

Report of the Presidential Task Force on Market Mechanisms (The Brady Report)

DOW JONES INDUSTRIAL ONE MINUTE CHART



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by Patrick McHaffie

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From the close of trading on Tuesday, October 13, 1987, to the close of trading on October 19, 1987, the Dow Jones Industrial Average ("Dow") fell 769 points or 31 percent. On October 19, 1987, alone, the Dow fell by 508 points or 22.6 percent. Since the early 1920's, only the drop of 12.8 percent in the Dow on October 28, 1929 and the fall of 11.7 percent the following day, which together constituted the Crash of 1929, approached the October 19 decline in magnitude. The events of October demonstrated an unusual frailty in the markets. Only 3 percent of the total shares of publicly traded stock in the U.S. changed hands during this period, but it resulted in the loss in stock value of \$1 trillion (\$2.239 trillion 2019 equivalent).

That such a relatively small transaction volume could produce such a large loss in value over such a short time span led to the rapid appointment of the Presidential Commission on Market Mechanisms by Ronald Reagan. The report of the task force, chaired by Treasury Secretary Nicholas Brady and completed in a few months, focused on the individual marketplaces and the interrelationship of existing market mechanisms, including the instruments traded, the strategies employed, regulatory structures, and electronic market information systems. The resulting publication came to be known as "The Brady Report" and it led to significant public policy regulating securities and other financial instruments during a period of broad technological change in society. (This summary was extracted from the Executive Summary, lightly edited for clarity.)

Read by Patrick McHaffie. Total running time: 03:41:07

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