enjoyable, but that they also impart some understanding of brokers' feelings toward themselves, toward their responsibilities to their customers, and their sentiments toward the market with which they work.

Brokers feelings regarding their duties and responsibilities to their customers.

A customer should expect his broker to keep current on financial journals, to pay special following to stocks in which the customer has a timely interest, to know where to find answers to questions involving minor research, and to know when to advise a customer on his own initiative as well as when to say that he does not have the answer.

The Author

Some brokers totally agreed...

"You have said it!"

"Service = Gross Commissions."

"A customer's interest should be paramount to commissions."

The above is the minimum a customer should have. For 20 years I assumed all brokers would probably fulfill this (The 20 years I spent in salaried corporate life). I am personally appalled at the number of brokers who are totally incompetent, lazy or unethical--though I believe most (over 50%) of the brokers are adequate.

A broker should also furnish up-to-date information on any company in which the customer is interested, and on the general economy of the United States.

"The broker must be able to admit his mistakes also."

Agree completely--there never seems enough time to be completely informed. From my own viewpoint and satisfaction, there is no end to the amount of work that can be done for my clients.
However, those brokers who qualified their agreement often presented points which all brokers would have more whole-heartedly agreed with had the author presented them in his definition above. Some of the qualifications follow...

However, to qualify this, I must admit that in some cases people do expect too much; but this is true in any field.

All of the above is good and reasonable, with one qualification. The customer's "timely interest" must be of substantial magnitude to justify a broker giving it special attention...

Yes—if the account is large enough to justify the time and effort spent.

True—but when business is poor it takes the incentive out.

Many brokers further qualified the content of a customer's "timely interest stocks"...

Too many customers expect you to research and follow obscure situations or track down rumors and are constantly looking for the new Polaroid or IBM where they can buy 100 shares of a $5 stock and make a million in two years.

The broker should be very well informed on ten stocks, two funds, and some bonds.

Reasonable—but more important to know all about companies he (the broker) puts his customers in.

Should the stock or stocks happen to be a pet or favorite of the customer for some personal reason and not researched or recommended by the salesman, then the salesman has no obligation to keep informed. If I tried to be current on all the stocks my clients have an interest in I would not be properly informed on any of them...

...The customer must generally expect to be served best when investing in securities which are followed closely by the brokerage firm's research department or related advisory service...
Finally, some brokers voiced their own opinions regarding their duties and how they felt their responsibilities varied with his particular customers...

I am more inspired if the customer is active or if I know him personally.

Nevertheless, several accounts might not want to know every little detail which happens to their holdings. If they are busy people, they should not be bothered often.

The customer should not bother his broker for information he can get himself out of the paper.

My responsibility lies only with my own personal recommendations.

As to keeping current on customers' stocks—physically impossible. If the broker is busy there is no time; if he wants to make money he must sell.

And how do some brokers view their peers in light of the author's statement

...Most of the brokers are just salesmen and they either do not know how to give advice or they just don't want to.

I look on a broker as an intelligent middleman, not a mastermind. His value is more in application of existing knowledge on securities ... rather than in delving into a stated situation.

This business has been changing rapidly. Two years ago about one-half of the brokers were like "Chinese Whores in a Fish Market." This "Bear Market" has weeded out a lot of unethical brokers. Hopefully if will be a better, more honest business as a result of "The Great Bear Market of 1969-70."

Through comments such as those noted the author sensed the tension that exists, especially in the current market in which commissions are down, between bringing
home a paycheck and working toward an idealistic goal of "service to all." It would appear that in the future, just as has been the case in the past, that it will be a combination of market factors, the broker's skill, and the broker's personal preference as to his modus operandi which will determine his place in the spectrum.
Brokers' feelings about today's securities market.

The stock market is a racket. Most people in it are out to save their own skins. In any case, it is no longer the place for little old ladies or the odd lotters who are at the mercy of the funds, the professional traders, and the institutions.

The Author

The above statement, as the reader might expect, elicited a wide range of divergent views and market philosophies. Responses ranged from "Completely disagree" to "Agree," and from "It is a science" to "It is an art." Again the author will present the more chromatic replies in a spectrum format.

Of the respondents who essentially agreed, some gave reasons...

I think the market is more of a game--a test of character and intelligence--than a racket. A racket infers that the market is fixed, that someone knows what's going on. At some times, in some stocks, this may be true, but for the market as a whole, over a period of time, NO ONE KNOWS for sure what's going on! The mutual fund managers etc. are, while better equipped, fellow contenders.

The trouble is that in all markets the ethical and honorable brokers are outnumbered by "slobs" who take advantage of uninformed people. The securities industry must now pay for the unprofessionalism of the 1960's. The big losers will be the big gainers of the 1960's--the mutual fund industry.

The fact that salesmen sell stocks to widows and orphans who do not belong in a risk situation is a fault of the system.

Others who essentially agreed voiced possible solutions...

If you've got a good broker he can take care of you. If you try to outguess the market in the short run you are asking for trouble. You don't have the information. A good broker can develop
a feel for a very few stocks (it takes months and years); good brokers are hard to find.

It is up to the broker to protect the "old ladies and odd lotters."

I think the odd lotter should be out of it and buy mutual funds because he is at their mercy.

True: Those mentioned should own mutual funds.

I hope the purge of the 70's will clean up our profession.

Institutions and funds have been a distinctive influence in today's market. They should be limited in size and management interdirection.

All life is a racket; therefore one needs to know the ground rules by which to play and he will succeed. Old ladies can deal with me because I can protect them from the bastards.

It (the market) is no more honest or dishonest than any other business. There is a place for everyone. However, it is so unsophisticated and disorganized that a financial panic could ensue. The Congress should set up an investigation to prevent a loss of confidence by the public of the securities business as occurred in the 1930's.

Then there were those on the borderline, but who nevertheless had some valuable things to say...

Granted as far as volume is concerned percentage wise it comes from a relatively few sources. But the small investor is essential to the market. Without the small investor there would be no liquidity and liquidity is of utmost importance, especially to the institutions. With a conscientious effort I think the small investor can fare as well if not better than a lot of institutions.

Small investors can receive good management via mutual funds, although the trader will probably fare better. It is a matter of degree of profit.

Garbage except that many times funds buy or sell at the same time and greatly affect a stock's price. But let's see how well these "professional" investors do this season.
Most small investors would probably do better with a mutual fund unless he is interested in the market and has the time to spend to follow it.

Lastly follows the majority who in essence disagreed with the author's statement. Since a flat "I disagree" was the most prevalent response, the author believes the following viewpoints to be held by many more brokers than those who voiced themselves in detail.

False in general--may be true in particular cases.

Completely disagree. There is an investment media for everyone. There are games for those who want them.

...all of the above groups are NEEDED to make a complete and orderly market.

...Most people are just too lazy or uninterested to do their own thinking...

...Sounds like many a person who bought garbage in December, 1969 (Usually on the advice of a friend and against the advice of his broker) and who now has a 70-90% loss.

As...the market can be all things to all people, the prior comment can probably be attributed to either a sore loser or a lazy person who refuses to work at investing sensibly within any means and objectives.

The statement is essentially untrue. It represents a hyperbolically biased attitude with some small basis of fact--namely, that the market is not the place for the uninformed or financially vulnerable to put their money.

The market is a good place for alert little old ladies and odd lotters. However, the crowd will always have to be wrong, and the crowd just may consist of funds, professional traders and institutions.

Then there were the few that probed deeply at the heart of the statement.
Most people say they want to do well for themselves. Many of these don't really seem to want to make money; they want other "satisfactions". For the person who wants to increase his capital at a reasonable rate there is plenty of opportunity if he is 1. willing to look around for a broker willing to serve in this way, and 2. willing to follow the broker's initiative rather than his own hunches. Little old ladies may want to hold to "members of the family", and odd loters may expect too much service for the commission paid, but both can be served.

This (the statement) is an improper assumption. Although the ranks of the "institution" and "professional trader" are expanding, it is still quite possible to invest properly and profitably for these people (those mentioned in the statement). However it is essential for the "customer" and the "customers man" to be completely honest and forthright with each other. It has been my experience over the years that many investors keep secrets from their broker (personal matters that they feel are none of his business). This is a very bad attitude and frequently a very costly attitude. The more I know about my client the better I can advise him.

The market has never been a place for the timid. It is not noted as a charity institution, but it is a source of support for charities. When people make money in the market, they normally credit themselves; when they lose, it is always someone else's fault. It is hard to say "I made a mistake" and that explains why people can take big losses easier than small ones. They refuse to admit they made a mistake at the beginning.

Although little can be gained by attempting to categorize the respondents as to whether they agree or disagree with two statements, much can be profited from their responses. It should be apparent to the reader, be he an investor or a broker himself, that although the mechanics of dealing in the market may vary negligibly from firm to firm, that the variance in the quality of service can be
of much more monumental importance. In fact, since the degree of wisdom and success of individual brokers varies at least as much as the market, and since one's broker is likely to be a more lasting contact than any of one's investments, it would seem to behoove the investor to consider a thorough investigation of his broker of paramount importance to the establishment of an investment program. The author has come to believe that if an investor took the same time and care to search out the broker who was "right for him" (Possibly via the questionnaire and interview method?) as it is expected that he will spend thumbing through his Barrons and Forbes and Standard & Poor fly sheets, that he would undoubtedly be happier with his investments.
"Is there anything you would like to add which the author neglected to ask?" This last item on the questionnaire was quite fertile; the replies were of significant interest when the author structured his interview questions. Some of the responses should no doubt also interest the reader as they relate the problems brokers themselves face daily, additional views of the industry, its future, its management and its problems, as well as some of the wit that relieves the tensions teeming the brokers' daily agenda. The author also suspected that the topics mentioned under this caption probably bear some special significance in that the question was not at all "leading" and that these topics were not specifically solicited.

The favorite among specific topics was firm management. The unanimity underlying the comments suggested to the author that this was indeed a significant problem into which he would delve further during his interviews.

Management of the major brokerage firms appears bumbling and lacking in foresight probably because too much emphasis in the selection process has been placed on salesmanship and not on management skills.

I hope that you are aware of the sad state of management capabilities in the brokerage business. This one single factor does more to hinder the industry than anything else.

Yes; top management, middle management and staff of brokerage houses are unbelievably poor. Should this level of competency be that of any corporation in the auto, food, electronic, etc. industries, that corporation would pass into oblivion in one to three years.
The financial difficulties of brokerage firms stem from 19th century management techniques.

One comment under this topic stood out since the author could verify that the respondent could not have been an employee of the firm cited.

Yes. Opinion of Management in Your Firm and Wall Street. Generally poor. Much of Wall Street is run by committees of men who are running major businesses as if they were still family companies. A committee of poor managers would seem the worst of all possible worlds. A major exception: M....

The reader may, if interested, turn to the follow-up data of firm management under the heading of Interviews: Industry Problems.

A second item of major interest were brokers' comments about themselves and their work.

I wish I had gotten in the business when I was in my thirties. There is so little good competition. Most of the account executives I know are lazy and illinformed. The field is wide open for good men who know how to work!

In bad markets many RR's are tempted to do things which they might not do under better conditions in order to make a buck. I am not one of them.

I think there is too large of a trend toward hiring new brokers that are too young and not giving them adequate supervision.

My biggest job is psychologist; understanding what the client wants or needs and steering him properly.

The thing that I find most aggravating about the brokerage business is taking the blame for problems which I have no control over such as stock transfers, dividend claims, erroneous charges to customers' accounts and...
general interest. Again a spectrum of specious specimens were found, the significance of which the author endeavored to research further via his interviews.

The industry should pay a salary instead of commissions so that there would be no conflict of interests. That is in order for me to make money my clients have to buy or sell to generate commissions. Sometimes they should do neither.

The basic questions facing the industry and the salesman are:
1. Conflict of interest (broker to customer)
2. To what extent is the broker responsible for losses incurred
3. Violation of certain anti-trust legislation

A very insecure business.
Brokers should be on salary.
Ethical standards--nil.

A broker had better learn how to act in a "Bear Market" on his own. No house will tell you when to get out. All they know is "buy" suggestions.

There is a lack of fringe benefits as found in other industries.

Short of incurring a law suit the brokerage firm wants as much turnover of money as possible. The customer, on the other hand, wants a minimum of turnover with maximum appreciation of capital. Turnover costs money to customers.

Any sale of a stock must mean one of several things.
1. The stock was wrong in the first place.
2. The customer wishes to take profits.
3. The customer needs the money for something else.
4. Conditions may have changed. -- the author

Turning to the future:

Opinion of the future of the retail brokerage industry: The trend should be toward: 1. More mergers; 2. Decent pay until the broker can get off the ground; 3. If a broker cannot make it on commission within three years he should be dropped; 4. Less pressure on brokers to produce in the beginning; 5. Restrictions on the number of new brokers entering the business.
The worst thing about this profession as compared to all others is that you are wrong so much more often, and wrong when it hurts, and with your customers' money which often includes friends and relatives.

It is my personal feeling that a securities salesman should have some first hand experience with the workings of the back office. In this respect I have two years experience, more than is necessary, and find it invaluable at times.

My greatest source of dissatisfaction is that my firm doesn't promptly help solve clients' problems caused by firm procedures or errors.

The broker is the ombudsman to the business of selling securities and is as such a part of the industry. The number of brokers that fail to see the role they play is a fault of the system.

Then there were the classics,

The author neglected to ask the number one question generally asked of all brokers—"What stock do you really like?"

When will the market go up—Mr. Student.

How about opening up an account...call collect, Dye 305-563—... Bull markets are great for everyone. Bear Markets make fools of almost everyone.

The market is going down. If you have any cash hold on to it.

and even classics in contrast.

I sincerely believe this is the greatest business in America and that it is all-American.

Being a broker is the end, financially, spiritually and morally.

These, however, were not the end of the selected comments. A third area, the securities industry, its practices, problems and future emerged as a third and final area of
I believe the future of the brokerage business rests on:
1. Emphasis on research identifying nearly logical investment opportunities.
2. Coordination of investment with other aspects of financial management skills.
3. Concern with offering the client a "trade-off" of opportunities for risk/reward.
4. Broker emphasis on understanding of the above and intelligent sales of this "merchandise".

From the noted comments the reader can surmise that brokers have their own set of workaday problems, aspirations and anxieties not so much unlike those of other people. While the author suspects that the aforesaid comments would surprise few of the many brokers and managers the author encountered during this study, they nevertheless comprise that feeling of communication and empathy which is so important in a profile and so lacking in studies of more statistical precision.
V. INTERVIEWS

With the goal of delving further into some specific areas of interest such as industry problem areas, suggestions for solutions to problems as well as other ideas toward improving the status quo, and the future of the securities industry as the broker views it, as well as gaining some insight towards the brokers' "world-view" and self-image, the author conducted a series of interviews with account executives. These were conducted on an availability basis in the cities of Chicago, Indianapolis, Columbus, Baltimore, Philadelphia, New York and Boston.

In most, but not all, of the interviews the author followed a procedure similar to the following: In an office of twenty or more brokers, and also in which the author felt the office manager was interested enough in the project to cooperate, the author would ask the office manager to direct him to (usually) one individual whom the manager felt was extremely knowledgeable (securities-wise), was either very experienced, or if not, then quite successful financially for the time he had been with the firm, or who was very outspoken about any of the areas of interest mentioned above.

The broker selected, when told of the criteria by which he was chosen, invariably cooperated. The author then
proceeded to quickly describe his project, asked permission to use a portable tape recorder, and outlined the expected interview coverage while leaving the avenue open for other lines of discussion should the broker so desire. The questions presented by the author usually ran as follows:

1. Today, what do you feel are the greatest "Problem Areas" facing the brokerage industry? (Thinking in terms of the entire scope of operations--back office, broker-client relations, training, underwriting, sales promotion etc).

2. Along the same line, but from a different viewpoint, what improvements do you feel would most benefit the account executive, the investor and the securities industry?

3. What changes do you see the future holding for yourself as an account executive and for the structure of the securities market as we know it today?

The approach was of course adapted to follow the course the broker was taking in his answers.

Rather than try and interpret for the reader the responses of the brokers, the author will attempt to coherently structure some of the replies under appropriate topic headings and let the reader judge for himself the significance of what was said. Although it was necessary to abridge many of the responses to avoid repetition the author sincerely tried to avoid any distortion of content. The chosen topic headings are as follows:
Problem Areas: Upper management
Branch management
Back office
Public confidence
Brokers themselves
The system itself

Suggested Improvements:
Upper management
Branch management
Back office
Brokers themselves

The Future:
Brokers themselves
Institutions
Securities industry

Of course the interviews often shifted to other areas of specific mutual interest. Some of the results of these discussions are included under the following:

What Makes A Successful Broker
Rules, Regulations, and Firm Policy
Discrimination?

The author will include explanatory statements (i.e. pertaining to NYSE rules) when they are deemed necessary.
PROBLEM AREAS

Upper Management:

Management is no longer effectively carrying the ball. Traditionally Wall Street has had marvelous leadership. The finest executives have been creative, aggressive leaders in the American economy and I feel now that over a period of years there has been a deterioration. The government, the SEC especially, is getting more and more involved in our business...and Wall Street seems to me to be knuckling under...

The fight these days is what the commission schedule is going to be. Wall Street executives are seldom heard. Only at Nixon's dinner meeting has one heard from Wall Street people. Why they are not out in front of this whole thing being quoted nationally instead of a bunch of United States senators is beyond me. I just think they have given up too much leadership.

The above comment is interesting in light of the reception given the author on the following day at a different branch office of the same firm. The essence of this discussion is necessarily paraphrased as the author was unable to use his recorder.

No...absolutely not...I cannot permit you to distribute this questionnaire to any of our brokers. This information could be traced...and our firm is very strict in its policies...management does not want anyone in our firm being quoted unless it is thoroughly checked out beforehand. Well, if our account executives think our research department is lousy or that the market is a racket we surely don't want anyone else to know it...

The author had a very interesting chat with the above branch manager which turned out to be quite educational
and enjoyable for both of us. The manager even offered to present the questionnaire to some of his brokers although he still did not like the idea and would have to check it out with his superiors in the firm. Although this degree of secrecy was an extreme exception at the branch level, "Firm Policy" of several houses was quite covert and uncooperative and tended at times to greatly hinder the author's study.

Returning to the interviews:

The brokerage business has traditionally been a family run business or a business that has been run by the salesmen; it has not been an efficient way to manage things. The profit squeeze is not a result so much of the market but of the backward management. Management is not knowledgeable nor flexible enough to change with the new demands of the business. This has got to change...

The NYSE firms want to give full financial service to their clients, yet are plagued with an archaic financial structure when they go public...we must move faster in testing this corporate structure...

Houses are going to have to find new methods of financing their own operations. I think basically that the capital structures of most brokerage firms are, being that as an industry we are so highly leveraged in our capital structures, creating the tremendous problems that we are facing at this time. We have firms not making any money looking for other firms to merge with during times of low market action...we just are undercapitalized as an industry.

One of the greatest problems facing the industry today is its ever increasing Break-Even Point.

Branch Management:

You say the Branch Manager. Big deal. You've got a title and all the odd lot problems and all the dividend problems and the bad executions and everything else...
There are several different combinations of compensating branch managers but the job has changed so much in the past five years that industry emphasis on strengthening the branch manager...in getting along with people, employment techniques, women account executives and this type of thing...is lacking. And I don't mean a week or two but some really thorough training on being an effective branch manager would help everyone.

**Back Office:**

We are trying to do a 1970 business in an 1870 system; it just doesn't work. In terms of getting our executions at a proper time, the bookwork, the actual handling and transfer of the certificates, the customer balances, the paying out of checks, all of these areas are not up to snuff...
The computer should be brought into more play...
we need better quality help than the $1.60 an hour back office people are making. Their quality is our downfall. They just cannot keep up in any market.

I think the relationship of the client to the back office is still the major problem...
The big thing is when you have problems in the account, for example clerical errors, a wrong trade, etc. and when these are put into the computer in New York. What happens is that once a problem occurs it is not that easy to get the error out of the computer... ...In the mean time whatever is going wrong in the account shows up on the customer's records. The customer becomes disgruntled and scared and sometimes it eliminates any further transactions. I feel this is universal with all firms...some of my customers that have accounts with other firms...

Office help during a bull market can make as much as a salesman... but they are not really qualified people. They don't understand many facets of the industry, only their own particular job. If something comes up they do not understand it is very easy to hide it...leave it in a pile...
We have had recent problems transferring out stocks due to recent panic. The customer says "Send me my stock." Delays...they keep saying they don't have instructions...much convenient losing...more than 50% in the last few months. The larger customers are frequently doing this, collecting all their stocks from all the brokers they deal with, and if you are the slowest you are out in left field when the business does come in.
The number one problem is the back office which is archaic in operation in most instances and primarily in regard to the transfer of certificates, there is the big bottleneck... People don't expect that banks set aside their $500 in the vault in a fancy package with their name on it. Educate the public to take the attitude toward a NYSE firm passbook as they do the banks. (The author can see it coming...Insured: FBIC...?)

However, this idea leads directly into the next topic, that of Public Confidence:

The biggest problem is lack of confidence by the investor and speculator who have been burned to such a degree that it will take them quite a while to orient themselves back into the market...

Brokers Themselves:

It is a business problem to get anyone to become any kind of a salesman in almost any kind of a business now.

...Another problem of the industry is the fact that so many of the people here are second rate. People that are in it when the money's good and are out of it when it turns bad. A lack of dedication...

...Account executives are really not knowledgeable enough in the opinions they give and there is too much to know that they don't know and they are asked to give opinions on things that people think they should know but they just don't. The majority of the registered reps are not knowledgeable. This is a big problem.

...the average rep...is not topical enough.

The System Itself:

I think the greatest problem is the absolute stupidity of the whole system because it is all geared on one thing, to but stocks, and nothing could be a greater tragedy. Why? Because when do you sell? ... None of the mutual funds nor any of the firms ever tell you to sell. All we get are recommendations to buy. Now when do you take your profits and get out. Now the market is down to 700 and I honestly think today you should
sell. We are down 10 or 12 points and I think we are going to go down much lower. But are any of the reps calling up their customers and saying "Sell"? No, they are sitting there bleeding to death. That is the great tragedy of this business...this firm's management would not agree with me...

The reader may also disagree with the above broker. However, the author agrees to the extent that he feels all of the points discussed are problem areas which should be considered, especially by those most closely connected with the securities industry. Sadly enough, however, the author was unable to devise a list of profound panaceas. The brokers themselves, though, did have some...

**SUGGESTED IMPROVEMENTS**

**Upper Management:**

Idealistically... ...the American way is where the stockholders vote the management out of office and you have a clean slate. The brokerage firms, with the exception of a very few, are privately owned so of course that is not possible...

What will and is happening is that such traumas will shake the business that a change in management will have to take place, firms will merge, new people will come in...New management will come in to bail the firms out of the horrible mess they are in...

It would be great for management to become enlightened but it just doesn't happen that way.

Management should become more vocal, more active, and correct breakdowns that exist in lines of communication...

**Branch Management:**

For the industry to do the best job in the least time, it should develop some sort of industry-wide branch manager training program. Right now it is a hell of a job. We still are one of the
few industries where as important a man as a branch
manager is still on personal production in all too
many cases as well as trying to manage an office.
Wearing two hats is a very difficult thing to do...
All the firms have some sort of fancy training pro-
gram for account executives. Hell, they take them
to New York for three months and give them a good
basic background in the business. But except for
one or two houses I know of none that has a really
good branch manager training program.

Back Office:

...Some brokers have more problems than others. If
you are on top of your accounts you can get the
error corrected quite quickly. But when it com-
ponds, you are short stock in the wrong account,
you start getting debited for dividends, and then
interest on these. Whether it is the broker's
fault or not, I feel when the broker sees such a
problem he should take the initiative in getting
it corrected as soon as possible. I think this
would straighten out a lot of office problems.
I think in the years when the volume was build-
ing up it was tough to get enough qualified
personnel, but now that the volume has dropped
they are trying to weed out those who are not
as capable in these back office areas. The
current expansion of use of the computer will
require a greater degree of competence in back
office help than has been required so far...

There are some programs on Wall Street for back
office personnel. But what they do is take some
back office worker who has shown some aptitude
for the business and interest in learning some-
thing about the business and they send him to
one of these fifteen week courses run on a cor-
respondence basis, which I don't think really
achieves too much having gone through a corre-
spondence course in the brokerage business my-
self, and not really getting much out of it.
I really think if they had courses paid for and
sponsored by the firm and compensated as far
as working hours are concerned, then you might
be able to get something accomplished...

Maybe a better aptitude program is needed as
far as hiring in the first place...
Many minority groups have been hired in recent years on Wall Street. The fact that it is good for the minority does not mean that it should be done at the expense of the business. Some of these fellows working in the back office, you hear them talking on elevators that "They are out to get me" on this... I know of one case where... a Spanish worker quit, he had kept all his records in Spanish, and it took them months to straighten out the mess...errors were being compounded during this time...

The author, during his visits to several firm headquarters while in New York, did notice many individuals of minority groups either working in back offices or who presumable worked in the back offices. However, account executives who were from minority groups appeared to be an extreme rarity in any of the offices visited. For further data on this point, please turn to discrimination? page 95.

Brokers Themselves:

The morale of today's broker is very low...SEC and NYSE rules need to be updated...such as the one not allowing part time brokers...in 1967-8 brokers were just order takers. This thin out will in the long run be healthy for the industry...The current market requires more skill...

At this time the author will note Rule 346 from the NYSE Constitution and Rules, dated July, 1967.

Every registered representative of a member or member organization shall devote his entire time during business hours to the business of the member or member organization employing him, and shall not at any time be engaged in any other business or be employed by any other corporation...without the prior consent of the Exchange.

As was noted earlier in this paper, this rule tends to preclude part-time jobs. Although the author found that it is
sometimes disregarded. During times of poor business the temptation would be especially great. The author also found that there seemed to be an extreme divergence of opinion as to whether, that, just because a broker "should" spend full time at his job to do it proficiently, enough brokers did in fact exert such full time effort to justify not allowing part-timers in the business. This topic is also discussed later under Rules, Regulations, and Firm Policy.

Returning to the Brokers Themselves:

The registered representative should apply part of his time to community and industry efforts. This is especially true if one looks at the contributions of the securities industry during the last five years to their professional organizations... Operations managers groups on local levels have met with great success in facilitating local deliveries and communications which helps smooth this paperwork. The most management has done is meet for lunch to talk over ideas...

Continuing education is needed, both of the registered representative and of the public.

Rather than comment here on the improvement of the account executive, the author believes it would better behoove the interest reader to turn to What Makes A Successful Broker and read what the currently "successful" brokers have to say about it.
Brokers Themselves:

Eventually there will be little need for individuals. There will be so much information that the individual will realize that he cannot compete. The individual cannot compete in this market. All predictable things will in the future be known and the only variables will be the freaks like storms that send wheat or oranges sky high. Basically new technology such as a Polaroid will be profitable. But they are rare. I think the rest of the stuff will be so available to everybody that ... institutions will handle most of the business. I think everybody will be doing the same thing.

Although a "Money Game" world is plausible and becoming more and more feasible every day, the author does have his doubts as to the time required to effectively mold human nature. However, if one gets burned badly enough and often enough...?

The business has to be healthy for it to be healthy for the broker. I think after the institutionalization the account executive will be no better or worse paid than any other profession. The current sliding scale commission structure will be gradually eliminated...

A program similar to that of ML where you are paid a basic salary which slides up or down depending on the business you do over a three month period...

Institutions:

There will be a consolidation of mutual funds and brokerage firms...

The handwriting is on the wall.
I believe that the mutual funds are finished. People are tired of paying a 9% loading charge to lose 30%; they would rather do it themselves. I believe that in the future there will be more individuals involved and more buying on fundamentals. I believe we will have another speculative binge in the late seventies with different people involved who have never been through a break...

**Securities Industry:**

We as an industry should criticize ourselves very strongly at this point because we are not using good old American salesmanship to sell American industry; and I think that is what has to come about.

The stock certificates are the crux of many of our problems. I've heard talk that we will eventually have a screen on our desks where we can punch a number into it and the customer's account, balance, and contents will appear. This could help the broker a lot. It is probably just economics that is holding it back right now...

The future of the brokerage industry appears to me no more or less exciting than that of the rest of the economy. It depends on the economy. It will be the job of the broker to smell trends...

The insurance companies are selling free enterprise to people we are not geared to sell it to. Perhaps later on they (the people) can become our clients as well as stay with Sears or Nationwide...

We are going through a trauma in financing because we have been asleep at the switch. Since 1958 we have not increased our rate structure yet we have increased our service many fold. We have been working with government agencies on the basis of "Keep your prices down; you are serving the mass public." And all the time we are not serving the mass public...

The Sears, the Nationwides, the Planned Equities type of things are going to serve the mass public where they can do it through a corporation...where for $5 a week they can give the public a package of so many stocks, bonds and insurance. There is
where people will learn about the capital and free enterprise we are professing...
I think these programs will very much complement the brokerage industry and that the brokerage industry should encourage activity in these areas...
Most of the people will never come into individual securities. They will stay with the mutual funds where they start. This is all good, because we don't have the facilities to serve these people economically. This is the complement I think we will see taking hold over the next three to five years...
A year and a half ago I would have told you: This is one of the most exciting businesses that one can be in. There is tremendous growth and prosperity ahead for the account executive. Today I say: God only knows!

Truth takes many forms. The author will in this case leave the reader to search for his own.
WHAT MAKES A SUCCESSFUL BROKER

Often, while talking with an account executive who appeared to be, and was recommended as being, quite a "successful" broker, the author could not resist asking the individual what he thought was required of one who wished to emulate his success. As the reader might expect, the road to success is not a one-lane street even if all the lanes do appear to be marked for the same destination.

In my opinion there are three different brokers. There is one, the commodity man who trades the futures only, which to me is a world of its own which requires knowledgeability of the whole economy as well as selected reading in certain areas which must be done. This is one very speculative area. Another is the type who has clients who are trading stock daily and that understandably ties you down. You may talk to them four or five times a day about what is going on in hot stock. The third type, that of which I belong, would be an investment type broker in that I don't have anybody trading stocks. Most people are on a six-months capital gain arrangement. This does not mean that I don't have one or two speculations which I am knowledgeable about, but basically I work towards the areas of investment. And then also, of course, is the obvious truth that no one is good enough to be consistently coming up with good ideas so that it is very difficult to develop any loyalty in trading accounts. Most of these guys will stay with you for a while and once you hit a bad market they are over to another house so that you are forever developing new people. In some markets you do very well, in others you have practically no income at all.
In the investment area you develop loyalty in the clients; it is a slower way of becoming successful, but I think it is more rewarding. And in this recent market I can give you a testimonial that my business has been much better than most of the fellows who have trading clients.

Today it is usually the biggest accounts that make the broker successful among his peers. I get more mileage out of my small accounts than most people do because I am informed and I work hard...

I have never seen a successful trading account in the long run. You cannot trade small accounts. One loss in a $5,000 account of $500 is 10% and right away it hurts. Two or three back to back and you are out. Basically the secret is to get a lot of business from a lot of people unless you are lucky enough to have relatives to support you which most people are not. (Lucky? In recent markets the author wonders.)

It's a tough question because I don't think you'll find any two guys that sell alike. Our product is not unique, many direct competitors offer the exact same service as far as General Motors stock or municipal bonds or whatever, so there is nothing unique about it. So you develop your own method of service...no one pattern...which you can say is a successful one...There are a lot of boys in this business that read too much during the day when the market is open instead of selling. They are sitting around reading the Wall Street Journal and the Dow Jones News Services...it is often the best informed brokers that are starving in the town.

The secret of success is for the broker to develop some kind of pattern, telephone calls and whatever, and stick with it. Intelligence helps; mailing literature helps; many things help. Getting along with clients is the answer...

The only way for an account executive to succeed is hard work. The easy money makers of last year are either out of the business...or they overspent so much they are traumatized. The fellows who will survive are those who worked hard.
For success a broker needs to deal in more than stocks. I used to deal 90% in stocks and have since changed to 90% commodities. In commodities the potential profits parallel the high risks involved. In the high flying stocks the risk is still there but the potential profit is not. Those who want to take risks should be in commodities.

It depends on the individual. If he really puts himself into it he cannot help but be successful. There are so many ways to do it...
RULERS, REGULATIONS, AND POLICIES

During the course of interviewing, the author had ample opportunity to ask some brokers their feelings on the new surtax, the NYSE "full-time job" rule, the methods of compensation used by the various houses, and their feelings toward their firm's research department. The author's interest in the latter topic was heightened by the number of "About Average" and "Often full of hot air" responses discussed in Chapter IV of this paper.

It is hoped that the reader will find these miscellaneous topics of some interest as did the author.

The Surtax:

I think it is very difficult for any AE in any branch office to really talk intelligently about this because this is, in my opinion, strictly an economic question. The industry must survive...

The major exchanges have pretty much followed the special interest pattern...in that the NYSE tries to regulate all their decisions according to what is best for the pocketbooks of the brokerage firms instead of what is best for the long pull or the public. As a result there are many minor decisions which are made which are narrow in scope. For example, our lobby in Washington is strickly to get our commission rates jumped up for the small customer. While alleviating the profit squeeze for the firms it alienated the small customer which has grave long-term impact...
Rules and Regulations:

A broker should be a full-time job. To do your best you must be totally committed. You need your evenings to prospect, to do your homework and to know your product... I feel I need more time than the normal day to look over my accounts and intelligently suggest updates, changes, etc...

Regulations are based on keeping things on political keel...

Compensation Policy:

Brokers in some houses get 35 to 40 percent (of the gross commissions that the customer pays when he buys or sells stock, bonds, etc) but that is very rare...

It varies somewhat with the firm. In our firm at a branch office they pay one third while in the New York office it is 40%. On institutional sales they pay 25% while at... around the corner they may pay only 20% on institutional sales...

At a small house, maybe 40%...

Some of the firms tell you they are paying salaries. It is a lot of phoney baloney because at the end of the year they turn around and adjust the salary by the amount of commissions the guy has created. This is basically a commission business so you develop fellows with a pretty independent approach to the business...

...a new customer phoning in for the first time...
The call goes to the office manager or his secretary who has instructions to give it to one of the younger brokers.

Research Departments:

...after all, they are specialists. They spend all their time following an industry in most cases. They attend almost daily luncheons of the Financial Analysts Society in New York, Chicago... and wherever and will come at you with good ideas. This is a business of ideas. They come at you every day.

Well, if you are selling Frigidaire refrigerators, you learn the product line once and you've got it down for the whole season. But the stock market changes every day...
Now I think that an intelligent broker will frequently disagree with his own research department. I think when you're new in the business... I certainly recommend going along pretty much 100% with what the research department is saying to you. But as you become more advanced... I don't hesitate at all to turn down an idea. Because, after all, to justify your work as a broker to a degree you must believe in what you are selling. It is ridiculous to try to talk a client into buying something that you really don't believe in yourself...
So... time is the number one problem. The utilization of time is the secret to success in any business and if some guy in the research department has done a thorough review of some industry I think you are foolish not to read it thoroughly...

During the last year nobody's research department has been worth a damn... So they have been wrong... whose fault is it?
DISCRIMINATION?

In this respect the author's project is definitely biased. Solely because the author noticed so very few female account executives and even fewer Negro account executives he asked to interview, or at least hand a questionnaire to, as many of these individuals as possible. In general the author found that if there was any discrimination, that it would probably stem from some other source such as age or knowledge than from race or sex. The essence of his interviews took the following tone:

**Females:**

I find very little prejudice. Age is more of a hindrance than being a woman. I do not recommend the brokerage business for women because it is such a high pressure business. I think it takes an exceptional woman for that...

From the female brokers with whom the author talked, the author would be inclined to say that most all female brokers are likely to be exceptional women.

The author also wondered about reverse discrimination and hence usually asked, "Do you ever draw female clientele solely because you are a woman?" While most of the ladies interviewed thought there would be enough of this to offset any existing male discrimination, they usually said something like:
No; especially not with substantial accounts. It comes down to that they really don't care what your sex is, just so you make them money and you know what you are talking about.

Is Age a Barrier:

I definitely think that it is a benefit to be older...to have experience in business so you have a common ground with the people that you deal with. You can make it as a younger person but I do think it is harder.

Racial Discrimination?

Being a Negro is definitely not a help, but the degree of discrimination I have met has been negligible... The primary reason why a person wants to deal with any account executive is the amount of money he can make with that broker. I have met a bit of discrimination from people who I have dealt with that made money and yet persons who have not made any money have shown me very courteous rapport...

I wouldn't say that it is beneficial to be a black person in the business. The negative aspect of it is the amount of capital that black people have and the society which causes my potential in dealing with the black people to be limited. That would be my primary hinderance to success in the business if I were to devote all my effort to serving the black clientele...

...and if you don't know your customer you might as well forget the business...

And as the reader is probably aware, there have been many customers as well as customers' men who have quit the securities business during the last year. It is quite possible that if many brokers gave a bit more conscientious effort to knowing and serving their customers and if many customers had given equally more conscientious thought to knowing and choosing their broker that the "Great Bear
Market of 1969-70" might not have been so catastrophic.

"Better is one fore-thought than two after"

Erasmus
VI
A PROFILE OF A STOCKBROKER

The stockbroker is married, thirty-three years old, and has two children. As a boy he helped in his father's business before attending a state university where he majored in business. However, he has since then taken a specialized course in finance before he sat for the NYSE brokerage exam.

After graduation from college he married and took a position as an industrial salesman. His wife, who went to college herself, taught school before the children were born. Since then his family has acquired a $40,000 home, built in 1947, in which they now have a 60% equity. His family also owns two cars, one which they purchased new and on credit and a used one for which they paid cash.

His favorite hobbies are reading and sports. He plays golf regularly, tennis whenever he can, and enjoys watching football anytime.

Most of his reading is of financial journals such as the Wall Street Journal, Business Week, Barrons, and Forbes, all of which he reads regularly along with a few other technical journals and lay magazines. However, he has also read The Godfather and The Money Game and about eight other books this past year.
Three or four years ago he became interested enough to make the switch to the brokerage business. His prime reason for changing occupations was his interest in the market and the enjoyment he felt he would derive from working with it. Now, in a good-sized city, he commutes five days a week to the board room where he spends fifty hours a week with almost twenty other brokers like himself.

The greatest satisfaction he derives from his work is the personal fulfillment which comes from successfully serving a client. However, he is annoyed by the unpredictability of his income and he finds that the emotional tensions can become uncomfortably great at times.

Most of his customers deal in small round lots. Of his customers, about twenty call him up at least twice a week to talk over the latest in down markets and hot stocks. He deals mainly in stocks and he seldom trades for his own account although his $15,000 in liquid assets would allow him to trade if he so desired. Since he has confidence in the advice he gives to his customers he will probably become more active in the market himself when conditions improve and he starts to get his clientele back in (or out as the case may be). It could be that he too is presently "locked in".

He made $16,000 last year but expects to make only $13,000 this year due to the extremely poor market conditions.

He sees himself as a moderate Republican, attends a Protestant church, belongs to the Jaycees and the local Bond Club, and would not change occupations even if given the chance.
SELECTED BIBLIOGRAPHY

A. BOOKS


B. ORGANIZATIONAL PUBLICATIONS


Supervision and Management of Registered Representatives and Customer Accounts, Department of Member Firms, New York Stock Exchange, 1967. 28 pages.


C. PERIODICALS

Various Issues: The Wall Street Journal
D. UNPUBLISHED MATERIALS

1. Your year of birth: ______

2. Are you: Male ______ Female ______
   Single ______ Divorced ______
   Widowed ______ Married ______

3. How many children do you have? ______
   Are any of your children attending a private school? Yes No
   Are any of your children attending a private college? Yes No

4. Is your wife a college graduate? Yes No
   Does your wife work outside your home? Yes No
   If yes, what is her occupation? ______________________

5. A. Please check the highest level you attained in school.
   grade school ______
   attended high school ______
   graduated high school ______
   attended college ______
   graduated college ______
   post graduate ______

   B. If you went to college, was it
   an Ivy League school ______
   a private non Ivy League school ______
   a state university or college ______
   a city university or college ______
   a business college ______

   C. If you graduated from college, in what field of concentration
   was your undergraduate degree? ______________________

   D. Your academic honors, if any: ______________________

   E. Have you ever attended night school? Yes No
   If yes, what degrees did you obtain as a direct
   result of night school classes? ______________________

   F. Have you ever taken correspondence courses? Yes No
   If yes, what degrees did you obtain as a direct
   result of these courses? ______________________

   G. Are you a CFA? Yes No

   H. Did you participate in a NYSE brokerage firm training program?
   If yes, what was the length of the program? Yes No
I. Please list any licenses you now hold. (e.g., Insurance)

6. Did you contribute to the cost of your college education by outside work? Yes No
   If yes, how much?  A minor portion ___ About half ___ More than half ___

Did you hold any scholarships? Yes No

7. A. If you could start your formal schooling over again, would you still choose the same field of study? Yes No
   B. If "No", what field would you choose? ______________________________________
   Please briefly say why: ____________________________________________________________

8. A. Where did you grow up?
      In a metropolitan center of its suburbs ___
      In a city of 100,000 to 500,000 ___
      In a city of 50,000 to 100,000 ___
      In a small town or rural area ___

   B. In what states did you spend the first twelve years of your life? ____________________________

ABOUT YOUR LIFE TODAY...

1. A. In what type of dwelling do you live?
      a condominium ___
      an apartment ___
      a single family house ___
      other ___

   B. Besides your main residence, do you have
      ___ a city apartment in which you reside during the week
      ___ a recreational cottage

2. A. If you own your own home, what do you estimate its market value to be today? $________
   B. What do you estimate your equity to be in this property? $________
   C. About what year was your house built? ____________________________
D. How many cars do you and your immediate family own? 

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Do you also own: 
- a power boat? Yes No
- an airplane? Yes No
- a motorcycle? Yes No

3. Do you belong to a country club? Yes No

4. What are your hobbies? 

5. What sports do you regularly enjoy?
   - As a spectator
   - As a participant

6. Please list the magazines and journals of all kinds which you read regularly.

7. About how many books unrelated to the market have you read in the past year?
   If you can recall any titles, please list a few:

8. About how many books related to the market have you read in the past year?
   If you can recall any titles, please list a few:

9. Is there a difference between the reading you do at the office and the reading you do at home?
   - Yes It is completely different material
   - No My home reading is usually directly or indirectly related to my work.
ABOUT YOUR WORK...

1. Where do you work (3 parts)?

   I work: A. In the same town where I was brought up
          In the same state where I was brought up
          Within 100 miles of where I grew up
          None of the above apply
          B. In the East   Southwest
             South    West Coast
             Midwest   Central-Mountain
          C. In a metropolitan center or its suburbs
             In a city of 100,000 to 500,000
             In a city of 50,000 to 100,000
             In a small town or rural area

2. The firm I work for is ____________________________.

3. Do you have relatives who are your superiors in the firm? Yes No

4. Do you have relatives working in market related occupations in other brokerage firms, bank trust departments, etc.? Yes No

5. How long have you been working for your present employer? ______

6. Have you worked for brokerage houses other than that of your present employer? Yes No

   Have you worked in other occupations during your business career? Yes No

   If yes, what were the other occupations?

7. Which of the following considerations were most important to you in making an occupational move or change of employer.
   (Please check all that are applicable.)

   I was blocked in my old job and saw an opportunity to move ahead faster in the brokerage business. ______

   I moved because I got more money immediately as well as a more promising future. ______

   My old situation was pretty intolerable and I wanted a change. ______

   I felt I had a couple of strikes against me on my record in my old job and I wanted a fresh start. ______

   I was intrigued by the market and felt I would enjoy working with it. ______
8. What is your greatest single source of job satisfaction?

The sense of accomplishment I get from it
The fact that it (normally) pays well
The belief that if I perform well, I have a future in the business
The sense of fulfillment which accompanies a successful trade for myself or a client
I enjoy being where the action is
The security of the profession and my employee retirement program

9. My greatest source of dissatisfaction is that:

I don't make enough money to buy my family the things we need and want
My income is too unpredictable
The firm restricts my actions in too many ways
The emotional tensions often become unpleasant

10. Do you feel your firm pushes you too heavily to meet sales quotas on particular stocks? Yes No

11. In your opinion, do promotions in your firm usually go to the men who really merit them? Yes No

12. How many hours a week do you work, including time spent at the office and away.

13. "My wife thinks I spend too much time working." Yes No

14. Which of the following do you feel applies to you?

My wife has been very important in my career.
My wife has been helpful, but not very important.
My wife's role has been negligible.
She has hindered my progress.
None of these apply.

15. Which of the following firm fringe benefit programs do you enjoy?

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<th>Benefit Program</th>
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16. If you participate in a stock option or profit sharing plan, do you expect it will mean a substantial amount of money to you some day? Yes No

17. Do you feel your research department is:

Extremely competent
Generally competent
About average, as NYSE firms go
Often full of hot air
18. How many account executives work in your office? _____

19. How many active accounts do you handle? (Two or more contacts per week) _____

20. How would you describe your customers?

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21. Do you feel that most of your customers could fare better if they listened to your advice instead of playing their own hunches? Yes No

22. During 1969, approximately what were your gross commissions? $________
What do you estimate your gross commissions figure will be for the first half of 1970? $________

23. How would you break down your gross commissions?

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24. Do you supplement your income trading for your own account?

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25. What is the approximate value of your family's liquid assets? $________
(Cash, savings, stocks and bonds)

ABOUT YOUR PARENTS...

1. Was your father a:
   - laborer
   - semi-skilled worker
   - clerk
   - salesman
   - manager
   - farm owner
   - top level executive
   - owner of a small business
   - professional person
   - account executive
   - other

   2. Was your father a college graduate? Yes No
      If yes, did he get an advanced degree? Yes No
3. Was your mother a college graduate? Yes No
   If yes, did she get an advanced degree? Yes No
4. Are both your parents still alive? Yes No
   If your father has passed away, how old were you when he died? ____
5. How many times did your family move during your childhood?
   Not at all ____
   Less than five times ____
   Five to ten times ____
   More than ten times ____
6. How many children did your parents have? ____

POLITICS and MEMBERSHIPS...
1. Are you a ____ registered republican
   ____ registered democrat
   ____ unregistered
   ____ registered other: ______________________
2. Would you consider yourself liberal ____
   moderate ____
   conservative ____
3. What is your religious affiliation? ______________________
4. Please list the civic organizations (eg. service clubs) to which you belong.
   ______________________________________________________
5. To what fraternal organizations do you belong?
   ______________________________________________________
6. To what professional organizations do you belong?
   ______________________________________________________

IN CONCLUSION...
1. Does the "question" of the proper ethical conduct of an account executive arise in your work very often? Frequently ____
   Once in a while ____
   Almost never ____
2. If you could now change occupations, what occupation would you choose? _______________________

3. "A customer should expect his broker to keep current on financial journals, to pay special following to stocks in which the customer has a timely interest, to know where to find answers to questions involving minor research, and to know when to advise a customer on his own initiative as well as when to say that he does not have the answer."

Please comment below if you feel inspired to do so.

4. "The stock market is a racket. Most people in it are out to save their own skins. In any case, it is no longer the place for little old ladies or the odd lotters who are at the mercy of the funds, the professional traders, and the institutions."

Please comment:

5. Is there anything you would like to add which the author neglected to ask?

AGAIN: THANK YOU. Please mail this completed questionnaire immediately.
New York Stock Exchange
Research Department
11 Wall Street
New York, N. Y. 10005

Gentlemen:

will you please tell me how many, to the nearest hundred, registered representatives of the NYSE there are in active existence east of the Mississippi. I need this figure to run some statistical sample size tests for a research project.

A postage paid return envelope has been enclosed with the hopes that it will save you some time and speed your reply.

Thank you much.

Sincerely,

John D. Gentis

Numbers: 3576 (as of Dec 31, 1969)
By: [Signature]

Please fill in blank & return this sheet.