

Ferdinand Pecora and the 1929 Stock Market Crash

Teacher Materials

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“How did the Pecora Committee’s findings change government regulation of the stock market and banking industry?”

Content Standards	US History	US Civics
	<p>7.1.2 Causes and Consequences of the Great Depression Explain and evaluate the multiple causes and consequences of the Great Depression by analyzing:</p> <ul style="list-style-type: none">the political, economic, environmental, and social causes of the Great Depression, including fiscal policy, overproduction, underconsumption, speculation, the 1929 crash, and the Dust Bowl.the economic and social toll of the Great Depression, including unemployment and environmental conditions that affected farmers, industrial workers, and families.	<p>C – 3.3.1 Describe and analyze how groups and individuals influence public policy.</p> <p>C – 3.3.5 Identify and discuss roles of non-governmental organizations in American civic society.</p>
Staging the Question:	<p>Primary Source: Letter from Harry Fein to Senator Duncan Fletcher. Students will engage in a “Step In - Step Out - Step Back” thinking routine around this source to help introduce them to the problems they will see, and the impact of those problems on ordinary Americans. (10 min)</p>	
Formative Performance Task		
Students examine four primary source documents and complete the problem-solution graphic organizer.		
Featured Sources		
<p>Snapshot: Ferdinand Pecora and the 1929 Stock Market Crash (Parts 1 and 2)</p> <p>Source A: "Who Caused the Panic of 1929?" Adapted Article Excerpt</p> <p>Source B: Pecora and J.P. Morgan, Jr.</p> <p>Source C: Pecora and Richard Whitney</p> <p>Source D: New York Times Article “Lesser Exchanges Declared in Peril” Excerpt</p>		

Required Supplies/Materials:

- Pencil/Pen
- Hard copies of (or electronic access to) Primary Source: Letter from Harry Fein to Senator Duncan Fletcher
- “Step In - Step Out - Step Back” graphic organizer
- Hard copy of (or electronic access to) Pecora Snapshot (Parts 1 and 2) and Sources A-D
- Problem-Solution graphic organizer
- Constituent statement rubric
- Lined paper

Suggested Pacing: Two 60-minute periods



Lesson Sequence:

Period 1:

Staging the Question:

- Students begin by getting into groups of two to examine a letter from Harry Fein to Senator Duncan Fletcher (Fletcher was the co-author of the Fletcher-Rayburn bill, better known as the Securities Exchange Act of 1934). Students will engage in a “Step In - Step Out - Step Back” thinking routine around this source, filling out the handout labeled “Step In - Step Out - Step Back Graphic Organizer” to record their thinking. Only one of these handouts needs to be turned in for each pair of students. This activity is intended to help introduce them to the problems they will see, as well as foster empathy for those affected. It also shows how national problems that Congress investigates and tries to solve, can often have their origins in the problems faced by individuals. When students are done, allow time for two-three share-outs as a whole group. **(15 min)**

Primary Sources and the Problem-Solution Graphic Organizer:

- Tell students that to better understand why the country ended up regulating the stock market and banking industry the way it did, we are going to start by investigating a time when financial institutions like commercial banks, investment banks, and insurance companies were allowed to watch over themselves and see how well that did (or didn’t) work. To provide more context for this, pass out the handout Snapshot: Ferdinand Pecora and the 1929 Stock Market Crash (Part 1). Students should complete the included comprehension questions. **(15 min)**
 - Following this level-setting exercise, students get into teams of two, to read four sources from or related to the Pecora Investigation. For each source, they should complete boxes one and two on their problem-solution graphic organizer. **(20 min)**

Period 2:

Begin Period 2 (pick up where you left off in period 1):

Each team of two from the previous day finds another team of two. Together, they look at Snapshot: Ferdinand Pecora and the 1929 Stock Market Crash (Part 2). They use this additional information to complete boxes three and four of their problem-solution graphic organizer for each source. **(20 min)**

Crafting a statement to constituents (30 min):

Explain that students will now step into the shoes of a Senator serving on the committee in 1934 and write a statement to their constituents on why they voted for or against one of the following: The Glass-Steagall Banking Act of 1933, the Securities Act of 1933, or the Securities Exchange Act of 1934. Their statement must include:

- A topic sentence that states the law they voted for or against.
- A specific reference to the problem the law was meant to address (they should use their Problem Solution graphic organizer to help them.)
- An explanation of how the law will impact the problem (either positively or negatively)



Independent Writing: Give students time to write their statements. Circulate to provide support and guidance.

- **OPTIONAL:** Students who wish to record their statements as either a radio address or short newsreel clip may do so.

Sharing and Reflection (10 min) OPTIONAL EXTENSION

- **Volunteer Sharing:** Invite a few students to read their statements aloud to the class.
- **Reflection:** Lead a brief discussion on the following questions:
 - What were some of the most interesting/shocking/noteworthy things you found in the primary sources?
 - How did writing the statement help you understand the role of a legislator?
 - Why is it important for citizens to engage in the political process and advocate for change?



Step In - Step Out - Step Back

A routine for nurturing a disposition to take social/cultural perspective responsibly.

Step-in step-out step-back

- | | |
|-------------------|---|
| Choose: | Identify a person or agent in the situation you are examining. |
| Step In: | Given what you see and know at this time, what do you think this person might feel, believe, know, or experience? |
| Step out: | What else would you like or need to learn to understand this person's perspective better? |
| Step back: | Given your exploration of this perspective so far, what do you notice about your own perspective and what it takes to take somebody else's? |

Purpose: What kind of thinking does this routine encourage?

While as human beings we are typically curious about the experiences and views of others, taking social perspective is a challenging cognitive and emotional task. A respectful approach to perspective taking requires that we avoid building stereotypes of others or projecting our own values and beliefs onto others. Understanding another person's world can be exciting and revealing. Yet perspective taking is also challenging and calls for practice over time.

This routine invites learners to take other people's perspectives e.g. religious, linguistic, cultural, class, generational; recognize that understanding others is an ongoing, often uncertain process; and understand that our efforts to take perspective can reveal as much about ourselves as they can about the people we are seeking to understand. The routine helps learners to identify individuals with various perspectives in a given situation; provide evidence for thoughts, values and feelings these individuals may hold; and explain how societal or more macro-forces—particularly roles and relationships—shape their perspectives. Scaffolding for healthy skepticism and reflection invites learners to take note of the biases and preferences that shape their understanding of others.

Application: When and where can I use it?

This routine can be adapted to a broad range of topics, from examining the perspectives of agents in a story, a historical event or a contemporary news article, to considering non-human perspectives such as species in an ecosystem, or collective perspectives such as interest groups in a given conflict. The routine can also be used to examine students' own perspectives in classroom situations or as they seek, for example, to create a math expression for a given problem. You may choose an image, a video, a story, or a classroom incident as provocation on which to ground students' thinking.

Launch: What are some tips for starting and using this routine?

It is important for students to have enough basic information about the perspectives they will examine to support an informed initial guess. It is important to help students avoid creating a "fictional character" that may confirm rather than challenge cultural stereotypes. When setting up the routine for students, you may want to highlight that understanding how others view the world can be exciting and sometimes challenging, setting expectations for complex reasoning. You may also mark a distinction between a more imaginative "step-in" and a more inquiry driven "step-out."

Continued on the next page.

Share your experience with this thinking routine on social media using the hashtags **#PZThinkingRoutines** and **#StepInStepOutStepBack**.



This thinking routine was developed as part of the PZ Connect project at Project Zero, Harvard Graduate School of Education.

Explore more Thinking Routines at pz.harvard.edu/thinking-routines

Step In - Step Out - Step Back, cont'd

In “step-in” make sure learners understand that they are reasoning with the information that they have, which is always limited. You may point to the speculative nature of their interpretations. In “step out,” invite learners to see that there is more to understanding another person than the first impression they construct. As they share their views, students may detect stereotypes in their own initial thinking and feel uneasy about “having been wrong” in their guess. It is important to normalize the fact that we all have first impressions of others and others have them of us, and point to the importance of committing to understanding other persons’ perspectives beyond initial assumptions. Under “step back,” learners may explore how prior knowledge, cultural or linguistic perspectives inform or obscure their interpretation. Like other routines, this one lends itself well to small groups. Indeed, the different perspectives learners hold might become more visible through dialog. You may invite students to write their responses to each question individually on separate Post-its first and then share.

What is Global Competence?

Global competence can be defined as the capacity and disposition to understand and act on issues of global significance (Boix Mansilla & Jackson 2011). Globally competent students prepare for complex societies and a global economy by learning how to investigate the world beyond their immediate environment, framing and making sense of significant issues. How do migrant populations adapt to their new places of work and living? What tools do governments have to promote economic development and eradicate extreme poverty? What is an ecosystem and how do different ecosystems around the world work? Globally competent students also learn to recognize their own and others’ perspectives, articulating and explaining such perspectives thoughtfully, empathically and respectfully. Globally competent students can communicate across differences, bridging cultural, linguistic, economic and religious divides – two additional capacities that are especially important to today’s fragmented and interconnected societies. Most importantly, in order to be prepared to participate and work in today’s world students, must learn to take responsible action. They need to learn to identify opportunities for productive action to develop and carry out informed plans. Prepared students, this framework suggests, view themselves as informed, thoughtful, compassionate and effective citizens and workers in changing times (Boix Mansilla & Jackson 2011).

Global competence is cast as a capacity to understand – meaning, broadly speaking, to use disciplinary concepts, theories, ideas, methods or findings in novel situations, to solve problems, produce explanations, create products or interpret phenomena in novel ways (Boix Mansilla & Gardner 1999). It focuses on issues of global significance and action to improve conditions; learning must be visibly relevant to students and the world. When significance is considered, global competence curricula becomes a call for authenticity, for carefully looking to the contemporary world for topics that matter most to examine (Perkins 2015).

Finally, “global competence” as a disposition speaks of student ownership and long-lasting transformation. Thinking dispositions, Project Zero researchers have proposed, involve the ability to think with information, the sensitivity to opportunities in the real world to do that, and the inclination to do so over time (Perkins et al 1993, Tishman et al 1993). Dispositions are about the “residuals” of learning beyond formal contexts (Ritchhart 2014); they are about the “kind of person” a student will become (Boix Mansilla & Gardner 2000). Broadly considered, global competence dispositions include:

- A disposition to inquire about the world (for example, engaging with questions of significance, exploring local-global connections, and seeking information beyond familiar environments, describing, explaining and developing a position about the world).
- A disposition to understand multiple perspectives--others’ and their own (for example, considering cultural contexts, resisting stereotypes, and valuing our shared human dignity-- especially as students interact with others whose paths differ greatly from their own).
- A disposition toward respectful dialog (communicating across differences listening generously, sharing courageously, openly and appropriately given their audience and context).
- A disposition toward taking responsible action (being inclined to see and frame opportunities to improve conditions, and collaborating with others, and mobilize themselves to act).

Share your experience with this thinking routine on social media using the hashtags #PZThinkingRoutines and #StepInStepOutStepBack.



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SnapshotFerdinand Pecora and the 1929 Stock Market Crash (Part 1) **ANSWER KEY**

Ferdinand Pecora and the 1929 stock market crash • levin center. Levin Center. (2024a, September 20).

<https://www.levin-center.org/ferdinand-pecora-and-the-1929-stock-market-crash/>**Comprehension Questions**

1. Who was Ferdinand Pecora and why did they name the Senate investigation into the Stock Market Crash after him?

Pecora was the hired counsel for the Senate Committee on Banking and Currency. Widened the investigation, obtained key documents, designed effective hearings, and led the questioning of Wall Street executives at the hearings. With bipartisan support, his investigation lasted two years and offered a more complete explanation of the causes of the Great Depression.

2. What was different about Pecora's investigation tactics from other congressional investigations at the time?

Pecora delivered subpoenas (requests to testify or provide documents for an investigation) in person so that they were not easily avoided. He wasn't afraid to call in powerful witnesses, even if it damaged their reputations. He did his homework and asked effective questions at the Senate hearings.

3. What types of abuses were uncovered during Pecora's investigation?

Giving secret investment advantages to insiders and favored clients, selling shaky securities without disclosing the risks, misleading investors with bad information, manipulating stock prices, and failing to pay taxes.



Name: _____

Problem-Solution Graphic Organizer ANSWER KEY

Directions: With a partner, read Sources A-D related to the Pecora Investigation. For each source, fill out the Problem-Solution Graphic Organizer. You should turn in a complete sheet. Answer the reflection questions below for yourself when you are done.

Source A: “Who caused the Panic of 1929?” Adapted Article Excerpt

1. What is this author’s main concern? (use a quote or paraphrase from the source)	2. Explain your reasoning in your own words.
<p><i>Willis is trying to assign blame for the stock market crash of 1929 and argue that it could have been avoided. In his view, the problem lies with the bankers, who “abandoned” the traditional norms of the banking community in favor of “vulgar greed.”</i></p>	<p><i>The goal of Willis’ writing is found in the title of the article itself: “Who caused the panic of 1929?” Willis then lays out his argument that bankers are the primary problem, and lists the norms they have broken, and questionable practices in which they engaged.</i></p>
3. Check which law best addresses this concern or complaint.	
<div style="display: flex; justify-content: space-around;"> <input checked="" type="checkbox"/> Glass-Steagall Banking Act of 1933 <input type="checkbox"/> Securities Act of 1933 <input type="checkbox"/> Securities Exchange Act of 1934 </div>	
4. Explain your reasoning in your own words.	
<p><i>The Glass-Steagall Banking Act of 1933 expressly separated investment banking from commercial banking to make it harder for bankers to do the things Willis identifies.</i></p>	

Source B: Pecora and J.P. Morgan, Jr.

1. What is this author's main concern? (use a quote or paraphrase from the source)	2. Explain your reasoning in your own words.
<p><i>Pecora is most concerned with the standard practices surrounding "truth in advertising" of things like bonds. As he says when confronting J.P. Morgan, Jr. "Do you not think that the public, when it was invited to subscribe for these Republic of Cuba bonds, was entitled to know the facts..." Morgan then says that they gave "a misleading impression."</i></p>	<p><i>Based on the exchange between Pecora and Morgan, it is obvious that the reality at the time was that most bond purchasers would not have been guaranteed accurate information about what they were purchasing. They weren't able to make informed decisions.</i></p>
3. Check which law best addresses this concern or complaint.	
<div style="display: flex; justify-content: space-around;"> <input type="checkbox"/> Glass-Steagall Banking Act of 1933 <input checked="" type="checkbox"/> Securities Act of 1933 <input type="checkbox"/> Securities Exchange Act of 1934 </div>	
4. Explain your reasoning in your own words.	
<p><i>The Securities Act of 1933 required that issuers of new stock and securities provide the public with information needed to make informed investment decisions.</i></p>	

Source C: Pecora and Richard Whitney

1. What is this author's main concern? (use a quote or paraphrase from the source)	2. Explain your reasoning in your own words.
<p><i>Pecora is concerned with the lack of regulation of the stock exchanges, and how that has led to abuse. As he says to Mr. Whitney: "You know of none that has the power of exercising regulation over its affairs, do you?"</i></p>	<p><i>Based on the exchange between Whitney and Pecora, it is obvious that the exchange claims the right and ability to regulate its members, but simply...doesn't.</i></p>
3. Check which law best addresses this concern or complaint.	
<div style="display: flex; justify-content: space-around; align-items: center;"> <input type="checkbox"/> Glass-Steagall Banking Act of 1933 <input type="checkbox"/> Securities Act of 1933 <input checked="" type="checkbox"/> Securities Exchange Act of 1934 </div>	
4. Explain your reasoning in your own words.	
<p><i>This law established the Securities and Exchange Commission (SEC) for the express purpose of regulating markets.</i></p>	

Source D: New York Times Article “Lesser Exchanges Declared in Peril” Excerpt

1. What is this author’s main concern? (use a quote or paraphrase from the source)	2. Explain your reasoning in your own words
<p><i>The various people in the article are concerned that the Fletcher-Rayburn bill will hurt the economy through too much regulation, and that it may be unconstitutional to boot. As Eugene E. Thompson of Washington, President of the Association of Stock Exchanges says: “It will seriously impair if not destroy the value of securities markets...” Thomas B. Gay, counsel for the New York Stock Exchange declared that “the constitutional aspects of this bill make it a matter of gravest doubt whether there exists in the constitution the power in Congress to regulate under this bill.”</i></p>	<p><i>The article lays out multiple arguments, and quotes multiple people associated with the stock exchanges to prove that passing this bill would be bad for the economy of the country.</i></p>
<p>3. Check which law best addresses this concern or complaint.</p>	
<p> <input type="checkbox"/> Glass-Steagall Banking Act of 1933 <input type="checkbox"/> Securities Act of 1933 <input checked="" type="checkbox"/> Securities Exchange Act of 1934 </p>	
<p>4. Explain your reasoning in your own words.</p>	
<p><i>This article directly addresses criticisms of the Securities Exchange Act of 1934 (they call it the Fletcher-Rayburn Bill).</i></p>	

Constituent Statement Rubric

As a member of Congress, write a statement to your constituents on why you voted for or against one of the following: the Glass-Steagall Banking Act of 1933, the Securities Act of 1933, or the Securities Exchange Act of 1934. In your statement you must include:

1. A topic sentence that states the law you voted for or against.
2. A specific reference to the problem the law was meant to address (use your Problem-Solution graphic organizer to help you!).
3. An explanation of how the law will impact the problem (either positively or negatively).

Because this is a formal statement to your constituents your writing must be free of grammar, spelling, and punctuation errors.

OPTIONAL: If you want to record your statement as either a radio address or short newsreel clip you may do so.

Criteria	Exceeds Expectations	Meets Expectations	Approaching Expectations	Needs Improvement
Explanation of the Problem	Clearly identifies a significant problem; provides detailed background and relevant context.	Clearly identifies the problem the law addresses; some background provided.	Identifies the problem but lacks clarity or detail.	Problem is vague, missing, or not connected to the law.
Rationale for Support	Provides a thoughtful, persuasive, and well-supported explanation for voting in favor of the law.	Explains why they voted for the law with some supporting reasons.	Gives a basic reason for support; explanation lacks depth.	Offers little or no explanation for their vote.
Organization Mechanics	Statement is well-organized, with clean spelling, grammar, and punctuation.	Statement is clear and organized; few spelling, grammar, or punctuation errors.	Statement is somewhat disorganized, with spelling, grammar, and punctuation errors.	Statement is hard to follow or lacks structure with many spelling, grammar, and punctuation errors.



Sample Constituent Letter

From the office of Senator Morrow

For immediate release

My fellow Michiganders:

Today I am proud to declare that I cast my vote in support of the Glass-Steagall Act of 1933. For too long, bankers in this country have been able to gamble with the hard-earned money of their depositors, using your money to enrich themselves through risky investments in the stock market. When Senator Fletcher shared with me the letter he received from his constituent, Harry Fein, I was moved to tears. Mr. Fein put it more eloquently and succinctly than I ever could when he said, "The stock market has been the cause of more suffering to the people of this country than any other factor."

If that weren't enough, one Mr. Willis published his own thoughts in an article three years ago in the North American Review. He not only echoes Mr. Fein's concerns but bluntly states that our current panic is the result of "willful mismanagement and violation of every principle of sound finance. It was the outcome of vulgar greed at the cost of the community."

The Glass-Steagall act will change all that. It will enforce upon the banks and bankers of this country those norms and practices which we have long taken as a given of responsible finance. No longer will bankers be able to speculate and gamble with your money on the stock market. Furthermore, from this point forward our national government will guarantee the money you place in banks is secure- even if the bankers themselves once again indulge in "vulgar greed." Through the creation of the Federal Deposit Insurance Corporation, if a bank fails, your money is safe.

You elected me to serve your interests here in Washington, and today I am proud to do just that. As long as I am in the Senate you can rest assured that I will never stop working on your behalf to ensure that all Michiganders receive a fair shake.

Sincerely,



Senator Mark Morrow

Washington, D.C.

February 19, 1932

