

SPECULATION ON THE NEW YORK
STOCK EXCHANGE

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SEPTEMBER, 1904—MARCH, 1907 GIPE-PUNE-007859

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SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS
FOR THE DEGREE OF DOCTOR OF PHILOSOPHY
IN THE
FACULTY OF POLITICAL SCIENCE
COLUMBIA UNIVERSITY

NEW YORK

1913

X651.7311-No7

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to

THE MEMORY

OF

MY FATHER AND MOTHER

PREFACE

THERE are, broadly speaking, three accepted methods of discussing the modern stock exchange in general or any single exchange in particular. One consists in picturing the stock exchange as an institution which is indispensable to the conduct of present-day business; the stock exchange is held up before us as attaining a degree of success in performing certain services for society generally, such as no other human institution has ever reached. Another condemns the workings of the New York Stock Exchange and denounces everybody actively connected with it as a thief or a gambler or both. Still a third recognizes the usefulness of the stock exchange, while it deplores evils that are incidental to it. But, because of the weaknesses of unchangeable "human nature", these evils are depicted as ineradicable or well-nigh so.

The present monograph is not an attempt to achieve mere originality. The New York Stock Exchange, in itself, is not idealized, those operating on it are not sweepingly characterized as either dupes or knaves, and possible remedies for such evils as were glaringly apparent during 1906 and 1907, for example, are briefly considered, and are set forth as quite practicable. But, if discussion can be diverted from the well-trodden paths along the three main lines indicated, it seems as if a clear recognition of the evils and correctives for them may result from discussion with a new starting-point. Those who have beheld stock speculation from any one of the three viewpoints—which are almost mutually exclusive—appear to have accomplished little in the way of elucidating the subject or of curing the evils.

First of all, it seems probable that, by critical analysis of the functions of organized speculation, during a period when it was exceedingly active, we may discover the extent to which such speculation was a benefit to society. Criticism of certain wise saws applying to stock speculation seems a necessary first step in focussing attention on the evils of modern speculation. Accordingly the following monograph is largely critical of certain commonly accepted dicta regarding speculation, in the light of events briefly related in the narrative portion of the work. Constructive suggestion is brief. It cannot be otherwise in the present stage of discussion, where most minds are so hazy on the significance of speculation. The criticism is offered, along with the suggested correctives, chiefly with a view of revivifying and redirecting discussion. The adoption of the suggested remedial measures in the near future cannot perhaps be expected. But if discussion is drawn away from its conventional courses, a distinct step in advance will be made. The expectations and aims just set forth will serve as an *Apologia* for this monograph.

To Professor H. R. Seager for his valuable and helpful advice, and for undertaking the drudgery of reading the manuscript in its crudest stages and also the proof; and to Professor E. R. A. Seligman, who has helped in preparing the manuscript for publication, the author wishes to offer his heartfelt thanks. To both of them and to the other members of the Faculty of Political Science of Columbia University, under whom the author has studied, he wishes to extend his gratitude for many illuminating suggestions they have given him, often unconsciously. Their collective outlook on human activity, though comprehended only in part perhaps, has been refreshing and stimulating to a degree which cannot be measured or expressed.

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