



The “Free and Open” “People’s Market”: Public Relations at the New York Stock Exchange, 1913-1929

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In 1913, the New York Stock Exchange (NYSE) stumbled into public relations to counteract threats of regulation in “the public interest.” Transforming criticism into a legitimizing ideology, publicists conceptualized the stock market as a direct democracy, where investors’ trading choices on member-regulated exchanges funded and legitimated corporate capitalism. While the NYSE accepted a public role rhetorically, it labored to ensure that no regulatory oversight would enforce public accountability. Its Committee on Library initially pursued a reactive strategy, including publication, image control, on-site library, press management, bucket shop elimination, and behind-the-scenes political pressure. World War One Liberty Loan and investor-protection campaigns taught Exchange publicists the value of pre-emption and cooperation, which culminated in the development of Better Business Bureau investor sections. External competition and internal rivalries precipitated strategic shifts in the 1920s. Public outcry after member Allan A. Ryan’s corner in Stutz Motor Co. provided the final catalyst. After 1921, the NYSE’s new Committee on Publicity transformed defensive publicity into proactive public relations, adding visits and hosting, speaking tours, movies, and academic programs. From 1913 to the Crash of 1929, publicists defined the NYSE as the “free and open” “people’s market” first to build a community of political sympathizers, then to expand NYSE members’ retail markets.

In 1913, the New York Stock Exchange (NYSE) faced uncertainty. It feared the loss of its status as a private association of stockbrokers, enjoying the prerogatives of membership selection, self-governance through committees of member-governors, and commission fixing. In a final report to Congress, a commission chaired by Arsene Pujo (Democrat, Louisiana) confirmed the existence of a “money trust” of colluding Wall Street banks, which created and controlled massive corporations and

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railways through their command over “other people’s money.”¹ Through stock watering (overvaluing a company when issuing its securities in order to ensure hefty bankers’ fees) and insider-trading, “pools” of allied bankers, brokers, and corporate insiders enticed outsiders to buy corporate securities high. Those pools then manipulated prices, forcing outsiders to sell low.² After the delivery of the Pujo report, Congress

I thank Steven Wheeler and the staff of the New York Stock Exchange (NYSE) Archives for their generous assistance.

¹ From about 1901, financial industry exposes, legislative investigations, and stock market panics suggested to many that enhanced state oversight of the capital markets might better protect the “public.” Both maverick stock promoter Thomas Lawson and attorney Louis Brandeis alleged that colluding Wall Street banks created and controlled corporations and railways through their command of “other people’s money.” A small cabal of bankers led by Standard Oil and J. P. Morgan allegedly ruled the national economy and stymied competition via “interlocking directorates” on boards of related corporations. Anger directed at the “money trust,” a keyword in populist discourse since the 1890s, coupled old agrarian animus towards Eastern financial dominance with broader anxieties about the threat posed to republican traditions by the economic and political ascendancy of publicly-traded corporations.

In 1908, New York Governor Charles Evans Hughes convened a commission to determine if NYSE practices contributed to the Panic of 1907. While it failed to recommend regulatory legislation, the Hughes report strongly urged the Exchange to forestall manipulation by and through members and to curb “unwholesome” speculation by vulnerable small investors by tightening its control over price quotations and raising credit (or margin) requirements. In the 1912 presidential election the “money trust” became a major campaign issue for Democrats, Progressives, and Socialists. Even before Wilson took office, Democrats initiated a House inquiry, chaired by Arsene Pujo of Louisiana, but led by special counsel Samuel Untermyer. The Pujo committee confirmed the existence of a financial “community of interest.” Its recommendations aimed to undercut “money trust” power and to ensure that only honest marketers could offer safe securities to the investing public. Untermyer proposed federal incorporation (embodied in an 1914 bill introduced by R. L. Owen, Oklahoma Democrat), empowering the Postmaster General to censor the marketing mailings of NYSE members. It would specify listing requirements and reporting conventions for traded companies, as well as rules for members, undermining NYSE committees with state oversight and judicial review.

See Vincent P. Carosso, *Investment Banking in America* (Cambridge, Mass., 1970). Ron Chernow, *The House of Morgan: An American Banking Dynasty and the Rise of Modern Finance* (New York, 1990). Cedric Cowing, *Populists, Plungers, and Progressives: A Social History of Stock and Commodity Speculation, 1890-1936* (Princeton, N.J., 1965).

² Thomas W. Lawson, *Frenzied Finance: The Crime of Amalgamated* (New York, 1905), 41. For a brilliant account of Lawson’s career as a muckraking, reforming stock market manipulator, see David Zimmerman, “Frenzied Fictions: The Writing of Panic in the American Marketplace, 1873-1913” (Ph.D. dissertation, University of California, 2000).

mused over recommendations for federal incorporation that might empower the Postmaster General to censor the marketing mailings of NYSE members to ensure the impecunious were not enticed into “unwholesome speculation.” Meanwhile, in New York, Governor William Sulzer proposed state incorporation of the NYSE and the establishment of a state “blue sky” commission to approve new securities issues and to license brokers.³ Incorporation proposals also specified listing requirements and reporting conventions for traded companies, as well as rules for member conduct.⁴ To recommend regulatory oversight of securities issuance, exchange trading, and corporate financial disclosure, reformers such as Louis Brandeis and Samuel Untermyer (special counsel to the Pujo committee) advanced the notion that the NYSE served a “public” interest.⁵ The governors of the NYSE, however, perceived these

³ In 1911, Kansas passed the first state securities regulation law, labeled “blue-sky” because it intended to prevent swindlers from “selling a piece of the blue-sky” to the naïve. The Kansas version, one of the strictest, empowered a state commission to accept only those securities that “promised a fair return,” and to issue broker licenses. By 1914, twenty-four states had blue-sky laws; Cowing, *Populists, Plungers, and Progressives*, 67-69; Carosso, *Investment Banking in America*, 156-187. In 1913, New York Governor Sulzer proposed state incorporation of the NYSE, a stock transfer tax to discourage speculation, and public auction of NYSE seats. His legislation forced NYSE members to trade with members of competing Exchanges, made manipulation of securities a felony, required grain dealers to obtain a state license, required brokers to obtain customers’ permission for hypothecation of margined securities, and strengthened laws making bucket shops illegal. See Cowing, *Populists, Plungers, and Progressives*, 64. Also R. C. Mitchie, *London and New York Stock Exchanges, 1850-1914* (London, 1987), 200.

⁴ In the existing private club model, the courts consistently upheld the governors’ right to expel members and to strike securities from trading whenever they suspected a violation of “the principles of just and equitable trade.” Untermyer charged that the NYSE governors cared only about maintaining commission rates. Samuel Untermyer, “Argument before U. S. Senate Committee on Banking and Currency in support of Senate bill no. 3895” (1914). In addition, Untermyer pamphlet “Is There a Money Trust?” (New York, 1911), 16.

⁵ According to Brandeis, “money trust,” rule over the corporations that required credit and investment banking services *indirectly* harmed “the people” by directing the cutthroat competition that drove out small businessmen and raised prices. “The people” suffered *indirectly as investors*, for poor investments by captive insurance companies and banks put policy owners and depositors at risk. Lastly, he posited harm to the public *directly as investors*. Lack of competition in the financial industry permitted high trading commissions, overpriced securities, and insider stock manipulation. Louis D. Brandeis, *Other People’s Money and How the Bankers’ Use It* (New York, 1971) 8, 13-27.

Untermyer expressed similar sentiments in his “Argument...in Support of Senate bill no. 3895,” 19. Also Samuel Untermyer, “Speculation on the Stock

propositions as threats to their associational autonomy and to the distinction of a NYSE membership or listing (see Figure 1).

FIGURE 1
Teddy Roosevelt patrols the New York Stock Exchange



Source: *New York World*, September 25, 1911, as collected in "General" scrapbook, courtesy of the NYSE Archives.

Notes: To persuade fellow NYSE governors to inaugurate public relations, R. T. H. Halsey collected images criticizing the Exchange, beginning in 1910. Candidate Roosevelt supported federal incorporation of interstate corporations, with state oversight of corporate reporting. Exchange members believed their listing requirements provided sufficient information about the financial status of NYSE-listed corporations.

Exchange and Public Regulation of the Exchanges," *American Economic Review* 5 (March 1915): 24-68.

Although Brandeis praised the Pujo findings, neither he nor President Woodrow Wilson endorsed federal incorporation. Brandeis preferred abolition of interlocking directorates and enhanced corporate financial disclosure, particularly full disclosure of the all fees and profits achieved by investment banks and brokerages in any security offering; Brandeis, *Other People's Money*, 3, 73, 94-108, 132.

Appropriating the sobriquet of Louis Brandeis, the “people’s lawyer,” the “people’s market” met critics on their chosen field of public opinion.⁶ Exchange publicists transformed criticisms into a legitimizing ideology. They reframed the stock market as a direct democracy, where investors’ trading choices on member-regulated exchanges funded and legitimated corporate capitalism. According to the Exchange, “the people” must be allowed to trade securities based on their own judgment, without paternalistic and inefficient regulatory handholding. NYSE listing requirements and self-policing via committees of member-governors already prevented manipulation in listed securities, according to the Exchange’s defenders. While these conflicting portrayals of America as a nation of investors reflected some broadening of securities ownership during the 1910s and 1920s, they cannot be understood as simply mirroring that process.⁷ Rather, they must be situated within the context

⁶ For Brandeis’ efforts to shape public opinion in the service of his work as a ‘people’s lawyer,’ see Clyde Spillinger, “Elusive Advocate: Reconsidering Brandeis as People’s Lawyer,” *Yale Law Journal* 105 (April 1996) <http://www.yale.edu/yalelj/105/105-6.html> accessed 30 Sept. 2004.

⁷ These diametrically opposed conceptualizations of “the people’s” relation to securities market offered scarce hard evidence regarding the number of security holders in America. Brandeis and Untermyer spoke vaguely of “the public” while the NYSE rhetorically blurred boundaries between shareholding and bondholding, institutions and individuals, indirect investment (through insurance policies or bank deposits) and direct retail investors. In 1931 the Exchange’s economist, J. Edward Meeker admitted to Prof. William Z. Ripley that Stock Exchange presidents and publicists exaggerated the number of investors in their speeches, as when President Richard Whitney claimed that half of American families owned stock in 1930; see J. E. Meeker to William Z. Ripley, 16 April 1931 in William Z. Ripley Papers, Box 3, “1931” folder, Pusey Library, Harvard University. Also Richard Whitney pamphlet “The Investor and the Securities Markets” (New York, 1935).

NYSE claims rested on estimations of book ownership, adding together the number of owners of record for corporations listed on exchanges that required such data. This misleading proxy technique did not account for shareholders who owned stock in more than one corporation, and thus exaggerated the total number of shareholders. In 1920, Allan A. Ryan used this kind of misleading reporting against the NYSE, as we shall see.

Existing estimates of the number of shareholders are as follows: In 1934, a Senate Committee investigating the 1929 Crash determined no more than 5% of American households held active brokerage accounts; see John Kenneth Galbraith, *The Great Crash of 1929* (Boston, 1988), 78. In 1930, Gardiner Means estimated that as many as 20% of American households might have owned corporate stock in 1928, but judged this estimate as inflated. Means determined that stock ownership had trickled down the economic ladder; see Gardiner C. Means, “The Diffusion of Stock Ownership in the United States,” *Quarterly Journal of Economics* 44 (August 1930): 561-600. Lastly, David F. Hawkins asserts that the number of U.S. stockholders grew from 500,000 in 1900 to

of national debates over political economy.⁸ In this paper, I place both the NYSE's role in dispersing securities and its elevation to a place of dominance in retail brokerage into conversation with concurrent regulatory threats.⁹ Beginning in 1913, the governors of the NYSE inoculated themselves against threats to their autonomy with public relations, including some internal reform and a great deal of reformation of institutional identity. While the Exchange accepted a public role rhetorically, it labored to ensure that no regulatory oversight would enforce public accountability. Publicists defined the NYSE as the "free and open" "people's market" first to build a community of political sympathizers, then to expand their members' retail markets. By tracing NYSE attempts to reshape popular conceptions about securities markets, I

2,000,000 in 1920, to 10,000,000 in 1930. As a proportion of households, the penetration levels appear significant: from 3.1% to 7.8% to 33.4%. See David F. Hawkins, "The Development of Modern Financial Reporting Practices Among American Manufacturing Corporations," *Business History Review* 37 (Autumn 1963): 145.

⁸ Indeed, the broadening of common stock ownership cannot be decoupled from the discourse of shareholder democracy, which reconceptualized common stock as an instrument of economic and political democracy. Prior to WWI, as Baskin notes, "*public* offering of common stock was viewed as a signal of desperation, a sign that existing owners lacked confidence in the enterprise and refused to add more money." Shareholder democracy ideology helped common stock to shed these associations, and thus served as a cognitive and moral foundation for retail distribution of equities. See Jonathan Barron Baskin and Paul Miranti, Jr., *A History of Corporate Finance* (Cambridge, Mass., 1997), 177-178. Also Jonathan Barron Baskin, "The Development of Corporate Financial Markets in Britain and the United States, 1600-1914: Overcoming Asymmetric Information," *The Business History Review* 62 (Summer 1998): 199-237.

Specifically, the variant of shareholder democracy espoused in NYSE public relations (PR) must be viewed in the context of political opposition to Woodrow Wilson's 'New Freedom' economic policies, advised by none other than Louis Brandeis. Wilsonian legislation most objectionable to the NYSE included: the Pujo inquiry; the Federal Trade Commission (which intended to pursue stricter accounting and disclosure standards for interstate industrial corporations); the Newlands Act to mediate railway labor controversies; the ICC's investigation of railroad assets and valuations in 1913 (with the aim of eliminating "water," or overvaluation, in railroad securities), its investigation of the New Haven merger, and its refusal to raise railroad rates, with Brandeis' appointment as "special counsel" at the hearing. Thomas K. McCraw, *Prophets of Regulation* (Cambridge, Mass., 1984), 94-95; R. T. H. Halsey to Lawrence Abbott, 25 June 1914, R. T. H. Halsey letterbook vol. 1, 151. All letterbooks, New York Stock Exchange [NYSE] Archives.

⁹ Most explanations of the dominance of the NYSE discuss only technological innovation and regional access to wealthy clients and national banks. See R. C. Mitchie, *London and New York Stock Exchanges, 1850-1914* (London, 1987), 169-174, 204-8, 213-14.

hope to illuminate the development of idea of the free market in modern American discourse.

Between 1913 and 1921, the NYSE Committee on Library (COL), comprised of Exchange governors and paid staff, pursued a six-part reactive strategy.¹⁰ First, their publications refuted the muckraking that fueled regulatory proposals.¹¹ Second, COL members monitored portrayals of the NYSE in popular culture and the press. They labored to dispel stereotypes of the NYSE as a metaphorical “gambling hell,” or stockyard where voracious “bulls” and “bears” manipulated security prices to “fleece” lamb-like small investors (see Figure 2).¹² As a third measure, a new on-site library offered “information regarding Exchanges and their functions” to “members, the press, and the public under proper restrictions.”¹³ Library staff fielded queries from educators and journalists, and forwarded favorable articles to members for distribution

¹⁰ The original members of the COL were: R. T. H. Halsey (Chairman, from odd lot specialist firm Tefft, Halsey), Stephen H. Brown (from odd lot specialist firm Vernon C. Brown and Co.), Bernard M. Baruch (private trading firm Baruch Bros), D. G. Geddes (from investment bank Clark, Dodge), H. G. S. Noble (Vice-Chairman, from odd lot house DeCoppet and Doremus), and William C. Van Antwerp (Secretary, from private trading firm Van Antwerp, Bishop, and Fish).

¹¹ Particularly the books Lawson and Brandeis published. As its first answer to Pujo, the Exchange published member William Van Antwerp’s *The Stock Exchange from Within* (New York, 1913), NYSE Secretary H. S. Martin’s *The New York Stock Exchange* (New York, 1919), and copies of hearing testimony and briefs. Lengthy, technical, and argumentative, these earliest materials targeted “thinking” library patrons already predisposed to favor the NYSE. While they promised “elucidation” of Exchange machinery, authors flung considerable mud back at reforming politicians and their agrarian constituents.

¹² These slanders were favored by such perennial Exchange foes as Henry Ford, the Hearst papers, Senators R. LaFollette Jr. and Sr. of Wisconsin, and Senator Smith W. Brookhart of Iowa. Furthermore, the film adaptation of Frank Norris’ *The Pit* (1914) alarmingly portrayed “former” manipulative NYSE trading practices and choreographed traders as engaged in collective frenzied mimicry. Stereotypes of the stock market as a site of mass delusion contradicted Charles A. Conant’s model of a neutral automaton aggregating discrete rational decisions and spitting out prices. To neutralize such epithets and images, Martin’s book offered photographs of empty, tidy trading floors and small groups of neatly attired clerks calmly operating pneumatic tubes, tickers, and telephones. Absent were the mad gestures, seething pits of floor traders, tornadoes of paper, and literal bulls and bears.

Chairman Halsey countered objectionable representations of the NYSE by penning irate letters to publishers and authors, hinting at libel suits. For examples, see R. T. H. H. to National Board of Censorship, 12 May 1914, COP letterbook vol. 1, 33. R. T. H. H. to William Crane, 23 Dec. 1913, Halsey letterbook vol. 1, 67. COL to Lawrence W. Dunham, April 9, 1917, COL letterbook vol. 4, 22.

¹³ 3 March 1913, COP minute book vol. 1, 1-2.

to their customers. In the fourth COL tactic, publicists worked closely to build “understanding” with members of the financial press, particularly regarding the hazards of securities market regulation.¹⁴ COL leaders dismayed over public confusion between NYSE brokerages and bucket shops, non-member firms that purportedly accepted wagers on the movement of stock prices, with no actual transfer of stock.¹⁵ After delivering an investigative report on “two extensive chains of bucket shops” to “federal authorities,” COL leaders heavily publicized their resolve to eliminate bucket shops by cutting off access to NYSE tickers.¹⁶ Lastly, when the COL turned to politics, it claimed to speak for investors across the nation against Interstate Commerce Commission and federal tax policies.¹⁷

¹⁴ The relationships Halsey forged with Albert Atwood at *Harper's Weekly* and Charles Ludington of the *Saturday Evening Post* proved particularly useful.

¹⁵ In the narrowest sense, a bucket shop accepted bets on movements in stock prices, generated by a NYSE ticker. No true purchase or sale occurred. The NYSE extended the label to any non-member extending generous credit to customers. According to the NYSE, bucket shops enticed the incompetent into opening “investment” accounts on low margin (a small down payment). False brokers then sold customers’ margined stocks short. As the stock price fell, bucketeers could call for more margin, and “sell out” customers who could not afford to put up more money. The NYSE considered this process gambling on price movements. Margin placed as a down payment on investments actually constituted a wager. As self-styled “poor man’s stock exchanges,” purported bucket shops claimed to enable the little fellow to capture a piece of the action. They rejoined that NYSE firms also sold margined customers’ stock short, and NYSE short sales between members settled for cash differences, with no physical transfer of stock. Furthermore, NYSE odd lot houses based prices for odd lot trades on the last sale, and not on the current bid (offered to sellers) or ask (offered to buyers) in the regular, full-lot market. All these practices approximated techniques the NYSE branded as “bucketing.” After Sulzer strengthened a law against bucket shops in May 1913, the necessity of distinguishing NYSE brokerage from bucketing became acute. For Van Antwerp’s analysis of the bucket shop problem, including NYSE contractual relations with Western Union, the Exchange’s desire to sidestep common carrier status for its quotations, and the competitive advantages of an anti-bucket shop campaign, see “Digest of the Preliminary Work of the Special Committee on Bucket Shop Operations,” 25 June 1913, NYSE Archives.

¹⁶ William Van Antwerp to Walter Taylor, 16 July 1913, COL letter book vol. 1, 275; “Bucket Shops Open Here and Outside,” *New York Times*, 16 May 1913, p. 20. Fortunately for the NYSE, Sulzer was impeached for campaign finance irregularity in fall 1913, ending a brief reform period. In 1914, the NYSE secured a contract with Western Union that allowed it to investigate and approve all applications for tickers.

¹⁷ Halsey, Van Antwerp, and President H. G. S. Noble all corresponded and met with journalists and politicians on these issues; see COL letterbooks vol. 1-4,

FIGURE 2
Bulls and Bears fleeing small investor Lambs on Wall Street



Source: *Life* (1910), as collected in “General” scrapbook, courtesy of the NYSE Archives.

Halsey letterbooks vol. 1-4, William Van Antwerp letterbooks vol. 1-2, all NYSE Archives.

Because railroad securities predominated on the NYSE, the COL also monitored “the railroad situation,” and allied with Pennsylvania Railroad publicist Ivy Lee to rally supporters to testify in favor of rate increases. R. T. H. H. to Rev. Charles A. Richmond, 29 Sept. 1914, Halsey letterbook vol. 1, 194. R. T. H. H. to C. A. R., 1 Oct. 1914, Halsey letterbook, 195. “Proposes Federal Railroad Charters,” *New York Times*, 15 Nov. 1914, p. C2. “Says Roads are Strangling,” *New York Times*, 16 Dec. 1914, p. 17.

FIGURE 3
"Victory Notes"

Display Ad 58 - No Title
New York Times (1919 Current), May 9, 1919, ProQuest Historical Newspapers The New York Times
pg. 14

Victory Notes

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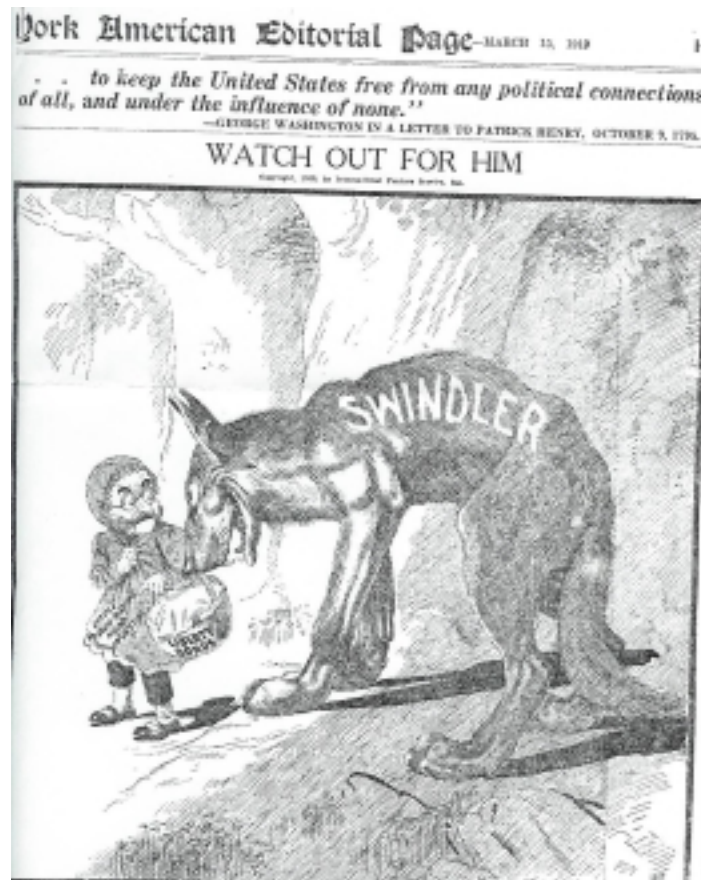
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Source: *New York Times*, May 9, 1919, 14.

Notes: When the Treasury Department called upon the financial industry to help place the Liberty Loans to fund World War One, the NYSE embraced the opportunity to serve and to achieve recognition. However, even the subscriptions of large commission and odd-lot houses like J. S. Bache and Co. (\$500,000) or DeCoppet and Doremus (\$200,000) paled beside the millions pledged by banks, corporations, individuals, employee groups, and ethnic associations. By lending its floor as a central space for major organizers' Liberty Loan rallies, the NYSE contributed in a more visible and distinctive fashion. Contravening its policy against institutional advertising, the NYSE ran two full-page *New York Times* ads. This second ad proudly announced \$900 million in war bond purchases by and through members, which amounted to less than 5 percent of the total. Note the encouragement of tax repeal expectations.

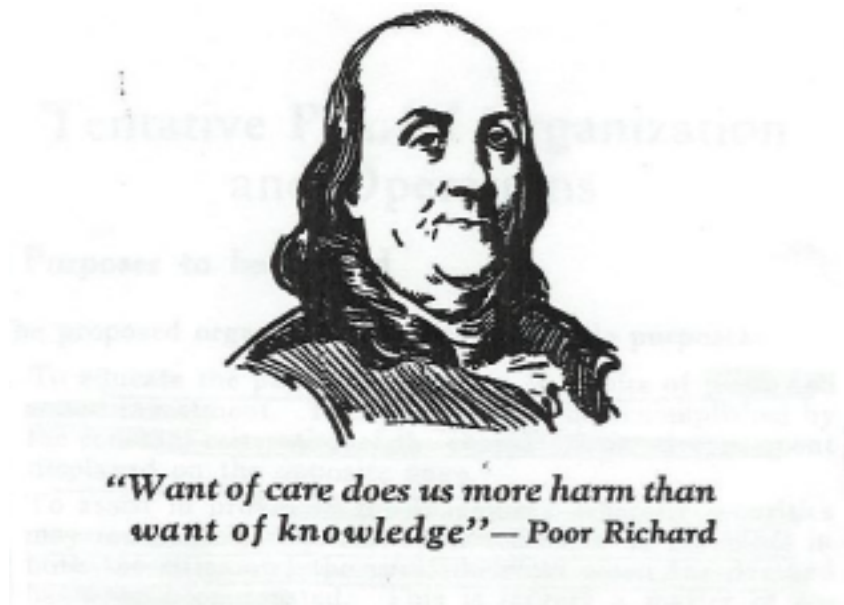
FIGURE 4
The Stock Swindler (1919)



Source: *New York American* March 15, 1919, as collected in “Stock Frauds—Better Business Bureau” scrapbook, courtesy of the NYSE Archives.

Notes: By 1919, members of both the press and the Treasury Department’s Capital Issues Committee worried that new Liberty bond owners were being “swindled” out of their war bond holdings, in exchange for worthless or fraudulent stocks. Many called for federal corporate disclosure laws to help investors evaluate the safety and prospects of securities offerings. NYSE publicists focused on shaping an issue that might provoke securities market regulation into a platform for burnishing the national image of the Exchange. As leaders of the “Business-Men’s Anti-Stock Swindling League,” they learned the public relations value of cooperation and preemption. NYSE commission houses circulated warnings to customers, as did banks. Unions alerted members, while corporations warned customers and employees.

FIGURE 5
The Benjamin Franklin Association (1921)



Source: “Stock Frauds—Better Business Bureau” scrapbook, courtesy of the NYSE Archives.

Notes: A successor to BMASL, the Benjamin Franklin Association (BFA) paired NYSE publicists with leaders of AT&T, who had recently initiated customer and employee shareownership plans. BFA morphed into investors’ sections of the Better Business Bureau in 1922.

BFA proposed to disseminate this image in NYSE members’ ads, phone books, and media outlets. The accompanying copy admitted, “saving is difficult—it requires intelligence and self-denial.” Through “constant repetition,” the ad would become “as familiar as a household word” and instill “habits of thrift and sound investment.” BFA advised banker consultation and avoidance of get-rich-quick “schemes.” Following the World War I Vigilance Committee model, local BFAs would notify law enforcement of plots and crimes against the financial nation.

Lengthy and argumentative, this earliest publicity targeted those already predisposed to favor the NYSE. Picking through the writings of academic economists and financial journalists, Exchange publicists pieced together a defensive public relations (PR) pastiche. The term “free and open” encapsulated a bundle of arguments (derived primarily from journalist Charles A. Conant and economist Henry C. Emery) regarding the organic and efficient nature of unregulated securities markets.¹⁸ It

¹⁸ NYSE publicists took the conceptualization of the stock market as a “barometer” of the entire national economy from financial journalist and banker Charles A. Conant. This theory, from which *Wall Street Journal* editor William

held that share prices reflected the aggregation of traders' discrete, rational guesses on the true worth underlying a company's shares. A sharp trader might fool some people some of the time with false rumors, fake trades, and phony reports, but could not fool all people all the time. Ultimately stock prices could never be manipulated. The futility of securities market regulation followed; it interfered with a natural equilibrium process of price-discovery. Even if regulation could be devised to modulate the market, it would replace the judgment of a multitude of investors with the oversight of an administrative few.

Although they learned not to assert it too loudly, Exchange members still considered themselves part of a private club. The notion that the NYSE should explain itself to the public met opposition, especially from private floor traders and specialists (in a single stock) who dealt solely for their own accounts. NYSE governors' new resolve to forestall manipulation drew resentment from those trader-members who viewed pools and corners as tricks of their trade, harkening back to the Gilded Age

Peter Hamilton derived "the Dow Theory" (after the *Journal's* founder, Charles Dow), conceptualized the stock market as a "natural test and regulator" of stock prices. Share prices reflected the aggregation of traders' best guesses on the true worth underlying a company's shares. Yet, according to Conant, securities prices reflected the sum of opinions of only a few "hundreds of men...the most competent financiers" and "experts," and not a body of citizen-investors. Conant formulated his barometric conceptualization of stock markets as an efficient, mechanistic distributor of capital, in direct contrast with state socialism. Charles A. Conant, "The Function of the Stock and Produce Exchanges," in *Wall Street and the Country*, (New York, 1904), 89-91, 116.

Economist Henry C. Emery influenced NYSE publicists by asserting that speculation and investment could never be morally or economically distinguished, as they served interwoven, productive economic functions. Because they could not be decoupled, speculation could never be abolished or diminished to stabilize investment. Emery sought to legitimate the practice of short selling by likening the practice to commerce; securities traders conducted legitimate trade distributing securities instead of goods. Far from engineering price movements for his own advantage, the short seller dampened over-enthusiasm in bull markets and furnished buying support in panics. The NYSE appropriated the term "free and open" from Emery to encapsulate an entire bundle of arguments and associations regarding the organic and efficient nature of unregulated securities markets. See Henry C. Emery, "Speculations on the Stock and Produce Exchange of the United States," *Studies In History, Economics, and Public Law* 7 (1896): 179, 181. Also, Henry C. Emery, "Results of the German Exchange Act of 1896," *Political Science Quarterly* 13 (June 1898): 287, 318. Henry C. Emery, "Should Speculation be Regulated by Law?," *Journal of Accountancy* 2 (April 1908): 11. It should be noted that Emery originally entertained state supervision over the securities markets, but by 1915, he rested satisfied with NYSE internal reform. Henry C. Emery, "Speculation on the Stock Exchanges and Public Regulation of the Exchanges," *American Economic Review* 5 (March 1915): 74-80.

bears vs. bulls model of the private club. The Pujo debacle pushed NYSE investment bankers and wholesaling brokers who serviced large institutional investors into PR, but many remained skeptical. PR exigencies most substantially affected members' business, and drew members' ire, on account of another 1913 reform, the Committee on Business Conduct (CBC). Hoping that a voluntarily improved association would dissuade state encroachment, the CBC sharpened the beneficent self-policing NYSE governors promised during the Pujo hearings.¹⁹ It received retail customers' complaints and investigated members who might fail to require "adequate margin" from customers, commit "improper use" of a customers' securities, or issue advertising "not of a strictly business character."²⁰ The resolution proved vague, but it granted broad powers to the NYSE governors who staffed the CBC. This angered Exchange critics and members alike, especially NYSE commission houses that transacted the orders of increasing numbers of small investors.²¹ Odd-lot houses offered the mechanism through which commission houses executed trades in less than the 100-share standard, and therefore shared a desire to pursue retail investors aggressively.²²

In short, internal rivalries shaped NYSE public relations. Wholesaling floor traders who serviced institutions and investment banks

¹⁹ See resolution dated 13 Feb. 1913, Committee on Business Conduct minute book vol. 1, 1. The original members of the CBC were: Chairman Donald Geddes (of investment bank Clark and Dodge), Vice Chairman H. G. S. Noble (of odd lot house De Coppet and Doremus), E. V. D. Cox (Cox & Sharp), Charles M. Newcombe (Thomas Denny and Co.), and Winthrop Burr (Parkinson, Burr). See also "Exchange's Police Committee," *New York Times*, 13 May 1913, p. 17.

²⁰ 24 March 1913, CBC minute book vol. 1, 1.

²¹ The shift in predominant business models can be gleaned from annual volumes of *New York Stock Exchange Directories*, NYSE Archives. The directories document the diminishing numbers of private floor traders and the increasing predominance of commission houses and retail-oriented investment banks. Certainly not all commission house branch offices served a retail clientele of moderate incomes. However, the dramatic proliferation of branches in locales such as Paris, Ill. and Ponca City, Okla. Certainly accommodated a more inexperienced and modest clientele. Significantly, these branches were opening in the Midwest, Southern, upstate New York, and Great Plains regions where NYSE publicists concentrated their speaking efforts and anti-bucket shop initiatives. In addition, many large commission houses took orders from correspondent banks over their private wire systems without a large number of physical branches.

²² Because the CBC enforced the governors' new resolve to forestall manipulation (or at least to appear so), it also drew the resentment of some private floor traders and specialists who viewed pools and corners as tricks of the private club. For a discussion of the development of the different varieties of NYSE firms, see *London and New York Stock Exchanges*, 183-186, 199, 229. Also Robert Sobel, *Inside Wall Street: Continuity and Change in the Financial District* (New York, 1977), 26-38, 49-51, 100, 206.

that did not accept retail accounts favored a COL focused on preventing securities market regulation, as well as a strong CBC. Small investors played little role in this business model and inevitably drew would-be regulator/protectors. Odd lot houses and commission brokerages preferred COL encouragement of retail investors, coupled with a liberal CBC that might place customers at ease without interfering with retail marketing. These small investor-oriented firms forged alliances with select specialists who accommodated odd lot trades and investment banks that accepted retail accounts. Most specialists and private floor traders wished to be left alone by watchdogs of any variety—NYSE governors, regulators, or politicians.

These small investor-oriented firms and their advertising agents lambasted Exchange leaders for the “fossilized formalism” required by CBC policy. The NYSE, “maligned and misrepresented for a generation,” required “not less advertising, but more” to explain its functions and to broaden “the market beyond the group surrounded by ticker tapes.” When America “democratized the ownership of our great corporations,” it would secure equitable distribution of wealth and attain true economic democracy:

We talk about our labor unions, we talk about the growth of Socialism. [Yet] Capital ... insists on 1000 dollar bonds, it insists on narrow professional minds, it insists on trying to build up around this great human matter of finance some special legerdemain, some specialized technique, making of the field of finance some sacred precinct into which people must have a passport to enter.²³

This harangue by Herbert H. Houston, president of the Associated Advertising Clubs of the World, added one more ingredient to the PR stew in 1916. As the COL stumbled onto the theme of investment democratization, it began to discuss it as an existing reality that legitimated the security market status quo.

The outbreak of World War One presented the NYSE with new opportunities to polish its image.²⁴ In Liberty Loan sale drives and

²³ In 1917, COL member William Van Antwerp defended a CBC directive forbidding “catch phrases” before the Financial Advertisers’ Association. Following Van Antwerp, the President of the Associated Advertising Clubs of the World, Herbert H. Houston, delivered this scathing attack; see *Proceedings of the First Annual Convention of Financial Advertisers’ Association* (St. Louis, 1916), 59-63. A “delegate” from John Muir and Co., a large NYSE commission house, concurred with Houston on the “important political consequences” of advertising; see *Proceedings*, 75.

²⁴ The NYSE closed from July to Dec. 1914 following European liquidation of American securities. H. G. S. Noble’s *The Stock Exchange in the Crisis of 1914* (New York, 1914), the first publication of an NYSE president, credited this “public service” with forestalling a global financial meltdown. Throughout the war, Congress considered Exchange incorporation, regulation, and closure in the interest of economic stabilization. In this context, the COL added defensive PR to

campaigns to protect war bond holders from the schemes of “stock swindlers,” Exchange publicists learned valuable lessons about preemption and private voluntary cooperation (see Figures 3-5).²⁵ Rallying leaders of commercial banks, industrial enterprises, trade associations, and the American Federation of Labor, the NYSE launched a “Business Man’s Anti-Stock Swindling League” (BMASSL) in 1919. BMASSL sounded the alarm against “pirates of promotion” who induced naïve investors to swap their war bonds for worthless or fraudulent stock. This parallel publicity successfully diffused proposals for federal and state security market regulation, without overtly opposing passage. If the Liberty Loan drives yielded a nation of investors, BMASSL dispelled the notion that securities market regulation need follow. NYSE self-governance survived the war.²⁶

In 1920, however, a press assault resulting from member Allan A. Ryan’s corner in the shares of Stutz Motor Company catalyzed a definitive

NYSE lobbying, circulating “The New York Stock Exchange and Public Opinion,” banker Otto Kahn’s defense of short sales and call for enhanced public relations. No doubt, the COL hoped to influence the debate on exchange regulation and suspension, while directing members’ attention to the necessity of its efforts. PR impresario Ivy Lee arranged the distribution; see Cowing, *Populists, Plungers, and Progressives*, 80-86; COL to E. H. Alden, 25 April 1917, COL letterbook vol. 4, 34; COL to John Muir and Co., 30 April 1917, COL letterbook vol. 4, 38; and COL to Ivy Lee, April 25 and 30, 1917, COL letterbook vol. 4, 39.

²⁵ In the midst of the Liberty Loan drives, Louis Guenther’s “Pirates of Promotion” series in *World’s Work* exposed a campaign by “shrewd pirates of finance” to induce naïve Liberty Loan holders to swap their war bonds for stock in risky, worthless, or non-existent enterprises. Guenther endorsed a federal blue-sky law modeled on the British Companies Act (1900), requiring sworn corporate disclosure documents to be filed with a federal commission prior to any public offering; see Louis Guenther, “Pirates of Promotion, Who are after Your Liberty Bonds with Their Get-Rich Quick Schemes: The Modern Bucket Shop,” *World’s Work*, Oct. 1918, 584-591; “Pirates of Promotion ... George Graham Rice” *World’s Work*, Nov. 1918, 29-33; “In the Partial Payment Plan,” *World’s Work*, Nov. 1918, 16-17; “The Oil Flotation Game,” *World’s Work*, Dec. 1918, 149, 153; “Methods of the Industrial Promoters,” *World’s Work*, Jan. 1919; “Market Manipulation and its Part in the Promotion Game,” *World’s Work*, Feb. 1919, p. 393-8; “The Wreckage,” *World’s Work*, Mar. 1919, 509-515. I thank Kip Kosek, Janice Traflet, and Steven Fraser for directing me to these articles. The Federal Reserve’s Capital Issues Committee also became concerned with swindling in the fall of 1918. When the CIC disbanded in Jan. 1919, its members joined new Treasury Secretary Carter Glass in calling for federal corporate disclosure law.

²⁶ Although BMASSL folded by 1920, the Exchange could view it as successful PR. Throughout 1919, press coverage trumpeted its leadership in the protection of bondholders. Prosecutions of non-members for securities fraud under existing New York law increased under pressure from the press. The year 1919 closed without the passage of federal or New York state blue-sky bills. See clippings in “Stock Frauds Better Business Bureau” scrapbook, NYSE Archives.

shift in NYSE public relations (see Figure 6). The Stutz debacle revived calls for Exchange incorporation and raised vexing questions of accounting and accountability: corporate directors' responsibility for share price, the degree to which share prices reflected "true" value, and the moral and economic distinctions between gambling, speculation, and investment. Ryan capitalized on the imaginative social dimensions of valuing investments.²⁷ Drawing upon the lingering influence of the labor theory of value in popular economic thought, Ryan assigned particular political and cultural meanings to the high price of Stutz shares, with disastrous consequences for the NYSE.

FIGURE 6
Allan A. Ryan Interview (1920)

Source: *New York World* April 18, 1920



²⁷ If broad, national, impersonal securities markets required the development of a shared analytical framework for estimating the value of securities, these debates about the proper price of Stutz's shares demonstrate just how tenuous this process remained in 1920. The process of valuation, whereby the worth of a corporation might be translated into the price of its stock, remained open to the influences of the larger political and cultural context, destabilizing the possibility of common interpretive ground. Ryan referenced larger debates over political economy, in particular a labor theory of value (in which the performance of labor endowed an objective value) vs. marginal utility theory (which stressed a more relativistic concept of value, as determined by the interplay of supply and demand). Marginal utility theory might have achieved supremacy among leading American economic theorists by 1900, as Huston argues. But the Stutz affair reveals the enduring influence of the labor theory of value in popular economic thought; see James L. Huston, *Securing the Fruits of Labor: The American Concept of Wealth Distribution, 1765-1900* (Baton Rouge, La., 1998).

The price of Stutz Motor Car Company shares began a sharp ascent in January 1920.²⁸ It soon attracted short sellers, who borrowed the stock and sold it, believing the price would drop in the future. If it did, they could repurchase the stock at a lower price and return it to the lender, but pocket the price difference. However, Stutz instead rose to \$391 by March 31. The NYSE governors summoned member Allan A. Ryan, President of Stutz, to discuss rumors of a corner, a form of stock market manipulation where one party gains sufficient control over the supply of stock to dictate its price. Ryan reported he controlled 80 percent of the shares and had acted as lender to all those now short. Ryan had cornered Stutz! Unless the squeezed shorts settled their contracts by purchasing Stutz shares from Ryan to cover the shares they owed to Ryan, they faced the ruin of their reputation and the loss of their seats. Ryan dictated his settlement terms: \$750 per share. When the governors of the Stock Exchange threatened delisting because Stutz shares no longer enjoyed sufficient distribution “to provide a free and open market,” Ryan increased his offer to \$1000.²⁹

Given their new resolve to (or at least appear to) forestall such manipulations, the governors suspended trading in Stutz and declared the short contracts void.³⁰ They secured an early PR upper-hand by reporting that only small investors had been caught short. The *New York Times* found “hardly any particular glory to a corner which merely trapped small traders” rather than “some large operator who would have to pay dearly.”³¹ However, Allan A. Ryan began to effectively employ a populist stance. Far from acting as an inside bull manipulator, driving up the price of his own company’s shares to squeeze little short sellers, Ryan presented himself as a paternalistic, gallant defender of investors and productive industry against a bear raid (see Figure 7) by the NYSE’s own governors, who sought to drive the “market price far below its real value” in order to “buy the stock at ridiculous figures.”³²

²⁸ The only full treatment of the Stutz corner remains a chapter entitled “Ticker Tyranny,” in John Brooks, *Once in Golconda: A True Story of Wall Street* (New York, 1969), 21-40.

²⁹ Brooks, *Once in Golconda*, 27-29; 25 and 31 March 1920 in Committee on Business Conduct minute book vol. 1, 299; and “Statement of the New York Stock Exchange Relative to the Corner in the Shares of the Stutz Motor Car Company of America,” 15 April 1920, “Stutz Corner” scrapbook, NYSE Archives.

³⁰ Untitled column in *New York Post*, 1 April 1920, “Stutz Corner” scrapbook.

³¹ “Rumor Again Traps Big Man in Stutz—Stock Exchange Announcement that Only Small Traders were Caught is Disputed,” *New York Times*, 3 April 1920, “Stutz Corner” scrapbook

³² Untitled column in *Mail*, 13 April 1920, “Stutz Corner” scrapbook; “‘The Street’ and Industry,” *Globe*, 9 April 1920, “Stutz Corner” scrapbook.

FIGURE 7
 “This is a Going Concern, Mr. Bear.”



Source: *New York Herald*, October 16, 1917, as collected in “General” scrapbook, courtesy of the NYSE Archives.

Notes: Allan A. Ryan seized upon popular antipathy towards short sellers of stock, or bears, in his defense of his corner in Stutz Motor Car Company in 1920.

In an exclusive *World* interview, Ryan reassigned the stereotype of the small investor as a foolish, greedy, panicky, soon-to-be ravaged lamb to his short foes. “They have no sense of genuine values. They’re automatic alarmists, like a flock of sheep.” Beyond this shift in Wall Street typology, Ryan claimed a more fundamental connection to the broader American public. As guardian-executive, Ryan placed himself on the side of hard work and true value. Although his father Thomas Fortune Ryan had amassed a fortune in insurance and rapid transit, Allan Ryan claimed he “started with nothing” and “made every cent” building Stutz. Its high share price properly reflected its assets and its earning power, “what American opportunity combined with initiative and right management can accomplish.” Ryan’s managerial philosophy legitimized the high share price, defusing accusations of insider bull manipulation: “don’t be a spendthrift with your surplus earnings. Keep your dividends down and put the surplus back into the business.” Ryan aligned himself with workers and shareholders against parasitic finance:

As long as fixed dividends and interest changes stand against your earnings your President will have to be working partly for the capitalists who hold the securities when he ought to be working solely for production.... Treat everyone square as another, whether your workmen, your partners, your managers or your stockholders. That's why I won't stand for any destructive raiding.... I have twenty thousand stockholders they're going to be protected.³³

In truth, an indeterminate number of outsiders held twenty thousand shares of Stutz. Ryan mocked Wall Street's typically bearish attitude toward labor strength or strife:

Start...a strike rumor, for instance, and they'll all start short selling, in full expectation that the bottom is dropping out of the country at last instead of realizing that the United States of America is bigger than any event or any institution or any set of men.³⁴

In Ryan's republic, investors, managers, and labor built America together, struggling against parasitic financiers and destructive bear raiders. Ryan's formula equated short-selling with financial subversion, whereas his bullish buy-and-hold strategy furthered the financial nation: "buy production, built it up, remember you are living in America and go ahead regardless of the fools who sell real values short on passing flurries."³⁵

Allan Ryan privately settled with most shorts for \$550 per share on April 24. In August, the now expelled Ryan filed a \$1 million defamation suit against the Exchange, while NYSE President William Remick secured little coverage of repetitious protests that the "Stutz Market Wasn't Free."³⁶ The Exchange remained in Ryan's PR corner, trapped by the governors' belief that reticence signaled dignity, their adamancy regarding self-policing, and their former public promises that corners were never possible, much less tolerated.

In September 1920, Stutz coverage diminished. Perhaps readers found the story distasteful after the September 16 anarchist bombing at the corner of Broad and Wall.³⁷ Perhaps editors, like those of the *Globe*, backed away from Ryan to cultivate NYSE goodwill and members' advertising.³⁸ Ryan declared bankruptcy in July 1922.³⁹ In 1925, he quietly dropped his suits "without costs to either side."⁴⁰

³³ "Allan Ryan on Wall Street," *World*, 18 April 1920, "Stutz Corner" scrapbook.

³⁴ *Ibid.*

³⁵ *Ibid.*

³⁶ Documents and clippings related to the suits may be found in the "Stutz Corner" scrapbook. COL staffer Jason Westerfield valiantly attempted to stem the tide of negative coverage, writing privately to defend against critical editorials and calls for incorporation. See COL letterbook vol. 4, 328-363.

³⁷ "Trading Ends Abruptly at Noon Following the Explosion," *New York Times*, 17 Sept. 1920, p. 25.

³⁸ The *Globe* agreed to "the importance of cleaning out" its financial advertising columns. See "Diary of Friday, 10 Oct. 1920" COP minute book, vol. 2, 3. Charles

However, in truth, the Stutz affair cost the Exchange dearly in public esteem and political leverage. The COL even found itself compelled to warn major NYSE retail commission brokerage J. S. Bache and Co. “against advocating incorporation” of the Stock Exchange.⁴¹ The day after Ryan’s damning *World* interview, Congressman John M. Baer of North Dakota introduced a bill to “prevent gambling in the necessities of life and speculation in stocks and bonds.” In New York State, Senator Loring M. Black cited the Stutz case when proposing a state commission to regulate the Stock Exchange.⁴² Worst of all, the Stutz debacle undermined NYSE opposition to the veterans’ bonus bill. Introduced in April 1920, the bill proposed to fund vocational training, insurance, cash payments, and home and farm aid, in part, through a stock and bond transfer tax, intended to simultaneously curtail securities speculation.⁴³ In a *New York American* item entitled “Reds of Wall Street Cover their Shorts,” the NYSE attempts to protect “itself against unfair taxation” were judged legitimate, and the governors were charged with communistic appropriation of investors’ property by de-listing Stutz. Bonus-bill securities taxation served as just retribution for failure to protect investors from “raiders,” and wrongly punishing Ryan for doing the job.⁴⁴ Through speeches, publications, and attempts to mobilize commission house customers, the Exchange struggled to prove the fiscal folly of the bonus.⁴⁵ However, in the context

Silkworth, president of the Consolidated Exchange, protested that the *Globe’s* new advertising policies “would have the effect of excluding the Consolidated Stock Exchange,” 26 Nov. 1920, COP minute book vol. 2, 14.

³⁹ Ryan owed debts of over \$32 million and held assets of only \$643,533. In Dec. 1922, the courts settled a few outstanding Stutz contracts but could not prove Ryan engineered the rise in Stutz; see “Allan A. Ryan Fails,” *New York Times*, 22 July 1922 in “Stutz Corner” scrapbook; and Brooks, *Once in Golconda*, 40.

⁴⁰ Untitled clipping in *New York Times*, 17 Jan. 1925 in “Stutz Corner” scrapbook.

⁴¹ 10 Jan. 1921 and 28 Oct. 1920, both in COP minute book vol. 2. Jules S. Bache served as Treasurer of the Association of Stock Exchange firms, a cross-exchange association of brokers dominated by commission houses. His brother Leopold owned the firm’s seat on the NYSE; see “Form Letter, Forms, Etc.” scrapbook, NYSE Archives.

⁴² Statement in *Mail*, 15 April 1920, “Stutz Corner” scrapbook. See also “Asks Investigation of Stock Exchange,” *New York Times*, 21 April 1920, p. 17.

⁴³ “H.R. 13874, World War Veterans’ Adjusted Compensation Act,” in “Bonus Bill” scrapbook, NYSE Archives (not paginated).

⁴⁴ “Reds of Wall Street Cover their Shorts,” *New York American*, 6 May 1920, “Bonus Bill” scrapbook.

⁴⁵ The NYSE argued the transfer tax would vastly diminish trading volume, generating insubstantial revenue. Brokers, “accountants and bookkeepers” would lose work; small investors and industry would be dissuaded from contributing and collecting capital by necessarily higher commissions. Most serious would be the loss of the “free and open” capital market, defined as one populated with speculators always “prepared to buy or sell” to create “a continuous market.” Protests substituted the Liberty bondholder for the veteran

of the Stutz affair, the Exchange's certainty regarding the destructive threat the bonus posed to "free markets" in industry and finance rang hollow.⁴⁶

Throughout the 1920s, NYSE publicists continued to wrestle Allan Ryan. The erroneous belief that "a dominant and powerful group vaguely referred to as 'the insiders' and 'the interests'" engineered "price-swings" at "the cost of the investing and speculating public" constituted the "parent delusion" plaguing the NYSE. The Exchange required something to counter "emotions and prejudice" stirred in "the public imagination" by Allan Ryan.⁴⁷ Apart from the overt legislative attacks, the Stutz affair catalyzed a new approach to public relations at the NYSE. As publicists retooled, they appropriated some of Ryan's rhetorical tactics.

Internal institutional rivalry and external competition also provoked a change in strategy after 1921. Since 1913, most NYSE

as the imperiled national hero, and conflated Liberty and corporate bondholders. Taxation would abrogate the government's implied promise to "this enormous number of investors" of financial market status quo. The bonus bill pushed the NYSE to attempt mass political mobilization. The Exchange printed 30,000 cards for members' customers, urging them to write to Congress in opposition to the bonus. NYSE commission houses also railed against the bonus in their marketing circulars. President Remick rallied "the presidents of all stock and commodity exchanges" to discuss the "ruinous tax" threatening securities markets and the national "financial structure." Remick called for local exchanges and boards of trade to instruct "the public in the consequences of the proposed legislation." His comments were distributed through the assembled institutions' member firms. See "Bonus Bill" scrapbook: William Remick [?] to Hon. Jos. W. Fordney, 26 April 1920, pp. 1-5 [reprinted as "The Stock Transfer Tax" (New York, 1920)]; Press release, 4 and 8 May 1920; Insert card, 17 May 1920; C. I. Hudson and Co., "Week-end Letter," 22 May 1920; Night Telegram, 3 May 1920; and "Financiers Fight Stock Sales Tax," *New York Times*, 8 May 1920, p. 27.

⁴⁶ The bonus bill passed the House in May 1920, despite a flurry of NYSE telegrams scolding Republicans to "build up American business and not pull it down" and the protest of Treasury Secretary David F. Houston. Aggressive bonus opposition and the Stutz affair dissipated the goodwill secured in the Liberty Loan and anti-swindling initiatives. A *Tribune* editorial found the justice of soldiers' claims "unassailable"; the men needed more than "lip homage" from "stay-at-home" war profiteers. NYSE Lobbyist John P. Ryan suggested Senators did not appreciate the blitz by a disgraced Exchange. In Dec., the Senate Finance Committee finally invited NYSE representatives to testify on the bonus. Afterwards, the Exchange released the briefs of Counsel John G. Milburn and newly hired economist J. Edward Meeker to members, banks, manufacturers, and state and federal legislators. Lacking funding provisions, Harding vetoed the bill on 19 Sept. 1922. Congress overcame Coolidge's veto on 19 May 1924. See "Bonus Bill" scrapbook for bonus bill related clippings and memos, as well as the Hearst syndicate's support for the bonus.

⁴⁷ Jason Rogers Westerfield, "Wall Street in its Relation to the Public" (New York, 1924), 10.

commission houses had dutifully curtailed business with bucket shops, distributed NYSE literature to their customers, and interceded with politicians and journalists. NYSE governors had returned the favor with ad censorship, then bumbling the Stutz affair. Commission houses now demanded, “what we must give is service to the public.”⁴⁸ They insisted upon PR that would help them attract retail customers, and promised broadened customer bases would effectively dissipate agitation for securities market regulation.⁴⁹ Competition with the Consolidated Exchange, which proclaimed itself the “the greatest odd lot exchange in the world” in 1921, exacerbated commission house dissatisfaction.⁵⁰ While the proportion of NYSE odd lot trading also grew, it presented a ticking political and public relations time-bomb, for the governors could not defend a sharp procedural boundary between NYSE odd lot trading and the illegal gambling practices of bucket shops.⁵¹ Furthermore, New York

⁴⁸ See testimony of member William B. Nash before “Special Committee on Ways and Means: Subcommittee on Odd Lots,” folder 7, box 3, 26. In addition, the CBC confronted considerable commission house non-compliance. After the war, commission houses experimented with virtually every (forbidden) advertising convention of contemporaneous consumer culture to gain new accounts, including illumination, radio, illustration, dramatic narrative, “catch phrases,” and outdoor billboards. See CBC minute books, vol. 1-7, NYSE Archives.

⁴⁹ Theodore Lauer at E. F. Hutton, a large western commission house, testified that the odd lot business yielded little profit, but greatly improved public attitudes towards stock markets and brokers. See testimony before “Special Committee on Ways and Means: Subcommittee on Odd Lots,” folder 9, box 3, 413.

⁵⁰ Due to an obscure contractual loophole, Consolidated brokers enjoyed access to NYSE quotations. The NYSE considered its archrival nothing more than a den of bucketeers, pricing trades according to NYSE quotations but charging half the commission. See Van Antwerp’s “Preliminary Digest,” as well as George Garvy, “Rivals and Interlopers in the History of the New York Security Market,” *Journal of Political Economy* 52 (June 1944): 134-38. Also, Mitchie, *London and New York Stock Exchanges*, 204-8, 213-14.

COL chairman R. T. H. Halsey’s partner, Erastus Tefft, reported that Charles Silkworth, president of the Consolidated Exchange told him: “as long as you go on trading in as many stock as you do 1/4 away from the sale, and not at the market, our business will go on and increase, and we have got nothing to fear from you.” See testimony before “Special Committee on Ways and Means: Subcommittee on Odd Lots,” folder 7, box 3, 2. NYSE governor George P. Mellick (of odd lot house Carlisle, Mellick) echoed Tefft’s concerns about Consolidated competition, 120.

The Consolidated ad ran in *The New York Herald* in Jan. 1922. See clipping in “Special Committee on Ways and Means: Subcommittee on Odd Lots,” folder 11, box 3.

⁵¹ Commission houses confirmed CBC findings of retail customer dissatisfaction with odd lot trading, which executed through four NYSE odd lot houses at prices up to 1/4 away from the last trade. In other words, both bucket shops and NYSE

passed the Martin Act in May of 1921.⁵² As a result of lobbying by the Exchange and other financial institutions, it did not create any state commissions to license brokers or to approve new securities.⁵³ However,

odd lot firms based prices for customers' orders on the results of prior trades, and not in the "free and open" regular market. Former NYSE president H. G. S. Noble asserted, "the public do not want to make the market; they want to follow the market." See testimony collected in "Special Committee on Ways and Means: Subcommittee on Odd Lots," folder 7, box 3, 240 and folder 9, box 2, 394. Odd lot houses also settled the accounts of their commission house clients outside of the Exchange's clearinghouse. The Special Committee despaired that they could defend these processes in a legislative or district attorney investigation.

Commission houses reported that odd lot trades constituted up to 40% percent of their business by 1921. On active days, odd lot trading might account for as much as 40% of all NYSE volume. For estimations see "Special Committee on Ways and Means: Subcommittee on Odd Lots," folder 7, box 3, 8, 195-212; folder 7, box 3, 355, 377, 405. The odd lot houses (and associated governors) were: Jacquelin and DeCoppet (Herbert T. Jacquelin); DeCoppet and Doremus (H. G. S. Noble); Carlisle, Mellick (Jay Carlisle); and C. M. Schott and Co. Some odd lot trading executed through specialists, including Halsey's firm, Tefft, Halsey.

⁵² The Martin law, named after State Assemblyman Louis M. Martin, empowered the New York attorney general to investigate any commercial or financial fraud in the state. According to Nicholas Thompson, "it empowers him to subpoena any document he want...to keep an investigation totally secret or make it totally public.... People called in for questioning...do not have a right to counsel or a right against self-incrimination." Thompson relates how Democrat Eliot Spitzer has, in recent years, breached an "unspoken gentleman's agreement" to apply the Martin Act against the "big boys": stock analysts Henry Blodget, and Jack Grubman, mutual fund fee and trading practices, and Martha Stewart; see Nicholas Thompson, "The Sword of Spitzer," www.legalaffairs.org/issues/May-June-004/feature_thompson_mayjun04.html accessed 30 Sept. 2004.

⁵³ By 1922, the NYSE faced two federal blue-sky bills: Edward E. Denison's in the House and the "Katlin bill" in the Senate. In 1923, Untermyer helped craft the Lockwood bill to incorporate the NYSE and to regulate the issue and sale of securities at the state level, and license brokers. See Cowing, *Populists, Plungers, and Progressives*, 71-72. Also, "To Ask Congress for Bucket Shop Curb," *New York Times*, 23 July 1923, p. 1. Fearing state licensing would undermine the NYSE brand, publicists continued to assert Exchange listing requirements and member admissions process already protected the public, as it had since the New York state Hughes commission investigation of the NYSE in 1909. For Exchange lobbying for the Martin Act instead of the Betts blue-sky bill, see 8 March 1921, COP minute book vol. 2, 20. Also, "Special Committee On Ways and Means" memo, folder 12, box 1. For the press coverage of NYSE President Seymour L. Cromwell's public opposition to the Lockwood, Katlin, and Denison bills and countless columns announcing the Exchange's resolve to eliminate bucketshops, see "Seymour L. Cromwell Personal Scrapbook January 1922 to December 1923," NYSE Archives. For the COP's dissemination of pamphlets arguing against these bills, 16 March 1923, COL minute book vol. 2, 49.

because the Martin Act greatly enhanced the Attorney General's ability to investigate securities fraud, it made efforts to distinguish NYSE brokerage even more critical.

Changing its name in 1925, the Committee on Publicity (COP) transformed reactive, library-centered publicity for "thinking" people into positive, anticipatory PR for the masses.⁵⁴ It conceptualized all seven dimensions as public education: the Better Business Bureau, publications, press relations, Exchange visits and hosting, academic relations, speaking tours, and motion pictures. The losses of small investors resulted from their inability to "distinguish between legitimate, necessary economic enterprise and fraudulent financial operations of swindlers," rooted in a lack of knowledge about "Wall Street as it really exists."⁵⁵ Economic ignorance also threatened the political nation, allowing the "misguided" financial reformer and the "red beachcomber" to inflame "passionate hatred" of America's "social, political, and economic institutions" with "lies and sophistries."⁵⁶ The "antidotes to the pernicious activities" of "enemies of society, who strive to confer the 'blessings' of Bolshevik degradation" lay "in education and then more education."⁵⁷ NYSE publicity counteracted "sensational writers and speakers" working "against the public interest" by promoting "full understanding of the purpose and procedures of stock exchanges."⁵⁸ A new cohort of publicists, especially Director of Publicity Jason Westerfield and presidents Seymour Cromwell and E. H. H. Simmons, also laid a foundation for the marketing of NYSE retail brokerages. Defining the NYSE as the "free and open" "people's market," publicists trumpeted common stock ownership, dependent upon unregulated securities markets, as the key to redeeming political democracy and entrepreneurialism in an age of corporate capitalism.

⁵⁴ Assuming the presidency in 1921, Seymour L. Cromwell convened a series of special committees to investigate pressing issues plaguing the Exchange in its relations with the public and members in their "service" of retail customers: odd lot trading practice, specialist conduct, wire connections, guarantee of members' liabilities, and incorporation and blue-sky bills pending at both state and federal levels. Though a member of the wholesaling brokerage Strong, Sturgis, Cromwell's friendship with PR guru Ivy Lee informally influenced the new emphasis on marketing-friendly "education." After the "searching examination into the methods of handling the public's investment funds," Cromwell announced a new strategy at the 1922 conference of NYSE members and their partners; see Governing Committee resolution, 9 March 1921, "Special Committee on Ways and Means," folder 1, box 1, NYSE Archives.

⁵⁵ "Talks on the 'Real Wall St.'" *New York Times*, 26 May 1927, p. 34.

⁵⁶ Jason Rogers Westerfield, "Dangerous Delusions" (New York, undated), 20.

⁵⁷ Jason Rogers Westerfield, "Wall Street of Fact and Fiction" (New York, 1923), 4-5.

⁵⁸ Seymour L. Cromwell, "Problems and Policies of the New York Stock Exchange" (New York, 1923), 6.

Many COP initiatives expanded and intensified previous efforts. As a continuation of its prior campaigns against bucketeers and swindlers, the Exchange underwrote investors' sections of the Better Business Bureau.⁵⁹ Bureaus reported suspicious marketing by non-members in their bulletins, or to the Attorney General.⁶⁰ Brought down by successive

⁵⁹ With \$100,000 from the NYSE, the Better Business Bureau of New York incorporated July 1, 1922, with the following Advisory Committee and Officers: D. F. Houston (Bell Telephone Securities), R. T. H. Halsey (NYSE firm Tefft, Halsey), Lewis E. Pierman (Chairman, Irving Bank—Columbia Trust), John J. Pulleyn (President, Emigrant Industrial Savings Bank), G. W. McGarrath (Chairman, Mechanics and Metals National Bank), John H. Puelicher (President, Marshall and Ilsley Bank, Milwaukee), George Hodges (NYSE firm Remick, Hodges and Co.), Herbert S. Houston (Publisher, *Our World*), James G. White (President, James G. White and Co.), William Barr (National Founders Association), H. D. Robbins (President, H. D. Robbins), Russell R. Whitman (Publisher, *New York Commercial*), Julius H. Barnes (Barnes, Ames and Co.). See loose report in "Stock Frauds Better Business Bureau" scrapbook, NYSE Archives.

⁶⁰ Bureau investigations helped Attorney General Albert Ottinger "search out and punish" false brokers under the Martin Act. E. H. H. Simmons, "Securities Frauds: A National Business Liability" (New York, 1927), 34.

The idea to use the Better Business Bureau to feed the Martin Act was discussed with Investment Banking Association President Howard F. Weebe and R. T. Kenner, managing secretary of the Better Business Bureau, in a Special Committee on Ways and Means Subcommittee on Blue-sky Laws hearing on 24 Aug. 1922. See "Special Committee on Ways and Means: Subcommittee D on Blue-sky Laws," folder 12, box 1, 277-297.

Most of the individuals consulted on blue-sky laws disagreed that they interfered with "legitimate" securities distribution. See "Special Committee on Ways and Means: Subcommittee D on Blue-sky Laws," folder 10, box 1. Nevertheless, the Special Committee's report reaffirmed the Exchange's traditional position on blue-sky laws: their lack of uniformity across states led to "constant change and experiment" unsuited to the New York financial center of the nation; they only "hampered legitimate brokers and dealers;" "political considerations" and "friendship" would ultimately dictate their application. The Special Committee even rejected supporting a blue-sky law with exemptions for NYSE brokers and listings, for it "might result in placing undue responsibility on the Stock Exchange—the Stock Exchange has and should have no idea of determining what securities are good for American investors." A federal corporate incorporation bill was also dismissed as unconstitutional. See Special Committee on Ways and Means, Subcommittee D on Blue-sky Laws, "Review of Evidence upon Blue-sky Law," folder 5, box 2.

Both Cromwell and E. H. H. Simmons openly described the BBB as a delivery mechanism for the Martin Act. See E. H. H. Simmons, "Free Markets and Popular Ownership" (New York, 1925), 75. Also "Seymour L. Cromwell Personal Scrapbook, 1922-1924," NYSE Archives.

scandalous inquires, the Consolidated Exchange closed in 1926.⁶¹ NYSE commission houses finally received their carrot in return for the CBC stick.⁶² Better Business Bureau investors' sections enabled Exchange firms to avoid the odium of stock swindling while mitigating aggressive competition.⁶³ In the wake of the Stutz affair, the COP greatly increased the volume of "facts" it published. It forwarded its publications, its speeches, and favorable articles to an ever-widening distribution list, culled from the rolls of visitors and speakers' audiences, libraries, politicians, NYSE branch offices, Better Business Bureaus, newspapers, listed corporations, educational institutions, granges, trade groups, civic and professional associations, and banks.⁶⁴ The COP continued to actively

⁶¹ See "Better Business Bureau Reports on Frauds...60 Court Orders Obtained," *New York Times*, 9 March 1926, p. 32. A rash of Consolidated broker failures set into a motion an onslaught of investigations by District Attorney Ottinger, who suspected endemic wash sales and bucketing. Ottinger's investigations eventually brought down Consolidated President Charles Silkworth. See "E. M. Fuller and Co. Fail," *New York Times*, 28 June 1922, p. 1; "Victims Besiege Fuller," *New York Times*, 29 June 1922, p. 5.; "Silkworths Sought in Fuller Smash: Process Servers Can't Find President of the Consolidated," *New York Times*, 26 April 1923, p. 21; "Silkworth on Trial...Accused of Fraudulent Use of Mail," *New York Times*, 6 Nov. 1924, p. 32. "Consolidated Head Accused," *New York Times*, 24 Dec. 1925, p. 4; and "Silkworth Loses, Conviction Stands," *New York Times*, 2 Feb. 1926, p. 6.

After a series of injunctions and several failed attempts to revive the Consolidated, it effectively ceased operations in 1926. See "Injunction Curbs the Consolidated's Trading Practices," *New York Times*, Feb. 5, 1926, p. 1; "Sues to End Tickers of Consolidated," *New York Times*, 8 Oct. 1926, p. 33; "Consolidated Quits by Governors' Vote," *New York Times*, 12 Feb. 1926, p. 1; "Consolidated Finds it Gave Up Tickers: Agreement Made in 1891 with New York Stock Exchange Comes to Light. Mislaidd in Files for Years," *New York Times*, 25 Feb. 1927, p. 27; "Exchange Can Stop Stock Quotations," *New York Times*, 27 May 1927, p. 36.

⁶² The CBC continued to censor members' ads. The BBB ensured members followed CBC rules and refrained from dealing with bucketeers and swindlers by forwarding member violations for private discipline. The COP organized funding drives among Exchange members, provided mailing lists, and offered funds and advice. In return, the BBB provided the NYSE with another outlet for publicity material and confirmation of members' solvency. The Stock List Committee used "records and facilities" to investigate possible new stock listings. Members utilized the BBB to obtain information to ensure prospective customers did not operate bucket shops. See COP minute books vol. 2-4.

⁶³ Merrill Lynch employed the BBB slogan, "Investigate Before You Invest" in its advertising in the 1950s and 1960s. Sobel, p. 104. Edwin J. Perkins, *From Wall Street to Main Street: Charles Merrill and Middle Class Investors* (Cambridge, Mass., 1999).

⁶⁴ The COP earmarked articles on the Exchange's accommodation and protection of small investors: 4 May 1923, COP minute book vol. 2, 60-61; 10 Aug. 1925, COP minute book vol. 3, 128. Post-1921 publications included a massive textbook

manage press relations, working existing connections with favored journalists even more aggressively and reaching out to new “financial magazines.”⁶⁵ Unrelenting scrutiny of all press coverage and portrayals of the NYSE, its members, and relevant political issues produced voluminous scrapbooks of clippings.⁶⁶ Gallery visits for groups and individuals extended the press’ access privileges to a broader public, while conventions finessed targeted groups, especially those perceived as potentially politically hostile.⁶⁷ Member dinners proved crucial in delivering the PR message to members, their partners, and employees.⁶⁸

by new staff economist J. E. Meeker, a new listing report service, yearbooks, and of course, publicists’ and presidential speeches. For the growth of COP mailing lists: 22 June 1923 COP minute book vol. 2, p. 73; 11 and 22 Aug, 23 and 26 Sept., 9 Oct. 1923; 2 and 16 March, 13 July, 3 and 11 Dec., 1925; 22 March and 6 Dec. 1926; COP minute book vol. 3, pp. 43, 45-46, 49, 51, 52, 54, 83, 151, 153, 176, 227, 254. Also, 15 Oct. 1930, COP minute book vol. 4, p. 51.

⁶⁵ 19 March 1924, COP minute book vol. 3, p. 16.

⁶⁶ 6 and 14 May 1926, COP minute book, vol. 3, pp. 189, 191. Publicists prepared “letters to newspaper editors correcting misstatements,” 13 April 1921, COP minute book vol. 2, p. 54. All NYSE committees were asked to advise the COP “of any action” which might “find its way” into the papers, 10 Aug. 1925, COP minute book vol. 3, p. 129.

⁶⁷ The Exchange began to host non-member groups in 1923, welcoming students from the University of Pennsylvania’s Wharton School of Business and Chamber of Commerce convention delegates. Recalling William Jennings Bryan’s spirited denunciation of the money trust at the 1912 Democratic National Convention, DNC delegates were invited to visit and to lunch in 1924. Out-of-town bankers, farmers’ groups, and state Securities Commissioners rounded out the list of targeted groups perceived as potentially politically hostile. After 1925, the COP kept abreast of all conventions in New York City. Minutes recorded visits by the Knights Templar, telephone engineers, the National Association of Credit Men, representatives of the “German Ministries of State,” Japanese businessmen, American Telephone & Telegraph’s treasury department, and delegates of the California Rotary Club. The first “visitors’ week” in August 1921 accommodated 350 invitees of members. The COP next opened the gallery to those introduced by members, “officers of Wall St. banks,” Exchange publicists, and to pre-approved groups. By 1929, the gallery drew several thousand “casual visitors” per month. A Kansas odd fellow recounted: “After standing in the gallery and looking down into the pit where many men were moving about, with activity everywhere, we came to the conclusion that we knew just about as much of what was going on as we did before the visit, which was absolutely nil.” But this fellow grasped perfectly Cromwell’s speech on “‘bucket shops’ located everywhere and which he said were illegitimate and brought odium upon the Stock Exchange.” See COP minute books, vol. 2-4; *Western Odd Fellow* (Topeka, Kan.) vol. xxxviii, no. 1 (Jan. 1924), “Seymour L. Cromwell Personal Scrapbook, 1922-1924.”

⁶⁸ For annual member assemblies: 15 Feb., 29 March, 5 and 22 April, 1921; 21 March 1922; 23 and 31 May 1923; 2 Feb. 1925; COP minute book vol. 2, pp. 19, 21, 37, 65-6, 68, 70, 78. Also, 20 April 20 1925, COP minute book vol. 3, pp. 97-8; and “Exchange Members Fraternalize Today,” *New York Times*, 15 April 1921,

Lastly, Exchange publicists urged educators and administrators to use NYSE materials and to incorporate NYSE visits in courses on “the principles of sound investment” and “economic fundamentals.”⁶⁹ Through “straight teaching” and an emphasis on “the absolute interdependency of all the elements going to make up our entire economic structure,” such classes would reiterate in “the equal opportunities enjoyed by and guaranteed to every citizen under our democratic form of government.”⁷⁰

In its most significant change in strategy, the Committee on Publicity replaced political pressure with political networking. While NYSE lecturers characterized their speaking engagements as purely educational, they strove to mold their audience into political allies. NYSE presidents addressed trade, finance, industry, and professional associations in larger cities across America. Director of Publicity Jason Westerfield called upon business organizations, high schools, and colleges in small cities and towns in Great Plains, Midwest, Great Lakes, Southern, and Western states, consistent supporters of federal commodity and security market regulation.⁷¹ These areas also constituted some of the most intense battlegrounds between member and non-member retail networks.

Rhetorically bridging perceived geographic, political, or economic chasms, the addresses of presidents Seymour L. Cromwell and E. H. H. Simmons dissolved other regional sympathies. They placed the NYSE at the center of an imagined national community of “businessmen,” all those devising “genuine solutions to practical problems arising in our fields, our shops, and our marketplaces,” in contrast to meddlesome technocrats or mere toilers.⁷² This synecdoche conceptualized the stock market as both the entire national economy and the piloting apparatus of the NYSE. “To plunge” the Exchange into “politics” through regulation would destroy it, and “at the same time destroy industrial, financial and economic efficiency.”⁷³ Simmons and Cromwell assigned particular legitimizing metaphors to redefine the NYSE. They likened members’ speculations and the loans that fueled them to commercial practice. They defended speculation as a fundamental, inherent trait of the American male, and a prerequisite for “permanent” investment by citizen-investors.

p. 27. Although closed to non-members, journalists were “invited to the luncheon and supplied with releases.”; see 29 March 1921, COP minute book vol. 2, p. 21.

⁶⁹ Jason R. Westerfield, “Speculation” (New York, 1923), 10; R. T. H. H. to “Presidents of Universities and Colleges,” 18. Oct. 1920, “Forms, Form Letters, Etc.” scrapbook.

⁷⁰ Jason R. Westerfield, “Wall Street of Fact and Fiction” (New York, undated), 6.

⁷¹ For Westerfield’s itinerary, see COP minute book vols. 2, 3, and 4.

⁷² Seymour L. Cromwell, “Private Initiative” (New York, 1922), 16

⁷³ Cromwell, “Private Initiative,” 3

NYSE economic history portrayed an inexorable teleology of industrial development, culminating in the publicly-traded corporation, the font of modern consumer comfort, satiety, safety, and health. Jason Westerfield characterized the “the machinery of finance” as the key “forgotten factor” in humanity’s “triumph over nature and wringing from it an abundance of things.”⁷⁴ The “accumulated savings of the people” created corporations, which in turn secured “the successes of industry and applied science and all the comforts and ameliorations of the common lot.”⁷⁵ What political economy could be more democratic than one in which free and open markets united “the people” as corporate consumers and investors? In an era of mass consumption, “there is scarcely a thing you do—there is not a puff of smoke you draw—for which you are not in some degree indebted to the New York Stock Exchange.”⁷⁶ Former “luxuries,” like the sugar now found on every table, bore witness to consumer society’s democratic nature.⁷⁷ Westerfield’s vision of modern consumer society linked machine, investor, entrepreneur, consumer, and financier. It erased labor from the “combination” which raised America to “pre-eminence in material abundance.”⁷⁸ The corporation’s delivery of consumerist prosperity depended utterly upon the self-regulated facilities of the NYSE.

Lastly, NYSE orators also posited a direct link between a mass of citizen-investors and the self-governed Exchange. Their variant of shareholder democracy conceptualized unregulated securities markets as both an analog and an instrument of political democracy and economic justice. It portrayed NYSE-listed corporations as commonwealths of stockowners. The NYSE-led expansion of equity investment promised a “democratic type of capitalism” by increasing the number of corporate “partners” and distributing “the benefits of ownership so broadly throughout our whole people.”⁷⁹ Yet, Exchange publicists vacillated between pronouncing shareholder democracy a *fait accompli*, and backpedaling to herald an imminent arrival of the shareholder millennium, “when the average American will be a capitalist and security owner as well as an employee.”⁸⁰ Thus, they blurred the potential for broadened equities ownership to reform capitalism with the realization of that project. Confronted with demands that the state “exert greater power over our large-scale corporations,” or even “take over their management,” president Cromwell offered “a sounder” alternative in “the gradual

⁷⁴ Jason Rogers Westerfield, “The Forgotten Factor,” *Four Talks on Wall Street* (New York, undated), 15.

⁷⁵ Westerfield, “Dangerous Delusions,” 10.

⁷⁶ Westerfield, “Dangerous Delusions,” 10.

⁷⁷ Westerfield, “Dangerous Delusions,” 8-9.

⁷⁸ Westerfield, “The Forgotten Factor,” 16, 19-22.

⁷⁹ E. H. H. Simmons, “Modern Capitalism” (New York, 1926), 11, 18.

⁸⁰ Simmons, “Free Markets,” 68.

distribution of the shares of our large corporations to the public.”⁸¹ NYSE publicists did not ponder whether or not their one share-one vote model proved fundamentally consistent with one citizen-one vote model of political democracy. They failed to detail what a truly democratic distribution would look like. Must every American own shares? In how many types of corporations? How could shareholders ensure that corporations were operated according to their “best interests”? Publicists simply held that if private distribution were allowed to develop without regulatory interference, it would not fail to secure lasting political tranquility and economic stability. A broadening of the American investing class would prove “a solvent to the perennial quarrels of labor and capital,” eliminating their ancient antagonism.⁸²

In speeches delivered in the last late summer days of 1929, NYSE president E. H. H. Simmons formulated a synoptic conception of the NYSE as the “balance wheel of commerce,” appropriating a term that Hoover’s Commerce Department had used to describe countercyclical public works projects.⁸³ Much more efficiently than any program that academic economists, state or federal regulators and bureaucrats, or corporate executives might concoct, the NYSE flywheel stabilized the national economy. As an instrument of economic counter-cyclicity, it proved more national, more truly democratic, and more consistent with natural economic law. It allowed a nation of American citizen-investors to create their own “new era” of permanent prosperity. With a widened capital base, the shareholder nation no longer need fear the “over-sensitivity of share price” that characterized “former eras” suffering from a “relative shortage of capital.”⁸⁴ The influx of small investors’ funds placed NYSE-listed companies “in better financial shape than ever before,” able to withstand any future “business depressions and money market troubles.”⁸⁵ As market commentators, economists, politicians, and the Federal Reserve increasingly expressed concern about the sustainability of the raging stock market and the gargantuan volume of outstanding loans to Stock

⁸¹ Seymour L. Cromwell, “The Stock Exchange and the Nation’s Credit” (New York, 1923), 8.

⁸² Cromwell, “The Stock Exchange and the Nation’s Credit,” 9.

⁸³ Ellis W. Hawley, “Herbert Hoover, the Commerce Secretariat, and the Vision of an ‘Associative State,’ 1921-1928,” *Journal of American History* 61 (June 1974): 131.

⁸⁴ E. H. H. Simmons pamphlet, “New Aspects of Corporate Finance” (New York, 1929), 10.

⁸⁵ Simmons claimed corporations used investors’ funds to “straighten out their capital structure by retiring fixed obligations, to install better and more efficient equipment, to lower their cost of production and to pay higher wages.” In truth, many small investors poured savings into investment trusts, greatly inflating the share price. E. H. H. Simmons, “Stabilizing American Business” (New York, 1929), 13; Simmons, “New Aspects,” 3, 11.

Exchange brokers, Simmons advised investors to ignore the egg-heads, prognosticators, and pencil-pushers.⁸⁶

Economic soothsayers or any small group of experts [only seek] autocratic control over our business lives. The American people are neither mentally nor morally unfit to manage the prosperity they have created. I refuse to believe [they] are less able to exercise the prerogatives of economic and financial freedom than they are to use wisely the political freedom that was won a century and a half ago...We do not need panaceas or artificial legislation. Mere pride of supposedly expert opinion must yield place before the hard facts of a new society. The universal thrift and intelligence which have created the progress and prosperity of American business will continue to manage and administer it.⁸⁷

In a supremely ironic conclusion, Simmons declared emphatically, "...the business cycle has apparently ceased to operate in its former accustomed manner."⁸⁸

While the lecture circuit enabled Exchange presidents and publicists to meet the great American public in person, the COP settled on motion pictures as their preferred mass medium.⁸⁹ With their apparent verisimilitude, films might "bring about a better understanding of the services of legitimate finance and dispel false impressions."⁹⁰ They could convey both the steps of an NYSE transaction and the absence of

⁸⁶ The regulatory front remained quiet until about 1928, when the gargantuan volume of loans to brokers for stock market speculation prompted the Federal Reserve to raise interest rates. This action only increased the proportion of funds lent by non-bank entities, especially corporations. See Jeremy Atack and Peter Passell, *A New Economic View of American History* (New York, 1994), 606.

In Jan. 1928, Senator Robert LaFollette, Jr. and Minnesota Farmer-Laborite Hendrick Shipstead condemned broker loans as unproductive, and the roaring stock market as artificial. Even as Harvard economist O. M. W. Sprague testified against a bill introduced by Iowa Republican Smith W. Brookhart to prohibit brokers' loans from national banks, Sprague agreed they exacerbated a now overvalued stock market. Bills met defeat, but antagonism towards brokers' loans surfaced in Federal Reserve planks of both Democrats and progressive Republicans. See Cowing, *Populists, Plungers, and Progressives*, 133-4, 143, 148-149, 188.

⁸⁷ Simmons, "Stabilizing American Business," 7, 11

⁸⁸ Simmons, "Stabilizing American Business," 19.

⁸⁹ The NYSE also experimented with drama; see J. E. Meeker, *Smith's First Investment* (New York, 1922), Chautauqua circuits, expositions, and radio addresses; and COP minute books, vol. 2-4. The NYSE distributed three proprietary films, "A Trip to Wall Street" (1923), "The Nation's Marketplace," and "Mechanics of the Nation's Financial Marketplace" (both 1928).

⁹⁰ Card pasted into "Forms, Form letters, etc." scrapbook, 45.

brimstone, pitchforks, and farm animals on the Exchange trading floor.⁹¹ The COP booked films in “smaller country theaters and non-theatrical exhibitors, making no attempt to enter the larger motion picture houses.”⁹² Encouraged to screen in their branch offices, NYSE commission houses thrilled to this clever customer lure, disguised as dignified education, not salesmanship.⁹³

In 1928, “The Nation’s Marketplace” debuted (see Figure 8). It opened with a quote by Napoleon:

‘To maintain progress and insure prosperity every modern nation must provide a central market place for its public securities.’ The industrial needs of our republic for capital created the nation’s marketplace in the financial center of America.

FIGURE 8

“The Nation’s Marketplace” (1928)

8.1 Nationalizing Wall Street: The U.S. Subtreasury



⁹¹ For a “general discussion” of films “on elementary economics to overcome...prejudice” against the NYSE, see 19 Oct. 1925, COP minute book vol. 3, pp. 139-140.

⁹² 8 March 1925, COP minute book vol. 3, p. 85.

⁹³ 16 March 1925, COP minute book vol. 3, p. 87.

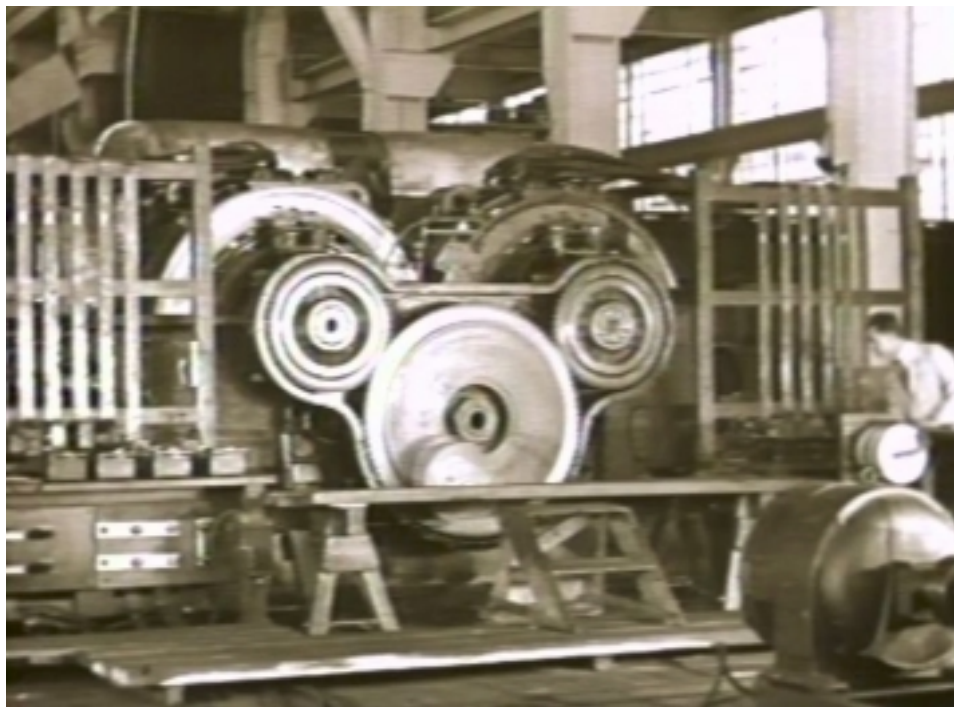
8.2 Sacralizing Wall Street: Trinity Church



8.3 The New York Stock Exchange



8.4 and 8.5 What the capital markets wrought



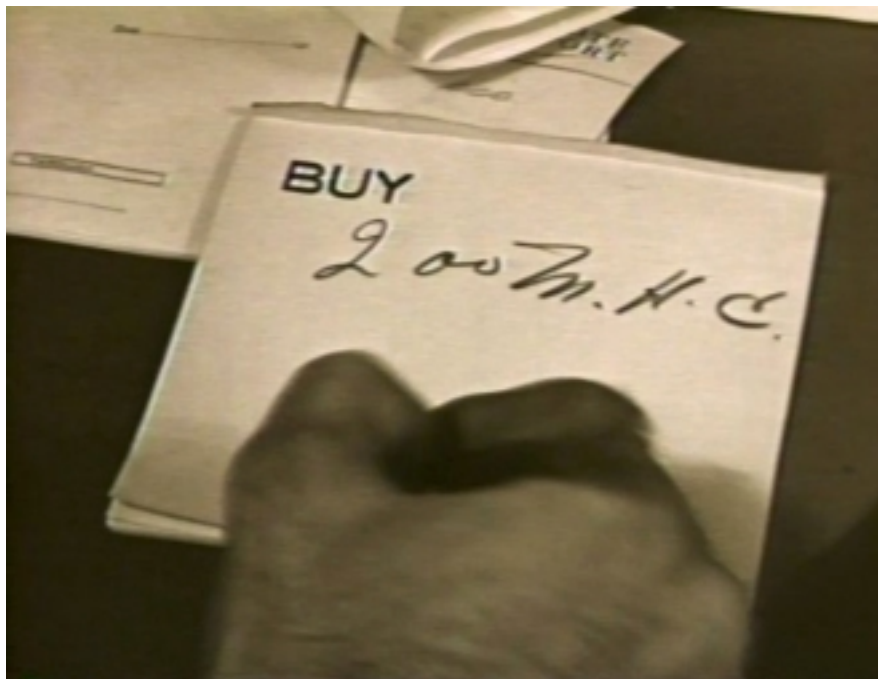
8.6 A seething scrum of traders on the floor



8.7 In Tacoma, Washington, J. Blair orders Mountain High common stock



8.8 Blair conjures the Visible Hand of his broker



8.9 Tacoma meets New Orleans in the Nation's Marketplace



8.10 & 8.11 The machinery and mechanics of the Nation's Marketplace



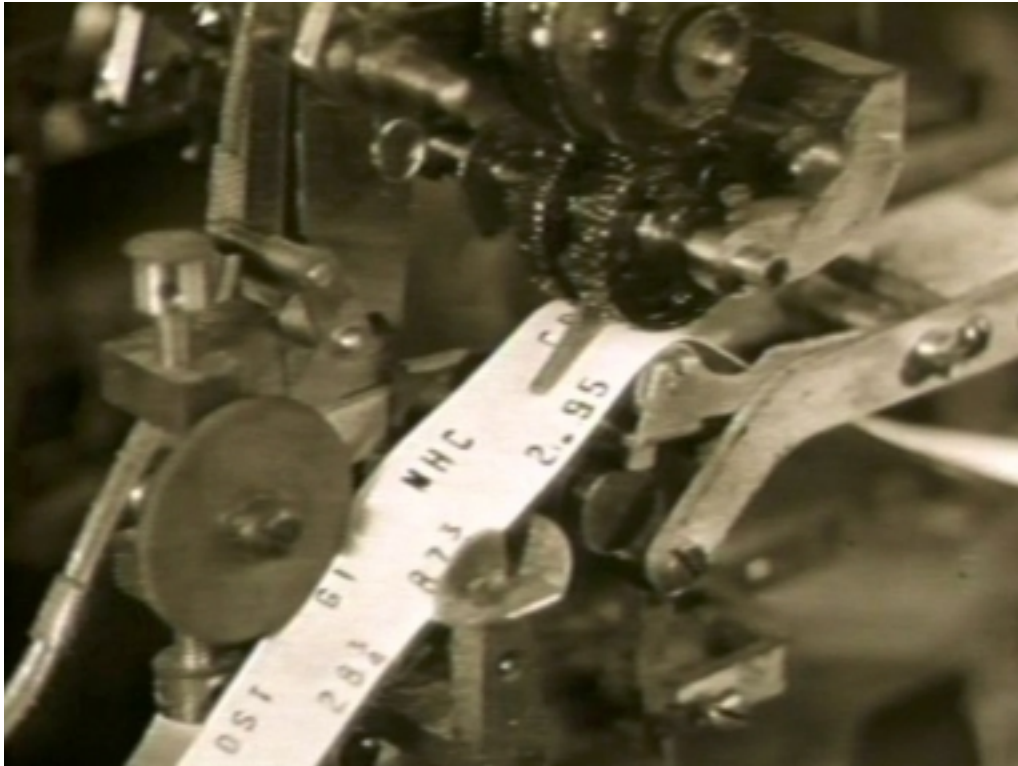
8.12 The trader is summoned to trade



8.13 The trade is made and recorded



8.14 A price is born



Source: Courtesy of New York Stock Exchange Archives.

Shots of Trinity Church and the U.S. Subtreasury on Wall Street sacralized and nationalized the financial geography. “By providing a free and open market for securities where all might buy and sell with perfect equality, the New York Stock Exchange has played a tremendous part in the building of America.” Smoking factory chimneys, a spewing forge, whirling gears, trains lifted aloft and barreling down the tracks, a massive steamship coasting into harbor, all testified to what the capital markets had wrought. “Back of it all stands the unparalleled industrial and financial America whose progress and prosperity are reflected in the Nation’s Marketplace.” The film tightly brackets the brief, mesmerizing scenes of a seething scrum of traders, preceding with industrial footage and following with images of NYSE machinery: tickers, boards, tubes, bells, clocks, and phones. “On the floor of the ‘change there is a slight ‘flurry’ in [U. S] Steel. At first glance it seems like hopeless confusion, but under the apparent chaos there is order and efficiency...in spite of the noise and hurry there are seldom any errors or misunderstanding.” Other scenes portray the traders as agents of average folks. In Tacoma, Washington, James Blair phones his broker to inquire, “Is Mountain High listed on the New York Stock Exchange?” Another customer places an order to sell in a New Orleans branch office. “Thus the machinery is started which enables Tacoma to buy and New Orleans to sell in the Nation’s Marketplace.” Physically

segregated but acting in concert, these retail investors conjure into action a series of mechanisms and a host of clerks to do their bidding. From phone to broker to clerk to operator, over wire, to operator to clerk to tube to runner to post to trader, and back again. “The trade is made without witnesses or signed contracts. Each brokers’ word is sufficient.” Transaction complete, a price is born, spewed out on the ticker, writ up on the board. Capitalizing upon longstanding popular yearning for revelations about Wall Street’s inner secrets and the meaning of its exorbitant confusion, “The Nation’s Marketplace” presented a more mechanical and democratic, yet equally marvelous, truth.⁹⁴

PR at the NYSE contributed to a formative period in the history of the retail distribution of financial securities in the United States. Between 1913 and 1929, these initiatives shaped the institutions that met the needs of growing numbers of retail investors by molding the legal and competitive environment of retail brokerage. They also influenced the protean process by which the category of “investor” and the practice of “investing” became institutionalized as taken-for-granted categories of assumption: who an investor is, what investing means, how financial markets operate, and how securities behave. Rejecting as strongly as possible any cooperation with, or oversight by, formal government, the NYSE presented a bulwark of resistance to Wilsonian corporate liberalism and the Hooverian associative state.⁹⁵ Except for a brief period of wartime

⁹⁴ *The Nation’s Marketplace* (New York, 1928), Filmstrip.

⁹⁵ I use the term corporate liberalism to describe a political consensus which affirmed “administered markets and the growth of regulatory government without embracing a totalistic statism—or a corporate state.” As an aggregate institution, the NYSE rejected the possibility of a safe medium whereby government could play a regulatory role without undermining “private initiative and private property ownership”: Sklar, *The Corporate Reconstruction of American Capitalism*, 34, 38. Or as McQuaid describes the Wilsonian variant, “a new synthesis to allow activist government regulation of industry and finance” with “minimal state interference”; Kim McQuaid, “Corporate Liberalism in the American Business Community, 1920-1940,” *Business History Review* 52 (Autumn 1978): 341-368, quotation at p. 344. NYSE opposition to corporate liberalism was rooted in the fear that the NYSE itself might be considered a kind of public utility or “natural monopoly” (as in Untermeyer’s proposals, and as discussed by Van Antwerp in his bucket shop memo), subject to state oversight, or even ownership. Secondly, the NYSE consistently viewed rate setting and capitalization regulations as a disservice to investors in railroads and utilities, and would have much preferred their repeal to their extension. See also, R. T. Wiebe, *Businessmen and Reform: A Study of the Progressive Movement* (Cambridge, Mass., 1962); and James Weinstein, *The Corporate Ideal in the Liberal State, 1900-1918* (Boston, 1968).

NYSE skepticism about the Hooverian “associative,” “managerial” or “techno-corporatist” state is evidenced in NYSE President E. H. H. Simmons’ proposal to corporatize agricultural marketing cooperatives. Hoover had acted as Food Administrator during World War I, overseeing price controls that closed

necessity, the Exchange pursued only those voluntary cooperative “reforms” most likely to improve members’ competitive position with the least possible state involvement. By tracing NYSE attempts to reshape popular conceptions about the securities markets in this paper I hope that I have illuminated the development of the idea of the free market in American popular economic and political discourse. To confront progressive inroads, NYSE publicists selectively drew upon academic economic discourse and populist political idioms to craft a particular ideology of investment democratization. It promised to dissolve economic and political boundaries separating producer from consumer, labor from capital, and big business from the small proprietor. It naturalized financial markets as adhering to common-sense economic laws. Developing concurrently with the consumerist imaginings of the good life examined by William Leach, as well as the corporate PR efforts narrated by Roland Marchand, shareholder democracy served as a lynchpin argument in a broader cultural and political project to legitimate corporate capitalism.

commodities exchanges. As Harding’s Commerce Secretary, Hoover supported the continuance of some commodities market controls. Proposals culminated in the Grain Futures Administration, which specified certification of non-producer commodity traders, bookkeeping requirements, and the admission of cooperative representatives on commodity exchanges. Hoover endorsed cooperative marketing as a means of rationalizing food markets and preserving independent farms. Securities brokers worried how Hoover might try to stabilize other kinds of markets. According to NYSE economic philosophy, the private capital markets alone directed the inexorable teleology of concentration, from which the farm sector should not be exempt. Even Hoover’s most modest proposals for purely voluntary, state-facilitated but privately conducted economic rationalization alarmingly implied inefficiency in natural, “free and open” markets; see Hawley, “Herbert Hoover.” Also, Guy Alchon, *The Invisible Hand of Planning: Capitalism, Social Science, and the State in the 1920s* (Princeton, N.J., 1985) and William Leach, *Land of Desire: Merchants, Power, and the Rise of a New American Culture* (New York, 1993); E. H. H. Simmons, “The Stock Exchange and American Agriculture” (New York, 1928), 6-8; E. H. H. Simmons, “How the New York Stock Exchange Tries to Server Farmers” (New York, 1925); and “Incorporated Farm Studied,” *Los Angeles Times*, 14 March 1929, p. 8. Thus, the NYSE might be viewed as a proto-conservative pressure group attempting to build their own grass roots support through the retail distribution of securities by NYSE commission houses and the dissemination of a new and enduring ideology of free capital markets through Exchange PR. These efforts cannot be considered unsuccessful. The Stock Exchange staved off any federal or New York state regulation until the New Deal. The case of the NYSE calls into question Alan Brinkley’s findings that American conservatives did not constitute an effective political force until after the Second World War. See Alan Brinkley, “The Problem of American Conservatism,” *American Historical Review* 99 (April 1994): 414-415.