

Change Makers

Michael Harris New York Stock Exchange

1. Introduction and Opening Remarks

- **Speaker:** Michael Harris
 - **Context:** Speaking at a G20 “ChangeMakers” event.
 - **Tone:** Light, conversational, appreciative.
 - **Main message:** Gratitude toward organizers; brief introduction to the theme of *change* within long-standing institutions like the New York Stock Exchange (NYSE).
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2. Historical Foundation of the U.S. Financial System

- **Core Theme:** Change as a constant in markets and regulation.
 - **Early American Traits:**
 - Americans historically hate taxes and love debt.
 - The Revolutionary War was financed by borrowing—especially from France.
 - **Alexander Hamilton’s Role:**
 - Consolidated state debts under a national system.
 - Created a central banking framework.
 - Established U.S. credit credibility through repayment commitment.
 - **First Financial Crisis (1792):**
 - Caused by William Duer’s speculation and attempt to corner the market.
 - Resulted in the government stepping in to stabilize the system.
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3. Birth of the New York Stock Exchange

- **Formation:**
 - 24 brokers met on Wall Street after the 1792 crisis to set trading rules.
 - Agreed on standard commissions, trading times, and mutual trading conduct.
 - **Significance:**
 - Introduced *self-regulation* and *market democratization*.
 - Anyone could participate in trading—not just merchants (unlike Amsterdam).
 - This principle became foundational to U.S. market evolution.
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4. Evolution and Innovations of the NYSE

- **Transition from Outdoors to Indoors:**
 - Initially traded under a buttonwood tree; later moved into permanent buildings.
 - **Technological Influence:**
 - Air conditioning invented for indoor trading.
 - Vacuum tubes developed to transfer trade information.
 - **Theme:** Change and innovation have continuously reshaped the market.
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5. Lessons on Change and Adaptation

Michael Harris identifies **three types of change**:

1. **Unexpected Change** – unpredictable events that disrupt norms.
 2. **Reactive Change** – responding to external global or economic shifts.
 3. **Leader-driven Change** – proactive transformation led by visionary leadership.
- **Examples of Transformation:**
 - Inclusion of women (first allowed on the trading floor post-1960).
 - Cultural shifts like Grindr's IPO symbolizing evolving market acceptance.
 - Direct listing innovation (Spotify, Slack, ZipRecruiter) introduced in 2018 as an alternative to IPOs.
 - Covid-19 adaptation — closure of trading floors and creation of remote collaboration systems.
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6. Response During the COVID-19 Crisis

- **Challenges:**
 - Physical floor closures for over 45 days.
 - Market uncertainty and volatility.
 - **Actions:**
 - Collaboration with health experts like **Dr. Scott Gottlieb** for safety updates.
 - Maintenance of trust and transparency within listed company communities.
 - **Result:**
 - Reinforced NYSE's role as a community and trust-based institution.
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7. Modern Market Challenges and Innovations

- **Ownership Structure:**
 - NYSE is part of **Intercontinental Exchange (ICE)** — “ironically called ICE,” as Harris jokes.
 - **Key Areas of Modern Transformation:**
 - Decentralized Finance (DeFi)
 - Artificial Intelligence (AI)
 - Regulation and technological adaptation
 - **Warning:** Lack of innovation leads to obsolescence, as seen with Bear Stearns, Lehman Brothers, Merrill Lynch, etc.
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8. Core Principles for Sustainable Market Success

Michael highlights **three enduring pillars**:

1. **Democratization of Finance:** Bringing buyers and sellers together efficiently.
 2. **Balancing Technology with Human Judgment:** Thoughtful integration rather than blind automation.
 3. **Trust:** The cornerstone of market and client relationships—exemplified by Bank of New York's 232-year partnership.
- **Added Element:**
 - **Enjoyment and Humanity:** Encourages finding joy and meaning in work.

- Anecdote: Entrepreneur who went bankrupt three times before success—now worth \$3 billion—symbolizing perseverance.
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9. Q&A Segment Overview

Moderator: “Speaker 2” (Bart)

Topics Discussed:

9.1. Artificial Intelligence and Market Valuations

- **AI Investment Boom:**
 - 50% of VC funding now AI-related (vs. 12% in 2017).
 - The “Magnificent 10” (Meta, Google, Amazon, etc.) hold 40% of S&P value.
 - **Harris’s Perspective:**
 - *Short-term:* Possibly an **AI valuation bubble**; S&P trades at record-high multiples.
 - *Long-term:* Unprecedented capital allocation (\$3 trillion projected in 5 years).
 - Predicts **initial overestimation** but **underappreciated long-term gains**—similar to mobile and internet revolutions.
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9.2. Belief-Driven vs. Fundamentals-Driven Markets

- **Question:** Are markets now driven by belief rather than fundamentals?
 - **Harris’s View:**
 - Still largely fundamentals-based.
 - Prolonged low interest rates (0% era) created large pools of private capital.
 - Private companies stay private longer to avoid public scrutiny.
 - Concern: Reduced IPOs limit average Americans’ wealth-building via stock ownership.
 - Trend: Push to allow **private equity in 401(k)** plans—potentially risky but expanding.
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9.3. Advice to His Younger Self

- **Message:** Embrace flexibility and resilience.
- **Reflection:**

- Avoid rigid career paths.
 - Be prepared for unexpected turns in life.
 - Adaptability is key to both personal and professional longevity.
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9.4. Audience Questions

1. What keeps him up at night?

- *Main concerns:*
 - Geopolitical instability.
 - Credit markets—not equities—as systemic risk source.
 - Growth of private lending outside Federal Reserve oversight.

2. On Cryptocurrency:

- First exposure during **Occupy Wall Street** movement.
 - Sees crypto as a **reaction to distrust in institutions**.
 - Noted 15% of Americans and 500M globally own digital assets; 65% of Bitcoin holders are individuals.
 - Views crypto as a *unique, democratized asset class*—neither wholly good nor bad.
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10. Closing Remarks

- **Theme Recap:**
 - Trust, innovation, flexibility, and community define longevity in business.
- **Final Message:**
 - “Have fun, stay curious, and appreciate change.”
 - Ends on a humorous, human note—inviting attendees to share drinks and conversation.