

Sen. Richard Shelby Calls For New ‘Pecora Hearings’

The growing demand that the Wall Street financiers and their bankrupt institutions be held accountable for their speculative crimes, rather than be beneficiaries of bailout largesse—despite the overwhelming objection of the citizenry—is finding voice even in Congress. Before Obama advisor and former Federal Reserve chairman Paul Volcker testified at a Feb. 4 Senate Banking Committee hearing, the committee’s ranking Republican, Sen. Richard Shelby of Alabama, called for hearings modelled on the famous Pecora hearings of 1932-34, that brought the pro-fascist predecessors of today’s financiers to task, and laid the groundwork for President Franklin Roosevelt’s putting the “economic royalists” in their place. Here are excerpts of Shelby’s opening statement:



...I believe that before we discuss how to reorganize our regulatory structure, or even before we consider how to address the financial crisis, we need to first understand its underlying causes. . . .

This committee should, I believe, and must, conduct a full and thorough investigation of the market practices, regulatory actions, and economic conditions that led to this crisis. . . .

There is now talk of creating a commission to examine the origins of the financial crisis, and to make recommendations for further action. At this time, I would oppose the creation of such a commission because a thorough investigation is something that this committee can do, and must do. . . . This committee is uniquely positioned to conduct a transparent investigation that could build the necessary political consensus around the appropriate legislative remedy that we must seek.

This particular committee has a long history of conducting such investigations. The best precedent, I believe, for this type of investigation that our current eco-

nomic situation demands, is the year-long investigation of stock market abuses the committee conducted during the Great Depression. The so-called “Pecora hearings” produced a detailed report, exposing a wide range of abuses on Wall Street. This committee heard testimony from hundreds of witnesses, producing nearly 12,000 pages of transcripts from over 100 hearings. The investigative staff was made up of dozens of individuals, and included attorneys, accountants, and statisticians, conducting scores of interviews and sworn depositions. The committee subpoenaed corporate records, and heard testimony from the heads of Wall Street and industry, including three days of testimony, I’ve been told, from Mr. [J.P.] Morgan himself. . . .

The record that the Pecora hearings established ultimately laid the groundwork for the passage of the Securities Acts, and the creation of the Securities and Exchange Commission. . . .

After we complete a thorough review of the role of the regulators, we should then call the CEOs of the largest banks, insurance companies, brokerage firms, homebuilders, realtors, and other financial services companies of the past ten years, to testify. This, of course, would be preceded by an extensive staff effort to examine the activities of each institution or industry. Since the crisis began, the committee has not yet heard from Wall Street CEOs on their role in creating the toxic assets that have spread throughout our financial system like a cancer. Nor have they publicly explained why their risk management systems failed, or why they operated with such dangerous levels of leverage.

Because many of these firms have either failed, received public money, or sought some type of Federal assistance, I believe they owe it to the American people, to explain how this crisis started, and what role they played in it.

Last year, I called for a hearing to examine the role of underwriting practices in spawning the crisis. The committee announced that it would hold a hearing to examine underwriting practices, but it was postponed and is yet to be scheduled. That hearing can now be part of this effort.

Mr. Chairman, I am more than willing to work with you, as I have, and I believe this committee is uniquely positioned, as you do, to perform this important service at this time for the American people. I pledge my full support, should you choose to undertake your own version of the Pecora hearings, as long as they are comprehensive.