

STOCK EXCHANGE PRACTICES

MONDAY, FEBRUARY 26, 1934

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C.

The committee met at 10:30 a.m., pursuant to adjournment on Friday, February 23, 1934, in room 301 of the Senate Office Building, Senator Duncan U. Fletcher presiding.

Present: Senators Fletcher (chairman) and Adams.

Present also: Ferdinand Pecora, counsel to the committee; Julius Silver and David Saperstein, associate counsel to the committee; and Frank J. Meehan, chief statistician to the committee; and Roland L. Redmond, attorney for the New York Stock Exchange.

The CHAIRMAN. The committee will come to order, please.

I believe Mr. Harris was on the stand when we adjourned Friday.

Mr. PECORA. Mr. Harris, please resume the stand.

TESTIMONY OF GEORGE U. HARRIS, MEMBER OF BROKERAGE FIRM OF HARRIS, UPHAM & CO., AND MEMBER PUBLICITY COMMITTEE NEW YORK STOCK EXCHANGE—Resumed

Mr. PECORA. Now, Mr. Harris, you testified, in substance, last Friday, before this committee to the effect that the committee on publicity had caused to be distributed many thousands of copies of different pamphlets that deal with various subjects.

Mr. HARRIS. Yes, sir.

Mr. PECORA. Who selected those pamphlets for such distribution?

Mr. HARRIS. Just which pamphlets are you referring to?

Mr. PECORA. All of them.

Mr. HARRIS. Well, among others there were various speeches of the president of the exchange.

Mr. PECORA. Yes; we know that.

Mr. HARRIS. Which he has written, and they have been distributed.

Mr. PECORA. Yes. But who selected the pamphlets that were to be used for general public distribution by the exchange?

Mr. HARRIS. Well, the committee on publicity has put out all documents that they thought would be of real interest to the general public.

Mr. PECORA. Well, did the committee on publicity decide what pamphlets would be of general interest to the public, or did that committee follow the judgment of anyone else with regard to that matter?

Mr. HARRIS. That matter is usually handled by the president's office.

Mr. PECORA. Then, do you mean by that answer that the committee on publicity, as such committee of the exchange, such documents, pamphlets, or books as the president of the exchange thought should be put out to the public?

Mr. HARRIS. That is correct.

Mr. PECORA. And the committee itself did not exercise any independent judgment about those things.

Mr. HARRIS. No, sir.

Mr. PECORA. I beg pardon, but I did not catch your answer.

Mr. HARRIS. No; they did not.

Mr. PECORA. And that is true of the way the committee on publicity has functioned ever since you have been a member of it, which as I recall is for the past 4 years?

Mr. HARRIS. Yes. I stated before that I had been a member of the committee for 4 years. That was an error. My dates are wrong. It is about 2 years. But since I have been a member of the committee all documents have been put out in that manner.

Mr. PECORA. And were you in error when you said you were a member of the governing board for 4 years past?

Mr. HARRIS. No; that was correct.

Mr. PECORA. That answer is correct?

Mr. HARRIS. Yes, sir.

Mr. PECORA. Have you read the various pamphlets that have been circulated among the public by the New York Stock Exchange in the last 2 years, since you have been a member of its committee on publicity?

Mr. HARRIS. I cannot say that I have read every pamphlet carefully, but I know the contents of all pamphlets, and I have read the most of them.

Mr. PECORA. What pamphlets were put out during the year 1931?

Mr. HARRIS. Would you like a detailed list of them?

Mr. PECORA. Yes.

Mr. HARRIS. In 1931 there were distributed:

The Place of the Stock Exchange in American Business. It was an address by the president.

Measuring the Stock Market. An address by Mr. Meeker, an economist.

Public Opinion and the Stock Market. An address by the president.

Business Honesty. An address by the president.

Statement on Investment Trusts (Management Type) Special Requirements Where Listing Investment Trust Securities.

Report of the president.

Economic Law in Business. An address by the president.

The Stock Exchange and Investment Trusts. An address by George L. Tirrell, chief examiner of the committee on stock list.

Short Selling. An address by the president.

Short Selling and Liquidation. An address by the president.

Statistics in Regard to Short Selling.

New York Stock Exchange Year Book.

Mr. PECORA. If I have kept a correct tally of the publications you have referred to, there were 15 of them that were put out during the year 1931. Is that correct?

- Mr. HARRIS (counting them). I think there are only 12.
- Mr. PECORA. Well, I will take your figures. Perhaps I jotted down portions of titles as being a full title. There were 12, then.
- Mr. HARRIS. Yes, sir.
- Mr. PECORA. Have you read those 12?
- Mr. HARRIS. Yes, sir.
- Mr. PECORA. When?
- Mr. HARRIS. Oh, I beg pardon. I misunderstood your question. Have I read all 12 of those?
- Mr. PECORA. Yes.
- Mr. HARRIS. I would not say that I have read all 12 of them.
- Mr. PECORA. How many of the 12 have you read?
- Mr. HARRIS. I would say I have read 50 percent of them, or six.
- Mr. PECORA. You have read six of them.
- Mr. HARRIS. Yes, sir.
- Mr. PECORA. How many of the different pamphlets or publications were distributed by the stock exchange to the public in the year 1932?
- Mr. HARRIS. Six pamphlets.
- Mr. PECORA. Can you give the titles of them?
- Mr. HARRIS. Yes, sir. Those distributed in 1932 were:
Statement of Richard Whitney, president.
Statement of Richard Whitney, president, before the Committee on Finance of the United States Senate.
Statement of Richard Whitney, president, made to the governing committee and the membership.
New York Stock Exchange, address by the president.
Report of the president.
New York Stock Exchange Year Book.
- Mr. PECORA. Are you familiar with the contents of those six pamphlets or publications?
- Mr. HARRIS. I was at the time.
- Mr. PECORA. Did you read all six of them?
- Mr. HARRIS. I think I have read all six of those; yes.
Some time has passed and I don't remember now all of their contents.
- Mr. PECORA. Now, in 1933 how many pamphlets, documents, or publications were distributed to the public by the New York Stock Exchange?
- Mr. HARRIS. Three altogether, as follows:
Writing Down Assets and Writing Off Losses.
Securities Investors in the Future.
Statement of Richard Whitney, president.
- Mr. PECORA. Did you read those?
- Mr. HARRIS. I believe I only read one of them entirely.
- Mr. PECORA. Which one was that?
- Mr. HARRIS. The Statement of Richard Whitney, president. No; I read two of them, which includes Securities Investors in the Future. So I read two of the three.
- Mr. PECORA. Which one was it that you did not read?
- Mr. HARRIS. I did not read the one entitled "Writing Down Assets and Writing Off Losses", being an address by Mr. Hoxsey.

Mr. PECORA. Now, in 1930, how many different pamphlets, documents, or publications, were circulated among the public by the New York Stock Exchange?

Mr. HARRIS. There were 13 altogether. They were:

The Principal Causes of the Stock Market Crisis of 1929—

Mr. PECORA (interposing). Whose address was that?

Mr. HARRIS. An address by Mr. E. H. H. Simmons, who was then the president of the New York Stock Exchange.

Mr. PECORA. Was that the one delivered in January of 1930 before the Transportation Club?

Mr. HARRIS. Yes, sir.

Mr. PECORA. Have you read that address?

Mr. HARRIS. That was some time ago, but I think I did read it. I have forgotten the details of it.

Mr. PECORA. Have you any recollection of the contents of that speech that would enable you to summarize it for the benefit of this committee now, as to what Mr. Simmons' claimed were the causes of the stock market panic of 1929?

Mr. HARRIS. I am sorry, but I cannot remember the details of that speech.

Mr. PECORA. All right. Now, Mr. Harris, how many of the 13 pamphlets, speeches, or publications that were distributed in 1930 have you read?

Mr. HARRIS. Mr. Pecora, it is very difficult for me to say now as to that. That was 3 years ago and I would not want to guess at it. I don't know.

Mr. PECORA. Would you guess that you read all of them?

Mr. HARRIS. I do not think I read all of them, but I may have.

Mr. PECORA. How many different pamphlets, documents, or publications were circulated by the stock exchange in 1929?

Mr. HARRIS. Eleven altogether.

Mr. PECORA. How many of them have you read, if you can tell us?

Mr. HARRIS. I cannot tell you. It was too long ago.

Mr. PECORA. Now, in 1929, according to the information furnished by the New York Stock Exchange to this committee in answer to a questionnaire that the committee caused to be submitted to it, there were distributed 466,000 copies, approximately, of the 11 pamphlets that you have referred to, were there not?

Mr. HARRIS. There were.

Mr. PECORA. And in the following year, 1930, there were distributed approximately 790,000 copies of the 13 publications, were there not?

Mr. HARRIS. That is correct.

Mr. PECORA. And in the year 1931 there were distributed 2,250,000 copies, approximately, of all the 12 publications that were circulated to the public by the New York Stock Exchange.

Mr. HARRIS. Yes, sir.

Mr. PECORA. And in the year 1932 there were only 260,000 copies, approximately, of the six pamphlets distributed for the year.

Mr. HARRIS. That is true.

Mr. PECORA. And for the year 1933, or, rather, the first 9 months of the year 1933, there were 55,000 copies, approximately, of the three publications distributed in that year.

Mr. HARRIS. That is true.

Mr. PECORA. Mr. Harris, what was the reason for the tremendous increase in the number of copies of pamphlets distributed by the New York Stock Exchange to the public in the year 1930 over the preceding year, 1929?

Mr. HARRIS. It happened that in the year 1930 there were two speeches made for which there was an enormous demand from the public, many requests coming in for additional copies of those pamphlets.

Mr. PECORA. The approximate number of copies of pamphlets distributed in the year 1929 was 466,000, while in 1930 it was 790,000.

Mr. HARRIS. Yes, sir.

Mr. PECORA. Is that accounted for entirely by this demand that you speak of?

Mr. HARRIS. I believe it is.

Mr. PECORA. Now, Mr. Harris, in the year 1931 there was a much greater increase in the circulation or distribution of copies of pamphlets over the number for the year 1930, because in 1931 there were 2,250,000 copies of the 12 different pamphlets distributed.

Mr. HARRIS. That is right.

Mr. PECORA. What was the reason for that tremendous increase over the preceding year?

Mr. HARRIS. In that year there were two addresses given by the president, Mr. Whitney, for which there was, again, an enormous public demand. In one case I know that 400,000 requests came into the exchange for additional copies.

Mr. PECORA. Yes. And in the year 1932 the number of copies of pamphlets distributed by the New York Stock Exchange dwindled from the number of 2¼ million in 1931 to 260,000 in 1932. Was that due to the fact that the public had lost interest to a considerable degree in speeches of officers of the stock exchange and that that curtailed and lessened their demand for copies of them.

Mr. HARRIS. No; not entirely. There were only half as many pamphlets sent out in 1932 as were sent out in 1931.

Mr. PECORA. That is, there were 6 sent out in 1932 as compared to 12 in 1931?

Mr. HARRIS. Yes, sir.

Mr. PECORA. But there were, approximately, one eighth the aggregate number went out.

Mr. HARRIS. That is right. That also just happened; that is, as to the speeches made by the president of the exchange, there wasn't the popular demand for them as was the case in the 2 preceding years.

Mr. PECORA. What were the titles of the speeches that were distributed in 1932?

Mr. HARRIS. The one that had the largest circulation was the statement made by Richard Whitney, president of the New York Stock Exchange, before the Committee on Finance of the United States Senate in regard to the Revenue Act of 1932.

Mr. PECORA. What were the other five pamphlets sent out in 1932?

Mr. HARRIS. There was the statement of Richard Whitney, president, made to the governing committee and the membership, in regard to the investigation of stock exchange practices by the Committee on Banking and Currency of the United States Senate, which was August 24. The other one that had a rather large circulation was the address made by Richard Whitney, president, before the Industrial Club of St. Louis and the chamber of commerce of St. Louis, St. Louis, Mo., entitled "New York Stock Exchange."

Mr. PECORA. What I am trying to find out from you, Mr. HARRIS, if you can possibly help us to learn the fact, is why in the year 1932 there was such a considerable falling off of distribution of pamphlets to the public by the New York Stock Exchange

Mr. HARRIS. Well, a part of that was—

Mr. PECORA (continuing). A falling off measured by a difference between 2,250,000 copies distributed in 1931 and only 260,000 copies distributed in 1932.

Mr. HARRIS. Well, a part of that was in deference to the committee that was investigating the stock exchange. The president did not make as many speeches as he had made theretofore.

Mr. PECORA. As a matter of fact, one of the six pamphlets I believe, the one that you stated had the greatest circulation in 1932, was his report based upon the investigation that had proceeded up to that time, wasn't it?

Mr. HARRIS. Yes. One was just a stenographic copy, and the other was a statement made to the governing committee and the membership in regard to the investigation.

Mr. PECORA. How does that support your reasoning that the lessening in the distribution of pamphlets was due to the desire of the committee on publication to accord deference to this Senate committee which was conducting the stock-market investigation?

Mr. HARRIS. Well, I think it was a sort of forbearance on the part of the officers of the exchange. There was the investigation going on here in Washington that we all knew about. As a consequence the president did not make as many speeches as he normally does.

Mr. PECORA. But he did make some speeches and some reports, that were printed and distributed to the public, did he not?

Mr. HARRIS. That is true.

Mr. PECORA. It was not to be expected that every speech he was going to make that year was going to deal with this investigation, was it?

Mr. HARRIS. No.

Mr. PECORA. As a matter of fact, he did make one speech or report which covered his observations on the investigation?

Mr. HARRIS. That is true.

Mr. PECORA. Up to the date of the delivery of that report by him?

Mr. HARRIS. That is true.

Mr. PECORA. So, where was that a deference to the committee, that you speak of?

Mr. HARRIS. I do not see how I could explain it any more clearly. It seems to me that was obvious.

Mr. PECORA. All right. Now, Mr. Harris, for the first 9 months of the year 1933 there were only 55,000 copies of pamphlets distrib-

uted by the New York Stock Exchange. What was the reason for that very considerable reduction from the number distributed in the preceding year?

Mr. HARRIS. In 1933, during the entire year, the president only made one address, and there was one statement issued by him to the board of estimate and apportionment of the city of New York.

Mr. PECORA. And that had to do with the attempt of the municipal authorities of the city of New York early last fall to impose some tax on the business of the members of the New York Stock Exchange.

Mr. HARRIS. That is true.

Mr. PECORA. Well, didn't the president of the New York Stock Exchange make speeches throughout the country during the year 1933?

Mr. HARRIS. No, sir. According to my figures here he only made one address, and there was very little public demand for it.

Mr. PECORA. What was the title of that address?

Mr. HARRIS. The title was "Securities Investors in the Future."

Mr. PECORA. There was very little demand for that?

Mr. HARRIS. Only 45,000 copies, which in comparison with other speeches was very small.

Mr. PECORA. Who was the author of those speeches?

Mr. HARRIS. Mr. Whitney, of the one I just referred to, if that is what you have in mind?

Mr. PECORA. Yes.

Mr. HARRIS. Mr. Whitney was the author of it.

Mr. PECORA. Who was the author of the speeches delivered by Mr. Simmons in 1928 and 1929, if you know?

Mr. HARRIS. I am not certain, but I imagine the author was Mr. Simmons.

The CHAIRMAN. Public interest in securities had diminished a good deal in 1933, hadn't it?

Mr. HARRIS. Well, there seemed to be less interest on the part of the public so far as judged by their asking for copies of the various speeches.

Mr. PECORA. Well, in order that the chairman's question may be more fully answered, let me ask: Isn't it fair to say that trading on the New York Stock Exchange in the year 1933 showed a measurable increase over that which was done during the year 1932?

Mr. HARRIS. It did. As to whether or not that would have anything to do with demand for those speeches, I don't know.

Mr. PECORA. No; except that it might reflect the interest of the public in the stock market.

Mr. HARRIS. It might do so, but I don't know it.

Mr. PECORA. How often does the board of governors of the New York Stock Exchange meet?

Mr. HARRIS. They have a regular meeting every 2 weeks.

Mr. PECORA. Every 2 weeks?

Mr. HARRIS. Yes, sir.

Mr. PECORA. And special meetings at other times?

Mr. HARRIS. Yes, sir.

Mr. PECORA. Those special meetings are held at the call of the president?

Mr. HARRIS. Or they may be at the request of some standing committee, in order to bring up some important matter.

Mr. PECORA. Can you give us an approximate idea of the number of meetings the governing committee held during the calendar year 1933?

Mr. HARRIS. No, sir; I cannot.

The CHAIRMAN. How many members are there of the governing committee? Forty-one?

Mr. HARRIS. Yes; I think the number is 41 or 40.

Mr. PECORA. Plus two ex-officio members?

Mr. HARRIS. Yes, sir; 40, I believe.

Mr. PECORA. Are the members of the governing committee chosen every year, or is only a portion of them chosen every year?

Mr. HARRIS. Do you want the exact language? I can give it to you. There are one quarter of the membership chosen every year.

Mr. PECORA. Ten of the forty are chosen every year?

Mr. HARRIS. Yes, sir.

Mr. PECORA. And for what period of time are they elected annually?

Mr. HARRIS. They are elected to serve for 4 years.

Mr. PECORA. How are nominations for officers and members of those committees made?

Mr. HARRIS. There is a nominating committee appointed.

Mr. PECORA. Appointed by whom?

Mr. HARRIS. Just one minute. I have it here in the book and will find it for you.

The CHAIRMAN. I think you said all committees were appointed by the president of the exchange.

Mr. HARRIS. Yes, sir.

Mr. PECORA. No; not the governors.

Mr. HARRIS. The nominating committee is elected by the membership of the exchange, which committee consists of five members.

Mr. PECORA. That is, the nominating committee consists of five members?

Mr. HARRIS. Yes, sir; and they are elected by the membership.

Mr. PECORA. That is, the nominating committee is elected by the membership of the New York Stock Exchange.

Mr. HARRIS. Yes, sir.

Mr. PECORA. And are the members of the nominating committee named a year in advance of their functioning?

Mr. HARRIS. Well, not as to the exact time, but they are named some time in advance.

Mr. PECORA. And they are named about a year in advance?

Mr. HARRIS. I think that is correct.

Mr. PECORA. In other words, when is the annual election of officers of the New York Stock Exchange held?

Mr. HARRIS. On the second Monday of May.

Mr. PECORA. Of each year?

Mr. HARRIS. Of each year; yes, sir.

Mr. PECORA. And when is the "slate", so-called, of the nominating committee to be voted upon at the annual election, put out by the nominating committee?

Mr. HARRIS. On the second Monday in April of each year.

Mr. PECORA. And in that slate is there included the nominating committee for the ensuing year? In other words, will there be included in the slate put out for the annual election to be held next May, by the present nominating committee, the names of the members of the nominating committee who will make the slate for the annual election of 1935?

Mr. HARRIS. Yes; I believe that is true.

Mr. PECORA. Now, what are the duties and the powers of the so-called "governing committee"?

Mr. HARRIS. They are as follows:

The governing committee shall be vested with all powers necessary for the government of the exchange, the regulation of the business conduct of its members, and the promotion of its welfare, objects, and purposes

In the exercise of its powers, it may adopt such rules, issue such orders and directions, and make such decisions as it may deem appropriate

Mr. PECORA. What provision of the constitution of the exchange are you reading from?

Mr. HARRIS. I am reading from page 2, article III, section 2.

Mr. PECORA. Now, under section 3, the governing committee has the power to appoint and dissolve all standing and other committees except the nominating committee, hasn't it?

Mr. HARRIS. Yes, sir.

Mr. PECORA. It also has the power to define, alter, and regulate their jurisdiction, hasn't it?

Mr. HARRIS. Yes, sir.

Mr. PECORA. It has the power of discipline over the members of the exchange?

Mr. HARRIS. That is right.

Mr. PECORA. And the power of discipline extends to that of expulsion?

Mr. HARRIS. Yes, sir.

The CHAIRMAN. Would you say from that that the governing committee is the real authority in control of the New York Stock Exchange?

Mr. HARRIS. Yes, sir.

Mr. PECORA. Now, Mr. Harris, is there another committee known as the "law committee"?

Mr. HARRIS. There is.

Mr. PECORA. And what are the powers and duties of the law committee of the New York Stock Exchange?

Mr. HARRIS. It provides:

A law committee, to consist of five members, which shall deal with matters of law affecting the interests of the Exchange

It shall act in an advisory capacity to the president when requested by him and shall, in association with the president, represent the exchange in all matters affecting its general interests, and is authorized and empowered, in its discretion, to examine into the dealings of any member of the exchange.

Mr. PECORA. The members of the law committee are appointed by the president, are they not?

Mr. HARRIS. Yes, sir.

Mr. PECORA. Now, has this law committee virtually superseded the governing committee with regard to the representation of the exchange in matters affecting its general interests?

Mr. HARRIS. I am sorry, Mr. Pecora, but I did not catch the first part of your question.

Mr. PECORA. The committee reporter will read it to you. [Which was done.]

Mr. HARRIS. No, sir; I would not say that.

Mr. PECORA. Well, then, let me refer you to the eighth paragraph of article 10 of the constitution, providing for the creation of a law committee, and defining its duties and powers, which paragraph says, in part, regarding the law committee:

It shall act in an advisory capacity to the president, when requested by him, and shall, in association with the president, represent the exchange in all matters affecting its general interests

Doesn't that give the committee very, very broad powers, a very broad grant of power, to function for the exchange in all matters that might be deemed to affect the interests of the exchange?

Mr. HARRIS. Yes. But I believe that paragraph starts by saying it shall act in an advisory capacity.

Mr. PECORA. It starts out that way and then it says:

and shall, in association with the President, represent the exchange in all matters affecting its general interests

Mr. HARRIS. Well, that is true.

Mr. PECORA. Now, under that grant of authority, hasn't the law committee virtually assumed the functions covered by the grant of power to the governing committee?

Mr. HARRIS. I do not think so, because in section 3 of the constitution, at page 3, it says:

The governing committee shall determine the manner and form by which its proceedings shall be conducted; it shall appoint and may dissolve all standing and other committees except the nominating committee, define, alter, and regulate their jurisdiction as stated in this instrument and have original and supervisory jurisdiction over any and all subjects and matters referred to said committees, and may direct and control their actions or proceedings at any stage thereof

Mr. PECORA. Aren't the members of the law committee referred to, as a matter of fact, as being virtually the governing power of the exchange in association with the president, and thus more so than the governing committee?

Mr. HARRIS. I would not say that. Some of the older men, men who have been on the governing board for a long time, are on the law committee. But the exchange is governed by the governing committee, as a whole.

Mr. PECORA. Has the matter of the action to be taken by the exchange with respect to the bill now pending in Congress to regulate securities exchanges throughout the country been taken before the governing committee of the exchange?

Mr. HARRIS. No, sir; it has not.

Mr. PECORA. You say it has not?

Mr. HARRIS. No, sir.

Mr. PECORA. Has it been taken before the law committee of the exchange?

Mr. HARRIS. I don't know. I am not a member of the law committee.

Mr. PECORA. You haven't heard one way or other as to whether it has?

Mr. HARRIS. I imagine it would be discussed there.

Mr. PECORA. The governing committee has not been called upon to consider the position or attitude of the New York Stock Exchange, that is, the position or attitude it should take with respect to the so-called Fletcher-Rayburn bill that is now awaiting action by Congress?

Mr. HARRIS. Yes, sir. There was a meeting of the governing committee called, in which the matter was brought up, and the president was to make an address and suggestions, and he asked for the approval of the governing committee.

Mr. PECORA. Mr. Committee Reporter, will you read back there and give me the answer that Mr. Harris first made in that respect?

Mr. HARRIS. There was one place there where I realize the question was incorrect—

Mr. PECORA (interposing). You mean that your answer to one of my questions was incorrect?

Mr. HARRIS. Yes, sir; the answer given by me was incorrect.

Mr. PECORA. Well, let me hear the committee reporter read what the incorrect answer was that you made.

(Thereupon the committee reporter read, as follows:)

Mr. PECORA. Has the matter of the action to be taken by the exchange with respect to the bill now pending in Congress to regulate securities exchanges throughout the country, been taken before the governing committee of the exchange?

Mr. HARRIS. No, sir; it has not.

Mr. PECORA. You say it has not?

Mr. HARRIS. No, sir.

Mr. HARRIS. I should like to correct that answer.

Mr. PECORA. What is your answer to that question now?

Mr. HARRIS. That it has, and I forgot this special meeting.

Mr. PECORA. You forgot the special meetings of the governing committee at which that subject was brought up?

Mr. HARRIS. Yes, sir.

Mr. PECORA. Was not the business transacted at those special meetings of outstanding importance?

Mr. HARRIS. There are a good many meetings, Mr. Pecora. I did forget that particular meeting. I remember distinctly now.

Mr. PECORA. What took place at that meeting, at which that subject was considered?

Mr. HARRIS. The president asked for the approval of the governing committee of the stand he was going to take. Approval was granted.

Mr. PECORA. What did he say was the stand he was going to take?

Mr. HARRIS. Well, I cannot remember the details of it.

Mr. PECORA. What was the substance of it?

Mr. HARRIS. It was his suggestion—the suggestion, rather, that he made before the House committee here within 3 or 4 days—with regard to having an authority in charge of exchange matters, the authority to consist of two members appointed by the President, and so forth, as was described at that meeting.

Mr. PECORA. Is that all you can tell us about the substance of what took place at that meeting with respect to that subject?

Mr. HARRIS. The president outlined his plan——

Mr. PECORA. What was the plan that he outlined?

Mr. HARRIS. He outlined that in lieu of suggestions made, that a committee be appointed, 2 members to be appointed by the President of the United States, 1 member to be appointed by the Federal Reserve, 2 members of the Cabinet, 1 member to be appointed by the New York Stock Exchange, and 1 by the other exchanges throughout the country, they to be an authority to have control of the stock exchanges.

Mr. PECORA. You are stating now the substance of the suggestion that Mr. Whitney made to the governing committee with regard to the kind of legislation that should be asked of the Congress on this subject of regulation of securities exchanges.

Mr. HARRIS. True.

Mr. PECORA. What I am asking you to tell us is what attitude was suggested to the governing committee at that special meeting by Mr. Whitney should be the attitude taken by the stock exchange on the so-called "Fletcher-Rayburn bill."

Mr. HARRIS. This attitude we have just been over.

Mr. PECORA. Is that all that was discussed at that meeting?

Mr. HARRIS. Yes. He asked for the approval of that matter, and it was granted.

Mr. PECORA. Did he report to the governing committee, so far as you know, his own views with regard to the Fletcher-Rayburn bill?

Mr. HARRIS. He reported to the entire membership.

Mr. PECORA. I am talking about this meeting of the governing committee, this special meeting, at which the subject of the attitude to be taken by the stock exchange on this bill was discussed.

Mr. HARRIS. No; not at that time.

Mr. PECORA. Did he at any other time, at any other meeting of the governing committee, enter into any such discussion?

Mr. HARRIS. No; he did not take that up, and I imagine due to the fact that he had already sent a letter to all members.

Mr. PECORA. What was the letter he sent to all the members, to which you refer? Have you a copy of it?

Mr. HARRIS. Yes; I have.

Mr. PECORA. Will you produce it, please?

(Mr. Harris produced a paper and handed the same to Mr. Pecora.)

The CHAIRMAN. Did Mr. Whitney take the position, before the governing committee, that there was need for some regulation of the stock exchange by some authority, when he recommended this commission that you mentioned?

Mr. HARRIS. He did not say that he thought there was any need of it, but he thought that if regulatory powers were going to be granted to some authority, the suggestion that he made would be a wise one.

Mr. PECORA. I offer for the record the copy of the letter produced by the witness.

The CHAIRMAN. Let it be admitted.

(Copy of letter, Feb. 14, 1934, Whitney to stock exchange members, was received in evidence and marked "Committee's Exhibit No. 110", Feb. 26, 1934, and the same will be found at the conclusion of today's proceedings.)

Mr. PECORA. This letter is dated February 14, 1934, and is a printed form addressed to all members, signed by Richard Whitney, president.

Was this special meeting of the governing committee held prior to February 14, 1934?

Mr. HARRIS. I do not remember the date, Mr. Pecora.

Mr. PECORA. At that meeting was this letter produced, or any copy thereof, for the consideration of the governing committee?

Mr. HARRIS. It was not.

Mr. PECORA. Did the governing committee at any time pass specifically upon this letter and authorize its distribution?

Mr. HARRIS. No, sir.

Mr. PECORA. Has the governing committee at any time taken any formal action with regard to the attitude to be taken by the New York Stock Exchange with respect to this Fletcher-Rayburn bill?

Mr. HARRIS. That covers a long period of time.

Mr. PECORA. No; it would not cover a longer period of time than that embraced by the time which has elapsed since the bill was introduced, less than 3 weeks ago, as I recall it.

Mr. HARRIS. No, it has not. I thought you meant since the investigation started.

Mr. PECORA. I am confining myself now to the bill. Has the governing committee taken any formal action with regard to determining the attitude of the stock exchange with reference to the Fletcher-Rayburn bill?

Mr. HARRIS. None other than the one I have already told you about.

Mr. PECORA. What was the action it took then, at that special meeting you have referred to?

Mr. HARRIS. It granted its approval to the President.

Mr. PECORA. Approval of what?

Mr. HARRIS. Of his suggestion.

Mr. PECORA. What was the suggestion?

Mr. HARRIS. The suggestion about an authority, a supreme command. I gave the details of that before. Do you want me to go over it again?

Mr. PECORA. Do you mean the suggestion Mr. Whitney gave expression to at the hearings held recently, I believe last week, before the House committee on this bill?

Mr. HARRIS. That is the matter I refer to.

Mr. PECORA. Is that the only action taken by the governing committee with respect to the position of the stock exchange with reference to this Fletcher-Rayburn bill?

Mr. HARRIS. Yes, sir.

Mr. PECORA. Do you know what has been done by or on behalf of the New York Stock Exchange in lining up opposition to the bill?

Mr. HARRIS. I know of no attempt on the part of the New York Stock Exchange to line up opposition to the bill.

Mr. PECORA. Do you know of a letter which was addressed by Mr. Whitney to the executive heads of several hundred corporations throughout the country whose securities are listed on the New York Stock Exchange?

Mr. HARRIS. I have seen the letter.

Mr. PECORA. Would you say that that letter was in pursuance of an attempt to line up opposition to the bill?

Mr. HARRIS. I would say that that letter was a statement of fact, as seen in the eyes of the exchange, by companies which have paid moneys to have their stocks listed.

Mr. PECORA. And designed to line up those companies in opposition to the bill?

Mr. HARRIS. I do not think that, Mr. Pecora.

Mr. PECORA. You would not say that?

Mr. HARRIS. I would say it was a statement—

Mr. PECORA. What was the statement sent out for, if it was not to arouse that opposition to the bill on the part of the executives of these corporations?

Mr. HARRIS. I think it was the duty of the New York Stock Exchange to point out to these various corporations that they might be greatly affected.

Mr. PECORA. The letter itself you have read, have you not?

Mr. HARRIS. Yes, sir.

Mr. PECORA. The letter points out certain alleged defects or shortcomings or weaknesses in the bill, does it not?

Mr. HARRIS. It does.

Mr. PECORA. Would you not say that the letter was intended to line up opposition to the bill among the corporations or their executive officers?

Mr. HARRIS. No; I would not put it that way. I think it is merely pointing out facts to those corporations—the duty of the exchange.

Mr. PECORA. It pointed out facts that would prompt them to oppose the enactment of the bill, did it not?

Mr. HARRIS. That is quite likely.

Mr. PECORA. Was that sent out with the approval of the governing committee?

Mr. HARRIS. No, sir.

The CHAIRMAN. What are the fees that these corporations have to pay for listing?

Mr. HARRIS. Mr. Chairman, I cannot tell you those offhand.

Mr. REDMOND. They vary, Mr. Chairman. Prior to about 1927 they used to be the equivalent of 1 cent per share, and I think now on new listings it is 1.2 cents per share on original listings, with lower fees in the case of a listing that grows out of a merger, consolidation, change of name, and other similar things, where it is not exactly a new issue being brought on the list. I can get you the exact charges and state them for the record, if you would like to have them.

The CHAIRMAN. I think we ought to have those. How do the fees run when there is an additional listing?

Mr. REDMOND. It depends upon the nature of the listing. If it grows out of a reorganization or consolidation, it may have a lower rate than an original listing.

Mr. PECORA. Mr. Harris, have you a copy of the letter which was addressed by Mr. Whitney to the executive heads of these corporations with respect to the Fletcher-Rayburn bill?

Mr. HARRIS. Yes, sir.

Mr. PECORA. Will you produce it, please?

(Mr. Harris produced a paper and handed the same to Mr. Pecora.)

Mr. PECORA. I offer this in evidence.

The CHAIRMAN. Let it be admitted.

(Copy of letter, Feb. 14, 1934, Whitney to member corporations, was received in evidence, marked "Committee Exhibit No. 111," Feb. 26, 1934, and the same will be found at the conclusion of today's proceedings.)

Mr. PECORA. Do you know of any other letters that have been sent out by Mr. Whitney in behalf of the New York Stock Exchange, or as president of that institution, with respect to the Fletcher-Rayburn bill?

Mr. HARRIS. Yes; I know of one other document that went out, in memorandum form.

Mr. PECORA. Can you produce a copy of it?

Mr. HARRIS. I am not certain. I think I have one [producing a paper and handing it to Mr. Pecora].

Mr. PECORA. I offer this in evidence.

Mr. HARRIS. Mr. Pecora, that last document or memorandum was not sent out. I think that was only given out when requested, but it was not generally sent out. As you notice, it is not addressed to anyone, I believe.

Mr. PECORA. I will offer it in evidence anyway, with that explanation of what it is.

The CHAIRMAN. Let it be admitted. Does it bear any date?

Mr. PECORA. I do not think it does. I only took a hasty glance at it.

Mr. REDMOND. No, sir.

Mr. PECORA. And it is not signed either?

Mr. HARRIS. No; it is not signed.

(Copy of undated, unsigned, memorandum in re effect of National Securities Act, was received in evidence and marked "Committee Exhibit No. 112", Feb. 26, 1934, and the same will be found at the conclusion of today's proceedings.)

Mr. PECORA. So far as you know, was this last document which you have handed me, and which has been marked in evidence as "Committee's Exhibit 112", submitted to the governing committee for its consideration?

Mr. HARRIS. No, sir.

Mr. PECORA. Do you know who prepared this last document, which bears no name?

Mr. HARRIS. I believe the president.

Mr. REDMOND. I can correct that, Mr. Pecora. That document was prepared in my office in response to a request from the exchange for a document analyzing the Fletcher-Rayburn bill, as it affected unlisted corporations and nonmembers of the exchange.

Mr. PECORA. Mr. Harris, do you know who prepared the letter marked in evidence as "Committee's Exhibit No. 110" of this date, and which is the letter signed by Mr. Whitney as president, and addressed to all members of the New York Stock Exchange?

Mr. HARRIS. I believe that letter was sent out by Mr. Whitney. He prepared it.

Mr. PECORA. Was it prepared by him?

Mr. HARRIS. I believe so.

Mr. PECORA (addressing Mr. Redmond). That was not prepared in your office?

Mr. REDMOND. Very largely Mr. Whitney's; checked, of course, by my firm in regard to its legal aspects and the correctness of the analysis of the language of the bill.

Mr. PECORA. Do you know who prepared the letter addressed to the presidents of all listed corporations, which is marked "Committee's Exhibit No. 111"?

Mr. REDMOND. The same procedure was followed. With regard to the analysis of the bill, it was very largely prepared by me, or by my office, and the balance of it was entirely Mr. Whitney's.

Mr. PECORA. The greater part of the document deals with an analysis of the bill and its provisions.

Mr. REDMOND. Naturally.

Mr. PECORA. That was the part that your office prepared?

Mr. REDMOND. Because it deals with the specific provisions of the bill, Mr. Pecora, yes.

Mr. PECORA. That is also true of exhibit no. 112, which is the memorandum which is not signed nor addressed to any particular person?

Mr. REDMOND. That was entirely prepared in my office.

Mr. PECORA. Do you know of any other communications that have been addressed by or on behalf of the Stock Exchange, or any of its officers or members, with regard to the Fletcher-Rayburn bill?

Mr. HARRIS. I know of no others.

Mr. PECORA. Do you know whether or not the members of the Exchange have, in turn, circularized their clients or customers in connection with the Fletcher-Rayburn bill?

Mr. HARRIS. I do not know.

Mr. PECORA. You have not heard of any such thing?

Mr. HARRIS. I can not say as to that, Mr. Pecora. I do not know whether member firms have done it or not.

Mr. PECORA. Did your firm undertake any such activity? Can you tell us about that?

Mr. HARRIS. We stated that we had these 3 letters we have been discussing, or 2 letters, rather, 1 addressed to members and 1 addressed to the presidents of all listed corporations.

Mr. PECORA. You stated that to whom?

Mr. HARRIS. We stated that to our various branch officers and correspondents, and asked them if they would like copies of this literature. They practically all said they did, and we sent out a large number of copies.

Mr. PECORA. About how many did your firm send out?

Mr. HARRIS. I did not handle that. I do not know.

Mr. PECORA. But a large number?

Mr. HARRIS. Quite a few.

The CHAIRMAN. How many branch offices have you, of the New York Stock Exchange?

Mr. HARRIS. I think it is 23. I am not certain as to that.

Mr. PECORA. Are they located in as many different communities?

Mr. HARRIS. Yes. They are widely spread over the country.

Mr. PECORA. Do you know whether other members or member firms of the stock exchange did likewise?

Mr. HARRIS I do not know, Mr. Pecora.

Mr. PECORA. Could you produce a copy of the communication that your firm caused to be sent out?

Mr. HARRIS. I do not think we sent out any communication as a firm. I think we merely used the wire to state that we had these letters, to individuals and various officers, and asked them if they would like copies.

The CHAIRMAN. You spoke about correspondents. How many correspondents have you?

Mr. HARRIS. I think we have about 10 correspondents.

The CHAIRMAN. In addition to the branch offices?

Mr. HARRIS. Yes, sir.

Mr. PECORA. What was the substance of the wire that you sent out?

Mr. HARRIS I did not send the wire out, Mr. Pecora, but as I remember it, we just stated in the wire that we had these two letters.

Mr. PECORA. Three.

Mr. HARRIS. Two. The exchange did not send out the others—1 to members and 1 to presidents of all listed corporations—and that we would supply them with them if they would care to have them.

Mr. PECORA. Have you got the minute books of the committee on publicity, Mr. Redmond?

Mr. REDMOND. I have [producing books and handing the same to Mr. Pecora].

Mr. PECORA. I notice from the minute book which has just been handed to me, Mr. Harris, that the last meeting of the committee on publicity was held on February 21, 1934.

Mr. HARRIS. Yes, sir.

Mr. PECORA. The meeting just prior to that was held on November 13, 1933.

Mr. HARRIS. Yes, sir.

Mr. PECORA. And the meeting prior to that was held on October 31, 1933.

Mr. HARRIS. That is correct.

Mr. PECORA. In glancing over the minutes of the meeting of October 31, 1933, I find the following statement (reading):

The committee discussed the possible extension of publicity work through the medium of speeches, pamphlets, radio talks, and magazine and newspaper articles.

Can you tell us more in detail about that discussion?

Mr. HARRIS There is not much more to say about it, Mr. Pecora. Those matters came up and were discussed, and the committee decided not to do anything about them.

Mr. PECORA In the minutes of the meeting of the committee on publicity held on August 21 last, I notice the following item [reading]:

The committee did not approve of a proposal of the New York Evening Post that the exchange sponsor an advertisement or a series of advertisements with reference to the National Recovery Administration

Do you recall that action?

Mr. HARRIS Yes, sir; I recall that action. The exchange never goes into that type of advertising and publicity, and we so notified the Evening Post.

Mr. PECORA. What kind of advertising or publicity does the exchange go in for, as distinguished from newspaper advertising?

Mr. HARRIS. They do no advertising whatsoever. Their publicity is mostly the publishing of these documents and various letters and speeches of the president, and sending them out.

Mr. PECORA. I notice in the minutes of the meeting of the committee on publicity held on May 19, 1933, the following item [reading]:

The suggestion of Mr. Westerfield that our present mailing list of college professors be expanded to include all of the economics faculty of the principal universities was approved

Do you recall that action?

Mr. HARRIS. Yes, sir.

Mr. PECORA. Who is Mr. Westerfield, who made that suggestion?

Mr. HARRIS. Mr. Westerfield is an assistant secretary of the stock exchange. He is not an officer.

The CHAIRMAN. Does not the stock exchange issue a bulletin?

Mr. HARRIS. Yes, sir. The stock exchange issues a bulletin weekly, which gives all data pertaining to sales of memberships, dividends, and other statistical matter; and another bulletin monthly that is gotten out by the Department of the Economist, that shows the averages of all stocks, the number of sales of bonds and stocks, the number of shares traded in, and a chart showing the dividend yields, and statistical data of that sort.

The CHAIRMAN. Is that handled by your committee?

Mr. HARRIS. That is handled by the Department of Economist. The committee on publicity pay for it, though. The expenses are charged to the committee on publicity for those statistical data.

Mr. PECORA. I notice in the minutes of the meeting of the committee on publicity held on March 24, 1933, the following item [reading]:

Mr. Westerfield reported on conversations he has had with a Mr. Amos, of The American Federationist, published by the American Federation of Labor, with reference to the exchange running a series of paid articles in that paper. The president also reported on correspondence with a Mr. Widden, of the Journal of Commerce, with reference to a suggestion that the stock exchange advertise. The committee did not approve.

Do you recall that?

Mr. HARRIS. Yes; I recall that. Mr. Pecora, I was present at that meeting, was I not?

Mr. PECORA. Yes; according to the recital in the minutes. Did the committee, at this meeting of March 24 last, disapprove of the suggestion that the exchange run a series of paid articles in the American Federationist?

Mr. HARRIS. They did.

Mr. PECORA. And also disapproved of the suggestion made in behalf of the Journal of Commerce?

Mr. HARRIS. Yes, sir.

Mr. PECORA. I notice in the minutes of the meeting held on February 27 last the following entry [reading]:

The secretary submitted the following memorandum from the president giving an opinion of the law committee with reference to giving publicity material to public schools

"I have your memorandum of January 27 regarding the giving of publicity material to public schools. This matter I have referred to the law committee today, and they agree to the present practice of the committee on publicity, it being understood that the material furnished should be the general publicity material of the exchange, from which the desired information can be compiled by the inquirers for use in textbooks, et cetera. It was specifically agreed that no employee of the exchange should actually write the text of the books to be used."

Mr. Westefield asked the advice of the committee as to whether the above authorization included permission to give copyrighted photographs of the exchange to reputable writers and publishers for use in school textbooks. The committee approved, subject to the general policy, which is to give such publicity material only on specific solicited requests.

Do you recall that?

Mr. HARRIS. Yes, sir.

Mr. PECORA. What is meant by the expression in the concluding sentence of that item, which I will read again to you (reading):

The committee approved, subject to the general policy, which is to give such publicity material only on specific solicited requests.

Mr. HARRIS. In other words, the exchange would send out none of its publicity material unless it were requested. Unsolicited, they would not send anything. Does not that paragraph, at the start, take up the sending of it to schools?

Mr. PECORA. Yes.

Mr. HARRIS. They would send it, then, to no school that did not request it.

Mr. PECORA. I am a little uncertain about the meaning of the phrase "specific solicited requests." Does that mean requests of the stock exchange were to be solicited by the stock exchange?

Mr. HARRIS. No, sir.

Mr. PECORA. Then why the reference to "solicited requests"?

Mr. HARRIS. If the institution, if the school, should solicit from the stock exchange or should ask for these data—

Mr. PECORA. That would be a request, would it not?

Mr. HARRIS. Yes; but that is the meaning of that phrase.

Mr. PECORA. Why the use of the adjective "solicited"?

Mr. HARRIS. That is the intent of that meaning there.

Mr. PECORA. A request in that form would not be a solicited request.

Mr. HARRIS. The secretary may be in error in his English in writing it up, but the purpose of the committee was never to send out any of those data to any school unless the school first requested them of the stock exchange.

Mr. PECORA. What would be a solicited request, as distinguished from an unsolicited request?

Mr. HARRIS. Well, I should think an example would be if a school here in Washington should write to the New York Stock Exchange requesting them to send them a certain specific pamphlet, or any documents that they had sent out that year to educational institutions.

Mr. PECORA. That would be a solicited request?

Mr. HARRIS. Yes, sir.

Mr. PECORA. What would be an unsolicited request?

Mr. HARRIS. In case the stock exchange—and it is their policy never to do so—should send to a school, unsolicited, of their own free will, on their own initiative, documents dealing with the workings of the exchange.

Mr. PECORA. That would not be a request at all, would it?

Mr. HARRIS. No; it is not a request. I say it would be done on their own initiative.

Mr. PECORA. On the initiative of the exchange.

Mr. HARRIS. Of the New York Stock Exchange.

Mr. PECORA. In the minutes of the meeting of the committee on publicity held on January 26, 1933, I find the expression "unsolicited requests" used as follows [reading]:

A request of the board of public education of the school district of Philadelphia for a loan for an extended period of the stock exchange films was approved. The president was requested to secure from the law committee an opinion for the future guidance of his committee, with respect to policy in connection with supplying public schools with publicity material, such as copyrighted photographs of the exchange for school textbooks, pamphlet material in quantities, and the loan of our motion-picture films. The feeling of the committee on publicity was that there can be no objection to the sending of publicity material to schools on specific unsolicited requests.

What did that mean? What did you understand by the use of the term "unsolicited requests" in this entry in the minutes?

Mr. HARRIS. I know the policy of the committee on that matter, Mr. Pecora, and that is just as I explained before, never to send any data unless they have been requested by the school first.

Mr. PECORA. You have references in these minutes both to unsolicited requests for publicity material and solicited requests. There is some difference between the two. As I understand your definition of a solicited request, it is a request that was not solicited by the stock exchange.

Mr. HARRIS. Yes.

Mr. PECORA. Then what is an unsolicited request?

Mr. REDMOND. May we see the minute book there?

Mr. PECORA. Yes [handing book to Mr. Redmond].

Mr. REDMOND. Mr. Pecora, I think it is clear that it is "unsolicited requests" in both cases. The typewriting is not very clear in this second meeting, but it was clearly written "unsolicited", and it was intended, as the witness has said, to express the policy of the committee that the requests should be unsolicited in both instances. Is it not perfectly clear that it was typewritten "unsolicited" in both cases?

Mr. PECORA. It is also perfectly clear that the prefix "un" in one instance is marked out, is it not?

Mr. REDMOND. No; I think it is blurred, but I would not say it was marked out.

Mr. PECORA. Well, I think it is a little bit more than blurred.

Mr. HARRIS. I am sure that this is a typographical error, Mr. Pecora.

Mr. PECORA. Well, why any reference at all to "unsolicited requests" if there were no solicited requests? Why that characterization of requests?

Mr. HARRIS. Mr. Pecora, I cannot say any more on that than it expressed the policy of the committee since I have been on it, and that is that they never send data of the description that we are discussing unsolicited to schools, unless the schools ask for it first.

Mr. PECORA (after examining document further). Mr. Redmond, don't you think there is an ink stroke drawn through the prefix

“un” at page 112 of the minute book of the committee on publicity?

Mr. REDMOND. It is blurred, and there may be an ink stroke, but clearly, if there was intended to be a correction of the minutes, we would have found that prefix rubbed out or we would have found it clearly stricken out. It is possible that there is an accidental pen stroke there that has blurred the prefix, but it was clearly typed “unsolicited” in both bases, and that is the policy of the committee.

Mr. PECORA. How can a request be solicited? What is the reason for defining some requests as “solicited” and others as “unsolicited”?

Mr. HARRIS. I do not think there is, Mr. Pecora. I think there is just one class; that is, subject to the question whether or not that “unsolicited” is crossed out or not. I think it is a typographical error, but I really cannot say more than—

Mr. PECORA (interposing). Why is there any necessity for mentioning unsolicited requests at all if the exchange does not solicit the making of any requests?

Mr. HARRIS. I cannot speak for the English in the book. All I can do is repeat the policy of the committee.

Mr. PECORA. Now, Mr. Harris, you have been a member of the exchange for 7 years, I think you said?

Mr. HARRIS. Yes, sir; I believe it is 7 years.

Mr. PECORA. And a member of the board of governors, or the governing committee for 4 years?

Mr. HARRIS. I have been a member of the governing committee since May 15, 1928.

Mr. PECORA. That is nearly 5 years.

Mr. HARRIS. Nearly 5 years, yes.

Mr. PECORA. Has a treasurer's report for the exchange as an institution ever been seen by you?

Mr. HARRIS. Yes, sir.

Mr. PECORA. Is it ever circulated among the members?

Mr. HARRIS. I am not on the finance committee. I am not certain as to that. I see it regularly.

Mr. PECORA. You would know as a member whether or not an annual balance sheet, we will say, of the exchange is given to the members?

Mr. HARRIS. I see it myself regularly and—no; I don't think it is.

Mr. PECORA. Do you know the reason for that?

Mr. HARRIS. No, sir.

Mr. PECORA. And it is not published in any year book, is it?

Mr. HARRIS. I believe it is not.

Mr. PECORA. It is not published in any report issued in behalf of the exchange or made to the exchange by any of its officers?

Mr. HARRIS. No, sir.

Mr. PECORA. I want to call your attention to the provisions of section 1 of article 6 of the constitution of the stock exchange, reading as follows:

It shall be the duty of the treasurer to receive, and, acting under instructions from the finance committee, to take charge of and disburse moneys of the exchange. He shall report fully to the finance committee in regard thereto at its stated meetings. He shall present to the governing committee at its first regular meeting in January of each year a report of the finances of the

exchange for the 12 months ending December 31, preceding. He shall also present to the governing committee at its first regular meeting in January, April, July and October, a report of finances of the exchange for the 3 months preceding.

Has it ever been the practice or rule of procedure or custom for the stock exchange to make public to its membership—not to the general public, but to its membership—a report of its finances; that is, of its income and operating expenses, and so forth, and disbursements?

Mr. HARRIS. I believe not.

Mr. PECORA. Do you know any reason why that information is not given to the members of the exchange?

Mr. HARRIS. No, sir; but I think any member of the exchange could go to the president of the exchange and discuss it with him.

Mr. PECORA. Do you know any reason at all why it is not given to members of the exchange as a matter of routine?

Mr. HARRIS. I do not.

Mr. PECORA. As a member of the governing committee of the exchange, I assume that at the meeting that was held last month the treasurer, under the provisions of section 1 of article 6, reported or presented to it a report of the finances of the exchange for the 12 months ending December 31 last?

Mr. HARRIS. He did.

Mr. PECORA. Do you recall what that report showed?

Mr. HARRIS. I am sorry, Mr. Pecora. I haven't a good memory. I do not remember the figures.

Mr. PECORA. Can't you tell us what the figures were even approximately?

Mr. HARRIS. I am sorry. I would not want to guess at them.

Mr. PECORA. You heard the report only within the past month, didn't you?

Mr. HARRIS. I did.

Mr. PECORA. And didn't it make enough of an impression on you to cause you to recall now even approximately what the figures were?

Mr. HARRIS. No, sir; the figures appeared satisfactory, and I dismissed them from my mind.

Mr. PECORA. Just what consideration did you give them that made you to conclude they were satisfactory and cause you to dismiss them from your mind from that time on?

Mr. HARRIS. I mean by the term "satisfactory" it did not appear to me that the exchange was going to go bankrupt. As a consequence, they were satisfactory.

Mr. PECORA. Do you recall what was the amount of income reported by the treasurer?

Mr. HARRIS. No, sir; I do not.

Mr. PECORA. In the year 1933?

Mr. HARRIS. I cannot recall the figure.

Mr. PECORA. Can't you even approximate?

Mr. HARRIS. I do not want to guess, Mr. Pecora, and I cannot do it.

Mr. PECORA. Was it several millions of dollars?

Mr. HARRIS. I cannot guess.

Mr. PECORA. You don't even know whether it was a million or more?

Mr. HARRIS. I will be very glad to get those figures for you, Mr. Pecora, but I cannot guess at them now, because, as I said before, my memory is not accurate, and I would not want to make statements that would be all out of line.

Mr. PECORA. I am not expecting you from memory to tell us the figures accurately. I would like to get the closest degree of approximation to the figure that your memory will enable you to give us.

Mr. HARRIS. I am sorry I cannot give you any.

Mr. PECORA. Cannot give us any at all on that?

Mr. HARRIS. No, sir. I look at a great many statements in my business, of various concerns.

Mr. PECORA. I am just talking now about the stock exchange.

Mr. HARRIS. Exactly.

Mr. PECORA. Of which you are one of the governors.

Mr. HARRIS. And that is one of the reasons why I cannot remember these figures, because I see so many statements.

Mr. PECORA. Do you recall what the expenses reported by the treasurer were?

Mr. HARRIS. No, sir.

Mr. PECORA. Not even approximately?

Mr. HARRIS. No, sir.

Mr. PECORA. You do not know whether it was in the millions of dollars or less than a million?

Mr. HARRIS. The stock exchange is a large institution. It was a sizable amount of money, but I cannot guess.

Mr. PECORA. Do you recall what it was for the year 1932?

Mr. HARRIS. No, sir.

The CHAIRMAN. Has there been any recent sale of a seat on the stock exchange?

Mr. HARRIS. Do I remember the last sale?

The CHAIRMAN. Yes.

Mr. HARRIS. I think I do, but I may be in error. I think I know the price of the last seat, but I am not certain of it.

The CHAIRMAN. State what your best recollection is.

Mr. HARRIS. My best recollection is \$190,000.

Mr. PECORA. As one of the governors of the stock exchange, Mr. Harris, can you give the reason underlying this policy of not giving annual report of income and disbursements to the members of the stock exchange themselves?

Mr. HARRIS. No, sir; I cannot. I am not a member of the finance committee and I do not know the policy.

Mr. PECORA. Can you think of any good reason why that information should not be given to the members of the exchange as a matter of routine?

Mr. HARRIS. Well, I have never thought a great deal about the matter, but I repeat that I think if any member of the stock exchange will go to the president he would be very glad to discuss the matter with him and give him figures.

Mr. PECORA. You have no experience of any kind that prompts that statement, have you?

Mr. HARRIS. No, sir.

Mr. PECORA. So it is merely an assumption by you not based upon any actual fact within your knowledge where a member not a member of the finance committee or the governing committee went to the president or the treasurer and got a statement of the income and disbursements of the exchange for any year?

Mr. HARRIS. No; excepting that I know that the general policy of the president has always been to be perfectly open with all members.

Mr. PECORA. Why isn't that policy effectuated so far as giving the member's statement of income and disbursements in an annual report or in the yearbook?

Mr. HARRIS. I do not know, Mr. Pecora. Maybe the members have no interest in it.

Mr. PECORA. Is that the best reason you can give, that maybe the members have no interest in knowing how much their institution receives and how much it spends and how it spends it?

Mr. HARRIS. Yes; I cannot give you any reasons for it.

Mr. PECORA. Do you recall the principal items of disbursements that the treasurer presented in the report which you heard read last month?

Mr. HARRIS. No, sir, Mr. Pecora; I do not remember that report.

Mr. PECORA. Was the report of slight consequence to you, that you do not remember a single detail about it?

Mr. HARRIS. No; it was not of slight—it was of importance, but I see no reason why I should burden my mind with details like that over a time.

Mr. PECORA. Do you remember any detail of that report at all?

Mr. HARRIS. None at all.

Mr. PECORA. Was it a written report?

Mr. HARRIS. Yes, sir.

Mr. PECORA. Did it state the sources of income as well as the respective amounts received from those sources?

Mr. HARRIS. Yes, sir; it was a full financial report.

Mr. PECORA. What were the sources of income that were in the report?

Mr. HARRIS. Well, the usual sources of income.

Mr. PECORA. What are they—not the usual?

Mr. HARRIS. There are a great many of them, of course. Various items from the committee on arrangements, such as telephone space on the floor of the exchange, leased wires, telephone clerk badges on the floor, various receipts from the medical department, transfers of memberships, tax thereon, the income from the listing of securities. I cannot remember all the details, Mr. Pecora.

Mr. PECORA. Do you recall what the principal items of disbursements were?

Mr. HARRIS. I do not.

Mr. PECORA. Do you recall whether the report showed a deficit or a surplus for the year 1933?

Mr. HARRIS. It showed a deficit.

Mr. PECORA. Of how much?

Mr. HARRIS. I do not remember.

Mr. PECORA. Was it a substantial deficit?

Mr. HARRIS. Mr. Pecora, I cannot remember those figures; I would like to, and I will be glad to get them and send them to you.

Mr. PECORA. When could you get them?

Mr. REDMOND. I can arrange to send to New York and get it, Mr. Pecora, if the committee feels that it is necessary to put it into the record. Those are figures that have never been publicly disclosed.

Mr. PECORA. Why have they never been publicly disclosed? Mr. Harris cannot give us any reason, so far as he knows.

Mr. REDMOND. The constitution, Mr. Pecora, the very provision that you read, provides that that financial statement shall be rendered to the governing committee and to the finance committee.

Mr. PECORA. I read that.

Mr. REDMOND. But it does not provide that it shall be sent to the members.

Mr. PECORA. I know that. I am trying to find out the reason for that.

Mr. REDMOND. Because it is the provision of the constitution, which is the contract adopted by the members themselves. They themselves by adopting the constitution have agreed that they will not receive financial statements.

Mr. PECORA. Have agreed that they will not receive financial statements?

Mr. REDMOND. That is it.

Mr. PECORA. That is your interpretation of the reason, is it, why that provision is in the constitution?

Mr. REDMOND. It is a contract, Mr. Pecora, and the members having agreed to that provision, are not in a position to demand a financial statement. That is their own agreement.

Mr. PECORA. But what is the policy that underlies this provision in the constitution, if you can tell us that?

Mr. REDMOND. I think it has been in the constitution—well, probably 50 or 60 years.

Mr. PECORA. But what is the policy underlying it?

Mr. REDMOND. I do not know what policy actuated the original members of the exchange to adopt that provision in the constitution, Mr. Pecora, because I was not alive, probably.

Mr. PECORA. Do you know of any good reason now, Mr. Redmond, why that information is not given as a matter of right to the membership of the stock exchange annually?

Mr. REDMOND. As Mr. Harris said, he felt that it would be given to any member who inquired.

Mr. PECORA. That does not answer the question. Mr. Harris also said that he never knew of a member that went to the president and got the information.

Mr. REDMOND. You asked him whether he had ever had the experience, Mr. Pecora.

Mr. PECORA. Whether he ever had any experience.

Mr. REDMOND. That does not mean whether he ever knew of any other member doing that.

Mr. PECORA. Do you know, Mr. Harris, whether any member ever went to the president and asked for this information and got it?

Mr. HARRIS. I think I know of a case; yes.

Mr. PECORA. What was that case and when did it arise?

Mr. HARRIS. This man spoke to me about it. I am not positive if he went or not.

Mr. PECORA. Oh, then do not tell us if you are not positive if he went or not. Let us have no guess about it.

Are you going to get that for us tomorrow?

Mr. REDMOND. I will send to New York and get and it will probably be down by tomorrow morning, Mr. Pecora.

The CHAIRMAN. Seats on the exchange have sold how much higher than the present price?

Mr. HARRIS. The highest they ever sold, I believe, was \$625,000.

The CHAIRMAN. How long ago was that?

Mr. HARRIS. 1928, I think.

Mr. PECORA. Mr. HARRIS, I show you a document, very voluminous in form, entitled

Answers submitted by the New York Stock Exchange to the questions asked of it by counsel for the United States Senate Committee on Banking and Currency (such questions being in the form agreed to in conferences with members of the staff of the counsel to the committee, and the representatives of the Exchange in conferences held in New York City on Oct 10 and 11)

Will you look at it and tell me if you are able to identify it as the original answers submitted by the New York Stock Exchange to the questions referred to?

(Mr. Redmond and Mr. Harris compared two documents.)

Mr. HARRIS. Yes, sir.

Mr. PECORA. I offer it in evidence, but, Mr. Chairman, in view of its voluminous character, ask that it be not spread on the stenographic minutes but be ordered printed in the printed copies of the hearings.

The CHAIRMAN. Let it be admitted.

(Document entitled "Answers Submitted by the New York Stock Exchange to the Questions Asked of It by Counsel for the United States Senate Committee on Banking and Currency" was thereupon designated "Committee Exhibit No. 113, February 26, 1934", and the same appears in full in the printed record at the end of today's proceedings.)

Mr. PECORA. Mr. Chairman, I have before me a communication which was received by me as counsel for the committee from the president of the San Francisco Mining Exchange in response to a request that was addressed to them in behalf of the committee. I want to offer it in evidence.

The CHAIRMAN. Let it be admitted.

(Letter dated Nov. 27, 1933, from Charles E. Hudson, president San Francisco Mining Exchange, to Ferdinand Pecora, together with accompanying data, was thereupon designated "Committee Exhibit No. 114, February 26, 1934." The letter appears in the record in full immediately following where read by Mr. Pecora. The accompanying data appears in the printed record at the end of today's proceedings.)

Mr. PECORA. The document has been received in evidence as Committee Exhibit No. 114, and I would like to read the covering letter. It is on the letterhead of the San Francisco Mining Exchange, 327 Bush Street, San Francisco. [Reading:]

NOVEMBER 29, 1933

Mr FERDINAND PECORA,
Counsel, Committee on Banking and Currency,
235 Madison Avenue, New York City

DEAR SIR: Complying with your request we are enclosing herewith today's quotation sheet which gives the bids and offers and sales of stock listed in this exchange, together with the names and addresses of the members of the exchange

In this connection, I wish to remark that our exchange may be termed a white chip trading rendezvous for stock. Mining and oil stocks are necessarily of a speculative character, and we do not attempt to make the public think they are anything else. A hole in the ground today may be a mine of value tomorrow, and the mine of immense development may run out of its ore and be a tremendous hole in the ground the next day. Our stocks, for that reason, as I said before, are speculative and do not have the immense quantity of water that many of the industrial stocks contain. The fact is, we have to supply water from the desert area while the industrials are usually organized by promoters and supplied with water with great hydraulic pumps from the Atlantic Ocean.

If we can be of further service, we are at your command
 Yours very truly,

(Signed) CHARLES E HUDSON, *President*

P S—The bankers generally don't help us, because our activities interfere with their game

[Laughter.]

Is there any statement you want to make, Mr. Harris, to the committee, or any information you want to give to it, without the necessity of being specifically questioned thereon?

Mr. HARRIS. There is just one thing I would like to take up, Mr. Pecora.

Mr. PECORA. All right.

Mr. HARRIS. Friday, when I was here, I saw afterward in the press a report to the effect that the committee on publicity had spent a million dollars in the past 5 years. That is not quite accurate. The committee on publicity spent \$794,174.19, of which \$228,130.44 was salaries and wages, leaving a total of \$566,043.75, which is a little in excess of \$100,000 a year for 5 years spent by the committee on publicity. That includes all documents of every sort that they sent out, all their printed matter.

Mr. PECORA. Does not the figure of a million dollars approximately for the last 5 years include the disbursements and expenses of the economist's office, the economist of the stock exchange?

Mr. HARRIS. Yes, sir.

Mr. PECORA. And were given to us on the tabulation that was put in evidence here on Friday relating to those expenditures?

Mr. HARRIS. Yes, but I—

Mr. PECORA (interposing). Given to us by the stock exchange?

Mr. REDMOND. In answer to the questionnaire that required that the two be combined.

Mr. PECORA. We gave the figures, as I recall it, last Friday on the record as shown in that recapitulation both for the committee on publicity and the economist's office.

Mr. REDMOND. I think also the statement was made on the record, Mr. Pecora, that the exchange had expended more than a million dollars on publicity. That, of course, overlooks the fact that the economist's department is a purely statistical department engaged in collection of statistics and is not in any sense publicity work of

any kind whatsoever. And that is the point which Mr. Harris apparently wished to bring out.

Mr. PECORA. Do not the members of the economist's staff furnish material to the publicity committee?

Mr. REDMOND. As they do to all other departments of the exchange, when called upon.

Mr. PECORA. And its office?

Mr. REDMOND. Exactly.

Mr. PECORA. And are used in the preparation of speeches, I presume, that are delivered by officers of the exchange from time to time?

Mr. REDMOND. Occasionally, but it is primarily work in the collection of statistics which appear in the monthly bulletin of the exchange, which consists of absolutely nothing but a mass of graphs and figures and charts. It is purely statistical.

Mr. PECORA. Is there any other statement or evidence or information you want to give the committee, Mr. Harris, without being specifically questioned for the purpose?

Mr. HARRIS. No, sir. No, Mr Pecora; I do not think there is anything else.

Mr. PECORA. What is that?

Mr. HARRIS. No; there is nothing else.

Mr. PECORA. How about you, Mr. Redmond? Is there anything you would like to say to the committee on the subjects covered in the examination of Mr. Harris?

Mr. REDMOND. No, Mr. Pecora; I think that I am appearing here as counsel, not precisely as a witness.

Mr. PECORA. But you have given some answers to questions

Mr. REDMOND. Purely to facilitate the investigation.

Mr. PECORA. I know it. That is why I am extending now in behalf of the committee the invitation to you to make any statement, give any information in regard to the general subject of the examination of Mr. Harris, that you might see fit to make.

Mr. REDMOND. I do not think there is anything I want to say at this time, Mr. Pecora.

Mr. PECORA. All right.

The CHAIRMAN. Then Mr. Harris will be excused.

Mr. PECORA. May I ask Mr. Harris just one question more: Mr. Harris, I have before me a printed document. Will you look at it and tell me if you recognize it to be a statement made by Mr. Whitney before the House committee in the hearings on the Fletcher-Rayburn bill held before that committee last week, and which sets forth in outline, at least, the proposal of Mr. Whitney for regulation of securities exchanges that was referred to by you in the course of your testimony?

Mr. HARRIS. Yes, sir; that is the document.

Mr. PECORA. I ask that it be marked in evidence.

The CHAIRMAN. Let it be admitted.

Mr. REDMOND. I would like to call your attention to the fact that that is just a proof. We would like to submit a final copy, as there may be some minor corrections made in that one.

Mr. PECORA. Very well then; we will just mark this for identification and supplement it with the final form to be submitted by Mr. Redmond.

(Document purporting to be statement of Mr. Richard Whitney before the House Committee on Interstate and Foreign Commerce was thereupon designated "Committee Exhibit No. 115 for identification, February 26, 1934", and the same appears in the printed record at the end of today's proceedings.)

(Document purporting to be final proof of statement or proposal of Mr. Richard Whitney before the House Committee on Interstate and Foreign Commerce was later furnished by Mr. Redmond, designated "Committee Exhibit No. 116, February 26, 1934", and the same appears in the printed record at the end of today's proceedings.)

The CHAIRMAN. These hearings before the subcommittee will be resumed on call. At 2:30 today the full committee meets, and we will take up the bill S. 2693.

(Accordingly, at 1:03 p.m., the subcommittee adjourned, to meet again at the call of the chairman.)