

GOVERNMENT AND BUSINESS
FRIENDS OR ENEMIES

Our government is one established by the consent of the governed, not a government of coercion, and it would seem that there is something radically wrong when it is inferred that there is enmity between government and business. The government is not a success unless it is a friend of business and business cannot exist without the protection of government. They must be friends, and they will be friends if government sticks to government and business to business. The objective of both is the prosperity of the citizen. Neither should have any desire to take advantage of the other.

Our forefathers who adopted the Constitution were afraid of government. In framing our Constitution they had before them what had happened in Athens and in Rome, and, while they knew that government was necessary, at the same time they knew that the tendency of government was to take to itself more power at every opportunity and they were afraid of government. They decentralized it into the executive, legislative and judicial functions. They created the system of checks and balances. They felt that slow movement was much safer than emergency movement, even though results could be gotten quicker from emergency movement.

It is true that business has at times tried to influence government to its own advantage and to the disadvantage of the general public. A condition can arise where it is necessary for the protection of business itself and the public that supervisory powers be vested in government. This is what brought into being the Securities Exchange Commission. The New York Stock Exchange has recognized that such a commission has a function and it is our desire to cooperate with it fully for the protection of the public. Its function, however, is supervising and not operating, and it is asking too much of human nature to think that men can draw such an instrument as the Securities Exchange Act and do it in a way that it is perfect. There is no legislation that has ever reached this standard the first time, and the reason is

that, as in the case of the SEC, there were flagrant derelictions that called attention to the need of legislation. So much emphasis was placed on these that the hundreds of honest brokers were overlooked and how much they were unwittingly perhaps penalized cannot be really known except by experience. If government desires to protect business and the public, it would seem wise to observe, go slow and not act on unsupported opinion. The SEC serves a purpose, but the commission must have more than once had doubts in their own minds as to whether the provisions of the Act really remedy an evil or work a hardship. There might possibly be a temptation, following the lines that government has always tried to take, to go outside of the limitations of the Act and attempt to hamper the stock broker in the operations of his business. The New York Stock Exchange wants to have the SEC as a constructive friend and is doing all it can to cooperate with the commission where it is given a chance. The SEC is so new a law that it is sure to be imperfect and it would seem that in order to make its rulings worth while it would be glad to discuss before making a ruling the question with the New York Stock Exchange, whose purpose is exactly the same as that of the SEC, that is, to protect the public in such a way that it will have confidence in stock and bond transactions.

If government wishes to be unfriendly it always has the advantage, but in being unfriendly it may not be serving the best interests of the public. The protection to the SEC and the Stock Exchange is friendly discussion of questions in doubt, a discussion between friends with the common purpose of a friendly understanding. Cooperation means working for a common purpose where both pull together and one is not compelled to take orders; in other words, government by consent of the governed is one thing and government by coercion is another, and if we expect to protect our form of government, government agencies like the SEC must realize the danger of too zealous action on its part. It must know that the New York Stock Exchange and all brokers are having a very hard time to make a living, that they have a record of solvency through the years that will not suffer by comparison with any business; that changes

in method have been made where they were for the protection of the public. Study is being made of the possibility of other improvements, but it would seem the part of wisdom for the SEC in administering the new law to grant to the Exchange a desire to act in good faith and not to take the position that honest brokers must be burdened with unproved limitations, which may or may not be good for the public. The brokerage business would like a chance to catch its breath.)

The New York Stock Exchange wants the friendly aid of the SEC and will do all in its power to work with it, and we trust that the SEC wishes to be friends with the New York Stock Exchange. There are going to be differences of opinion, of course, but if there is a desire on the part of both to achieve the result of safety to the public and a reasonable profit for the broker, such differences can be smoothed out. The New York Stock Exchange wants the help of the SEC, it is unthinkable that the SEC does not want business to prosper.