

Document 0406

[20406001]

(During its centennial year , The Wall Street Journal will report events of the past century that stand as milestones of American business history .)

[20406002]

MAY 1 , 1975 , SIGNALLED A DISTRESSFUL May Day for securities houses , which were forced to end 183 years of charging fixed commissions .

[20406003]

It scared brokers , but most survived .

[20406004]

It took effect after seven years of bitter debate between the Securities and Exchange Commission and traders and exchanges .

[20406005]

Despite warnings from such leaders as former Federal Reserve Board Chairman William McChesney Martin that unfixed commissions would undo the industry , the SEC in September 1973 said full competition must start May 1 , 1975 .

[20406006]

The timing for change was right .

[20406007]

Institutions had become active market players in the early 1970s and sought exchange seats to handle their own trades .

[20406008]

And the industry was rife with brokers trying to secure big client orders by using kickbacks , gifts , women and junkets .

[20406009]

Within three weeks of the 1975 end to fixed rates there were all-out price wars among brokers fighting for institutional business , with rate slashes of 35 % to 60 % below pre-May 1 levels .

[20406010]

Ray Garrett Jr. , SEC chairman , said the " breadth and depth of the discounting is more than I expected . "

[20406011]

Even a federal measure in June allowing houses to add research fees to their commissions did n't stop it .

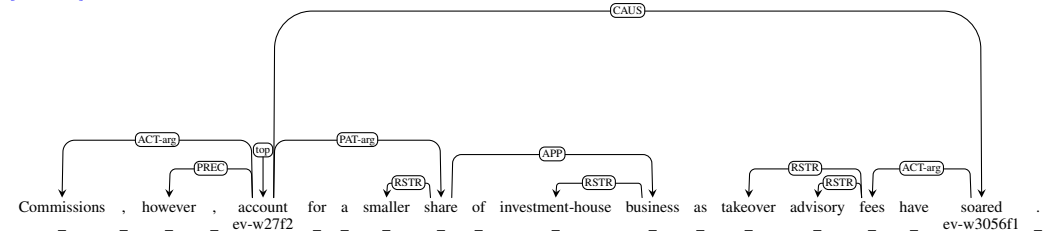
[20406013]

The change prompted the rise of discount brokers and a reduction in securities research firms .

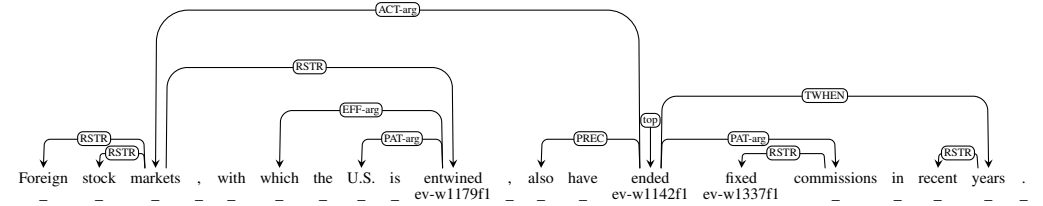
[20406014]

But there are currently more exchange members than in 1975 , with the bigger houses gaining a larger share of total commissions .

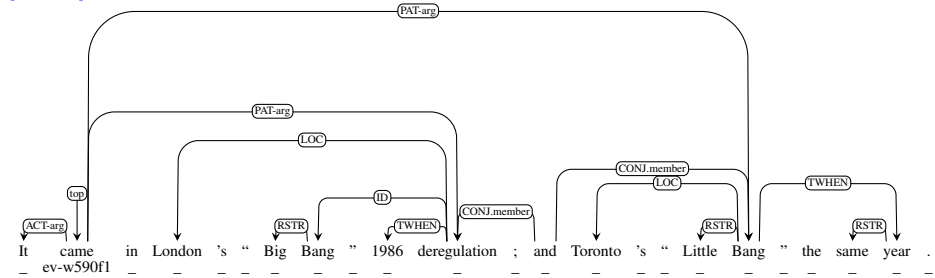
[20406015]



[20406016]



[20406017]



[20406018]

