

It's Past Time for a New Pecora Commission

by Bonnie James

July 28—In recent days, as the Libor-rigging “scandal of the century” unfolded, there have been numerous pointed references in the mainstream media to the FDR-era Pecora Commission. This refers to a set of hearings of the U.S. Senate Banking Committee, established in 1932 under President Herbert Hoover, to investigate the causes of the 1929 Crash and Great Depression that followed. But it was not until the election of Franklin Roosevelt in November 1932, that the hearings became a powerful weapon against Wall Street.¹

In late 1932, the Committee hired, with incoming President Roosevelt’s backing, Ferdinand Pecora, a former New York district attorney with a reputation for fearlessness. Pecora was to put the most powerful Wall Street “banksters”—a term he coined—in “the dock,” to be tried before the American public.

One of the prime targets of the Pecora hearings was J.P. Morgan, both the man and the bank. Through its direct and interlocking directorships, Pecora said, Morgan had “incomparably the greatest reach of power in private hands in our entire history.” The hearings revealed that Morgan Bank maintained what it called “preferred lists” of powerful men in finance, business, politics, and public life, to whom it would offer securities at less than market value and provide other favors. Morgan insisted that these were simple business transactions, for which he expected nothing in return!

In taking on Morgan, along with Kuhn Loeb, Chase, National City Bank, and others, Pecora was serving notice to the British-based financier empire that, in the United States at least, its activities would be subject to the laws of the nation. Pecora’s efforts made possible the enactment of FDR’s major New

Deal legislation, beginning with the Emergency Banking Act, which closed the banks for an audit and stopped gold trading, and then the Banking Act of 1933, commonly known as Glass-Steagall, which founded the Federal Deposit Insurance Corp. (FDIC), and prohibited the mixing of commercial and investment banking.

Glass-Steagall helped keep the bankers in check and the financial system sound, until the 1980s, when its restrictions began to be eroded by Fed chairmen Paul Volcker and Alan Greenspan; by 1999, with the passage of the Gramm-Leach-Bliley Act, Glass-Steagall was overturned, and the disastrous results are now writ large, in the ongoing disintegration of the trans-Atlantic financial system.

EIR has written extensively, and virtually exclusively among U.S. publications, until now, about the Pecora hearings, especially in the wake of the 2007-08 financial crash; Lyndon LaRouche and the LaRouche Political Action Committee (LPAC), joined by Helga Zepp-LaRouche and Jacques Cheminade in Europe, have issued numerous calls for new Pecora Commissions and a return to Glass-Steagall. On May 17, 2010, Helga Zepp-LaRouche issued an “Urgent Appeal To American Patriots on Glass-Steagall.”

Now the genie is out of the bottle. Here are a few examples of the recent press coverage, followed by excerpts from *EIR*’s record.

A Relentless Grilling

• **Truthout**, July 16, 2012: “JPMorgan Chase CEO Jamie Dimon’s hearings before Congress last month were strikingly similar—in circumstances if hardly in results—to the 1930s Senate Banking Committee hearings known as the Pecora Commission. Headed by Sicilian immigrant Ferdinand Pecora, the investigation into the causes of the Wall Street crash of 1929 resulted

1. See Lonnie Wolfe, “The Morgan Fascist Coup Plot and How FDR Defeated It,” [[EIR](#)], Aug. 11, 2006.



National Archives

J.P. Morgan was one of the prime targets of the Pecora hearings. Morgan, said Pecora, had “incomparably the greatest reach of power in private hands in our entire history.” Shown (l. to r.) Chief Counsel Ferdinand Pecora (the deadly serious one); Banking Committee chair Sen. Duncan Fletcher (D-Fla); banker J.P. Morgan.

Economist magazine starts using terms such as “Banksters” and the *Financial Times* wonders in its editorial column why no one of significance in the UK has been prosecuted over banking scandals, something serious is afoot.

“The *Economist’s* use of the term Banksters . . . has a historical resonance. . . . It is a coinage that dates back to the Pecora Commission, a series of hearings into the causes of the Wall Street crash of 1929.

“Those hearings, led by lawyer Ferdinand Pecora, were public eviscerations of the leading bankers of the day that made the appearance of Bob Diamond in front of MPs look genteel.

“They led to the passage of the Glass-Steagall Act that separated

in, among other regulatory checks, the Glass-Steagall Act of 1933 and the founding of the Securities and Exchange Commission. . . .”

- **Telegraph** (London), Liam Halligan, July 21, 2012: “Where is our modern-day Pecora Commission—the Congressional hearings held in the 1930s that unearthed and demystified the frauds, scams and abuses that culminated in the Wall Street crash? Where is our truth and reconciliation commission to get to the bottom of what happened, punish the guilty and stop sub-prime happening again?”

“A former assistant district attorney from New York, Ferdinand Pecora had intellect and stamina in abundance. His relentless and expert grilling of bankers and regulators, fully open to the public, electrified Depression-era America. Pecora was the immigrant son of a Sicilian cobbler, outside the establishment, which is why his investigation was fearless and, ultimately, effective.

“The famous financiers and banking scions, they didn’t faze Pecora. His probings exposed the murkiest corners of Wall Street, catalysing genuine reforms and restoring public trust in bankers and banking, so laying the foundations for America’s post-war prosperity and financial stability.”

- **MailOnline** (London) July 25, 2012: “When the

separated casino banking from the humdrum retail variant, a piece of legislation that ran to only a few pages, in stark comparison with the thousands of pages of Basel capital regulations spawned these days.

“Yet in the five decades during which Glass-Steagall held sway, there were no systemic bank collapses and many observers blame the dismantling of the rules by President Clinton as a key cause of the financial crisis. . . .”

- **Washington Post** Barry Ritholtz, Jan. 25, 2012: “A modern Pecora Commission could right Wall Street wrongs.

“...Recall that Ferdinand Pecora was the fourth chief counsel for the Senate committee that investigated the Wall Street crash of 1929 and subsequent Depression. He was appointed in 1932 and received broad investigatory powers in 1933. His report ran thousands of pages. Thanks in large part to Pecora’s findings, Congress passed the Glass-Steagall Banking Act, which separated commercial and investment banking; the Securities Act of 1933, which established penalties for filing false information about stock offerings; and the Securities Exchange Act, which created the Securities and Exchange Commission to regulate the stock exchanges. Nearly 50 years of financial stability followed. . . .”

And from EIR's Archives

Oct. 10, 2008: It's Time for New Pecora Hearings.

"On Sept. 18, 2008, Lyndon LaRouche heartily endorsed House Resolution 1452, introduced on Sept. 17, by Reps. Marcy Kaptur (D-Ohio) and Scott Garrett (R-N.J.), 'Establishing the Select Committee on Financial Bailouts.' The legislation, which LaRouche dubbed a new 'Pecora Commission,' would create a Select Committee on Financial Bailouts, to investigate the recent actions of Treasury Secretary Hank Paulson, Federal Reserve chairman Ben Bernanke and others, in engineering the taxpayer bailouts and bank takeovers of Bear Stearns, the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), Merrill Lynch, American International Group, Lehman Brothers, and others...."

"LaRouche's reference to the Pecora Commission hearkens back to a set of widely publicized hearings, held in 1933, under the direction of the Chief Counsel of the U.S. Senate Committee on Banking, Housing and Urban Affairs, Ferdinand Pecora...."

• **Jan. 9, 2009:** End the Bailouts! New 'Pecora Hearings' Now! GMAC 'Bank' Deal Is Blackmail, by Paul Gallagher.

"...The equivalent of the 1932-34 "Pecora hearings," which laid the House of Morgan's 1920s crimes bare before the American people, is necessary *this month*, to stop the bank bailouts so that real economic investment can begin...."

"LaRouche PAC TV produced a nine-minute video on the crucial role that hearings like those headed by New York District Attorney Ferdinand Pecora played in launching President Franklin Roosevelt's '100 Days.'"

"'This GMAC scandal shows the need for an immediate creation of a "Pecora Commission," right now,' [Lyndon] LaRouche said...."

• **Jan. 16, 2009:** Only Bankruptcy Reorganization Will Revive the World Economy, by Helga Zepp-LaRouche.

"...It is therefore all the more urgent that an investigative commission be convened, on the model of the Pecora Commission in the United States in the 1930s, as I called for last week. Because the fact that the agreement adopted by the Grand Coalition in 2005 incorporates an institution expressly created so that Germany could enter into the international securitization market—True Sale International (TSI)—obviously puts a damper on hopes that that the government will

voluntarily admit to a gigantic mistake...."

"But the wind could quickly shift with the incoming U.S. administration. The *New York Times* ran an op-ed on Jan. 6 by historian Ron Chernow titled 'Where Is Our Ferdinand Pecora?' calling for Obama to set into motion a far-reaching investigation of the collapse of the financial markets, and, just as Pecora did, in 1932-34, to lay the groundwork for new laws forbidding these abuses...."

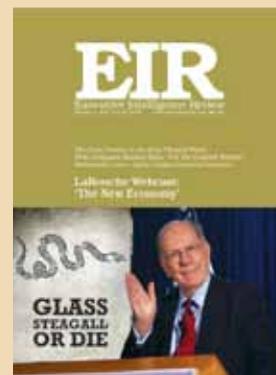
"Pecora Commissions are needed today in every country in the West.... In the United States, preliminary hearings are already under way in the House Financial Services Committee, on the need to reorganize these agencies...."

• The Defense of National Sovereignty: What a New Pecora Commission Must Do, by John Hoefle

"...The original Pecora Commission, an investigation into the financial machinations which led to the Great Depression, conducted by the Senate Banking and Currency Committee from 1932 to 1934, exposed the way in which a cabal of powerful bankers dominated the U.S. economy, and manipulated it to suit their own goals. The investigation was run by Ferdinand

Lyndon LaRouche On Glass-Steagall and NAWAPA:

The North American Water and
Power Alliance



"The greatest project that mankind has ever undertaken on this planet, as an economic project, now stands before us, as the opportunity which can be set into motion by the United States now launching the NAWAPA project, with the preliminary step of reorganizing the banking system through Glass-Steagall, and then moving on from there."

"Put Glass-Steagall through now, and I know how to deliver a victory to you."

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Pecora, a former prosecutor who hauled some of the most prominent bankers in the nation before the committee and revealed them to be, under their pompous, self-righteous veneer, a pack of self-serving, arrogant, and corrupt hyenas who had little regard for the interests of the nation and its people. In doing so, Pecora smashed the myth of public service the bankers and their publicists had so carefully crafted, and helped build the public support President Franklin Roosevelt required to force Congress to pass tough regulatory reforms....”

• **Feb. 13, 2009:** Sen. Richard Shelby Calls for New ‘Pecora Hearings.’

“...[A]t 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:

“...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....

“...The best precedent, I believe, for this type of investigation that our current economic 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....”

Pecora Takes on ‘The Lion of Wall Street

• **March 13, 2009:** Why a New ‘Pecora Commission’ Is Urgently Needed, by Jacques Cheminade (from

a speech to the Schiller Institute conference in Rüsselsheim, Germany, Feb. 21-22).

“The year is 1933. On one side is J.P. Morgan, Jr., the ‘Lion of Wall Street,’ who comes to testify grudgingly. On the other side, Ferdinand Pecora. He enjoys it.

“On a hot July afternoon, Ferdinand Pecora asked Morgan if he had paid income tax in 1930. Morgan was silent. Pecora was silent. Finally, the Lion of Wall Street replied, ‘I can’t remember.’ The same question was asked for 1931, then 1932, and received the same answer—‘I can’t remember.’

“Then Pecora gathered his papers, and revealed that J.P. Morgan had paid no income tax—ever. And had done nothing illegal. It was perfectly legal!

“Treasury Secretary Andrew Mellon (‘Andy,’ to the ladies), stressed Pecora, had inserted enough clauses in the tax code, so that Morgan and his like would never pay taxes. Al Capone would *never* have gone to prison, had he known ‘Andy’ Mellon better. Pecora then showed that the total taxes paid by the entire House of Morgan, not only J.P. Morgan, but the entire House of Morgan, and its partners, in the previous five years, was a single payment of \$5,000 in 1931.

“Then came the list of J.P. Morgan’s and his associates’ properties. They controlled most of the American economy, with their British friends. And then came J.P. Morgan’s preferred list, by which a bank’s influential friends, including former President Calvin Coolidge, participated in stock offerings at steeply discounted rates. Their full control of the American economy was then exposed.

“This was before the United States Senate Committee on Banking and Currency, where Ferdinand Pecora was chief counsel for an investigation of Wall Street banking and stock brokerage practices, after the 1929 Crash. Pecora was born in Sicily, the son of an immigrant cobbler. He was originally a progressive Republican—he was not a Democrat—and was appointed in the last months of the Herbert Hoover Presidency. His expertise as a hard-nosed assistant district attorney in New York County, had been to shut down more than 100 ‘bucket shops.’ These bucket shops were something peculiar to the United States of those days: They were fly-by-night brokerage houses, illegal brokerages based on bets on futures thrown into buckets, the primitive precedents for derivatives.

“Pecora, in his state position, was helped by John T. Flynn, an Irish-American journalist, and Max Lowenthal, a Jewish lawyer. No WASPs needed apply.

The American Republic was striking back against the Empire. . . .

“Pecora had been hired for \$255 a month by the Senate committee, and was earning less money than most Wall Street mandarins disbursed weekly in pocket money. And he defrocked the high priests; he ridiculed the high priests, making them seem small and greedy, exactly as they were. Pecora had become then an American folk hero.

“Roosevelt’s March 4 Inauguration speech against the ‘modern money-changers’ was given in the conditions created by Pecora and the Pecora hearings. The fight was fierce. . . .

“... Pecora and his hearings were like a bolt of lightning, illuminating the dark—what was behind the scenes. Pecora, exposing the frauds, exposing the issuance of fictitious capital, gambling with money at the expense of human lives, gave people the sense that they had a defender in Congress, and another one in the Presidency—smart, and caring for them, caring for the people. . . .”

• **Aug. 14, 2009:** Looting of Fannie and Freddie Demands New Pecora Commission, by John Hoefle.

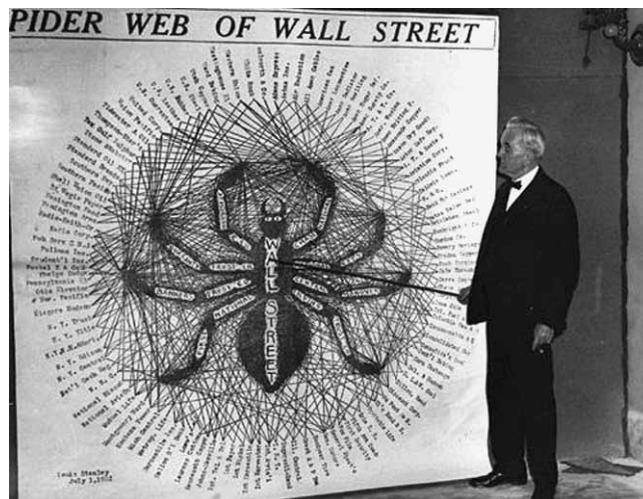
“... Given the level of criminality which brought the global financial system to its collapse, and the level of criminality which has allowed financial institutions to continue to operate after that collapse, it is imperative that the cases of Fannie and Freddie be thoroughly investigated by a new Pecora Commission—one that, unlike Nancy Pelosi’s sham, is worthy of the name.”

• **Dec. 3, 2010:** Ferdinand Pecora Takes on Wall Street and Wins a Victory for the American System, by Glenn Mesaros. (A review of *The Hellhound of Wall Street: How Ferdinand Pecora’s Investigation of the Great Crash Forever Changed American Finance*, by Michael Perino.)

“... By the time Pecora finished his work for the Senate Banking and Currency Committee in 1934, New York Stock Exchange president Richard Whitney was on his way to Sing Sing state prison in upstate New York for bunco fraud. . . .

“By the time Pecora took control of the Senate Banking Committee hearings in early 1933, the unemployment rate was 25%; 38 states had closed banks; and 25% of the population had lost their savings.

“... Pecora had prosecuted Wall Street ‘bucket shops’ during his tenure, for selling fraudulent securities, but had been passed over for the District Attorney



During the hearings, Sen. George Norris (R-Neb.) presented a large wall chart in the form of a spider web (above), showing the eight large banks which constituted a Wall Street web of intrigue dominating American finance.

job for being too honest. . . .

“The country was reaching a boiling point. . . . [Sen. Peter] Norbeck [R-S.D.], and others, were in no mood to continue to placate Wall Street, and they gave Pecora the power to issue tough subpoenas, on Feb. 8, 1933, to National City, and other Wall Street banks. This gave Pecora a mere 12 days to visit the banks himself, and examine the innermost ‘minute books’ of the Wall Street titans, in preparation for the hearings. . . .

“The dam broke in the national press, as the *New York Times* feigned outrage, while the Midwestern press called for the blood of the ‘banksters.’ Sen. Burton Wheeler (D-Mont.) declared that the only way to restore confidence in the financial system was to treat the banksters as Al Capone would.

“The influential journal *The Nation* observed, ‘if you steal \$25, you’re a thief. If you steal \$250,000 you’re an embezzler. If you steal \$2,500,000, you’re a financier.’

“Senator [George] Norris [R-Neb.] released a large wall chart in the form of a spider web, showing the eight large banks which constituted a Wall Street web of intrigue, dominating American finance. Even President Hoover chimed in, saying that ‘these men have done the American people more damage than all the incidental operations of Al Capone ... who had the merit of confining his robbery ... to the wicked.... These men are not bankers, they are banksters ... who are traitors to our institutions and national ideas.’ . . .”