

Center to Analyze Stock Movements

Special to The New York Times.

CHICAGO, Aug. 11—A new Center for Research in Security Prices was set up at the University of Chicago today with \$50,000 from Merrill Lynch, Pierce, Fenner & Smith, Inc., the nation's largest investment house.

The university's announcement, while it promised no miracles, did hold out the hope that "definitive answers" to "hundreds of basic questions" would be pursued, answers that it said would be worth millions to investors.

For example, Merrill Lynch joined forces with the university to seek light on basic factors such as these:

¶What makes stock prices go up or down?

¶How important are earnings or dividends in determining the price of a stock?

¶On the basis of the record, is an investor better off

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buying blue chips or more speculative issues?

¶Does the stock market anticipate business or does business anticipate the stock market?

¶What substance is there to the various theories advanced by stock market chartists? For that matter, just how reliable are any of the various theories of investment?

W. Allen Wallis, dean of the Graduate School of Business, said the first step would be to put on Univac tape "essential data" about stock prices, earnings and dividends for common stocks listed on the New York Stock Exchange over the last thirty-five years. He continued:

"Once we have this information on tape, I hope we can find answers to many questions about stock market behavior which have long fascinated both economists and business men, but which we have been prevented from exploring up to this point by our inability to cope with the mass of calculations necessarily involved in any such study."

Michael W. McCarthy, president of Merrill Lynch, issued a statement saying:

"We are happy to help bring into being the Center for Research in Security Prices because we are confident that its findings over the years ahead will point to new techniques for analyzing security markets and will constitute a valuable supplement to the work of all investment analysts, our own and those of other firms."

The center will be under the direction of James H. Lorie, associate dean of the Graduate School of Business and professor of business administration.