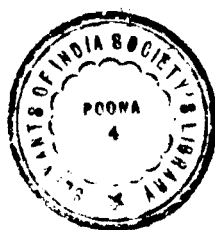


RESEARCH
IN
SECURITIES MARKETS



X652.73,g

H5

045497

Financial Research Program

NATIONAL BUREAU OF ECONOMIC RESEARCH

Price: 50 cents

Copyright, 1946, by National Bureau of Economic Research, Inc.

1819 Broadway, New York 23, N. Y. All Rights Reserved

Printed in the United States of America by Academy Press

PREFACE

EARLY in June 1944, the Special Research Committee of the National Association of Securities Dealers, Inc. proposed to the National Bureau of Economic Research that the National Bureau undertake an investigation of research needs in the field of organization and functioning of the nation's securities markets. On June 21, 1944 the National Bureau's Committee on Research in Finance approved the conduct of such preliminary discussions and conferences as might be helpful in considering the feasibility of the research investigation, and, if desirable, the exploration of the research needs of the field. This recommendation was reported on June 26 to the National Bureau's Executive Committee, which expressed interest in the proposed exploration and authorized its conduct.

Three months were devoted to the preliminary survey, and on the basis of the results obtained the exploration was undertaken. As part of the exploratory work a survey was made of selected professional opinion on the problems of the securities markets and the needs for research. On April 18-19, 1945, a conference of 32 experts was held to discuss the results of the exploration. At the conclusion of the conference, the Exploratory Committee on Research in Securities Markets was appointed to formulate specific research recommendations, and to prepare a report for submission to the National Bureau's Committee on Research in Finance.

In carrying out its assignment, the Exploratory Committee was asked to weigh the results of the survey of selected professional opinion, the conference discussions, and the research objectives of the National Bureau, and then to formulate its own judgment concerning research needed to supplement and enlarge existing scientific knowledge about the organization and functioning of the securities markets.

The work of the Exploratory Committee was substantially completed by the end of June 1945, and on July 16 its report was reviewed by the Committee on Research in Finance. After thorough discussion, in which suggestions were made for revisions or amendments, this Committee approved the report and recommended it for further consideration and action to the research staff, officers, and directors of the National Bureau. The National Bureau's Executive Committee, which reviewed the report on October 10, unanimously regarded the recommended program as a matter of keen public interest.

Through the publication of the report an objective appraisal of needs for information relevant to securities markets problems is provided against which the research plans of organizations and of individuals may be reviewed. It is hoped that the report may stimulate research in this field.

The National Bureau of Economic Research welcomes this opportunity to express its appreciation of the interest and initiative shown by the Special Research Committee of the National Association of Securities Dealers in seeking an impartial approach to the ways in which research might contribute to the solution of problems of the securities markets. Individuals engaged in the securities business contributed generously, in time and in personal effort, to make the exploratory survey as productive as possible. In addition, the National Association of Securities Dealers, Inc. made a grant to the National Bureau which helped defray the cost of the exploratory survey and the publication of the report.

The National Bureau also wishes to thank all those who cooperated in the exploratory work by answering inquiries, preparing technical memoranda, and participating in conferences. Special acknowledgment is due the members of the Exploratory Committee, who gave freely of their time and energy in the preparation of this report.

RALPH A. YOUNG
Chairman pro tempore
Committee on Research in Finance

C O N T E N T S

Preface	iii
Summary of Committee Recommendations	1
Importance of the Securities Markets	2
Developments Following World War I	2
Problems Facing the Securities Markets After World War II	3
The Need for Research	4
Materials Available for Research	6
Studies Recommended by the Committee	8
I. Survey of the Activities and Institutions of the American Securities Markets	8
II. The Securities Markets, Savings, and Capital Formation	10
III. The Transfer Function of the Securities Markets	13
IV. The Securities Markets in the Financing of Business Enterprise	14
V. The Securities Markets and the Investor	17
VI. Relation of Government to the Securities Markets	20
VII. Functioning of the Securities Markets in the American Economy	23
Execution of the Recommended Studies	24
Exploratory Activities	25