Now when you ask whether the markets are free, we again commented on the concept of a free market in the special study in relation to the concept, for example, of an orderly market, and we said that anything you do to be assured of orderliness may on the other side of the coin be considered as affecting freedom of the market.

For example, the specialist system, which is the stock exchanges' main mechanism for assuring orderliness, can be considered as to some extent limiting pure freedom, if the latter term means letting a market operate in accordance with the random flow of public buy and sell orders without any intervention by anyone to keep that market orderly. So, to the extent you deliberately concern yourself with and do something about orderliness, depending on semantics I suppose, you can say that that is affecting freedom of the market.

Mr. MURPHY. Can the specialist survive in the exchange today, let's say under present circumstances?

Mr. COHEN. We found that the specialist's role had changed tremendously between 1934 when the Exchange Act was adopted, and 1962 when we made our study. I think this was brought out by some basic testimony by presidents of the New York Stock Exchange at two different times, one of whom defined a specialist as someone who handles orders for others—that was an early definition—and Mr. Funston's much more recent 1961 definition that a specialist is someone who acts as a dealer in the market. Thus the specialist role had greatly changed as the flow of public orders changed, and as blocks purchased and sold by institutions were not being handled through the ordinary mechanisms.

Now since 1962, there seems to be a further trend in that direction. I haven't had occasion to make further studies since the special study and I have no personal knowledge of this, but from what I read, it appears that the trend is more in that direction, and I would say that the specialist system has to keep adapting itself to the new uses of the market.

I read a year or so ago of a specialist himself coming in to be the main purchaser of a $17 million block that went over the stock exchange. Now that certainly isn't the traditional function of a specialist, so you can say that the specialist concept has been changing and presumably will continue to change as the needs of the market change.

Mr. MURPHY. Mr. Cohen, we have a series of questions that we would like to submit to you and hold the record open at this time for your response to them. They will be lengthy and we are probably going to be crowded for time in just a little while, and I have some other questions for Mr. Lyman.

Mr. COHEN. I will do my best, sir.

(The following letter was received by the committee:)

SCHIFF, HARDIN, WAITE, DORSCHEL & BRITTON,
Chicago, Ill., October 31, 1967.

Hon. JOHN E. MOSS,
Chairman, Subcommittee on Commerce and Finance, Committee on Interstate and Foreign Commerce, Rayburn House Office Building, Washington, D.C.

DEAR MR. MOSS: This is in reply to your letter of October 18, 1967 in which you posed the following questions:

"Do we have free markets? Can we have them? What is the influence of tremendous blocks being bought and sold by the institutions? What is the influence of large blocks being held off the market by institutions? Are some issues held in