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## Baruch: Wall Street: Security Risk

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WALL STREET: SECURITY RISK. By *Hurd Baruch*. Washington, D.C.: Acropolis Books. 1971. Pp. 365. \$8.95.

*Wall Street: Security Risk* by Hurd Baruch, a staff member of the Securities and Exchange Commission, is an interesting and sometimes informative description of certain of the ills that plagued the

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<sup>14</sup> 2 Mich. App. 705, 141 N.W.2d 348 (1966). See also *Tabor v. Scobee*, 254 S.W.2d 474 (Ct. App. Ky. 1951).

securities industry in America during the latter part of the 1960's. Baruch attempts to set before the reader what he feels is

an overview of: the continuing use and misuse of customers' funds and securities by their brokers; the securities industry's inability to process customers' orders promptly and accurately during the record trading volume of 1967-1968; the 1969-1970 financial crisis on Wall Street; the non-functioning of the self-regulatory system throughout the whole period; and, finally, the changes which can and must be made if the securities markets are to be made truly safe for the small investor. [P. xi.]

Baruch's style alternates between a highly technical presentation which will be difficult for most nonexperts to follow and a muck-raking use of purple prose and catchy phrases which one imagines are designed to help the book appeal to a wider audience.

In reading Baruch's book one must not forget that he is presently employed by the SEC and participated as a government investigator in the financial history that he purports to describe. Baruch's role was and is that of a partisan and, as such, his presentation of facts, as well as his conclusions, become suspect. The way Baruch sees it, all of the ills that he describes may be attributed primarily to the members and staff of the New York Stock Exchange. They are the "bad guys" who are constantly frustrating the aims and improvements of the "good guys." The "good guys" are—you guessed it, the staff and members of the SEC! By a clever juxtaposition of quotations Baruch paints New York Stock Exchange President Robert W. Haack as a villain continuously soothing the investing public with pious platitudes while his minions go about their dirty deeds. On the other hand, SEC officials, among them Baruch's immediate superiors, are described as working with "intelligence, tact and selfless dedication" to prevent financial loss to hundreds of thousands of investors (Acknowledgement). Baruch states that "their profound understanding of the securities industry made them the first to diagnose the seriousness of its problems and to propose the most appropriate remedies" (*id.*). Maybe so. But how does Baruch explain the failure of these same SEC officials to promulgate rules during the emergency dealing with the abuses prevalent in advertising and promotion, the over-expansion of branch office networks, and the hiring of marginal, inexperienced personnel? Baruch says that the SEC "felt that the primary responsibility in this area of business practice was one for the self-regulatory bodies" (p. 131). Similarly, how does Baruch explain the SEC's failure to make its net capital rule applicable to all broker-dealer firms instead of just non-stock exchange member firms? He does not; he merely says that it is "indeed unfortunate" that this vital rule was not made applicable to all firms (p. 176). How does Baruch explain the SEC's failure to move in and close down certain

of the firms perpetrating the most serious of violations? He says that if the SEC took such action it risked depriving the customers of those firms of the benefits of the New York Stock Exchange's Special Trust Fund—a dubious proposition. And so on, and so on.

Unfortunately, what is least needed as the industry, the Government, and private persons attempt to reconstruct the securities industry on sounder foundations after the recent debacle is a search for scapegoats. None of the parties involved, whether they represent industry, Government, self-regulators, or the investing public itself, can claim immunity from responsibility for the events that transpired in the securities industry during the late 1960's. During these years the American securities markets were inundated with an orgy of greed and speculation that was fueled as much by the desire of ordinary citizens to get rich quick as by the irresponsibility of the promoters in the financial community who pandered to these appetites. To single out one group at which to point the finger of blame for the inevitable debacle is entirely unfair.

As the Congress, the Commission, and the self-regulatory agencies go about their work enacting new laws and promulgating new rules, what is needed is not only insight into the problems, but also some sort of mutual cooperation and trust among the different interests involved. Not to recognize that there are certain entrenched interests which will fight tooth and nail to retain their special privileges would be naive. It is equally naive to believe that we can make any meaningful progress if we merely superimpose new antagonisms and resentments upon those that already exist. Government officials, if they are to provide the kind of leadership and dispassionate involvement that is so sorely needed, must avoid at all costs becoming advocates for their own special interests. Only in this way can we go about reconstructing our capital markets, which have long been the envy of the world, so that they may properly bear the even heavier anticipated burdens of the 1970's.

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