Advance for: 6:30 p.m. EST Tuesday, December 9, 1975

Summary of Remarks by James J. Needham
Chairman, New York Stock Exchange
At an NYSE Press Seminar
December 8, 1975

SHAREOWNERSHIP -- 1975: CHANGING PATTERNS IN PUBLIC SHAREOWNERSHIP OF U.S. CORPORATIONS

INTRODUCTION

We are delighted that so many members of the working press have been able to join us today -- many of you having traveled long distances to attend this seminar. Unfortunately, in many other respects, this is not a very happy occasion.

I don't know whether we are actually breaking new ground -- but I doubt that very many major business institutions make a practice of inviting a large segment of the national press to a full-dress discussion of bad news.

One reason we have done this, frankly, is because the news is bad -- and because we believe the American people, the business community and, perhaps most of all, our representatives in government, should be fully aware of it.

BACKGROUND OF CENSUS OF SHAREOWNERS

I don't want to encroach on areas in which various members of the Exchange's research staff are far more expert than I. But I can perhaps put today's meeting in perspective by briefly describing the background of the "Census of Shareowners."

Actually, as the Exchange's legal counsel has pointed out many times to my predecessors and to me, we do not conduct a true census, technically. That is, we do not send armies of people out all over the country to count heads. But we do use very sophisticated techniques -- which other speakers this morning will tell you about -- to develop an authoritative estimate of how many individual Americans own shares of corporate stocks and mutual funds, and to learn a great deal about the key characteristics of those people.

The first Exchange Census was taken back in 1952 -- by an outside organization that then estimated the total number of shareowners at about 6½ million.

Subsequently, the Exchange staff developed and has constantly refined the estimating process, producing a continuing series of census figures that have gained wide acceptance as the definitive information about who owns American business.

In 1956, the shareowner population increased to 8.6 million -- and New York Stock Exchange efforts to acquaint people with investable savings with the risks and rewards of stock ownership were generally credited with spurring that increase. As the Exchange's programs expanded -- and as the U.S. economy flourished and prospered during the late 1950s and on into the beginning of this decade -- the shareowner population kept rising.

The 1959 Census estimated that nearly 12½ million individuals owned shares of U.S. corporations. By 1962, the figure had grown to 17 million. The total passed 20 million in 1965.

Between 1965 and 1970 -- the year of the last Exchange Census of Shareowners -- the shareowner population swelled by more than 50 per cent, to nearly 31 million individuals.

Two years later, an admittedly less thorough, purely statistical estimate boosted the figure to 32½ million -- and at least one irreverent smart-aleck suggested that sooner or later there would be more shareowners than people.

THE NEW FIGURES

Well, if there was ever any real danger of that, it has passed -- at least temporarily.

Because, as of mid-1975, the shareowner population has declined to 25,206,000. That means at least six million shareowners have become non-shareowners in the past 5 years. And it puts public ownership in America back where it was in about 1967.

Another disturbing discovery is that the typical shareowner today is 53 years old, compared with 48 years in 1970. This is the largest age-change in the history of the Exchange Census and it is not at all encouraging. It strongly suggests that young people have not been entering the market in numbers significant enough to help offset the inevitable attrition in the highest age brackets and older shareowners' tendency to switch capital into fixed-income investments. In effect, the basic core of the nation's stockholding public has remained unchanged since 1970 -- except that it has grown five years older.

Some of the other Census figures are as intriguing as they are significant. For example, the great bulk of the decline in share-ownership has occurred among those who, in 1970, owned only shares of corporations not listed on the New York Stock Exchange. In fact, more than 80 per cent of the total decline occurred among individuals who, in 1970, owned only shares of companies traded over the counter or shares of investment companies. That seems, to me, to say a great deal about where public confidence in the securities markets is and is not concentrated. The figures should speak very pointedly to other markets -- and to their supporters in government -- who make a practice of flamboyantly denigrating the NYSE. Certainly, there ought to be a very clear lesson for those who suggest that the exchange markets should be restructured to make them more like the over-the-counter markets.

Now, with respect to the over-all decline in individual share-ownership, you may say, things have been bad all over for a long time -- and particularly in the securities business, where declining prices have discouraged many individuals from risking whatever savings the long recession has left in their possession. Many of the six million dropouts probably had to sell off some of their stocks to keep up with spiraling living costs or, in more extreme cases, to help tide themselves and their families over while they were out of work. And in any case, does it really matter whether 20 million or 30 million or 50 million individuals own stocks?

I happen to believe that it matters a great deal. And while I cannot prove that a decline in shareownership is tied directly to the dismal national economic performance of recent years -- or that it signifies a substantial loss of public confidence triggered, in part, by incessant government meddling in the securities marketplace -- I find the coincidence just a bit too disturbing to dismiss.

One reason the Exchange's shareownership estimates have attracted so much attention in the past is that, for 20 years, they clearly documented growing popular involvement in this nation's basic economic processes. It seems inevitable that the substantial unprecedented decline will be widely viewed as a reversal of the advance of economic democracy. Perhaps much less obvious is the possibility that declining shareownership may be interpreted by some as evidence that economic disenchantment has spread to many Americans, in all walks of life, who traditionally have strongly supported the principles of private enterprise capitalism. If that should indeed be the case, we may have to assume that changes in public attitudes toward investing will lag far behind the early signs of economic recovery.

With next year's national elections expected to focus sharply on economic issues, no one in public life today can afford to ignore any sign that middle America may be growing disenchanted with how the nation's economic system operates. The long, emotionally charged debate over New York City's massive fiscal crisis promises to permeate the national political arena for many months to come, and to prompt many additional searching questions about what is popularly -- or unpopularly -- referred to as "the system." If the American people do not like the answers they get, or if they think their questions are being evaded, their grievances will certainly be reflected at the polls next November.

Closer to 11 Wall Street, I believe that any examination of what is going on in the securities business today must recognize that many of the issues we are grappling with directly involve the well-being of 25 million remaining shareowners and uncounted additional millions who have the means to become shareowners. I am referring particularly now to the issues of needed business and investment tax reform and the ongoing effort to restructure the U.S. securities markets. I find it very significant that the two most vocal national organizations of individual shareowners -- the National Association of Investment Clubs and Shareholders of America -- have both steadfastly supported the tax-incentive programs and the securities auction market principles for which this Exchange has been vigorously campaigning.

And I find it curious, to say the least, that U.S. shareowners' representatives in Congress, with relatively few exceptions -- and the federal regulatory agencies responsible to Congress -- have paid little attention to the urgent needs and demands of this very substantial part of their constituency. And, frankly, it would seem stranger still if, in the next national elections, that very large block of U.S. voters neglected to examine the records of candidates on the crucial issues of investment-tax incentives and measures to make the nation's securities markets either more or less hospitable to participation by individual investors and prospective investors. Most federal legislators seem to behave as though they don't believe the views of 25 million or more voters on these issues really matter very much. And I believe not only that it is time for those millions of voters to start speaking out and asking some potentially disturbing questions of their senators and representatives -- but that more and more shareowner-voters are going to start doing just that.

Dr. Juanita Kreps, who is Professor of Economics and Vice President of Duke University -- and a Public Director of this Exchange -- has said that if millions of individual investors believe that they are being disadvantaged in the market by the so-called "big guys," they will retreat from the stock market and from active ownership of American business.

It would certainly seem as though that may be one factor that has contributed to a decline of six million shareowners since 1970. And I believe that is one of the very worst things that can happen to the structure of public participation, which is one of the underlying strengths of our national economy.

In the normal course of events, the Exchange will conduct a new "Census of Shareowners" in 1980. And I can promise you that all of my efforts as Chairman of the Exchange -- and all of the efforts of our Board of Directors while I am Chairman -- will focus on ways of developing the most efficient, most representative, fairest -- and, yes, most genuinely competitive -- securities markets that are fully compatible with the legitimate needs and wishes of the millions of Americans who want to own the stocks of this nation's leading corporations.

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