The Pecora Investigation was an inquiry begun on March 4, 1932 by the United States Senate Committee on Banking and Currency to investigate the causes of the Wall Street Crash of 1929. The name refers to the fourth and final chief counsel for the investigation, Ferdinand Pecora.

1 History

The investigation was launched by a majority-Republican Senate, under the Banking Committee's chairman, Senator Peter Norbeck. Hearings began on April 11, 1932, but were criticized by Democratic Party members and their supporters as being little more than an attempt by the Republicans to appease the growing demands of an angry American public suffering through the Great Depression. Two chief counsels were fired for ineffectiveness, and a third resigned after the committee refused to give him broad subpoena power. In January 1933, Ferdinand Pecora, an assistant district attorney for New York County was hired to write the final report. Discovering that the investigation was incomplete, Pecora requested permission to hold an additional month of hearings. His exposé of the National City Bank (now Citibank) made banner headlines and caused the bank's president to resign. Democrats had won the majority in the Senate, and the new President, Franklin D. Roosevelt, urged the new Democratic chairman of the Banking Committee, Senator Duncan U. Fletcher, to let Pecora continue the probe. So actively did Pecora pursue the investigation that his name became publicly identified with it, rather than the committee's chairman.

Following the 1929 Wall Street Crash, the U.S. economy had gone into a depression, and a large number of banks failed. The Pecora Investigation sought to uncover the causes of the financial collapse. As chief counsel, Ferdinand Pecora personally examined many high-profile witnesses, who included some of the nation's most influential bankers and stockbrokers. Among these witnesses were Richard Whitney, president of the New York Stock Exchange, investment bankers Otto H. Kahn, Charles E. Mitchell, Thomas W. Lamont, and Albert H. Wiggin, plus celebrated commodity market speculators such as Arthur W. Cutten. Given wide media coverage, the testimony of the powerful banker J.P. Morgan, Jr. caused a public outcry after he admitted under examination that he and many of his partners had not paid any income taxes in 1931 and 1932.

As reiterated by U.S. Securities and Exchange Commission (SEC) Chairman Arthur Levitt during his 1995 testimony before the United States House of Representatives, the Pecora Investigation uncovered a wide range of abusive practices on the part of banks and bank affiliates. These included a variety of conflicts of interest, such as the underwriting of unsound securities in order to pay off bad bank loans, as well as "pool operations" to support the price of bank stocks. The hearings galvanized broad public support for new banking and securities laws. As a result of the Pecora Commission's findings, the United States Congress passed the Glass–Steagall Banking Act of 1933 to separate commercial and investment banking, the Securities Act of 1933 to set penalties for filing false information about stock offerings, and the Securities Exchange Act of 1934, which formed the SEC, to regulate the stock exchanges.

The Banking Committee's hearings ended on May 4, 1934, after which Pecora was appointed as one of the first commissioners of the SEC.

In 1939 Ferdinand Pecora published a memoir that recounted details of the investigations, Wall Street Under Oath. Pecora wrote: “Bitterly hostile was Wall Street to the enactment of the regulatory legislation.” As to disclosure rules, he stated that “Had there been full disclosure of what was being done in furtherance of these schemes, they could not long have survived the fierce light of publicity and criticism. Legal chicanery and pitch darkness were the banker's stoutest allies.”

2 See also

- Ferdinand Pecora
- Pujo Committee
- United States v. Morgan et al. (the Investment Bankers Case)

3 References

4 Further reading

- Pecora Commission Report 1934
- "The Separation of Commercial and Investment Banking: The Glass–Steagall Act Revisited and Re-
considered” - a retrospective of the Pecora Commission’s conclusions by George J. Benston, Oxford University Press, 1990.


- Michael E. Parrish, *Securities Regulation and the New Deal* (1970);


5 External links

- Guide to the Records of the U.S. Senate at the National Archives

- Introduction to the Banking Committee’s Report

- Damnation of Mitchell *Time* magazine 1929.

- Pecora Commission Report 1934

- Pecora Investigation Hearings- Also known as *Stock Exchange Practices. Hearings before the Committee on Banking and Currency Pursuant to S.Res. 84 and S.Res. 56 and S.Res. 97*. The full-text of these hearings are posted on the FRASER website of the Federal Reserve Bank of St. Louis in searchable pdf format.
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