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Chairman, Securities and Exchange Commission

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You have all probably heard, as I have, that the Philadelphia Stock Exchange is the oldest institution of its kind in the country. When we talk about our old traditions, customs, and institutions, most of us have a good deal of curiosity about their origin and early development. That same curiosity has impelled us at the Commission to do some research work regarding the foundation of the Philadelphia Stock Exchange. Doubtless, many of you here tonight, coming as you do from the far corners of the country, are not familiar with these facts and so I am going to take the liberty of passing them on to you.

Now it seems that in the early days of this City it was the custom for the retiring Mayor to give an entertainment to the officers of the City Corporation at the conclusion of his term of office. In the year 1746, however, the outgoing Mayor kicked over the traces -- he was probably regarded as the outstanding radical of his day -- and instead of giving this entertainment he donated 150 pounds for the building of "an exchange in this City for the like uses with that of the Royal Exchange in London." That gesture set the fashion for several subsequent Mayors and in 1754 the London Coffee House was opened on the southwest corner of Front and Market Streets, designed to function, at least in part, as "an exchange upon which our merchants may walk." From that point the exchange developed according to its own genius.

Among the innovations which were the contribution of the Philadelphia Stock Exchange was the first "ticker tape." In the early part of the 19th century the Philadelphia Exchange deemed it advisable to keep in close touch with the New York Stock Exchange for the purpose of maintaining current intelligence regarding the prices of securities on that Exchange. A telegraph system was devised by setting up stations on the various high points in

New Jersey and, with the aid of telescopes, messages of vital information were semaphored back and forth. Some type of flag was used during the day and a system of blinker lights was installed for night time signals.

The early rules of the Exchange were also very interesting. No frivolous or unseemly conduct was countenanced. For instance, failing to address another member with the title of "Mr." was a punishable offense, as was the outrageous act of speaking to the President of the Exchange with one's mouth full. Profanity drew a \$1.00 fine and \$5.00 was provided for the serious offense of winding the clock without the President's approval. Minor offenses included absence from the morning roll call -- 6-1/4¢ fine; whistling, putting your feet on the rounds of your chair, and spilling ink. There were prohibitions against passing notes outside the Exchange room and leaving the room with a sales book -- not to mention a fine of 25¢ for going out of the room and returning during a session.

Speaking to a group such as this, under the circumstances that exist at the present time, is not an easy matter, from the point of view of selecting a topic for discussion. Or, I might say, that it is not as easy as if it were a problem of choosing a subject which we might all discuss together rather than one which I must present to you without the advantage of an exchange of ideas and feelings. However, after much reflection I came to the conclusion that what I might try to do is to put before you some of our thoughts with respect to the situation in which we all find ourselves today, and the significance of our respective positions and our potentialities for service.

Of course, everyone today is eagerly seeking to do everything that he can to aid in bringing success to our war effort and that of the countries whose destinies are linked with ours. That is a natural desire and one of the highest importance to the nation. In such an atmosphere it is only natural that there are many who chafe because they feel that the part they are playing is not as important a part as they would like to take. I say it is only natural because when a nation is engaged in war there are different kinds of work which have to be done which vary according to the excitement or glamour which attaches to each. The soldier at the front, the pilot in combat, the sailor who loads and fires the battleship's guns -- these are the men who we most commonly say are "winning the war." And it is true, without them and without enough of them of a courageous and loyal nature, no war can ever be won. But these, as we all know, must be supplied with the tools with which to fight, and, the importance of the tool-maker is no less than that of the man who uses the tool, although by comparison his job may seem humdrum and carry less tangible satisfaction. The work of all these together is embraced in the familiar term "war effort".

Let us pursue this phrase a little farther and inquire into its total meaning. What is the "war effort"; and what are the things that are "necessary to the war effort"? I have spoken of the fighting man and the man who produces his arms. Is that where it all ends? Are those only engaged in the war effort who serve in our armed forces or who work in our shipyards, our airplane factories, and our munitions plants? To stop there would be to overlook the indispensable foundation for success in producing and fighting -- the national economy.

Fundamental to our whole ability to produce the machines of war and put them in the hands of our fighting forces is the maintenance and operation of a sound and vigorous economic system. Any weaknesses that may appear in our national economy will very rapidly translate themselves into lack of temper in our swords and into chinks in our armor,

What makes up the kind of economy that is necessary for war? First, there is the production of necessary agricultural commodities, too numerous to name, which go to feed and clothe not only our soldiers and sailors but the workers in our plants and the people of the nation as a whole -- not to mention much that finds its way into the very instruments of war of which I have spoken. Then, too, we must have tremendous transportation facilities available to carry these commodities from their sources to their places of use. Also, there is the extraction of essential fuels from the earth and their refinement and transportation, as well as the production and transportation of electrical energy, all to drive the wheels of our factories and to heat and light the homes of our millions. But back of these and many other very essential pursuits lies the raising of the necessary finances to make their continuation possible. And fundamental to financing and operation in all these fields, there must be honesty and integrity to assure the predominance in these efforts of the national interest and the elimination of the predatory interests of individuals.

We all know these things and I am sure I am not saying anything that is new or startling to any one of you. But I do think that we all tend, in the excitement of times such as these, to forget the relative importance of

these considerations. I know that that is particularly true of people who are engaged in financial pursuits. Of course, that is the result of a combination of circumstances. In the first place, the results achieved by the operations of the financial industry are not nearly so tangible as those of the maker of the bomb and the man who releases it. Also, very naturally, in time of war there is apt to be a great cessation of interest in private finance. In a certain sense, that is unavoidable, for the dollars that in peacetime find their way directly into investment in private enterprise must be greatly diverted to the national Treasury for use where private finance cannot accomplish the necessary ends.

But let us remember always, that the man of finance does have a part to play and if, in his restlessness, he seeks more exciting participation, he weakens the ability of finance to that extent to perform its particular task. The financial community in this country is made up of its banks and insurance companies, its investment bankers, and its brokers and dealers in securities. One of the great symbols of that system which the nation has built is the organized securities exchange. The New York Stock Exchange, of which you are all members has but recently celebrated the 150th anniversary of its foundation. The Philadelphia Stock Exchange, as I have already mentioned, is even an older institution. Through all their vicissitudes these organizations have consistently maintained a most significant position among all elements of finance. Your gathering here tonight represents the most important element of the exchange, the broker who deals with the public and with the industries which it also serves, and which in turn now serves our Armies.

The opportunity for the exchanges and this Association in particular to realize and render service is a great one, but it will not be an easy one to take advantage of. However, I urge upon you not to shrink from a study of the potentialities of your organization in this field and a vigorous pursuit of the courses found open to you. You have already evidenced the willingness and enthusiasm that it takes in the ways that you have taken hold of the job of selling the Treasury's war bond program. But it seems to me that there must be many other possibilities for service.

For instance, you are so placed and equipped that you can be the necessary balance wheel during these trying times when the country can very readily go to extremes if we do not guard against it. You can keep a close watch on the effect that the unusual stresses of such a period are having on our economic mechanism. Men trained and experienced in the broad fields of finance are in a position to bring a healthy influence to bear on the man we commonly refer to as the "business man" -- the man who operates in a single or restricted field of commercial or manufacturing activity. These businesses, as we are already seeing, are often acutely affected by measures of war-time necessity -- conversion, allocation, price controls, rationing, and the like. These business men are often made bitter over the effects that such measures have on their businesses and tend to become biased and near-sighted as a result. The financial man who has been conscientious and devoted to his calling is not as limited in his outlook as the usual business man and has more of the breadth that is necessary to understand these measures and can see how the pieces fall into place in a war-time economy which, at best, is a strained economy. It is up to you to discharge the responsibility that your position carries with it and to bring to your neighbor who is not so fortunately situated the understanding that is necessary to see us through.

In acting, as I have suggested, as a balance wheel, you can operate inside the economic mechanism. Viewed realistically, you are the engineers of the ship. It is your job to keep the ship's engines oiled and steam up in her boilers. And it is of the utmost importance that your job be done well. True, there is nothing particularly glamorous or exciting about the heat and noise of the engine room. But you must not permit yourselves to feel unimportant.

I want to avoid leaving any impression that I view this task as a one-way street for business to drive down alone. Government also has its obligation to assist in this great effort to see to it that those who are making the sacrifice on the battle field may have the needed weapons for victory and that, after the field is won, they can return to the kind of home they are fighting to preserve. In the all-important maintenance of the proper balance in our financial economy, the Securities and Exchange Commission has an equivalent interest on the Governmental side.

We have endeavored in every way possible to render the assistance which we are equipped to give and have done so unstintingly whenever called upon or whenever the opportunity presented itself. I do feel, however, that there is one further area in which we could heighten our effectiveness and give help to private endeavor as well as to receive help from it and we can do this together with you. We should not rest content that in many fields we have an active working cooperation with organizations such as yours, with the exchanges themselves, and with the National Association of Securities Dealers. It has been my feeling that we should institute some form of continuing joint exploration of the problems which confront both of us from time to time, and which should be of mutual concern. I know of no better or more necessary time to institute such a program than in time of war when these problems are greater and when the lack of solution becomes so much more serious. I am, therefore, proposing that these organizations meet with us in

the near future to initiate these discussions, if for no other reason, as one effective means of assuring that our joint responsibilities to the war effort are carried out.

The problems that I speak of are those which are being created from day to day as we go forward with the war and those which will be presented to us in the post-war period. I am not thinking of our post-war problems in the sense of the kind of world we will live in from the broad political or economic standpoint, I have in mind the foreseeable effects which present pressures are going to have on our world after the war. Some of these problems I have referred to on other occasions, such as the stresses and strains on our financial mechanism during and after the war; the task of strengthening and maintaining this machinery for its use after the war; how to control and direct the flow of capital for the efficient prosecution of the war and the effective reconstruction of all the wreckage created by it; and, more generally, the protection and preservation of a sound capitalistic economy.

These and the many other questions may well not be those which Government can resolve. I do feel, however, that it is incumbent upon Government to discharge its obligations to the welfare of private commerce and industry for studying and thinking about these things. Likewise, I feel that a commensurate obligation rests upon private organizations such as yours. We all know that forces are unleashed in time of war which we are powerless to control but it would be foolish to sit idly by and not attempt to think about where those forces are taking us and how to avoid their sweeping us against the rocks of disaster.

Under all the circumstances that surround us today it is imperative that our united energies be devoted to our common cause. There must be no distraction. Everyone has a part and it must be thoroughly realized and carried out.