

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

Ferdinand Pecora and the 1929 Stock Market Crash



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

Content Standards	MI USHG – 7.1.2 Causes and Consequences of the Great Depression Explain and evaluate the multiple causes and consequences of the Great Depression by analyzing: <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.	MI Civics – 3.3.1 Describe and analyze how groups and individuals influence public policy. MI Civics – 3.3.5 Identify and discuss roles of non-governmental organizations in American civic society.
Staging the Question:	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.	
Formative Performance Task		
Students examine four primary source documents and complete the problem-solution graphic organizer.		
Featured Sources		
Source A: Letter from Harry Fein to Senator Duncan Fletcher (1934) Source B: Ferdinand Pecora and the 1929 Stock Market Crash (Parts 1 and 2) Source C: "Who Caused the Panic of 1929?" adapted article excerpt (1930) Source D: Pecora and J.P. Morgan, Jr. (1934) Source E: Pecora and Richard Whitney (1934) Source F: <i>New York Times</i> article “Lesser Exchanges Declared in Peril” excerpt (1934)		

Required Supplies/Materials:

- “Step In - Step Out - Step Back” worksheet
- Pecora snapshot (Parts 1 and 2) and Sources A-F
- Problem-solution graphic organizer
- Constituent statement rubric

Suggested Pacing: Two 60-minute periods

Lesson Sequence

Period 1

1. Begin by having students get into groups of two to examine “Letter from Harry Fein to Senator Duncan Fletcher” (Source A; Fletcher was the co-author of the Fletcher-Rayburn bill, better known as the Securities Exchange Act of 1934). Students will engage in a thinking routine around this source, filling out the “Step In - Step Out - Step Back” worksheet 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 or three share-outs as a whole group. **(15 min)**
2. 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 “Snapshot: Ferdinand Pecora and the 1929 Stock Market Crash (Part 1)” (Source B). Have students complete the comprehension questions included. **(15 min)**
3. Following this level-setting exercise, students should get into teams of two to read four sources from or related to the Pecora Investigation (Source C-F). Pass out the “Problem-Solution” worksheet. For each source, they should complete boxes one and two. **(20 min)**

Period 2

1. Have each team of two from the previous day find another team of two. Together, they should look at “Snapshot: Ferdinand Pecora and the 1929 Stock Market Crash (Part 2)” (Source B). Have them use this additional information to complete boxes three and four of their “Problem-Solution” worksheet. **(20 min)**
2. 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)
3. Give students time to write their statements. Circulate to provide support and guidance. Students who wish to record their statements as either a radio address or short newsreel clip may do so. **(30 min)**

Optional Extension

1. Invite a few students to read their statements aloud to the class and 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?

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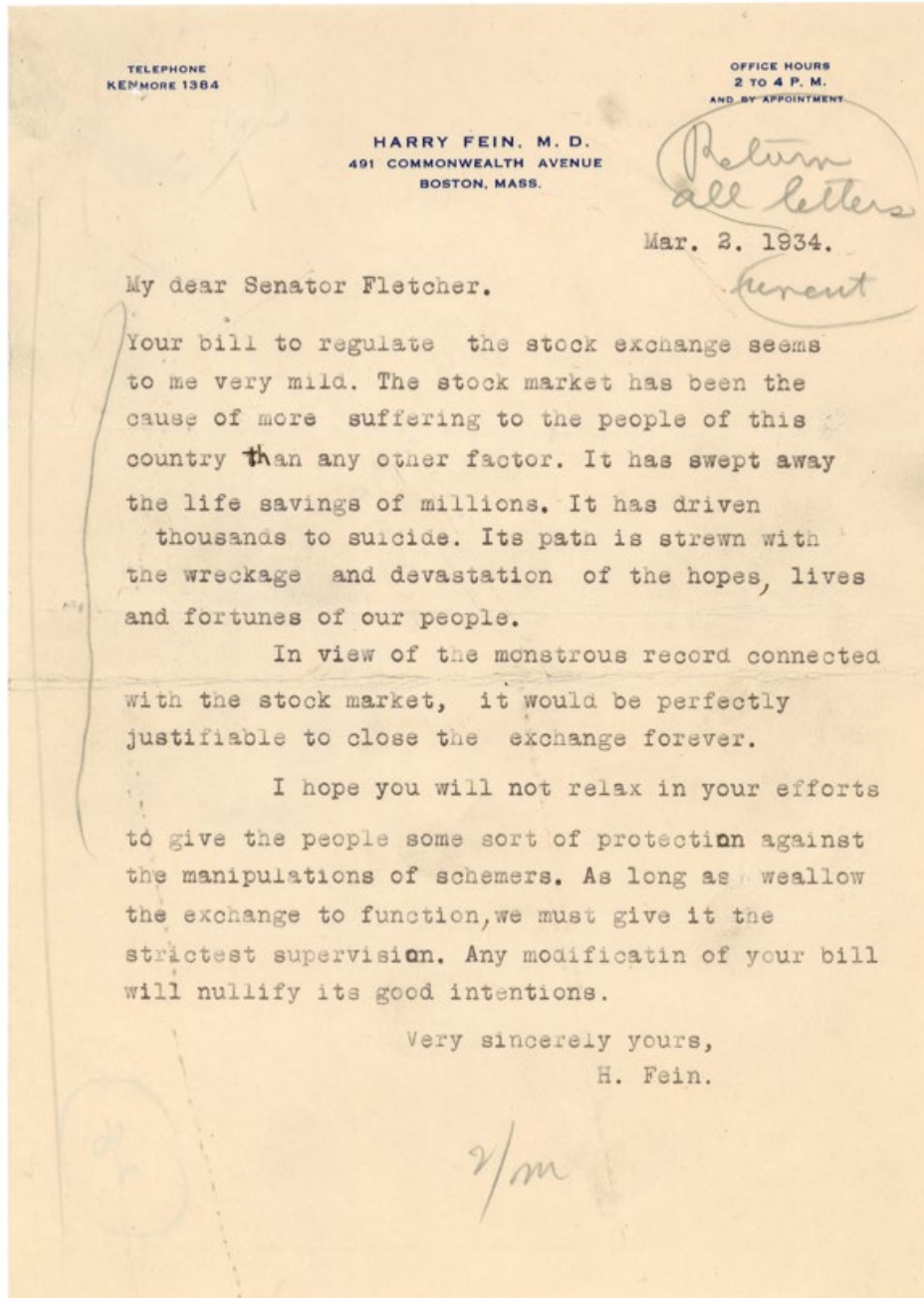
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Source A

Letter from Harry Fein to Senator Duncan Fletcher

Fein, H. (1934, March 2). Letter from Harry Fein Supporting the Securities Exchange Act of 1934. National Archives and Records Administration. <https://catalog.archives.gov/id/5049740>

In this letter sent to the Vice-Chairman of the committee that employed Pecora, a man writes to support reform legislation, using as evidence his own views on the suffering that has seen around him.



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Name: _____



"Step In - Step Out - Step Back"

Directions: Using the letter from Harry Fein to Senator Duncan Fletcher (Source A), complete the chart.

Step In: Given what you see and know about this time, what do you think Harry Fein might feel, believe, know, or experience?	Step Out: What else would you like or need to learn to understand Harry Fein's perspective better?	Step Back: Given your exploration of this perspective so far, what do you notice about your own perspective and what it requires to take somebody else's?
Feel:		
Believe:		
Know:		
Experience:		

Name: _____



"Step In - Step Out - Step Back"

Directions: Using the letter from Harry Fein to Senator Duncan Fletcher (Source A), complete the chart.

Step In: Given what you see and know about this time, what do you think Harry Fein might feel, believe, know, or experience?	Step Out: What else would you like or need to learn to understand Harry Fein's perspective better?	Step Back: Given your exploration of this perspective so far, what do you notice about your own perspective and what it requires to take somebody else's?
Feel:		
Believe:		
Know:		
Experience:		

Compelling question	How did the Pecora Committee's findings change government regulation of the stock market and banking industry?
Source B	Ferdinand Pecora and the 1929 Stock Market Crash (Part 1)
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/	

Ferdinand Pecora and the 1929 Stock Market Crash (Part One)

Members of Congress from both parties spent the years following the Stock Market Crash of 1929 and the ensuing Great Depression attempting to understand the causes of the financial devastation, with limited success. The Senate Committee on Banking and Currency authorized an investigation in 1932 that only picked up steam in 1933 after a staff member named Ferdinand Pecora took over the investigation in January.

Pecora Takes the Lead

The committee had earlier focused on the practice of **short selling** stocks but failed to obtain key bank records and held ineffective hearings that failed to attract public or media attention. When Mr. Pecora, a former prosecutor, joined the staff to write the committee's final report, he was alarmed by how narrow and incomplete the investigation was. He asked committee members to reopen the inquiry, and the Senate later approved Senate **Resolution** 56, which expanded the scope of the inquiry.

Over the course of the next two years, the committee investigation received support from both Presidents Herbert Hoover and Franklin Roosevelt, and bipartisan support from the Senate. On the committee itself, regardless of which party was in the majority and the pressures on the committee's limited budget, committee members stood behind Mr. Pecora and worked to support his investigative efforts. Eventually, the inquiry became known as the Pecora Investigation.

The Hearings

Mr. Pecora acted first to obtain key documents from multiple financial institutions. Rather than request the documents and wait



*Ferdinand Pecora on the cover of Time,
June 12, 1933
Source: Time*

Short Selling: When an investor borrows securities and sells them in hopes of purchasing them back for a lower price in the future.

Resolution: A type of legislation that addresses matters within one house (Senate or House of Representatives) that help that house conduct business, but do not carry the force of law. Resolutions do not require approval by the other house or the president.

Subpoena: A written order demanding a person to testify or share documents in a court or legislative proceeding. Failure to comply may result in a penalty.

for them to be delivered, he preferred to walk directly into a bank and hand-deliver a **subpoena**. He and his staff then waited for the documents to be compiled and produced on the spot, and the team worked through the night copying relevant records and examining the financial information.

Mr. Pecora then designed and led hearings that dominated the news. The committee called wealthy, powerful bankers and corporate executives from the country's financial center on Wall Street in New York City. No one else had attempted to hold them accountable for their actions. Unlike previous investigators, he scheduled hearings only when the committee's research had uncovered important facts and incriminating records.

Hearing witnesses included:

- J.P. Morgan Jr., the most powerful financier of the time;
- Charles E. Mitchell, Chairman of National City Bank, then the largest U.S. bank;
- Richard Whitney, President of the New York Stock Exchange;
- Otto Kahn, senior partner at Kuhn, Loeb & Company, a wealthy investment bank;
- Albert H. Wiggin, former Chairman of Chase National Bank;
- Harry Sinclair, founder of Sinclair Oil;
- Jesse H. James, Chief of Reconstruction Finance Corporation; and
- John J. Raskob, former Vice President of Finance at DuPont and General Motors, and Chairman of the Democratic National Committee.



*Anxious depositors gather outside Guardian Trust Company and National City Bank on Feb. 28, 1933, following announcement of new withdrawal rule.
Source: National Archives*

“At a time of considerable questioning of the capitalist system, the hearings personalized the causes of the Depression. By producing a string of villains, they translated complicated economic problems into moral terms. Bankers, Pecora demonstrated, had abandoned their fiduciary responsibilities.”

- Congress Investigates: A Critical and Documentary History, p. 502

The investigation unearthed a host of Wall Street abuses, including unethical tax practices, insiders given investment advantages not available to the public, investors misled about substandard **securities**, the short selling of stocks, “pooling” techniques to manipulate stock prices, the underwriting and sale of shaky securities, interest-free bank loans to insiders and favored clients, and more. The highly publicized hearings led to shattered reputations, resignations, firings, and even prison sentences. It also helped educate the American public about the nation's financial institutions and how they'd contributed to the Great Depression.

Securities: A broad term for any kind of tradeable asset with monetary value. This could be a stock, bond, or mutual fund.

Name: _____



Comprehension Questions

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

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

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

Name: _____



Comprehension Questions

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

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Compelling question	How did the Pecora Committee's findings change government regulation of the stock market and banking industry?
Source B	Ferdinand Pecora and the 1929 Stock Market Crash (Part 1)
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 **ANSWER KEY**

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.



Compelling question	How did the Pecora Committee's findings change government regulation of the stock market and banking industry?
Source A	"Who Caused the Panic of 1929?" Adapted Article Excerpt
Willis, H. P. (1930). Who Caused the Panic of 1929? <i>The North American Review</i> , 229(2), 174–183. http://www.jstor.org/stable/25110946	

This **panic** was not "inevitable." It was the result of gross carelessness or deliberate recklessness. The recording of its causes in frank language may help to prevent the recurrence of a similar situation.

Panic: Economic Depression. Prior to the Great Depression, economic depressions were referred to as "panics". President Herbert Hoover began using the term "depression" instead, to make the downturn sound less severe.

For generations our bankers have been expected to work hard to rein in hasty or flighty investors and encourage the advantages of saving over speculation. Yet within the past two years it has been indisputably true that these norms were abandoned by our banking community. Through their establishment of affiliated financing companies, banks have put themselves into a position as issuers of stocks. Investment trusts, shares in affiliates or associates, and similar securities of all kinds, have poured forth from the banks, while many

more have been issued by "groups," which were practically bankers and banking houses in another form.

The breakdown of 1929 was 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. It has been a national disgrace and a source of untold national and individual loss. In paying the bill for it, the American people should think seriously about how they can best avoid running up another.

Compelling question	How did the Pecora Committee's findings change government regulation of the stock market and banking industry?
Source B	Pecora and J.P. Morgan, Jr.
Seventy-Third Congress, 2 nd Session. (1934, June 16). Report of the Committee on Banking and Currency. Senate.gov. Retrieved September 20, 2024, from https://www.senate.gov/about/resources/pdf/pecora-final-report.pdf	

After the stock market crash of 1929, the U.S. Senate Banking Committee initiated an investigation into what caused the crash. The committee hired Ferdinand Pecora, a tough lawyer, to obtain documents and design hearings to expose what happened. The following is an excerpt from a hearing in which Mr. Pecora questioned powerful leaders in the banking and securities industries.

Mr. Pecora: Now, the question I asked you was this, in substance. As a banker. do you not think that the public, when it was invited to subscribe for these Republic of Cuba bonds, was entitled to know what the facts were with regard to the revenues and the expenditures of the Republic of Cuba for the preceding fiscal year?

J.P. Morgan, Jr.: I am disposed to think that that, taken by itself, would have given a misleading impression.

Mr. Pecora: It would have informed the public that the expenditures exceeded the revenues by nearly 10 percent, would it not?

J. P. Morgan, Jr.: Yes; but at the same time-

Mr. Pecora: And that fact would not have favorably impressed any prospective purchaser of these bonds, would it?

Compelling question	How did the Pecora Committee's findings change government regulation of the stock market and banking industry?
Source C	Pecora and Richard Whitney
Seventy-Third Congress, 2 nd Session. (1934, June 16). Report of the Committee on Banking and Currency. Senate.gov. Retrieved September 20, 2024, from https://www.senate.gov/about/resources/pdf/pecora-final-report.pdf	

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Mr. Pecora: The stock exchange, as now constituted, is subject to no official regulatory power, is it?

Mr. Whitney, head of the New York Stock Exchange: Well, it is not an incorporated company, if that is what you mean....

Mr. Pecora: You know of none that has the power of exercising regulation over its affairs, do you?

Mr. Whitney: I will grant that there is none, Mr. Pecora. From a legal point of view, I perhaps do not follow you, but I will grant it.

Mr. Pecora: Is it easily possible for a group operating through the medium of a pool to exercise temporarily, at least, or for the purpose of the operation, a control of the market price? ...

Mr. Whitney: By bidding and offering; yes.

Mr. Pecora: By bidding and offering. Now, what steps, if any, does the exchange take to prevent that kind of control?

Mr. Whitney: I do not know of any, Mr. Pecora.

Compelling question	How did the Pecora Committee's findings change government regulation of the stock market and banking industry?
Source D	New York Times article "Lesser Exchanges Declared in Peril" excerpt
Times, S. T. T. N. Y. (1934, February 24). LESSER EXCHANGES DECLARED IN PERIL. <i>The New York Times</i> , 7. https://timesmachine.nytimes.com/timesmachine/1934/02/24/95475365.html	

LESSER EXCHANGES DECLARED IN PERIL

E. E. Thompson Tells Hearing That Groups in Other Cities Might Have to Quit.

Special to THE NEW YORK TIMES.
WASHINGTON, Feb. 23.—The Fletcher-Rayburn Stock Exchange Control Bill would drive all small businesses to Wall Street for capital and force many local exchanges out of business, with consequent loss to brokers and local investors, representatives of the American Association of Stock Exchanges told the House Committee on Interstate Commerce today.

Counsel for the New York Stock Exchange attacked the bill's constitutionality and Richard Whitney, president of the Exchange, continued his attack on its provisions.

"If this bill is passed many local Stock Exchanges will cease to function," said Eugene E. Thompson of Washington, president of the Association of Stock Exchanges, who spoke for nineteen markets outside New York.

"It will seriously impair if not destroy the value of securities markets, will reduce State and other taxes, throw thousands out of employment, and end the essential function of Stock Exchanges," said Mr. Thompson of the bill.

"Instead of being a measure for the protection of the investor in corporate capital, it may prove to be the most dangerous legislation of its character that Congress has ever enacted. There is anxiety and unrest on the part of security owners as to the next move, and should the bill be passed there is certain to follow an avalanche of selling—or efforts to sell—such as we have never before witnessed."

Attacks Legality of Bill.

Thomas B. Gay of Richmond, counsel for the New York Stock Exchange, declared that the bill was founded on the principle of a national government, whereas the Federal government had only such powers as were expressly delegated to it by the Constitution.

"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," he said.

"It is national in the sense that it depends on the exercise of inherent powers not delegated, and the Federal Government is one of delegated powers."

He doubted that the interstate powers of Congress gave it authority to regulate exchanges that did not affect the actual interstate movement of commodities.

Mr. Whitney's testimony today was brief and confined mainly to a defense of the specialist, who exerted, he said, a peculiar function and who was indispensable to the function of the exchange. Under questioning he denied that under the rules of the New York Exchange the specialist could deal for his own account to the detriment of his customers.

Another witness today was Arthur F. Hetherington of De Coppet & Doremus, New York odd-lot dealers, who explained the workings of such a house and declared that the bill as drafted would drive odd-lot houses out of business because they were dealers on the floor of the Exchange and because the nature of their business compelled short-selling.

Note: The Fletcher-Rayburn Stock Exchange Control Bill is better known as the Securities Exchange Act of 1934.

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Compelling question	How did the Pecora Committee's findings change government regulation of the stock market and banking industry?
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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/	

Ferdinand Pecora and the 1929 Stock Market Crash (Part Two)

Aftermath and Conclusion

In Congress, the Pecora Investigation laid the factual foundation for dramatic reforms to restrict unfair, unethical, or reckless financial practices and strengthen public protections. These bills were enacted with **bipartisan** support in Congress and with widespread support from the public.

- **Glass-Steagall Banking Act of 1933:** This law separated commercial banks from investment banks to prevent the diversion of deposits into risky investments, prohibited banks from trading on their own account instead of on behalf of customers, and created the Federal Deposit Insurance Corporation to insure the deposits of millions of Americans.
- **Securities Act of 1933:** This law required issuers of stock to register new securities with the government and provide the public with information needed to make informed investment decisions.
- **Securities Exchange Act of 1934:** This law (also known as the Fletcher-Rayburn Bill) established the Securities and Exchange Commission (SEC) to protect investors and monitor financial markets. It also established a filing system of public reports with the SEC about banks' operations, financial condition, and investors.



*Ferdinand Pecora, Chairman Duncan Fletcher, and J.P. Morgan, Jr. at the Senate Banking Committee hearings, May 1933
Source: Records of the U.S. Information Agency*

Bipartisan: Cooperation and collaboration between opposing political parties.

Precedent: A prior ruling or judgment that may influence future proceedings.

The Pecora Investigation proved once more, at a difficult time in the nation's history, that Congress could investigate a complex subject and enact needed reforms. It created a **precedent** for using congressional subpoenas to advance an investigation, compelling even the wealthy and powerful to comply with congressional information requests and using congressional hearings to expose wrongdoing and educate the public. This investigation is also unique in

highlighting the critical role that congressional staff often play in oversight investigations. Ferdinand Pecora later served briefly as an SEC commissioner, before taking a seat on New York's Supreme Court.

Name: _____

Problem-Solution worksheet

Directions: With a partner, read Sources C-F related to the Pecora Investigation. For each source, fill out the table. You should turn in a complete sheet.

Source C: “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.
3. Check which law best addresses this concern or complaint.	
<input type="checkbox"/> Glass-Steagall Banking Act of 1933 <input type="checkbox"/> Securities Act of 1933 <input type="checkbox"/> Securities Exchange Act of 1934	
4. Explain your reasoning in your own words.	

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Source D: 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.
3. Check which law best addresses this concern or complaint.	
<input type="checkbox"/> Glass-Steagall Banking Act of 1933 <input type="checkbox"/> Securities Act of 1933 <input type="checkbox"/> Securities Exchange Act of 1934	
4. Explain your reasoning in your own words.	



Source E: 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.
3. Check which law best addresses this concern or complaint.	
<div><input type="checkbox"/> Glass-Steagall Banking Act of 1933</div> <div><input type="checkbox"/> Securities Act of 1933</div> <div><input type="checkbox"/> Securities Exchange Act of 1934</div>	
4. Explain your reasoning in your own words.	

Source F: *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
3. Check which law best addresses this concern or complaint.	
<input type="checkbox"/> Glass-Steagall Banking Act of 1933 <input type="checkbox"/> Securities Act of 1933 <input type="checkbox"/> Securities Exchange Act of 1934	
4. Explain your reasoning in your own words.	



Name: _____

Problem-Solution worksheet **ANSWER KEY**

Directions: With a partner, read Sources C-F related to the Pecora Investigation. For each source, fill out the table. You should turn in a complete sheet.

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.
<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>	<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>
3. Check which law best addresses this concern or complaint.	
<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	
4. Explain your reasoning in your own words.	
<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>	

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.
<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>	<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>
3. Check which law best addresses this concern or complaint.	

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<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
4. Explain your reasoning in your own words.
<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>

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.
<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>	<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>
3. Check which law best addresses this concern or complaint.	
<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	
4. Explain your reasoning in your own words.	
<i>This law established the Securities and Exchange Commission (SEC) for the express purpose of regulating markets.</i>	

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
<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</i>	<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>

matter of gravest doubt whether there exists in the constitution the power in Congress to regulate under this bill.”

3. Check which law best addresses this concern or complaint.

☐ Glass-Steagall Banking Act of 1933

☐ Securities Act of 1933

☒ Securities Exchange Act of 1934

4. Explain your reasoning in your own words.

This article directly addresses criticisms of the Securities Exchange Act of 1934 (they call it the Fletcher-Rayburn Bill).

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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 worksheet 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.

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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