

Business focus

Central exchange idea lauded

BY WILLIAM GRUBER

Financial editor

THE PRESIDENT of the Midwest Stock exchange believes a recent suggestion by this column that the city's three major stock and commodity markets be housed in a single new financial center is a good idea.

"When the voting starts, count me as 'aye,'" says Michael E. Tobin.

Leo Melamed, chairman of the Chicago Mercantile exchange, applauds the suggestion made Nov. 14 as "high-minded in concept, stressing Chicago's role as a financial center," but he also sees certain drawbacks.

Both of the exchanges are looking for new homes. With their trading volumes increasing steadily each year, both the Midwest Stock exchange and the "Merc" say they will have to find new and larger quarters within the next 2 to 3 years.

THIS COLUMN suggested that a new, block-square financial center be constructed to house the two exchanges and the Chicago Board of Trade, which has its own building at the head of La Salle street in the downtown financial district.

It suggested that the center be constructed with funds raised thru contributions from leading businesses and executives, thru a fund drive among the public, or by revenue bonds backed by the city.

"Businessmen here are constantly talking about the importance of this city as a financial center," it said. "This would be a chance for them to put their money where their mouths are."

A financial center would be as much, if not more of an asset to Chicago as a sports center, which is frequently talked about.

HERE IS Tobin's reply:

"With today's improved and improving communications



MICHAEL E. TOBIN



LEO MELAMED

capabilities, trading of anything can be as effectively done in the wheat fields of Kansas as in any metropolitan center. However, the after-effects, or settlements, require the financial center services.

"Without doubt, broker-dealers having memberships in two or more of Chicago's exchanges would benefit if they and the exchanges were in a common building complex.

"Many of the back-up or unseen brokerage personnel need access to trading floors and clearing corporations of exchanges. Since quite a number of these people perform their functions at the existing separate exchanges, a common complex could not but help them to expedite the exercise of their responsibilities and, by so doing, improve their performance.

"Carrying your thought further, such a financial center

should attract accountants and lawyers who service the investment industry with, of course, representatives of the news media who reflect the daily data to the public."

HERE ARE some of the drawbacks as seen by Melamed:

"The matter of prestige is important to each of the three exchanges. In any combination of the three, comparisons inevitably would follow. Only one could come out on top, with the other two relegated to a secondary position.

"There are certain obvious advantages to your suggested move, but from a practical point of view, these might well be outweighed by the disadvantages. For example, each depends on highly-sophisticated electronic communications, and a system that tried to combine all three might be impossible to design and operate efficiently.

"As you reported, the C. M. E. has been studying the many problems of relocation, with the assistance of a well-qualified real estate consultant, for more than a year. Of some 200 or more suggested locations, we came down to 20 realistic possibilities and finally to 6 that are still under consideration.

"We would, of course, consider any other new proposals that may come before us, including proposals that would embody your idea. However, we would be reluctant to initiate such or any other new plan at this stage."

HENRY H. WILSON, president of the Chicago Board of Trade, also was asked for his reactions to the proposal. He is yet to be heard from.

This column recognized that a major problem would be "the jealous attitude of each of the exchanges toward the others." Each wants to retain its identity and competes for the investor's dollar.

Perhaps Mayor Daley should pick up the ball and get the three exchanges together.