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in the Capital
and
Securities Markets

Financial Research Program

NATIONAL BUREAU OF ECONOMIC RESEARCH, INC.

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PREFACE

In 1946 the National Bureau of Economic Research published a report entitled *Research in Securities Markets*, prepared by a special group — the Exploratory Committee on Research in Securities Markets¹— under a grant of funds from the National Association of Securities Dealers and dealing with the need for research on the organization and functioning of the nation's securities markets. Since the publication of that report an impressive amount of research bearing on the securities markets has been initiated and completed. Much of it has focused on problems mentioned in the committee's report, but studies have gone forward in other directions as well. Many different groups and individuals have been involved: private research organizations, business concerns and associations, colleges and universities, government agencies, and individual scholars. The result has been a striking increase in our knowledge of the capital and securities markets.

In early 1953 the National Bureau was presented with a unique and welcome opportunity to review this record of research accomplishment and to consider once more the areas in which further studies might most usefully be made. This opportunity came in the form of a request to the National Bureau from the Special Research Committees of the Investment Bankers Association of America and the National Association of Securities Dealers to make a second exploration of research needs. A generous grant was made to the National Bureau jointly by the two associations to help defray the cost of the undertaking, and in the summer of 1953 an Exploratory Committee on Research in the Capital and Securities Markets was appointed by the National Bureau. Willis J. Winn and Raymond W. Goldsmith were added to the Central Staff of the Financial Research Program on special assignments: Dr. Winn to make an

¹Members of the committee were Neil H. Jacoby, chairman; Willis J. Winn, secretary; Jules I. Bogen, William J. Carson, James Coggeshall, Jr., Frederic W. Ecker, John F. Fennelly, W. Yost Fulton, Raymond W. Goldsmith, G. Wright Hoffman, Walter Lichtenstein, Winfield W. Riefler, Walter R. Stark, R. McLean Stewart, James A. Treanor, Jr., and Ralph A. Young.

inventory of relevant research completed or in progress, and Dr. Goldsmith to compile, develop, and appraise suggestions for research studies.

The results of the committee and staff work are presented in the following pages. Part I is an inventory of research on the capital and securities markets and was prepared to assist the Committee in judging what new studies would be most useful. It is presented here as a staff document with the hope that it will be useful to a wider audience as a reference list of recently published studies. A general comment on the inventory's scope and organization will be found in the opening paragraphs of Part I.

Part II is the Committee's report. Its recommendations are organized in two groups: first, those that have to do with keeping up to date certain especially important bodies of information that were developed in recent investigations, and second, those that call for new research efforts, either to fill gaps that still remain in the program blocked out by the 1946 committee or to meet some problem that has come into prominence since that committee drafted its recommendations.

A few explanatory comments on the Committee's report may be useful in order that its purpose shall be perfectly clear. In the first place, it is not presented as a compendium of suggestions for research in the whole area of finance. On the contrary, it is limited to studies of the capital and securities markets, a broad enough field in itself, but narrower than finance as a whole. The reader is referred to the limits which the Committee imposed on itself, as stated in the introductory section of Part II.

Second, the object was not to outline a single, integrated research program, the pieces of which would fit together without overlap or gap, and which might be undertaken simultaneously or in some indicated order. The purpose was more modest, namely to specify the general areas, or special subjects, on which the expenditure of research efforts seems most likely to yield useful results. To some extent those areas are overlapping, and some overlap will be observed, therefore, in the Committee's specific research suggestions, though it has been eliminated wherever possible.

Finally, it is not contemplated that the work proposed here will be undertaken by any single agency. As has always been the case, many different organizations and individuals will find the capital and securities markets an interesting field on which to focus their research studies. It is the National Bureau's hope that the present volume will stimulate active programs of financial research in many

quarters and that it will help to turn those efforts into lines that will yield the most useful results.

It is a pleasure to acknowledge here the help which the National Bureau has received from many different sources in connection with this survey of research needs. We are most appreciative of the generous grants from the National Association of Securities Dealers and the Investment Bankers Association, and of the services of the Exploratory Committee on Research in the Capital and Securities Markets, the members of which gave freely of their time and experience in putting together this list of research suggestions. As part of the work, the staff of the National Bureau held a number of conferences with groups and individuals having special knowledge of the capital and securities markets. These included members of the investment industry, academic specialists in finance, and officials of government agencies having special interests in this field. Several individuals were commissioned to write memoranda on topics of more than ordinary interest. Our appreciation to all of these friends is gratefully acknowledged.

R. J. SAULNIER,

Director, Financial Research Program

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