The Work Of The Stock Exchange

Edward Meeker James
PREFACE

During the past half-century the entire machinery of production, transportation, and distribution by which modern civilization is fundamentally sustained, has grown both in the volume of its transactions and in the complexity of its mechanism with a speed altogether unparalleled in history. Particularly in our own new and still unsettled country, so relentlessly swift an evolution in these respects has been experienced that public opinion and public knowledge have by no means kept pace with it. Thus even if we do not quite misunderstand the financial institutions and methods of today, we are nevertheless only too prone to judge them by the standards of an economic America which already has largely ceased to exist. This dangerous tendency of public understanding to lag far behind the economic progress of the nation was, indeed, clearly stated some decades ago by W. G. Sumner in the following terms: "Our scientific knowledge of the laws which govern the life of man in society must keep pace with this development, or we shall find our social tasks grow faster than our knowledge of social science, and our society will break to pieces under the burden."

After the acute economic convulsions which have resulted from the war, it is more than ever important to make available to the entire reading public of the United States accurate and dependable information concerning all parts of the economic structure of the nation. To this gigantic educational task many published economic studies and many far-sighted institutions of learning have already bent their efforts. Such an educational movement should, of course, include a careful consideration of the present-day money and securities markets. Especially in the instance of the New York Stock Exchange
a wider and more accurate knowledge on the part of the public
is desirable. Indeed, this institution has in the past evoked
a literature scanty out of all proportion to its importance—a
natural result, it may be, of the average broker's strenuous pre-
occupation with the burdens of his business there. Because
of the inclusion here of considerable material concerning the
Stock Exchange never before published, the author is perhaps
justified in the hope that the present study may place before
the general public a more complete and correct picture of a
great and often misunderstood American institution.

The task of describing simply and yet with some degree
of thoroughness the actual operations of this vast market
place in securities is not without its peculiar difficulties. In-
deed, it is typical of the extreme complexity of our entire
modern economic system that an adequate account even of one
of its component parts cannot easily be compressed within the
covers of a single book. As a matter of fact, many volumes
as large as the present one would be needed for an exhaustive
analysis of all the stock market's methods, functions, services,
and relationships. It is to be hoped that in the near future
such specialized economic studies in the more detailed and
abstruse phases of the Stock Exchange may be made. In the
meantime the present work, being intended merely as an intro-
duction to this extensive and little understood subject, has been
written with the aim of being readable rather than of being
ponderously exhaustive or tediously subtle. Thus, lest it should
dull the interest of the more general reader, considerable statis-
tical, technical, and corollary material has been included in a
series of appendices, where the closer student may refer to it.
In addition, a bibliography, based upon the pioneer work of
Professor S. S. Huebner, has been prepared as an aid to that
further research into an interesting and relatively neglected
economic field which the author cannot here pretend to under-
take.
The attempt has been made to develop the general theme of the book cumulatively, from its simpler to its more complex aspects. Accordingly, Chapters I and II are introductory in character; Chapters III to XIII describe the contemporary machinery of the Stock Exchange; and Chapters XIV to XVIII deal in broader terms with the economic significance of the machinery thus described. Unfortunately the general subject matter provided by the Stock Exchange, even apart from its mere extensiveness, is exceedingly intricate, and so closely interwoven as stubbornly to resist this inevitable separation into successive chapters. For this reason, cross-references have been constantly employed to correlate material which, owing to this chapter structure, has been separated in the course of writing. In some cases these cross-references are by chapters only. In addition, a general index of names and topics has been prepared to enable ready reference to all subjects discussed in the book.

The writer’s task has not been made any easier by the constant development now occurring within the Stock Exchange system itself—a development which naturally implies many changes in the details of its operation. The present volume has almost literally been written in the shadow of the mounting steel girders which will soon uphold an extensive addition to the Stock Exchange building. With the completion of this structure, its present securities market may be expected to undergo further change and expansion, the specific effects of which can be only feebly and uncertainly forecast in these pages. In consequence there is the likelihood that the present account of the Stock Exchange may by that time become somewhat obsolete in its details. Yet in this respect the present volume must risk the inevitable penalty to be paid by all such attempts to describe with any degree of permanency, living institutions pulsating with the changes of progress. Throughout its long history the New York Stock Exchange has constantly
adapted its methods to suit the swiftly expanding economic conditions in the nation which it has served, and if a description of its operations must be delayed until no further possibility of change remains it would cease to be of value to any but the historian. Moreover, the fundamental economic principles upon which its business rests have not and will not change, however rapidly or considerably its detailed methods may. Meanwhile the readers of these pages can always inform themselves with respect to new features in the Stock Exchange by communicating with the secretary of the Committee on Library.

Finally, the many controversial questions with which the whole subject of financial economics abounds have wherever possible been avoided, for the writer claims no adherence to any particular school of economic thought, nor has he any desire, by producing either a panegyric or polemic, to enter into controversy for its own sake. Yet certain mooted problems have inevitably stood in his path, and they have been met with such fairness and practical knowledge of the subject as the author possesses. It is doubtless too much to think that all economists will agree with the views expressed in the present volume, for thus far no economic work of like nature has ever enjoyed so happy a fate. Enough will have been done if he has described and explained the machinery and the functions of the Exchange simply and clearly, without bandying abstractions, or employing the cloudy and impotent metaphysics into which economic controversy only too often degenerates.

The present study is in no sense an official publication of the Stock Exchange, nor does it bear any official indorsement by that body. Much of the information contained and opinions expressed herein have been derived from the personal experience of the author as economist to the New York Stock Exchange, and for these included statements and opinions he, of course, assumes complete and sole responsibility. Previous
writers upon the Exchange and its economic functions have, however, been constantly cited, and many valuable and suggestive quotations from former students of securities markets purposely included. The chief source books of the present study may be found in the table of references, and much material of value has also been obtained from various other books, pamphlets, and articles included in the general bibliography. An even greater acknowledgment, however, must be made to many of the officials and members of the Stock Exchange, as well as to other men of long experience in the financial metropolis, who have with such unfailing generosity placed their valuable time and expert knowledge at the author’s disposal in connection with the inevitably complex and technical problems which he has necessarily encountered. Specific acknowledgment would unfortunately prove entirely too lengthy to permit of inclusion here.

J. Edward Meeker.

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