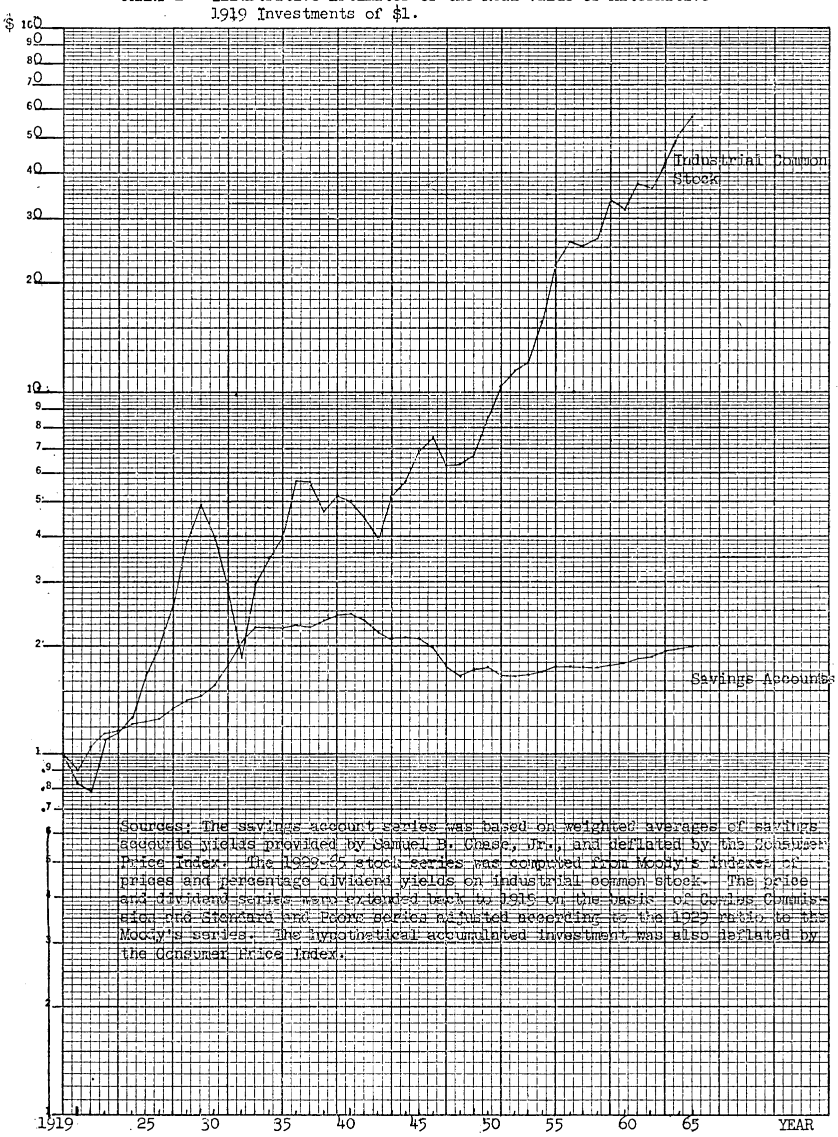
CHART 1. Illustrative Estimates of the Real Value of Alternative 1919 Investments of $1.



on fixed value instruments on the one hand, and equity capital on the other. The savings account and industrial common stock curves each show hypothetical annual values in real terms of a single initial investment of $1 in 1919.[29]

---

[29] Similar curves were also obtained for index number series for long-term government bonds, Moody's AAA corporate bonds, and all common stocks. To avoid the index number problem the yield on mutual funds holding common stock was also considered. Government bonds generally yielded more than savings accounts and corporate yields were still higher. However, the contrast between interest rates and the yield on equity was the most striking feature of all these comparisons, as it is in chart 1. Finally, although the Consumer Price Index has been criticized as a deflator, alternative deflators would not dispel this contrast between real interest rates and the yield on equity.