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SPECULATION

ON THE

STOCK AND PRODUCE EXCHANGES

OF THE

UNITED STATES

BY

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CHAPTER I.

INTRODUCTORY

THE American people are regarded by foreigners as the greatest of all speculators. The opportunities for great accumulation of wealth, the boldness which characterizes the ventures of the leaders in the business world, and the brilliant success with which their undertakings are often carried out, have excited, if not the admiration, at least the wonder of all observers. Especially has attention been widely called to the more distinctively speculative operations of the stock and produce markets. Speculation proper, as well as the speculative spirit of vast industrial enterprise, has had its most striking development perhaps in the United States. The greatest speculation in produce which the world has ever seen has grown up recently in Chicago, while a speculative market of almost unequalled magnitude is found in the Stock Exchange of New York. While, however, in other countries the Bourse has been a not uncommon field of inquiry and study, little has been written in this country either to describe the details of exchange methods, or to estimate the function of these exchanges in the economic order.

An attempt to make some beginning in this direction is timely for two reasons. In the first place the effect of the speculative market of to-day has come to be a matter of great practical importance and a subject of some popular discussion. In recent years several bills have been introduced in Congress for the suppression of speculation in

produce, and two of these showed sufficient strength to pass one branch of that body. There was undoubtedly considerable public sympathy in support of these measures, and there is reason to believe that efforts at legislation in this direction will be renewed when other questions of greater importance have been settled. In Germany a still more vigorous attack on the speculative system has been made. The subject has given rise to a wide-spread agitation and discussion, leading to the appointment of an Imperial Commission to investigate the whole field,¹ and culminating in the repressive legislation of 1896, which is to go into effect on January 1, 1897. Other countries also are showing a tendency to agitate the question of taxing or in some way regulating the speculative market. The public opinion which is finally to decide these questions is far from being founded on an intelligent understanding of the conditions which exist. Both as to the methods employed in the business of the exchanges, and as to the influence of such trading in the economic world, very inaccurate ideas are prevalent. Consequently from the purely practical side a study of the speculative market is of importance.

Another reason for directing attention to speculation is the question as to what place shall be given to the study of it in the theory of economics. Speculation has become an increasingly important factor in the economic world without receiving a corresponding place in economic science. In the field in which it acts, in the trade in grain and cotton and securities and the like, speculation is the predominant influence in determining price, and as such it is one of the chief directive forces in trade and industry. But treatises in the English language on general economic theory and conditions have given very little space to this influence which is

¹ This commission made an important report in 1893 which is considered in the last chapter of this essay.