

**61ST CONGRESS, 2ND SESSION,  
DOCUMENT NO. 573. THE  
HISTORY AND METHODS OF THE  
PARIS BOURSE**

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E. Vidal

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NATIONAL MONETARY COMMISSION

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# The History and Methods of the Paris Bourse

BY

E. VIDAL



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# THE HISTORY AND METHODS OF THE PARIS BOURSE.

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(1) The author of the present work deems it necessary, first of all, to connect the study of a financial market with that of the totality of elements belonging to the field of political economy.

Are the emission of fiduciary values and the trading therein special phenomena? Or are they, on the contrary, subject to the general conditions of the production and exchange of wealth?

Beyond a doubt, fiduciary values, more generally known in France as *valeurs mobilières*, i. e., transferable secu-



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ities,<sup>a</sup> are wealth created by man's industry, and circulating by virtue of the general causes which create and dominate commerce.

The producer extracts the raw material or transforms it, in order to render it suitable to the requirements of the consumers; the tradesman conveys the manufactured product, or, as merchant, as commission agent, as broker, or even as money lender, causes it to circulate. In the same way there are producers, traders, and consumers of transferable securities.

The *producers* of transferable securities are the financiers, who negotiate with borrowing governments or with representatives of provinces or cities desirous of borrowing. They decide upon the rates of interest, the conditions of sinking funds, and the maturity of the coupons. They prepare and arrange the emissions; they do the same for borrowing stock companies. Often, they even create these stock companies; they lay down their by-laws, and they secure for them the executive and professional staffs. They have as auxiliaries the guaranty syndicates and the bankers—genuine *dealers* in transferable securities, who buy and sell for their own account. *Dealers* are likewise those auxiliaries of commerce who are represented by the

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<sup>a</sup> Article 516 of the *Code civil*: "All wealth (*biens*) is either transferable or intransferable."

ART. 529. Transferable are, by the determination of the law, bonds and shares which represent monetary claims or movable effects; the shares or interests in financial, commercial, or industrial companies, even when the real estate used in these undertakings belongs to the companies. These shares or interests are deemed transferable with regard only to each partner, as long as the company exists. Perpetual or life annuities paid by the state or by individuals are also deemed transferable wealth according to law.

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brokers and commission merchants in securities, and who trade for account of third parties in the public marts.

The capitalists, and even the speculators, are the *consumers* of transferable securities. Thus we see *producers*, *dealers*, and *consumers* in the domain of transferable securities, just as may be seen producers, dealers, and consumers in any other field of commodities.

(2) By a financial market, in the widest sense of the word, is meant the totality of elements, either universal or regional, which coöperate in the issuing and circulating of transferable securities.

In a limited sense, we understand by a financial market the public place in a city where dealings in securities are carried on—the public place specially set apart for these dealings. That public place is the *Bourse*.

Thus, the Bourse is a public place. This fact should be constantly borne in mind. Only thus is it possible thoroughly to understand not only its history but also, in certain cases, aggregate of regulations and laws which control its workings.

(3) Bourses differ from fairs and markets in that, according to the accepted usage on the bourses, articles need not be exhibited to the buyer at the time the contract is made, whereas the customary procedure at fairs and markets is different.<sup>a</sup>

The bourses themselves are divided into commercial exchanges proper (*bourses de commerce*), where merchandise is dealt in—such as wheat, flour, spirits, sugar, etc.—

<sup>a</sup> Thaller, *Droit Commercial*, 2d ed. No. 824.—Lyon-Caen et Renault, *Traité de Droit Commercial*, T I, Nos. 20 and 328.

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and stock exchanges (*bourses des valeurs*), where securities are dealt in.

On the commercial exchanges the brokers formerly traded in merchandise, coins, bills of exchange, and deeds, which are in some way the predecessors of modern securities. The commission agents operating on the bourses were called brokers in exchange, provisions, and merchandise (*les courtiers de change, denrées et marchandises*). Thus, a decree of Charles IX, of June, 1572, is called, "A decree concerning brokers in exchange and provisions, as well as cloths, silk, woolens, linens, leather, and other kinds of merchandise, wines, wheat and other grains, horses and all other kinds of cattle."<sup>a</sup> It is only since the year 1639 that the functions of stockbrokers and merchandise brokers seem to have been separated.<sup>b</sup> Indeed, a decree of the King's council of April 2, 1639, gives to the brokers in exchange the name of *agents de change* (stockbrokers).<sup>c</sup>

As we stated, it is the fact that the Bourse is a public place which has determined its regulation. It is now important to enlarge upon this statement.

(4) In France commerce is unfettered, and yet the administration of stock exchanges is so overridden with regulations as to constitute, in that regard, an exception, a considerable derogation from common law.

Article 7 of the law of March 17, 1791, says: "Every one shall be free to carry on such business, or to practise such profession, as he may see fit, subject, however, to such police regulations as have been or may be made."

<sup>a</sup> *Manuel des Agents de Change*, p. 7.

<sup>b</sup> Lyons-Caen & Renault, *Traité de Droit Commercial*, T. IV, No. 872.

<sup>c</sup> *Manuel des agents de change*, p. 15.