then meant about ninety per cent of them," Moody recalled. These traveling and speaking activities, he added, "were always good sport for us. They certainly kept our name on the map and increased our sales and prestige—especially when we were right in our market forecasts—which we usually were in those years." Moody's also continued to do a great deal of newspaper and magazine advertising in the 1920s. (See pages 74–75.)

Early in 1925, Moody's began to look to Europe as a growing market for its publications and services. The firm was selling increasing quantities of the manuals in the United Kingdom and on the Continent, mainly through a local agent in London. In the autumn of 1925, Moody went over to London to assess the possibility of establishing an agency there. The outcome was a British subsidiary, Moody's Investors Service, Ltd.

Moody began writing his *Weekly Letters* in 1909. Over time, they grew to include securities recommendations, rating change lists, and reports from the London office.



After a bad experience with the California salesman he had sent to run the operation, Moody dispatched Russell Leavitt from the New York office. After sweating blood for a year or two, Leavitt hired an industrious Briton, Jack Calvert, who put the subsidiary on sound foundations and managed it successfully through the Great Depression and on through the Second World War.

MOODY LOSES A SON

Nineteen twenty-six was not a good year for Moody or his family. In March, the Moody's lost their eldest son. John Edmund "was like me in many respects," Moody wrote. He had been in business with his father since graduation from college and they had traveled together to Europe during the summer of 1921 to survey economic conditions after the end of the First World War.

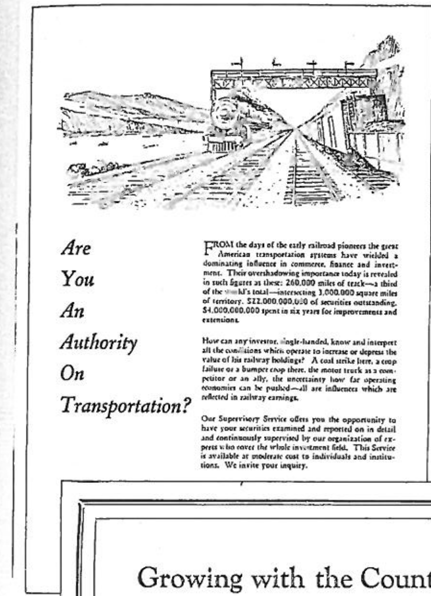
ADVERTISING IN THE ROARING '20s

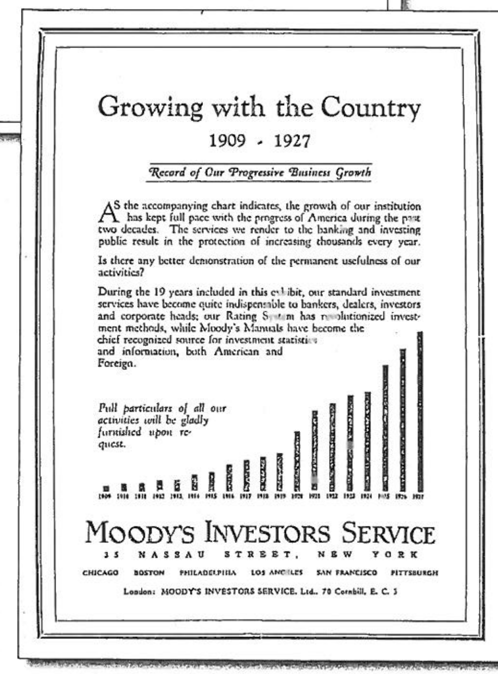
MOST EVERY YEAR from 1900 on, except for few years after 1907, Moody did more advertising than any of his competitors.

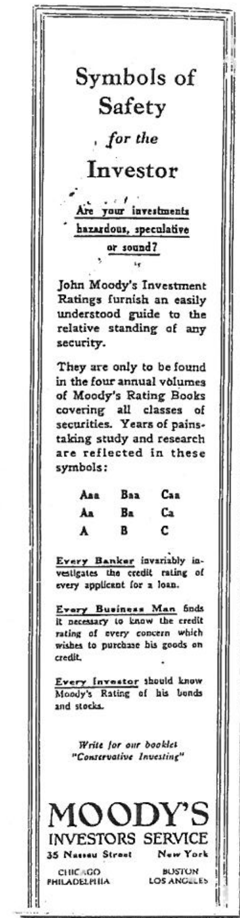
In the early years, Moody used advertising to promote his manuals, books, and special reports, and most of his ads appeared in New York dailies, notably the *Wall Street Journal* and the *New York Times*. By the 1920s, as the company's profits soared and Americans became more attuned to opportunities in stocks and bonds, advertising by Moody's Investors Service became more corporate in nature and was targeted more directly at individual investors.

A campaign launched in 1924, for example, samples of which are shown here, featured a series of educational ads highlighting common investing pitfalls and offering Moody's Supervisory Service as a way of avoiding those mistakes. A related series toward the end of the decade featured the remarkable growth of Moody's Investors Service since its founding in 1914. Another offered Moody's Investment Ratings as "Symbols of Safety for the Investor," noting that "years of painstaking study and research" are reflected in the agency's rating symbols Aaa through C.

These and many similar ads ran in newspapers from the *Los Angeles Times* and the *Chicago Tribune* to the *Boston Herald*, as well as magazines including *Financial World* and *Forbes*.







Two years after the end of World War I, Moody made a trip across Europe with his son John Edmund. On his return, Moody published a thoughtful and, under the circumstances, surprisingly upbeat series of articles on post-war reconstruction. It appeared in *The Saturday Evening Post*, October through November, 1921.

"Anyone who will take a trip through Northern France or Southwestern Belgium and traverse the devastated regions," he wrote in the first article in the series (shown here), "will be impressed with the fact that human beings in large numbers are at work; that no sun sets without adding something to the reproduction and re-creation of wealth; that slowly but surely men and women by the sweat of their brows, the ingenuity of their minds and the industry of their hands are once again making use of the creative forces of Nature in the fields and setting the wheels of industry to work."


Published Weekly
The Curtis Publishing Company

THE SATURDAY EVENING POST
Founded A°D¹ 1728 by Benj. Franklin

George Horace Lorimer

Volume 194 | 5c. THE COPY | PHILADELPHIA, PA., OCTOBER 22, 1921 | $2.00 THE YEAR | Number 17

THE REMAKING OF EUROPE

By JOHN MOODY

John Edmund had a studious mind and a leaning toward a literary life. He had a religious strain in his makeup, said Moody, "which with me had been crushed and smothered in my youth." After several years' business experience, he and his father agreed he would be happier developing his writing bent, so it was decided that he would take a post-graduate course in English literature at Oxford.

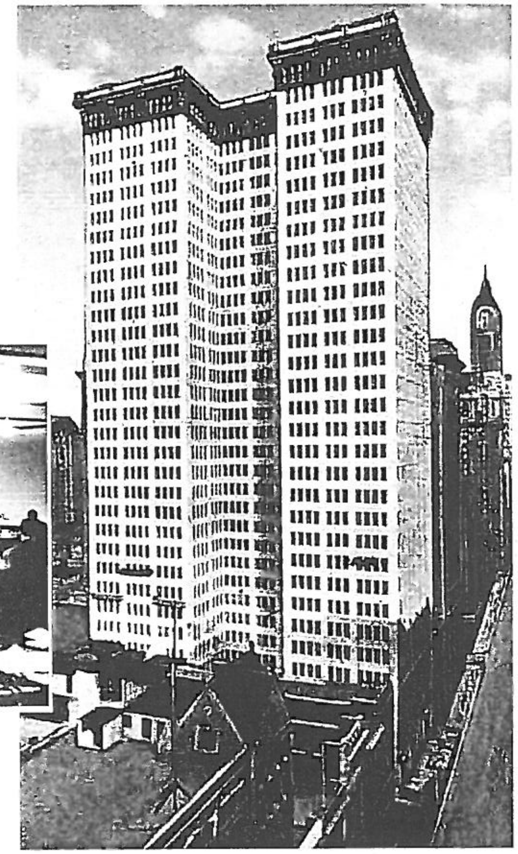
He left for England New Year's Day 1926. Three months later, while traveling in the Mediterranean during Easter holidays, he was stricken with typhoid in Tunis. Thinking it only an attack of malaria, he neglected to see a doctor, and started back to England by way of Sicily. Death overtook him in Messina ten days later. John and Anna learned of John Edmund's death just as they were sailing out of New York harbor to go to him.

Then, Moody later wrote, in his autobiography, *The Long Road Home*, "life's emptiness became far more real to me."

MOVING OFFICES AND GOING PUBLIC

Throughout the 1920s, Moody's Investors Service continued, as Moody put it, to "grow with the country." In 1928, the firm had no funded debt. Practically the entire resources of the company had been derived from its profits. And for the past two decades the volume of business had increased each year, excepting a slight decrease in 1918. Recognizing this solid financial footing, Moody's decided to do two things.

First, after nearly three decades at 35 Nassau Street, the company moved its New York office to more spacious modern quarters on the 17th and 18th floors of the Adams-Express Building at 65 Broadway. The new office opened on July 22, 1928, and Moody's remained there for the next three decades, until moving to the newly constructed Dun & Bradstreet building in 1954.



In July 1929, Moody's Investors Service moved its New York office to spacious modern quarters in the Adams-Express Building at 65 Broadway, on the corner of Exchange Place. The firm would be headquartered there for the next twenty-five years. An architect's rendering graces the period postcard at right.

Throughout the 1920s, Moody hosted an annual holiday dinner for all employees. The 1928 event, at the Park Central Hotel in New York City, took place on February 21. Moody is sitting at the table shown lower right with his wife Anna.

Second, management decided to take the firm public. On November 15, 1928, mainly through Potter & Co., Moody's sold to the public 80,000 shares of participating preference stock at a par value of $52, with a proposed prior dividend charge of $180,000 per year. In addition, 60,000 shares of common stock with a dividend rate of $2.25 per year were issued privately, mainly to Moody and Holschuh. As part of the transaction, Moody's was required to drop its profit sharing bonus plan, which had been distributing $50,000–90,000 a year from profits. And top executives were required to take salary cuts, Moody by 50 percent, Holschuh by 40 percent.

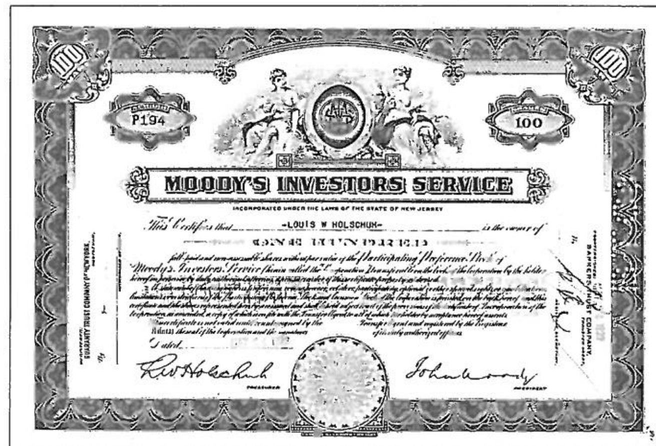
Moody's Investors Service remained a public company until it was acquired by Dun & Bradstreet in the early 1960s. Throughout that long period, however, the decision to go public would remain a sore point for the firm. A later employee (Bohdan Kekish, an economist who started at Moody's 1953) reports hearing from older executives that Moody had a "fun-loving" personality and "wanted some extra cash to enjoy life," so he "joined in with the speculation around him and turned Moody's into a public company."

Moody himself tells a somewhat different story. Looking back, he believed strongly that going public was a "rotten" idea and a "disastrous mistake"—not only

because the move occurred just a year before the stock market crash in October 1929, but because, as he put it, "we had been induced to abandon our long policy of keeping our company under the complete control and ownership of its original founders and associates." Likewise, he regretted having given up Moody's profit sharing plan.

Once again, Moody believed he had been carried away by the risk-taking tendencies that had plagued his early years. "When the great speculative boom was climbing toward its peak during 1928," Moody recalled, "even the sanest and most conservative, not only in Wall Street, but all over the country, were being carried away with the optimistic spirit of the times." When Herbert Hoover was swept into office in the November election of 1928, he added, "optimism knew no bounds."

> And so it was that in the midst of this extraordinary period, we, with our flourishing business, began to be affected by the virus, and were listening receptively to bankers who were searching for underwritings, and who suggested that it would be good business for us to partly 'cash in,' by floating an issue of non-voting preferred stock, and still keep full control of the business through exclusive ownership of an equally large issue of voting common stock.



Moody's Investors Service went public on November 15, 1928, issuing 80,000 shares of participating preference stock. At the same time, 60,000 shares of common stock were issued privately, mainly to Moody and his long-time associate, Lewis Holschuh. Looking back, Moody thought going public was a "disastrous mistake."