

AN AGE OF SHAREOWNERSHIP

Welcoming Remarks By G. Keith Funston, President, New York Stock Exchange, At a Symposium Commemorating the 175th Anniversary of the Founding of The Exchange, At the Vivian Beaumont Theater, Lincoln Center, New York, New York. Tuesday Morning, May 16, 1967.

On behalf of the New York Stock Exchange, it is a great pleasure to welcome you to this Symposium, which is entitled: "The Corporation And Its Shareowners -- Opportunities Ahead."

We are especially grateful to Lincoln Center for making this extraordinary theater available to us today. As you can see, we have a rather unusual backdrop: A portion of the very successful production of the play, "Galileo" -- which currently is being presented by the Repertory Theater of Lincoln Center.

When we first saw this rather elaborate scaffolding a few weeks ago, we were somewhat concerned about the safety of the speakers in our Symposium. But the Lincoln Center officials have assured us that there is no possibility of it tumbling -- and that we couldn't move it if we tried!

It's gratifying indeed to see how many leaders of the American business and financial community have taken time out from the important job of running the nation's business to help us celebrate the Exchange's 175th Anniversary.

We are flattered that you are here with us today. And -- having drawn you away from your desks this morning -- the Exchange certainly hopes that you will find the program stimulating. We've tried to stack the deck, in a sense, by enlisting the aid of a very eminent group of speakers and discussion panelists.

Our starting point -- and the *raison d'etre* for this Symposium -- is, as you know, the commemoration of the founding of the New York Stock Exchange. That event took place 175 years ago tomorrow, when a group of 24 merchants and auctioneers signed an historic business agreement beneath a buttonwood tree on what was then -- as it is now -- Wall Street.

The signing of the now-famous Buttonwood Agreement was a matter only of small curiosity to passers-by, and attracted scant public notice in 1792. Indeed, at that time, the event held little significance for anyone but the twenty-four signators--and for the handful of wealthy customers whose securities transactions were to be handled by them.

From that day to this, the Stock Exchange has been an active, growing, sometimes colorful, and frequently hectic institution -- with figuratively speaking, one foot planted firmly in the present

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and the other poised to step smartly into the future. In recognition of this, we've decided to forego today the nostalgic pleasure of looking back over the past 175 years. Instead, we are dedicating this anniversary celebration to a realistic look at the opportunities ahead.

Our business -- the securities business -- is by no means self-sustaining. No service industry can be. The growth of our business is part and parcel of the growth of American industry. In fact, the greatest asset we have to offer the public is the progress of the 1282 companies whose shares are listed on the New York Stock Exchange. This is what the investors, who are the customers of our member firms, wish to buy and sell. And so, today, we are focusing this Symposium on the listed companies -- and on their millions of shareowners -- who collectively have played so important a part in bringing America to the threshold of "An Age Of Shareownership."

At the present time, our nation seems to be moving into a new kind of capitalism -- entering an age in which the shareowner is likely to play an increasingly significant role in corporate affairs. Changes in the number, character, sophistication, needs, and wants of shareowners during the years ahead seem destined to place new responsibilities and challenges before corporate officers and the securities industry.

It is some of these responsibilities and challenges that I wish to explore briefly with you this morning.

First, let me try to set down the key forces likely to affect shareownership over the next decade. Leaving aside risks of depression or war, I have been struck by four basic developments:

(1) Rising Wealth and Incomes for American Families. In 1965, some 16 million families earned \$10,000 a year or more. By 1975, there will be 35 million such families. The ability of the public to save and invest will thus increase tremendously.

(2) Rising Educational Levels. The higher the level of education, the greater is the likelihood of shareownership. Between 1960 and 1975, the median years of formal education will rise by 20 per cent. More and more persons achieving adulthood will have the benefits of college training.

(3) Continuing Urbanization. City people generally tend to hold equities to a greater degree than others. America has become a nation of urban areas. At present, over 70 per cent of our population is urban, and less than 30 per cent rural. This trend to urbanization will continue.

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(4) Breakthroughs In The Technology of Communications. The key technological innovations for the Exchange and investors, in the past 175 years, have been the teletype, the ticker, the telephone, the electronic interrogation devices, and now the computer. Each of these instruments permitted us to bring the orders of more and more buyers and sellers to the central marketplace more and more rapidly and economically. It is this concentration of orders, and the easy accessibility to the public, that makes our market what it is.

The full implications of the electronic revolution on share-owners and investment markets is only now beginning to emerge. In the foreseeable future, it is not inconceivable that investors, by the flick of a switch, will be able to obtain up-to-the-minute information about the market, about the companies in which they invest, and about the economic variables affecting their investments. Indeed, the computer may well change our market more than any of the other great inventions which I have just mentioned. It should be made clear, however, that the computer will enhance -- but never replace -- the broker's ability to place his experience, resources and personal judgment at the service of the investing public. Data may be brought by machine to and from the location where a trade is to be made, but the human judgment of men will always be required to make the trade itself.

Looking Backward Briefly

The prospects of the Exchange Community today are thus in marked contrast to those which faced us a generation ago. At that time, the typical adult American showed little interest in economic affairs or investment. The door to participation stood open, but most people -- even if they were moderately curious about such matters as owning shares of common stock -- had neither the knowledge nor the willingness to become personally involved. The heritage of the 1930's hung heavy overhead, and the question of just how "free" free enterprise would be, was clouded with serious doubt. Abroad nationalization of major industries was a fact of economic life.

In an effort to overcome this timidity on the part of potential investors, the New York Stock Exchange launched a major campaign to acquaint the public with the risks and rewards of investing. This was, to be sure, a campaign aimed at winning new customers for the services offered by Stock Exchange member firms. But it was also an educational campaign -- selling corporate America, and sound investment in corporate America, to all who would listen. We had strong allies in our listed companies, and especially in companies like those represented on our program today. The national economy grew and prospered, and the Exchange's member firms seized the opportunity and expanded greatly.

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Perhaps the best measure of the success of this combined approach can be found in the fact that, in just over 15 years, the number of individuals owning shares in American corporations has more than tripled -- from 6½ million to an estimated 22 million -- and is increasing at a rate of about one million per year. In addition, another 100 million or so Americans have an indirect stake in shareownership through institutions which invest part of their savings for them in common stock.

Looking Ahead

Looking ahead, one does not have to be clairvoyant to come to the conclusion that the Age of Shareownership is in its early stages. The number of shareowners has the potential of growing by 100 per cent or more within a generation. A projection of 50 million shareowners by 1992 -- the 200th Anniversary of the Exchange -- is certainly within the realm of reason.

But the shareowner of tomorrow promises to be vastly different from the shareowner of yesterday. Americans may become as well-informed about investing as they are about the comparative merits of automobiles, television sets and other consumer products. Investing in stocks may very well become a standard part of family budgeting. Such an exciting promise, however, will not be realized without problems. Three key issues posed for the corporate officer by these trends are:

(1) Dissemination of Information On Corporate Affairs. During the years ahead, corporate officers and directors can expect to devote many hours to studying and defining how the growing amounts of information available on corporate affairs can be fairly and equitably distributed to shareowners and the investing public. As the four forces noted earlier work their way through the economy, demands for information will grow in number and in sophistication. Thanks to computers, the ability of corporations to respond to these requests will also leap forward. Today's basic tools of quarterly and annual reports may not be adequate. We may need more data, and more timely data. But what form it should take will necessitate breakthroughs in communications. Too much non-selective information can confuse and mislead the investor just as much as providing too little information can.

For example, an especially complex and difficult problem is emerging in the case of the type of information which should be supplied by the conglomerate company. Much work also needs to be done to bring about greater uniformity in accounting within a given industry, so that comparable figures are available to investors.

The problems of dealing with inside information, of timely disclosure, and of making certain that all stockholders or potential stockholders are kept equally well-informed, are problems for which it is difficult to work out definitive answers.

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But since the broker and the Exchange Community, in a sense, are experts in the dissemination of information, we will continue to work cooperatively with you in the resolution of these problems.

In addition, the Exchange itself has a major role to play in the areas of its competence as an informational clearing house for its listed companies. Our computer complex henceforth will enable us to do more than ever before in counseling corporate officers seeking to determine the appropriate price range to which they might split their stock. It can also provide information on details of corporate mergers, consolidations, proxy statements, employee purchase plans, and communications with shareholders and the investing public. During the years ahead, it may be possible to transmit, via the computer, to shareowners and the investing public, a wealth of financial data that corporations must file with the Exchange and with regulatory agencies.

(2) Serving The Big Investor. The second key issue posed for the corporate officer by current trends in shareownership, is serving the big investor. Millions of individuals invest in equities indirectly through such institutions as pension funds, mutual funds, insurance companies and the like. These indirect shareowners place their money in the hands of a relatively few professional investment managers who, being, knowledgeable, analytical and sophisticated men, create a special communications problem for corporations. Defining their respective responsibilities to one another of corporate officers, institutional investors, other large investors or investing groups, and the individual shareowner -- is a problem of the first magnitude that must be resolved. Among the questions that corporate officers and the securities industry must face are these:

-- Should a pass-through vote be granted to the beneficial owners of funds, pension contracts and insurance policies, as in the pattern of the duPont-General Motors case -- or, as in the case of shares held for beneficial owners, in the name of NYSE member firms?

-- How much more information than can be mailed out to all stockholders should be given to a professional institutional manager or securities analyst who seeks it out at company headquarters?

-- Should institutional investors be required to vote their stock in any and all circumstances?

-- How, if at all, should a company express its concern in connection with speculative, rather than investment, interest in its shares by large individual or institutional stockholders?

-- Do the current "take-over bid" procedures give an unfair edge to the seeker of control of a company, to the disadvantage of management -- or vice-versa?

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-- What should be the position of the broker or investment banker in take-over bids?

-- Are corporate pyramids becoming a problem in the industrial field as they once were in the utilities?

(3) Shareownership And World Markets. Third, the growth of world markets has prompted the evolution of corporations from national into truly international entities. Some companies have thought that a minority interest in a subsidiary should be owned by citizens of the nation in which the subsidiary is operated. Others maintain that shareowners throughout the world should be encouraged to invest in the parent, world-wide organization. There are many other practical problems which will become increasingly important as the world grows smaller and is measured in minutes and hours instead of days.

Summary

Summing up, the dissemination of corporate information, serving the big investor, and the advent of world markets -- are three of the vital challenges we will have to face and resolve during the years ahead. The Exchange's crucial job will be to see that the central market retains and strengthens its responsiveness to the several groups it serves -- listed companies, their actual and potential shareowners, and the general public. For shareowners, the years ahead promise unprecedented opportunities to participate in corporate affairs, but shareowners too, in the context of startling technological and social change, will find themselves grappling with more complex investment decisions.

For corporate policy-makers, the rapid-paced world of tomorrow will pose a challenging array of questions: from financing future growth -- to the distribution of profits; from executive compensation -- to overseas expansion; from new manufacturing and marketing techniques-- to the impact of ownership by institutions.

Our guest speakers this morning -- the chairmen of three of the nation's outstanding and most successful corporations -- are especially well-qualified to discuss these and other questions in the context of broad shareownership. They will speak from three different viewpoints:

The Viewpoint of a corporation with a broad base of shareownership;

The Viewpoint of the corporation deeply involved in new and constantly changing technologies;

And the Viewpoint of the Multi-national Corporation.