

History of the Stock Market

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- 2500BC** Egyptians coin the first metal coins
Babylonians write bills/receipts on clay tablets
- 1273** Kublai Khan (Mongolian emperor) issues first paper money on mulberry bark
- 1368-99** Chinese issue first note on real paper = Kwan
- 1393** Barter system in effect in Europe
1 lb. Saffron = 1 plow horse
1 lb. Ginger = 1 sheep
2 lbs. Maize = 1 cow
- 1500's** King of England grants Sir Thomas Smythe right to be first governor of East India Company, specializing in trade of silver, gold and commodities for barter
- 1518** Silver coins are minted in Joachimsthal in Bohemia
"thal" = valley
→ "dollar"
- £: pound of silver
DM: to mark or tally
Yen(¥): to circle, since money should circulate
- 1600's** 1st commodities contracts are traded in Japan
Warehouse Receipts are sold by landlords
Rice Tickets received when Warehouse Receipts were turned in for rice
- 1602** Amsterdam Exchange is formed to trade shares of the United East India Company
Market Makers are known as "hoekman"
- 1606** King James I divides the east coast of North America between the London and Plymouth Companies, creating vast monopolies
- 1609** A Dutch trading post is founded on the Hudson River and a wall of mud and brush is erected to protect the village from marauding Indians

- 1626** Dutchman Peter Minuit trades \$24 worth of beads (wampum = string of clam shells used as money) with Indians for Manhattan Island (land worth ca. \$17 trillion in 1987 vs. \$32 Trillion if allowed to compound at 6% annual return)
- 1690** Massachusetts Bay Colony issues bills of credit, to be redeemed later in gold or silver and used now to pay taxes
- 1727** Tobacco Notes, attesting to the quality and quantity of warehoused inventory, are deemed to be legal tender in Virginia
- 1751** Brokers gather under a tile roof in Lower Manhattan to form The Royal Exchange and trade wheat, tobacco, cotton, sugar and slaves
- 1759** Siege of Quebec
Colonies issue promissory notes to pay for failed war effort
- 1760** J.W. Campbell establishes a factory specifically for drilling and assembling wampums (it remains in existence for 100 years)
- 1764** Currency Act
British ban the use of paper money in the Colonies
- 1775-83** \$80 Million scrip is issued by American government to pay for Revolutionary War (= Continentals)
Due to hyperinflation, the scrip is devalued to 1/1000th of its nominal value, leading to the expression “not worth a Continental”
- 1773** London Exchange is formed
- 1780** Bank of Pennsylvania is established (Bank of North America-1781, Bank of New York-1784, Bank of Massachusetts-1784, Bank of Maryland-1790)
- 1787** U.S. Constitution is ratified
Congress is given the power to coin money
- 1790** Philadelphia Stock Exchange formed (1st in U.S.)

U.S. government announces that it will redeem \$80 Million of Revolutionary War scrip which become the first stock certificates to be traded
- 1791** The Bank Act establishes a nationwide banking structure, owned mainly by private citizens, and is authorized to issue paper currency

that could be used for tax payments as long it is redeemable in coin on demand

Secretary of Treasury Alexander Hamilton establishes the first national bank in America (Bank of United States) and shares are offered to the public

Initially, there is no organized market and shares are traded in local coffee houses over-the-counter

1792 America experiences its first bull market as 100 bank stocks and commodities are traded

Eventually traders move indoors to 22 Wall Street and meet daily at noon at the Stock Exchange Office

Some attendees only listen but do not participate in these auctions, preferring instead to trade outside after hours at reduced fees

May 17th: 24 merchants and auctioneers gather under a Buttonwood Tree on Wall Street and pledge to trade commodities and government scrip with each other only and for fixed commissions on a daily basis

The Buttonwood Agreement

"We the subscribers, brokers for purchase and sale of public stock do hereby solemnly promise and pledge ourselves to each other, that we will not buy or sell from this day on for any persons whatsoever any kind of public stock at a less rate than one-quarter percent commission on the specie value of, and that we will give preference to each other in our negotiations."

This organization is created to circumvent the law which outlawed public stock auctions. By establishing the group, public transactions are converted to private—a form of capitalism for insiders only.

Coinage Act directs the government to mint gold and silver coins

Philadelphia Mint coins first U.S. coins in copper: 1/2¢ and 1¢

Thus, George Washington's coin he threw across the Potomac must have been a Spanish peso

Coins are cut into 1/8's for trade in smaller units (2 bits = a quarter)

1793 Traders move indoors to Tontine Coffee House

1802 Paris Exchange is formed

1812 War of 1812 with England requires additional venture capital and leads to the establishment of 40 new banks

1817 March 8th: Exchange is given the name “New York Stock Exchange” (NYSE)
 A constitution is ratified to make exchange more formal and similar to the Philadelphia
 Today: Board of Governors has 21 members
 Every morning lists of available stocks (roughly 30) are read aloud to seated members (including 8 member firms and 19 individuals) between 11:30 AM and 1:30 PM
 Cost of a seat = \$400

Seat Prices:

Year	Price
1876	\$ 4,000
1900	\$80,000
1929	\$625,000
1930	\$205,000
1942	\$17,000
1987	\$1,100,000
1988	\$665,000
1999	\$2,650,000

(\$430,000 @ PSE at same time in 1999)

1818 Tokyo Exchange is formed

1842 New York Curb Exchange is formed

1849 Gold is discovered in California
 Mining stocks and railroad companies are now popular trading vehicles

If a stock is considered too speculative, it is traded off the exchange by non-members, a.k.a. curbstone brokers, standing beneath lampposts

Soon, these traders move to a building on Broad Street—telephone clerks shout orders from window ledges to brokers gathering on the street below

Hand signals are developed and colored vests are worn to better identify individuals

1857 Panic of 1857

Collapse of the Ohio Life Insurance & Trust Company precipitates the panic. Prices drop 8-10%, culminating in a 45% decline in market value since the beginning of the year.

- 1858** NYSE initiation fees for membership are raised to \$1,000
Single-day volume reaches as high as 71,000 shares
- 1861-65** Scrip is issued by American government to pay for Civil War

Secretary of Treasury Salmon P. Chase decrees that the dollar bill should be green (= “greenbacks”)
- 1862** NYSE moves to its present location
All day trading is initiated
- 1868** NYSE establishes a fixed number of seats
Today: 1366 members (seats) versus 661 on the AMEX
- 1870’s** NYSE fines:
- Smoking a cigar \$5
 - Standing on a chair \$10
 - Throwing a pare dart \$10
 - Knocking off a hat 50¢
- 1872** Sydney Exchange is formed
- 1873** September 19th: J. Cooke & Company, a prestigious Philadelphia banking firm, fails due to over-speculation in railroad stocks. The NYSE closes for ten days

America unofficially changes from the silver to the gold standard (officially adopted in 1900)
- 1884** Charles Dow and his partner Eddie Jones created a stock index comprised of 9 railroad and 2 manufacturing companies
- Chicago & North Western
 - Delaware Lackawanna & Western
 - Lake Shore Line
 - New York Central
 - St. Paul
 - Northern Pacific preferred
 - Union Pacific
 - Missouri Pacific
 - Louisville & Nashville
 - Pacific Mail
 - Western Union

Enrolled Agents are given the power by the U.S. Department of Treasury to represent taxpayers in all matters of taxation for the

purpose of helping investors pursue claims against the federal government for scrip issued during Civil War

1890 90% of all business transactions are carried out by check rather than cash

1896 Dow-Jones published the first list of industrial stocks (DJIA)

- American Cotton
- American Sugar
- American Tobacco
- Chicago Gas
- Oil Distilling & Cattle Feeding
- General Electric
- Laclede Gas
- National Lead
- North American
- Tennessee Coal & Iron
- US Leather preferred
- US Rubber

1907 J.P. Morgan imports \$100 Million of gold to the U.S. to boost the economy after a financial scare

1910 NYSE establishes listing requirements

Today's requirements:

- National interest in the company
- Position and stability within the industry
- Prospects of maintaining its relative position w/i the industry
- \$2.5 Million pre-tax income
- \$40 Million market value
- 1.1 Million shares outstanding
- Minimum of 2,000 shareholders

1911 New York Curb Market Association is established

1913 December 23rd: The Federal Reserve is created
7 members appointed by the President (confirmed by the Senate) to 14-year terms

The banking reserve requirement is originally set at 40%, lowered to 25% in 1945 and removed altogether in 1968

Today, 40% of 8,621 commercial banks are part of the system
National banks must be members, state-chartered banks may join if they meet certain criteria

- 1914** 511 equities and 1,082 debt issues are listed on the NYSE
US stock market is closed for three months due to WWI
- 1921** Chairman McCormick of the NY Curb Exchange leads a procession of brokers up Wall Street to the new home of the exchange in a building behind the Trinity Church
Trading posts are erected indoors to resemble the lampposts from outside
- 1924** 1st U.S. mutual fund created by Massachusetts Investors Trust
- 1929** October 24th: Black Thursday (followed by Black Tuesday on October 29th)
Dow closes at 230.07 (↓ 30 points or 12.8%)—this equates to a \$14 Billion loss of value (roughly equivalent to 30% of the GDP)
On September 19th the Dow was at 469.49 (51% higher!)
Over 16 Million shares are traded on 10/29—a total not to be surpassed until 1968!
The ticker runs behind by 147minutes
- U.S. currency is re-designed
Now measures 6.14" x 2.61" (previously it was 7.42" x 3.125")
The number "one" appears 16 times on the bill
- 1930-33** Roughly 9,000 U.S. banks fail as banks underwrite and distribute securities, thus leading to conflicts of interest and unethical practices of underwriting
- 1931** Britain abandons the gold standard
- 1933** Securities Act enacted to provide for "full and fair disclosure"

The Banking Act (a.k.a. The Glass-Steagall Act)
Draws a distinct line between commercial and investment banking and established the Federal deposit Insurance Corporation (FDIC)

Last gold coin minted as legal U.S. currency
- 1934** Securities and Exchange Commission (SEC) established
5 members appointed by the President (confirmed by the Senate)
- 1938** June 25th: Maloney Act is enacted and leads to the formation of the National Association of securities dealers (NASD) in 1939

Fair Labor Standards Act establishes the first federal minimum wage (set at 25¢ per hour)
It has been raised 17 times and is currently set at \$5.15/hour

- 1940** Enactment of Investment Company Act and Investment Advisor Act
- 1946** National debt rises to \$269 Million, financed at low rates (2.5% or less)
- 1953** New York Curb Exchange is renamed “American Exchange”
- October 10th: Volume of 900,000 shares marks the last daily volume under 1 Million shares.
- 1956** Pacific Stock Exchange name is adopted
- 1957** Standard & Poor’s 500 (OMX) introduced
Includes 400 industrial stocks, 20 transportations, 40 utilities, 40 financial companies
- 1962** 1st ATM machine introduced in U.S.
- 1963** November 22nd: The assassination of President Kennedy forces an emergency early closing of the Exchange to avoid panic selling
- 1965** U.S. coins are no longer minted in silver
(75% copper/25% nickel today)
- 1967** Muriel Siebert becomes the first woman member of the Exchange.
- 1970** Securities Investors’ Protection Act establishes SIPC coverage for customer protection
- Joseph L. Searles III becomes the first black member of the Exchange.
- First mortgage-backed security is issued by the GNMA
- 1971** February 8th: First official trading day of newly created NASDAQ system
Information on 2,500 securities becomes available
- U.S. goes off the gold standard
By August 15th no circulating paper in the world is redeemable in gold!

- 1972** DJIA goes tops 1000 for the first time
NASDAQ is created
- 1974** Wilshire 5000 Index is created by Dennis Tito to include all U.S.-headquartered equities (nearly 5,000). [This index has grown to more than 6,500 issues today]
- 1975** Securities Amendment Act
Consolidated Tape becomes fully operational
U.S. stock markets remove restrictions on commission charges
NASDAQ establishes listing requirements
911 option contracts are traded on the Chicago Board Options Exchange (CBOE)
- 1978** InterMarket Trading system links the NYSE, AMEX and regional exchanges
- 1981** March 30th: Attempted assassination on President Reagan
Stock Market is closed for remainder of the day
- 1982** NASDAQ National Market System (NMS) establishes more stringent listing criteria for top companies
- 1985** \$11 Billion bonds are outstanding
\$273 Billion invested in bond funds
(compares to total U.S. budget of \$1024 Billion)
- 1986** October 27th: Big Bang Day in London
British stock market is opened to foreign firms
Electronic and off-floor trading is introduced
Fixed commissions are lifted
→ the floor becomes virtually empty
- 1987** August 11th: Alan Greenspan is appointed as Chairman of the Federal Reserve
He is (re-)appointed by Presidents Reagan, Bush and Clinton
His fourth term expires on June 20th, 2004
October 19th: Crash Monday
Dow closes at 1738.74 (↓ 508 points or 22.6%)—this equates to a \$500 Billion loss of value
604 Million shares are traded (608 Million on Tuesday)

The ticker runs behind by 180 minutes
Two months earlier the Dow was 34% higher

- 1992** NYSE's average daily volume surpasses 200 Million shares
- 1994** NASDAQ volume surpasses annual NYSE trading volume
- 1997** October 28th: NYSE volume soars above 1 Billion shares
- 1998** New "circuit breaker" rules go into effect to halt trading when the Dow Jones Industrial Average drops 10, 20 and 30%
- NASDAQ and AMEX merge
A total of 5,126 companies are now listed on the NASDAQ
Average daily trading volume is now over 800 Million shares
- 1999** 281 Billion shares trade on NYSE worth over \$12 Trillion
- November 12th: President Bill Clinton signs the Gramm-Leach Bliley Act into law repealing the Glass-Steagall Act
- 2001** January 29th: NYSE completes conversion of all 3,525 listed securities into decimals
- Listing fees include a one-time charge of \$36,800 plus a fee based on the number of shares issued (fees range from a minimum of \$150,000 to a maximum of \$250,000) as well as an annual fee as high as \$500,000/year
- April 28th: Dennis Tito lifts off for Space Station aboard Soyuz rocket
"Tito is no crackpot, and no stranger to space science. The 60-year-old California multimillionaire once worked for NASA's jet propulsion program. He then went into the private sector and founded his own firm, Wilshire Associates, where he made a fortune advising others on what stocks to buy and made his own investments. The Wilshire Index, one of the most reliable market indicators, is his baby."—CNN.com 5/7/01
- May 25th: Los Angeles floor of the PSE is closed permanently
San Francisco floor will soon follow
PSE will be replaced by the Archipelago Exchange and is expected to be fully electronic