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"<u>NOBODY HAS CONFIDENCE IN THE MARKET ANY MORE!"</u>

So opined on Bloomberg TV this week the inflammatory author of *The Flash Boys*.

Aristotle said there are three ways to persuade people…ethos, pathos and logos. Rather than frame this important discussion with passion, let's look at the logic of this matter. Below is a grid based on my experiences working on the floor of the New York Stock Exchange and comparing these processes with today's improvements:

1960's	**Today**
Orders from offices throughout the country and abroad were sent by teletype to order rooms in the vicinity of Wall and Broad Streets. After sorting, they were either called down or teletyped down to the booth nearest to the specialist booth where the stock was traded. The order was hand delivered only to a member of the New York Stock Exchange whose "seats" were valued from 1 or more million dollars. The member would "walk" (running was forbidden) to the proper specialist booth and ascertain the bid and ask. If the order was for a 100 shares, he could accept the current bid or ask. Odd-lots (below 100 shares) were directed elsewhere for execution at a premium to the 100 share lot prices on the floor. If the member was not at the clerk's station on the floor when the order came in, the clerk had to wait until the member returned to this firm's booth and then handoff the order on a slip of paper. After execution, prices were teletyped back to the order room and then onto the branch, then to the account executive who would call his customer and give the execution price. On busy days, that is say 6 million shares compared to billions of shares a day today,	**Today, orders are executed in the blink of the eye with computers from all over the world.**

delays could amount to an hour or more before customers were told what price they received or paid for their order.	
The mandatory change in bid and ask prices levels was "1/8" or $0.125 per share. There was also a spread between bid and ask of $0.125 per share. For example, a specialist would advise a member, the market is "$31 ¼…$31 3/8 two by four." This was the lingo of knowing that a market buy order for 400 shares could be executed at $31.375 per share. If the order was to buy more than 400 shares, the "fill" would read" 400 at $31.375" and then next offer would be $31 ½. As you can see, larger buy orders could have a range of executed prices starting at the offer price and going upwards in incremental $0.125 per share. If the order read "held" then the price had to accept whatever the elevated prices were available at that instant. If the order gave "discretion" then the member of the exchange could stand by the post and to find something reasonable for the firm's customer or turn the order over to the specialist and return to his clerk for new orders.	**Today, the spread between bid and ask can be as low at one hundredth of one cent. Also, because of increased liquidity, prices can be executed within a small incremental increase or decrease in buy and sell orders. For example, a 1,000 share order might be filled as follows: 500 shares at $31.4009 per share and 500 shares at $3.4010 per share.**
Summary: Slow with higher or lower incremental prices of $0.125/share for orders greater than 100 shares.	**Summary: Fast with tighter fills. Incremental prices can be as low as one hundredth of one cent per share. As volume today dwarfs 6 million shares a day for the entire exchange, there is greater availability of buy and sell markets ready to execute.**

I have not read anywhere that the stock exchange says that only certain people can have these high speed digital connections. If so, then a case could be made that the users have inside information. Barring such a "club-like" exclusivity arrangement, then these fast connections are made by people who are willing to put up large sums of capital to have improved technology. For those people who don't want to make these large investments in technology, then they will work with slower and less efficient systems.

Isn't it fair to compare this to consumers buying a new car because its engine delivers more miles on a tank of gas than older models?

Again, assuming there is no refusal of the exchange to allow anyone to upgrade their technology, couldn't this be classified as technological upgrades for efficiency? Is it unfair? Is it unfair for one family to have a more fuel efficient car than another family? Should all families have the same fuel efficiencies?

I am sure that this inflammatory book will sell well, but it's arguments exclude the benefits that technology has brought to the market place and to millions of investors around the world. No wonder the New York market is the premier marketplace for stocks worldwide. Also, U.S. traded stocks are protected by great regulatory oversight. This book's negative bias should be read with caution. You have come a long way baby!