

Recollections From Four Decades on the NYSE Trading Floor

By Peter Low

LAST APRIL, I CELEBRATED my 43rd anniversary as a Member of the New York Stock Exchange. I was active on the Floor for 36 years—from 1963 to 1999—at which time I joined The Griswold Company in sales and marketing.

I still retain my seat on the New York Stock Exchange and I am still a Member in good standing—but even in this environment of penny differentials I still dream in eighths and quarters.

My father was active on the Floor as a trader and broker from 1937 to 1986 and my grandfather, who died before I was born, was the specialist in US Steel during the Crash of 1929.

In the early 1960s with daily volume of 4 or 5 million shares, 2,500 shares was considered to be a large order, and it would be months before I was entrusted with the responsibility of handling any order over 500 shares. By the time I left the Floor, I was amazed that young brokers with only a few weeks' experience were working orders as large as 100,000 shares or more.

I had a Securities Markets professor at the University of Vermont who, in 1961, predicted that within a few years New York Stock Exchange volume of 10 million shares would be a daily occurrence. He also thought that the US economy would eventually produce a GDP of one trillion dollars.

My father was very skeptical about these “wild” forecasts.

JFK Assassination

At about 1:30 PM on November 22, 1963, I was standing on the NYSE Floor with Harry Neufeld, the specialist in Polaroid, when a broker named Jimmy Phillips walked past and said, “Fellas, the president has been shot.” There was an immediate groundswell of noise and activity. I vividly remember the uproar and confusion at Post 2—US Steel was trading at three different prices simultaneously as brokers scurried to get their orders executed.

Finally, at 2:07 PM, Walter Frank, vice chairman of the Exchange, rang the bell to close trading. It would not be until the Crash of 1987 that I would again experience that degree of turmoil and pandemonium.

My Word is My Bond

The cornerstone of the New York Stock Exchange Agency Auction Market is the integrity demanded by the theory that a broker's word is his bond. In fact, by making a verbal statement, a broker can actually obligate himself beyond his original intent.

In the mid 1960s, as is the case today, Floor brokers were forbidden from effecting transactions for their own account while being physically

present on the Floor. However, a member could apply for status as a Registered Trader. This class of membership was granted on Floor trading privileges under strict rules and regulations. In fact, my father acted in this capacity for many years.

At this time, American Motors was a very active stock and it attracted the interest of Registered Traders as well as that of brokers representing public orders.

One morning, a large crowd consisting of Members bidding for a substantial amount of stock gathered at the specialist post where AMO was traded. Bert Foley, an experienced and serious broker representing Dean Witter & Company, walked in and inquired about the degree of interest on the buy side of the market. A brash, presumptive, young Registered Trader said, “we are bidding for more than you have for sale.” This was a dangerous statement because this trader had no way of knowing the extent of Dean Witter's sell interest. Foley then said, “Young man, I hope you have enough money because you are going to buy whatever the rest of the crowd does not take.”

As it turned out he was forced to purchase about 10,000 shares, which was a substantial position in the mid-1960s. He protested to Exchange officials and proclaimed that he was merely joking. Nevertheless, his verbal



Courtesy of Peter Low

Peter Low (C) with fellow NYSE Members on the Exchange Floor, 1967

statement was considered to be an actual financial obligation, and under the rules of the New York Stock Exchange he was deemed to have entered into a binding contract.

Practical Jokes

The playing of practical jokes has always been part of the culture on the Floor of the New York Stock Exchange. These antics serve to relieve tension in an atmosphere otherwise fraught with intensity and serious business focus. Freshman brokers are often the targets of this type of horseplay, but I remember one particular occasion when a celebrity guest was not immune.

One day in the early 1970s, the actor Kirk Douglas visited the Exchange. Charles Wohlstetter, a specialist who eventually became

chairman of the Continental Telephone Company, escorted him around the Floor. Charlie was very well connected with show business people through his wife, Rose, a former professional dancer. In addition, Rose Wohlstetter was very friendly with Joyce Matthews, a famous showgirl who was married to the comedian and television personality Milton Berle. Charlie also served as an executor for the estate of Billy Rose, the well-known entertainment impresario who at one time was the largest individual shareholder of AT&T. He was also a natty dresser with impeccable tastes and a keen sense of history. He not only owned a vineyard in France, but the desk in his study was originally made for Napoleon Bonaparte.

Charlie walked his famous guest into the annex, which because of its blue colored walls is still known as the "Blue Room." In an instant, a broker from Josephthal and Company snuck behind the two men and powdered the elegant suede shoes of the renowned actor.

As a rule, the victim of this type of prank would stamp his feet to rid himself of the powder and everyone around him would shout, "it's snowing in New York." It was all in good fun and was usually accepted as a harmless shenanigan. However, Mr. Douglas was not amused, and during the traditional chant he turned red with anger and embarrassment. All of us who witnessed this incident will always think of Kirk Douglas as a great actor, but a poor sport.

The Crash of '87 and the Floor Members Emergency Fund

In the mid 1970s a group of brokers began an organization called the Alliance of Floor Brokers. We tried to limit the size of orders entering the new DOT system to 100 shares—we were Luddites and were paranoid about the possibility of technology putting us out of business.

As volume continued to expand it became apparent that more technology was going to be necessary.

In the early 1980s, men like John Phelan and Dick Grasso insisted that people on the Floor continue to adapt to further computerization. Without new systems it would have been impossible for the Exchange to handle the activity of 1987, the 1990s, and today's volume.

In 1986, a Floor broker named Bill Higgins was instrumental in starting a self-insurance fund for unaffiliated brokers, called the Floor Members Emergency Fund (FMEF). The object of this endeavor was to insure independent brokers against catastrophic losses due to errors incurred in the normal course of transacting business on the Floor.

Each member who joined contributed \$2,500 and signed a callable note for an additional \$2,500. In addition, the fund had specific guidelines as to that which constituted a covered error or miscommunication.

Brokers who had errors above a \$10,000 deductible amount would appear before a panel consisting of three to five fund participants. After considering all of the facts and circumstances, the panel would make a recommendation to the FMEF Board. The Board would then make a final decision as to the amount of indemnification to be awarded.

The importance of the FMEF became evident a year later. The Crash of 1987 was rife with extreme volatility and violent swings in securities prices. Chaos and confusion

are always ingredients of panic situations, and during the week of October 19, 1987 many Members incurred errors amounting to hundreds of thousands of dollars. In spite of the fact that the backup notes were called, the FMEF was a great comfort to many who otherwise could have faced personal ruin. The FMEF is still active today, providing an important safety net for the Floor community.

Wall Street Culture

As the son and grandson of New York Stock Exchange Members, I have a deep interest in Wall Street culture, and I think you will enjoy a few historical anecdotes.

The most fascinating man I knew during my years on the Floor was Mr. John A. Coleman. Mr. Coleman, the son of a New York City policeman, started as a page in 1916. By 1943, with little formal education, he had



Peter Low and his father, Arthur, also a NYSE trader and broker, ring the NYSE closing bell on the occasion of Arthur Low's retirement in October 1986.

become chairman of the New York Stock Exchange. Since, as I mentioned, my grandfather died before I was born I was very interested when his friend, Mr. Coleman, told me stories about my family.

In the 1940s, '50s, and '60s Mr. Coleman was probably the most prominent Catholic layman in the United States. He was well known as a philanthropist and as an adviser to politicians and business leaders. He served on many corporate boards, such as The Chrysler Corporation, The ABC Companies, and New York Telephone—none of which are independent companies today.

He was active as a fundraiser for Jewish and Protestant charities, as well as for the Catholic Church. His epitaph on a plaque in the John A. Coleman wing at Saint Vincent's Hospital in New York City is most inspiring. It memorializes him as "Counselor to the powerful, friend to the poor."

Mr. Coleman had a very concise way of expressing himself and also had a gift for getting to the heart of a situation. During one conversation in 1973, I expressed my concern about a number of pressing issues facing the New York Stock Exchange at that time. He told me not to worry too much and then he said, "Son, I've been around a long, long time, and I've seen the end of the world 100 times."

Another interesting gentleman was Tony Kerrigan who was a Floor broker for Merrill Lynch. Tony had a profound interest in world history and was constantly recommending interesting books and articles. He also took an intellectual approach to investments and the stock market.

In 1969, Tony told me that the smartest man in America was living in Omaha, Nebraska and that very few people had ever heard of him. He told me the story of how Warren Buffett had started in 1956 with \$105,000 raised from family and friends, and had recently closed his fund because he found it increasingly difficult to

find value situations. He also told me that at that time, Mr. Buffett had a net worth of \$25 million—and that was in 1969 dollars.

Another good friend, Michael Robbins, was a Floor broker for Donaldson Lufkin & Jenrette. One morning in 1974 he called his trading desk to tell them that he heard that Warren Buffett was investing in Reynolds Tobacco. A trader got on the phone and said, "Who the hell is Warren Buffett, you buffoon—get back to work." A few years later, after leaving Donaldson, Mike became the architect of an elite and well-respected Floor-based business catering to investment advisers as well as to corporations involved in share repurchase programs. He also served three terms as a Director of the Exchange.

In 1996, I called Bob Hagstrom, author of *The Warren Buffett Way* and other investment books, to ask his opinion of the newly-listed Berkshire/B shares. He told me that at \$1,200 or \$1,300 he felt that the stock was overpriced.

I love Bob's books and I have learned a lot from them, but I'm happy that I ignored his valuation.

In 1998, I met Mr. Buffett in Dick Grasso's office. When I told him that I was the proud owner of Berkshire/B shares in my retirement account, he said, "Well, I hope you're pleased with our performance."

A few months after that meeting I was searching the Internet for a book review of *Titan*, Ron Chernow's biography of John D. Rockefeller Sr. and I came across Mr. Rockefeller's original 1937 obituary from *The New York Times*.

Knowing that Mr. Buffett is an inveterate reader of financial history, I sent him a copy of the obituary. Four days later my wife called me on the Floor to tell me that Mr. Buffett had sent me a personal thank you note. Since I collect letters and documents, the original is on display in my den at home.

Value Investing

As far as value investing is concerned, during my career I have seen my New York Stock Exchange seat sell for as low as \$35,000 and as high as over \$3 million.

In the 1970s the *New York Post* and the *Daily News* ran stories about how a New York City taxicab medallion was selling at a higher price than a New York Stock Exchange membership. In 1975 a financial reporter named Chris Welles wrote a book called *The Last Days of the Club*, which predicted that the ending of fixed commissions would lead to the demise of the Exchange.

During that time, with seats selling at about \$50,000, a friend who was a partner at Goldman Sachs told me that Goldman had recently done a feasibility study indicating that it was economically impossible for a seat to ever again sell above \$150,000. He suggested that I consider selling my membership if prices were to ever again reach that level. Once again, I'm happy that I did not listen to the "smart money."

I am very proud of the fact that transactions representing billions of dollars are completed daily on the Floor of the NYSE by word of mouth. When a trade is consummated there is no signed contract, or even a handshake. There are no attorneys and no accountants involved—and it has been that way for 214 years.

The New York Stock Exchange has adapted and evolved throughout many upheavals and changes over its long history. Current challenges include ever-increasing automation and the transformation from a not-for-profit corporation to a publicly owned company. Its future, however, continues to depend on the integrity and good faith of its Members and practitioners. ■■

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