MONEY TRUST INVESTIGATION

INVESTIGATION

OF

FINANCIAL AND MONETARY CONDITIONS IN THE UNITED STATES

UNDER

HOUSE RESOLUTIONS NOS. 429 AND 504

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON BANKING AND CURRENCY

PART 24

WASHINGTON
GOVERNMENT PRINTING OFFICE
1913

SUBCOMMITTEE OF THE COMMITTEE ON BANKING AND CURRENCY.

HOUSE OF REPRESENTATIVES.

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MONEY TRUST INVESTIGATION.

SUBCOMMITTEE OF THE COMMITTEE ON
BANKING AND CURRENCY,
HOUSE OF REPRESENTATIVES,
Washington, D. C., Wednesday, January 22, 1913.

The subcommittee met at 2.15 o'clock p. m.

Present: Messrs. Pujo (chairman), Daugherty, Byrnes, Neeley, McMorran, Hayes, Heald, and Doughton.

Present also: Samuel Untermyer, Esq., of New York City, counsel for the committee.

Mr. UNTERMYER. Mr. Chairman, I understand that Mr. Garver and Mr. Beck are here. They desire to have Dr. Chappell take the stand to testify, in support of his affidavit, concerning Mr. Rockefeller's condition, and if the chairman and the committee agree, I think that Dr. Chappell ought to have an opportunity of making his statement, inasmuch as Dr. Richardson has made a statement.

The CHAIRMAN. I think it would be in order. The committee would have preferred in the first instance that Dr. Chappell should have come before the committee instead of sending an ex-parte statement.

STATEMENT OF DR. WALTER FRANKLIN CHAPPELL.

The witness was sworn by the chairman.

Mr. UNTERMYER. Are you a practicing physician?

Dr. CHAPPELL. Yes.

Mr. UNTERMYER. Located where?

Dr. CHAPPELL No. 7 East Fifty-fifth Street, New York City.

Mr. UNTERMYER. How long have you been engaged in the practice of medicine?

Dr. CHAPPELL. Thirty-three years.

Mr. UNTERMYER. Are you engaged in general practice or are you a specialist?

Dr. CHAPPELL. I am a specialist.

Mr. UNTERMYER. In what department of medicine are you a specialist?

Dr. CHAPPELL. The throat, nose, and ears.

Mr. UNTERMYER. How long have you been engaged in practice as a specialist in the throat, nose, and ears?

Dr. CHAPPELL. Twenty years.

Mr. UNTERMYER. Is Mr. William Rockefeller a patient of yours?

Dr. CHAPPELL. Yes.

Mr. UNTERMYER. How long has Mr. William Rockefeller been a patient of yours?

Dr. CHAPPELL. Eleven years.

Mr. UNTERMYER. You have made an affidavit which has been presented to the committee, have you not?

Dr. CHAPPELL. Yes.

Mr. UNTERMYER. And have you come here at your request for the purpose of amplifying your affidavit?

Mr. CHAPPELL. I have.

Mr. UNTERMYER. You have asked the permission of the committee to call you as a witness?

Dr. CHAPPELL. I have.

Mr. UNTERMYER. Will you now be good enough to go on and state in your own way the character of the malady from which Mr. Rockefeller is suffering, and the reasons why, in your judgment, it would be dangerous to his life for him to undergo a brief examination?

Dr. CHAPPELL. Yes. Mr. Rockefeller has four conditions of his larynx which would make it very dangerous for him to become excited or to be subjected to a prolonged effort of his voice.

The four conditions which I mention are, first, laryngeal spasms. I will speak of them later. The second condition is edema of the larynx. The third is hemorrhage of the larynx, and the fourth is irritation of the larynx following speaking.

May I just say what these are now?

Mr. UNTERMYER. Yes.

Dr. CHAPPELL. The laryngeal spasms are contractions of the larynx, which stop the entrance of all air into the lungs, similar to those that occur in whooping cough in children; but with a child or an adult who has a spasm and gets black in the face from the suffocation of a spasm it brings about a relaxation, and the muscles draw open the larynx—the voice box—so that the air enters. But in Mr. Rockefeller's case all the muscles on this side of his larynx [indicating] and also the nerves are gone.

Mr. UNTERMYER. Do you mean the right side?

Dr. CHAPPELL. The right side. All the muscles on the right side of the larynx and the nerves on that side of his larynx have been entirely removed, so that he has not the power, when a spasm comes on, to open his larynx as an adult or a child who has a spasm from whooping cough or any other spasm. Of course, this makes it especially dangerous in his case, because of having no power to open the larynx.

Mr. UNTERMYER. Will you not be good enough to state the symptoms without argument?

Dr. CHAPPELL. The symptoms, of course, are the shutting off of the breath and suffocation. I just said this because I thought you ought to know that he has lost all the muscles on that side of his larynx.

What brings on this spasm is excitement. You have all heard of the trembling of his hands and his head. His larynx does not tremble at all times, but it does tremble under excitement, and the spasm comes on, which shuts off the air from the larynx.

The edema of the larynx is simply a swelling of the mucous membrane of the larynx, which closes off the larynx and stops the air from entering. He has had four attacks of this.

Hemorrhage from the larynx he has had ever since the last operation, and the last hemorrhage was while he was in Nassau, and this comes on from talking or excitement whenever the circulation is started up, and he sometimes bleeds a great deal and sometimes very little, showing that he still has an open ulcer or wound in his throat.

The fourth condition is the laryngeal irritation following speaking. Up to two years ago we had no anxiety regarding Mr. Rockefeller, but two years ago last month he had a special irritation of the larynx, and from that time a new growth, entirely different from anything that he had had before, started, and grew to such an extent that we had to do one of the largest operations that a man has to undergo in order to get air into his lungs. Of course, he has very little of his larynx left, and the margin of safety to his life is very slight; and if this occurs again, as it did in the first place, from an irritation, and as it may from a further irritation, he has no further operation. Everything has been done in an operative line that can be done.

Mr. UNTERMYER. Have you seen Mr. Rockefeller since Dr. Richardson examined him?

Dr. CHAPPELL. Yes.

Mr. UNTERMYER. When did you see him?

Dr. CHAPPELL. The day following.

Mr. UNTERMYER. Were you present when Dr. Richardson examined him?

Dr. CHAPPELL. I was not—I was in the next room.

Mr. UNTERMYER. Did you confer with Dr. Richardson afterwards?

Dr. CHAPPELL. I did not. He asked me no questions afterwards.

Mr. UNTERMYER. Has Mr. Rockefeller's condition changed at all since Dr. Richardson examined him?

Dr. CHAPPELL. No, sir. He could not possibly know about these spasms, because they occur only at certain intervals, and of course the doctor did not see them at that time.

Mr. UNTERMYER. Have you read Dr. Richardson's testimony?

Dr. CHAPPELL. I have not, sir.

Mr. UNTERMYER. He is an eminent man, is he not?

Dr. CHAPPELL. Eminent; very.

Mr. UNTERMYER. With a national reputation?

Dr. CHAPPELL. Well known to all throat men.

Mr. UNTERMYER. And when his name was suggested as the selection of the committee it was entirely satisfactory to Mr. Rockefeller's counsel?

Dr. CHAPPELL. Perfectly.

Mr. UNTERMYER. As a man of eminence?

Dr. CHAPPELL. Perfectly.

Mr. UNTERMYER. And you understood that he was going down there in an impartial way?

Dr. CHAPPELL. Certainly, sir.

Mr. UNTERMYER. And was not specially concerned for any particular client?

Dr. CHAPPELL. No, sir; never thought of such a thing.

The CHAIRMAN. I just want to announce to the committee that this matter, being one peculiarly which has to be passed upon independently of the marshaling of facts, I would be glad if any member of the committee who has a question to ask of the doctor would feel at liberty to do so directly; and, furthermore, to emphasize the fact that the doctor through counsel, and through our counsel, has made request to appear before this committee; because it is a fact that he has filed an ex parte affidavit before, and has not come before the committee to be examined by it. After the members of the committee, if they see fit, have propounded such questions as they may have, I want to ask a few questions myself.

Mr. Neeley. Mr. Chairman, I have no questions to ask, but I may see fit to make a statement later. The proceeding is very unusual.

The Chairman. Gentlemen, are there any members of the committee who would like to ask Dr. Chappell any questions about the present condition of Mr. Rockefeller?

Doctor, when did you see Mr. Rockefeller last?

Dr. Chappell. The day following Dr. Richardson's examination.

The Chairman. What date would that be, on the calendar?

Dr. Chappell. That was——

The Chairman. Two days ago?

Dr. Chappell. That was a week ago last Monday.

The Chairman. How often do you have to see him in the administration of your relief work, I may say, or your professional services to him?

Dr. Chappell. It took a long time to get Mr. Rockefeller to understand that he must not talk, and that he must keep from excitement; and when he did that he used to have a great many hemorrhages, and I used to have to see him frequently.

The Chairman. That is not the question.

Dr. Chappell. I used to see him every day.

The Chairman. Is he your permanent and continuous client?

Dr. Chappell. Yes; he never sees anybody else.

The Chairman. He is your patient?

Dr. Chappell. Yes.

Mr. Untermyer. You say you saw him the next day after the visit of Dr. Richardson?

Dr. Chappell. Yes.

Mr. Untermyer. I understand that your hearing to-day is based upon the desire to explain the affidavit made by you; I mean your certificate as to his physical condition?

Dr. Chappell. Yes.

The Chairman. Did it occur to you, in the first instance, that this application should have been made to the committee or not, as to appearing instead of sending a certificate?

Dr. Chappell. I would have been very glad to have come then; very glad, indeed.

The Chairman. But it did not occur to you then?

Dr. Chappell. It did not occur to me, sir.

The Chairman. You assumed that the certificate would be just the same as coming before the committee?

Dr. Chappell. Yes, sir; that is it.

The Chairman. Why have you applied for a hearing now before the committee, after the report of a public nature made to this committee by Dr. Richardson?

Dr. Chappell. I thought that possibly the committee did not thoroughly understand about the laryngeal spasms, which I laid great stress upon; and I knew that Dr. Richardson could not report on that, because he did not see them. Mr. Rockefeller did not have any while he was there; and they are the things that are so dangerous.

Neither did he have a hemorrhage. None of those things Dr. Richardson could speak of as having seen.

Mr. UNTERMYER. Did you not tell him that they existed?

Dr. CHAPPELL. He looked over my little report that I had; yes, sir.

Mr. UNTERMYER. You explained to Dr. Richardson before he left there the situation as you understood it, did you not?

Dr. CHAPPELL. He did not ask how severe they were, or anything of that kind; but he knew about them.

The CHAIRMAN. Is there anything else you would like to say in this connection, Doctor?

Dr. CHAPPELL. No, sir.

The CHAIRMAN. I want to say that after the selection by the committee of Dr. Richardson, I gave him Dr. Chappell's and Dr. Lambert's certificates, to be taken by him as a history of the case and as a diagnosis of the present condition of Mr. Rockefeller, and as a prognosis of the effect that an examination would have upon him.

Mr. BYRNES. I would like to ask the doctor one or two questions.

The CHAIRMAN. I will be glad to have you do so.

Mr. BYRNES. Did you not discuss the matter with Dr. Richardson before Dr. Richardson examined him?

Dr. CHAPPELL. I had a little statement of the previous history of it; yes, sir; and told him about it.

Mr. BYRNES. Dr. Richardson in his testimony said that you had given him the previous history of the case.

Dr. CHAPPELL. That is right, sir.

Mr. BYRNES. And that he also had the affidavit that had been submitted to the committee by you.

Dr. CHAPPELL. Yes.

Mr. BYRNES. And by the other physician?

Dr. CHAPPELL. Yes; but he did not speak about the severity of these spasms. He did not ask me anything about that.

Mr. BYRNES. Did you not, in telling him and in discussing the history of the case, tell him as to the severity of the spasms?

Dr. CHAPPELL. No, sir.

Mr. BYRNES. Did you not think it important to tell him about that?

Dr. CHAPPELL. He said that he would ask me the questions, and I answered them.

Mr. BYRNES. And you did not give him any information, except categorically, in answer to his questions?

Dr. CHAPPELL. I told him Mr. Rockefeller had these hemorrhages, and spasms of the larynx, and edema of the larynx. From his experience he knows what that means.

Mr. BYRNES. He knew what that meant?

Dr. CHAPPELL. I should think he would.

Mr. BYRNES. You have not seen Mr. Rockefeller since then?

Dr. CHAPPELL. The next day I saw him.

Mr. BYRNES. And you know of no change in his condition since Dr. Richardson examined him?

Dr. CHAPPELL. I do not.

Mr. BYRNES. Do you know that Dr. Richardson stated that he was well enough to stand an examination for a couple of hours?

Dr. CHAPPELL. Yes. By my advice he has never, since the operation, used his voice for more than 20 minutes, and he certainly would never be able to stand a two-hour or a one-hour examination.

Dr. Richardson never saw him in one of those spasms. You have to see him in one to appreciate what it means.

Mr. BYRNES. How often does he have those spasms that you refer to?

Dr. CHAPPELL. He used to have them very frequently when he talked or got a little excited, as he has been a good deal excited about his throat and that would bring on the spasms. Recently he has stopped talking a great deal and in the last three months he has not had so many, but when he gets excited he has them still.

Mr. BYRNES. You see no likelihood of his having a spasm unless he is unduly excited, then?

Dr. CHAPPELL. If he is excited.

Mr. BYRNES. If the members of this committee went to his place of residence at this time and examined him, do you see any reason why he should become unduly excited?

Dr. CHAPPELL. Yes; I do.

The CHAIRMAN. Are there any other members of the committee who desire to ask any questions?

Mr. NEELEY. Suppose the committee were to go to Mr. Rockefeller, the counsel for the committee were to sit within a distance of 5 or 6 feet, and the reporter were to sit at his (Mr. Rockefeller's) elbow, and Mr. Rockefeller were to be treated with all the courtesy and consideration possible, what would you say then as to whether or not he could undergo an examination?

Dr. CHAPPELL. I would still be strictly against it and would urge him not to do it. Just the thought of what might happen to him, just the thought of what might go on, I believe would be enough to bring it on. He has had them and knows what it means.

Mr. UNTERMYER. Would that apply to asking him to write answers to questions?

Dr. CHAPPELL. I think Dr. Richardson has said that he can not write. He can not write at all, and he has a tremulousness of the hands. I think I did see the letter that Dr. Richardson got him to try to write; that is, a few words. He writes like that [indicating with trembling hand]. He can not write at all.

Mr. UNTERMYER. What disease is that?

Dr. CHAPPELL. I am not a specialist on that. I do not know what it is. Dr. Lambert, I think, gave a certificate on that; but he has it, and I do not know. I could not name it.

Mr. UNTERMYER. Is Mr. Rockefeller now at Palm Beach?

Dr. CHAPPELL. He was when I last heard from him.

Mr. UNTERMYER. When was that?

Dr. CHAPPELL. Yesterday.

Mr. UNTERMYER. Does Mr. Rockefeller go out down there and spend the day in the air?

Dr. CHAPPELL. Yes; I suppose he does. I told him he could.

Mr. UNTERMYER. Does he walk about?

Dr. CHAPPELL. Yes.

Mr. UNTERMYER. Talking from time to time?

Dr. CHAPPELL. Well, he talks a little. He speaks in a low whisper to anybody that he knows just quietly for a moment.

Mr. UNTERMYER. But he can be heard?

Dr. CHAPPELL. If it was very quiet, I suppose he could be heard at a distance of 10 feet.

Mr. UNTERMYER. There would be no difficulty in hearing him, in examining him?

Dr. CHAPPELL. Not if you were close by.

Mr. UNTERMYER. That is, he has spent no time in bed for some months, has he, except the usual time in bed at night, of course?

Dr. CHAPPELL. Not from this we were speaking of. He has had some little illness, but that has been unimportant.

Mr. UNTERMYER. You mean such as a cold——

Dr. CHAPPELL. The ordinary things that anyone may have.

The CHAIRMAN. If any other member wants to ask any questions he may do so.

Mr. UNTERMYER. That is all, Dr. Chappell.

Witness excused.

STATEMENT OF WILLIAM J. WOLLMAN.

The witness was sworn by the chairman.

Mr. UNTERMYER. Where do you reside?

Mr. WOLLMAN. New York.

Mr. UNTERMYER. What is your occupation?

Mr. WOLLMAN. I am a member of the firm of J. F. Bache, bankers and brokers.

Mr. UNTERMYER. That is one of the largest New York brokerage houses?

Mr. WOLLMAN. I think so.

Mr. UNTERMYER. How many members of your firm are members of the New York Stock Exchange?

Mr. WOLLMAN. Four members.

Mr. UNTERMYER. Have you also wire connections in other cities?

Mr. WOLLMAN. We have.

Mr. UNTERMYER. In how many cities have you wire connections?

Mr. WOLLMAN. We cover most of the important cities, or many of the important cities, in the United States.

Mr. UNTERMYER. How long have you been a partner in that firm?

Mr. WOLLMAN. Since 1900.

Mr. UNTERMYER. The committee would like certain information concerning the custom of stock-exchange houses with respect to questions of interest on accounts. You charge your customers interest on balances owing by them on stocks which you carry, do you not?

Mr. WOLLMAN. We do.

Mr. UNTERMYER. And in what way is the account kept in respect to what they call short accounts?

Mr. WOLLMAN. We have comparatively very few short accounts.

Mr. UNTERMYER. Do you mean to-day?

Mr. WOLLMAN. They never average more than 1 per cent of our total business.

Mr. UNTERMYER. Have you made any examination of your records to find what proportion of your business in times of activity is business on short accounts?

Mr. WOLLMAN. Yes, sir.

Mr. UNTERMYER. You have made a calculation?

Mr. WOLLMAN. Yes, sir.

Mr. UNTERMYER. Have you got it with you?

Mr. WOLLMAN. No; I have not.
Mr. UNTERMYER. When did you make it?
Mr. WOLLMAN. I made it two or three months ago.
Mr. UNTERMYER. Have you put it in writing?
Mr. WOLLMAN. No, sir; I just did it for my own satisfaction. One of the accounts——
Mr. UNTERMYER. How far back did you go?
Mr. WOLLMAN. I just figured at that time.
Mr. UNTERMYER. This particular time?
Mr. WOLLMAN. Yes, sir.
Mr. UNTERMYER. And that was what month?
Mr. WOLLMAN. Right after the agitation about short sales.
Mr. UNTERMYER. After the agitation started by this committee?
Mr. WOLLMAN. Yes.
Mr. UNTERMYER. You mean before this committee—the investigation before this committee?
Mr. WOLLMAN. Before this committee; yes, sir.
Mr. UNTERMYER. In what month was that when you made that calculation as of that particular day?
Mr. WOLLMAN. I think it was 60 or 90 days ago.
Mr. UNTERMYER. That was in November or December, then?
Mr. WOLLMAN. Yes, sir.
Mr. UNTERMYER. The market was very stagnant, was it not?
Mr. WOLLMAN. Yes.
Mr. UNTERMYER. And has been for a long time?
Mr. WOLLMAN. Yes.
Mr. UNTERMYER. Are not conditions on the New York Stock Exchange now quite unusual, so far as want of activity is concerned?
Mr. WOLLMAN. It is not very active.
Mr. UNTERMYER. Conditions are quite unusual?
Mr. WOLLMAN. Yes; quite unusual.
Mr. UNTERMYER. And they have been so for how long?
Mr. WOLLMAN. For the last six months or more.
Mr. UNTERMYER. Do you know what the dealings have averaged in the last two or three or four months?
Mr. WOLLMAN. I imagine 250,000 shares a day, on the average.
Mr. UNTERMYER. Is it not less than that? Would it not be somewhat less than 250,000?
Mr. WOLLMAN. Maybe 200,000.
Mr. UNTERMYER. In times of great activity the sales on the stock exchange, or the dealings on one side of a transaction, would go up to as much as a million or two million shares a day, would they not?
Mr. WOLLMAN. Some times they have gone as high as 3,000,000 shares.
Mr. UNTERMYER. They have gone as high as 3,000,000 shares?
Mr. WOLLMAN. Yes.
Mr. UNTERMYER. Have you looked back to see what proportion is short selling in times of activity?
Mr. WOLLMAN. No.
Mr. UNTERMYER. You have made no calculation as to the amount?
Mr. WOLLMAN. No.
Mr. UNTERMYER. The only examination you made was on that particular day to which you have referred?
Mr. WOLLMAN. Yes, sir.

Mr. UNTERMYER. About three months ago?

Mr. WOLLMAN. Yes, sir.

Mr. UNTERMYER. Do you not know that it is claimed that short selling is a protection against a runaway market?

Mr. WOLLMAN. I think it is a balance wheel.

Mr. UNTERMYER. I say it is so claimed?

Mr. WOLLMAN. Yes, sir.

Mr. UNTERMYER. And it is also claimed that it checks a declining market.

Mr. WOLLMAN. Very often.

Mr. UNTERMYER. Yes; substantially?

Mr. WOLLMAN. Men will go right in and buy——

Mr. UNTERMYER. I say it checks a declining market?

Mr. WOLLMAN. It does.

Mr. UNTERMYER. It would not have that effect in times when short selling had amounted to only 1 per cent.

Mr. WOLLMAN. All I can talk from is from a public standpoint.

Mr. UNTERMYER. Oh, no; but if it were only 1 per cent, would it have an appreciable effect?

Mr. WOLLMAN. I think it would.

Mr. UNTERMYER. You think it would?

Mr. WOLLMAN. Yes.

Mr. UNTERMYER. I want you to tell us about this question of interest. When you make a short sale for a customer, do you have to borrow the stock?

Mr. WOLLMAN. We have to borrow the stock unless we have the stock.

Mr. UNTERMYER. You mean unless you have the stock in your office for some other customer who is long of the stock?

Mr. WOLLMAN. Or for other customers; yes.

Mr. UNTERMYER. If you have the stock for other customers who are long of the stock, then you borrow the stock from them?

Mr. WOLLMAN. We have an understanding with them, an agreement with them, that every time we want to borrow that stock or loan it we have the privilege of doing it.

Mr. UNTERMYER. You have that in writing?

Mr. WOLLMAN. Yes; we have that in writing.

Mr. UNTERMYER. You mean that is on your printed form?

Mr. WOLLMAN. That is on our printed form.

Mr. UNTERMYER. Have you one of those forms here?

Mr. WOLLMAN. Yes. [Producing form.]

Mr. UNTERMYER. How long has that form been in use?

Mr. WOLLMAN. I think it has been in use two or three years.

Mr. UNTERMYER. Do you refer to subdivision No. 3?

Mr. WOLLMAN. I do not remember what the number is.

Mr. UNTERMYER. Subdivision two, I think [indicating]. This is your bought-and-sold form of statement that you render your customer. These are the two forms, are they?

Mr. WOLLMAN. Yes, sir.

Mr. UNTERMYER. We will offer these forms in evidence.

The papers referred to were marked "Exhibit No. 201, January 22, 1913," and "Exhibit No. 201–A, January 22, 1913," and will be found printed in the record at the end of volume 25.

Mr. UNTERMYER. The pink one is a statement you render those who sell stock?

Mr. WOLLMAN. Yes.

Mr. UNTERMYER. And the white paper is the form you use for those who buy stock?

Mr. WOLLMAN. Yes, sir.

Mr. UNTERMYER. And the paragraph to which you refer reads as follows:

It is agreed between broker and customer:

(1) That all transactions are subject to the rules and customs of the New York Stock Exchange and its clearing house.

(2) That all securities from time to time carried in the customer's marginal account for deposit to protect the same may be loaned by the broker or may be pledged by him either separately or together with other securities either for the sum due thereon or for a greater sum all without further notice to the customer.

Does the customer sign any such document?

Mr. WOLLMAN. No. But he receives it——

Mr. UNTERMYER. I say does he sign it?

Mr. WOLLMAN. No; but at the end—will you pardon me?

Mr. UNTERMYER. Yes.

Mr. WOLLMAN. At the end of each month we send out a notice and have our customers acknowledge receipt of their account, showing the correctness of the account.

Mr. UNTERMYER. Well, that statement that you send out showing the correctness of the account does not show, does it, whether you have loaned out his securities or not?

Mr. WOLLMAN. We very seldom loan out securities——

Mr. UNTERMYER. I say does it show whether you have loaned out any of your customers' securities?

Mr. WOLLMAN. No; it does not.

Mr. UNTERMYER. And as I understand you, you say they are monthly statements showing the balance?

Mr. WOLLMAN. And a little slip asking him to acknowledge the correctness of the account.

Mr. UNTERMYER. Showing the balance?

Mr. WOLLMAN. Yes; and showing a list of the securities, and so forth.

Mr. UNTERMYER. In that list of securities do you include all the securities you are carrying for him, regardless of whether they have been loaned or not in connection with short sales?

Mr. WOLLMAN. Well, we——

Mr. UNTERMYER. Will you not answer that question?

Mr. WOLLMAN. Will you put that question again?

The stenographer read the question, as follows:

In that list of securities do you include all the securities you are carrying for him, regardless of whether they have been loaned or not in connection with short sales?

Mr. UNTERMYER. You include all the securities you are carrying for him, do you not?

Mr. WOLLMAN. We do.

Mr. UNTERMYER. Why should you ask a customer to agree that you may be allowed to borrow on the securities that you are carrying for him more than he owes you?

Mr. WOLLMAN. Well, we do that——

Mr. UNTERMYER. In other words, you use his capital in your business?

Mr. WOLLMAN. We very seldom borrow more than he owes us.

Mr. UNTERMYER. Why do you put in a stipulation?

Mr. WOLLMAN. To avoid any technicality.

Mr. UNTERMYER. Where is the technicality?

Mr. WOLLMAN. Because sometimes a man has a little more margin, and sometimes a little less, and in order that we do not have to check up an account every time, we simply have an agreement with him that we can borrow any money we see fit.

Mr. UNTERMYER. Do I understand you correctly, then, that if you have securities of a customer that has a margin, we will say, of 50 per cent, you do not borrow any more than that 50 per cent he owes you on those securities?

Mr. WOLLMAN. No——

Mr. UNTERMYER. That is right, is it?

Mr. WOLLMAN. We borrow the full amount, as long as he owes us any money.

Mr. UNTERMYER. You mean you borrow the full amount you are able to borrow?

Mr. WOLLMAN. The full amount we are able to borrow; yes, sir.

Mr. UNTERMYER. Then, if he has an account with you and owes you 50 per cent of the value of the securities, what proportion of that value do you usually borrow?

Mr. WOLLMAN. About 75 per cent.

Mr. UNTERMYER. Then what did you mean, Mr. Wollman, by saying a moment ago that you very seldom borrow on a customer's securities any more than the customer owes you?

Mr. WOLLMAN. Because very seldom customers have paid more than 10 or 15 per cent, and it requires our capital. I would say 99 per cent of our customers have not more than the required margin.

Mr. UNTERMYER. You would think 99 per cent have not more than 10 or 15 per cent margin.

Mr. WOLLMAN. Maybe 90 per cent.

Mr. UNTERMYER. Then yours is a very speculative business, is it not?

Mr. WOLLMAN. I do not think so.

Mr. UNTERMYER. Is it the rule in New York among the brokers that the bulk of their business is done on a 10 or 15 per cent margin?

Mr. WOLLMAN. I imagine that most of the brokers do not get more than 10 or 15 per cent margin.

Mr. UNTERMYER. That is almost a gambling business, is it?

Mr. WOLLMAN. Not at all. The bank requires only 20 per cent from us.

Mr. UNTERMYER. Do you think it is a perfectly legitimate brokerage business to have an average of accounts outstanding so that your total business is covered only to the extent of 10 or 15 per cent of the value of the securities you are carrying?

Mr. WOLLMAN. I think it is. We are dealing with many business men who use their capital in their business.

Mr. UNTERMYER. Then, why do they buy securities?

Mr. WOLLMAN. Because they believe in the future of the country and think they can make some money.

Mr. UNTERMYER. And buy them on a 10 per cent margin?

Mr. WOLLMAN. Ten or fifteen per cent margin.

Mr. UNTERMYER. And that is the bulk of the business done in New York on the stock exchange?

Mr. WOLLMAN. I can only talk of my own firm.

Mr. UNTERMYER. You do many millions of dollars of business, you deal in millions of shares a year, do you not?

Mr. WOLLMAN. We do.

Mr. UNTERMYER. Have you any objection to stating in normal years what your business is, or is that a private matter that you would rather not go into?

Mr. WOLLMAN. I would not object to going into it, but I could not tell you accurately.

Mr. UNTERMYER. You do not object, then, to stating?

Mr. WOLLMAN. No; but I can not tell you.

Mr. UNTERMYER. Have you any approximate idea?

Mr. WOLLMAN. No; I could not give you a figure.

Mr. UNTERMYER. Many millions of shares?

Mr. WOLLMAN. I would say millions of shares.

Mr. UNTERMYER. A year?

Mr. WOLLMAN. A year; yes.

Mr. UNTERMYER. In normal times you are carrying at one time millions of shares, are you not?

Mr. WOLLMAN. Yes—no; I will take that back; not millions, but I would say hundreds of thousands of shares.

Mr. UNTERMYER. Not millions of shares?

Mr. WOLLMAN. No; not millions of shares.

Mr. UNTERMYER. Coming back to this interest question, you say that when a broker makes a short sale for a customer he has got to borrow the security?

Mr. WOLLMAN. Yes, sir.

Mr. UNTERMYER. If, for instance, you have got that security that you have sold short among the securities of a customer who is long of them, you say you borrow the security from that customer?

Mr. WOLLMAN. We borrow the security. We have it either in our box or the bank, hypothecated.

Mr. UNTERMYER. You borrow it from that customer?

Mr. WOLLMAN. Not from any particular customer. We always have enough stock on hand to supply any customer who may order any stock—any customer who may want the stock.

Mr. UNTERMYER. You mean, any short customer?

Mr. WOLLMAN. Any long customer; any man that wants it. We have the stock on hand so we can give the customer his stock.

Mr. UNTERMYER. You mean to say you do not keep each customer's stock separate?

Mr. WOLLMAN. We do not.

Mr. UNTERMYER. They are all jumbled together with your own?

Mr. WOLLMAN. With our own.

Mr. UNTERMYER. Is that right?

Mr. WOLLMAN. Unless they are paid for, and then we put them away.

Mr. UNTERMYER. Fully paid for, you mean?

Mr. WOLLMAN. Unless they are fully paid for.

Mr. UNTERMYER. Just as long as a customer owes anything on his stock it is a part of the general pot?

Mr. WOLLMAN. That is true.

Mr. UNTERMYER. When you borrow from the stock or security you have belonging to customers who are long in order to supply a customer who has sold short, you take that stock and deliver it at the clearing house, do you not, or deliver it through the clearing house?

Mr. WOLLMAN. We deliver the stock at the clearing house or through the clearing house or to the firm.

Mr. UNTERMYER. Do you continue, and is it the custom among brokers to continue, charging interest on the long account?

Mr. WOLLMAN. It is; but we allow interest on the short account, too.

Mr. UNTERMYER. Yes, I understand that; but to whom do you allow interest on the short account?

Mr. WOLLMAN. To the man who sells it short. The man who sells it short is responsible for the dividend if it is a dividend paying stock, and he has to pay the dividend.

Mr. UNTERMYER. But suppose customer A has a thousand shares of Reading stock with you on which he owes 80 per cent, and you take that stock in order to deliver it on a short sale; is it the custom of the broker to continue charging customer A interest on what he owes, even though his stock has been borrowed?

Mr. WOLLMAN. Well, I do not know whose stock is borrowed.

Mr. UNTERMYER. Is it the custom to continue charging all the customers interest?

Mr. WOLLMAN. It is; but we allow the man who sells that thousand shares short interest on the short sale.

Mr. UNTERMYER. But we are talking about the man who has stock with you on which he owes money. You take that stock and deliver it on a short sale. I would like to know why you should continue—and when I say you, I do not mean you personally, but the brokers generally—to be charging that customer interest on the stock you are carrying for him when you are not carrying it for him, but have loaned it out?

Mr. WOLLMAN. Well, we allow the man that sells the stock short interest, and the man that has the stock long, if he wants it, can come in and get it.

Mr. UNTERMYER. You mean if he wants to pay for it.

Mr. WOLLMAN. If he wants to pay for it, yes.

Mr. UNTERMYER. But in the meantime, if his stock has been loaned out——

Mr. WOLLMAN. We probably have enough stock in our office at all times to give this particular man his stock.

Mr. UNTERMYER. That is not the point at all. Every broker has not, has he?

Mr. WOLLMAN. No, sir.

Mr. UNTERMYER. No. We are talking about the general custom. Is it not a fact that when you borrow this stock you pay the amount that is owing on it in order to get it?

Mr. WOLLMAN. Yes.

Mr. UNTERMYER. So, if the stock that you are carrying long is up with the bank and you want to supply it to a short customer, you pay the banks, do you not?

Mr. WOLLMAN. Yes, sir.

Mr. UNTERMYER. So that there is nothing owing on that account for that stock any more, is there?

Mr. WOLLMAN. But we are responsible for it to the customer——

Mr. UNTERMYER. Yes; but have you any capital invested in it any longer? Have you not got your capital back, and are you not continuing to charge that customer, who is long of that stock, interest on his account, just as if his stock was still there?

Mr. WOLLMAN. But that customer gives us the privilege when he starts to do business——

Mr. UNTERMYER. Where in this paper that you have shown us does he give you the privilege of charging him interest on an account that has been paid?

Mr. WOLLMAN. He knows that it is the custom of the street to do that.

Mr. UNTERMYER. To charge interest when you have got your money back?

Mr. WOLLMAN. But we stand in the gap.

Mr. UNTERMYER. But you get commissions, do you not?

Mr. WOLLMAN. Yes, sir.

Mr. UNTERMYER. I would like to know where there is anything that entitles the broker—I am not speaking of your house, because this is a custom, is it not?

Mr. WOLLMAN. Yes.

Mr. UNTERMYER. Universal?

Mr. WOLLMAN. Yes.

Mr. UNTERMYER. What I want to know is where there is anything in your arrangement with the customer that entitles you without his knowledge to take his stock, get the money for it when you loan it out, and continue to charge him interest on his account as though the stock were still there and he still owed the money?

Mr. WOLLMAN. The customer does not, as a rule, object. If we borrow the money from a bank, or we get the money back from another broker——

Mr. UNTERMYER. But he does not know you are lending his stock out.

Mr. WOLLMAN. He tells us when he buys the stock——

Mr. UNTERMYER. Does he? Where does he tell you when he buys the stock that you can take it and lend it out and take the interest yourself instead of allowing it to him?

Mr. WOLLMAN. We do not take the interest ourselves.

Mr. UNTERMYER. Well, we will see about that; we will come to that in a minute.

Mr. WOLLMAN. It says here "can be loaned by the broker."

Mr. UNTERMYER. Yes; but just read it.

Mr. WOLLMAN (reading):

> That all securities from time to time carried in the customer's marginal account or deposited to protect the same may be loaned by the broker or may be pledged by him either separately or together with other securities.

Mr. UNTERMYER. What is there there that entitles the broker, when he loans out those securities and gets back the money for them, to keep on charging his customer interest on that money as though it was still owing by the customer to the broker? Is there anything there to show it?

Mr. WOLLMAN. Except it is the custom of the business, and a man that comes in knows that we either go to a bank and borrow the money or we loan it out.

Mr. UNTERMYER. But when you borrow the money and you go back and pay back the money to the bank, the bank does not continue to charge you interest, does it?

Mr. WOLLMAN. No, sir.

Mr. UNTERMYER. Then, why should you charge interest to the customer when you have repaid the bank and the bank does not charge you interest?

Mr. WOLLMAN. Mr. Untermeyer, when we get this money back from the broker we allow our customer so much interest on short sales.

Mr. UNTERMYER. We are not talking about the short selling customer and you know it perfectly well; we are talking about your dealings with a man who owns the stock. You understand that, do you not?

Mr. WOLLMAN. Yes.

Mr. UNTERMYER. When you take a man's stock to a bank and get back from the bank what the customer owes you, and then you go to the bank and pay for that stock and take it out and the bank no longer charges you interest on it, why should you continue to be charging that customer interest?

Mr. WOLLMAN. Unless the customer paid for that stock in full, we would have our own capital in that stock.

Mr. UNTERMYER. Let us see about that. We will take a given instance, because we want to make this plain. We will take the instance of a man named Brown, who has $200,000 worth of stock with you, on which he has paid, say, $40,000, and you have gone to the bank and borrowed $160,000 on it, which is what he owes on it, and then you have loaned out the stock of that man Brown, and you go to the bank and get the money from the man to whom you loaned it, with which to pay the bank, and have turned the stock over, and having done that you do not pay the interest on that loan any more, do you?

Mr. WOLLMAN. No, sir.

Mr. UNTERMYER. But you charge the customer interest on that loan, do you not?

Mr. WOLLMAN. But we pay——

Mr. UNTERMYER. Will you not answer me; do you charge the customer?

Mr. WOLLMAN. We do.

Mr. UNTERMYER. You continue to charge him, do you not?

Mr. WOLLMAN. We do.

Mr. UNTERMYER. Just as though his loan had not been paid by loaning out his stock.

Mr. WOLLMAN. But will you let me——

Mr. UNTERMYER. Certainly.

Mr. WOLLMAN. But the man we loan the stock to we have to pay a rate of interest. We pay him a rate of interest, so it makes very little difference to the customer whether or not we pay it to the bank or pay it to the people we loan it to.

Mr. UNTERMYER. Let us see if we understand each other. Why should you charge that customer interest on a loan that has been paid back to you?

Mr. WOLLMAN. But, Mr. Untermyer, the customer—we loan a certain stock out. The party we loan it to, we pay them interest on the money.

Mr. UNTERMYER. Why should you pay them interest on the money when you loan them the stock?

Mr. WOLLMAN. Because they will not do it unless we do that.

Mr. UNTERMYER. What has that got to do with the customer whose stock you have taken and paid his loan; why should you keep on charging him interest? That is what I am trying to get at.

Mr. WOLLMAN. Then we would lose money by the operation.

Mr. UNTERMYER. But where do you get any authority to charge a customer interest on a loan that has been paid back to you?

Mr. WOLLMAN. Paid back to the bank, but the customer has not paid it out, and we go out to the broker and borrow money from the broker and pay him a rate of interest.

Mr. UNTERMYER. It has been paid back to the bank, has it not?

Mr. WOLLMAN. It has been paid back to the bank and we borrowed it from the broker.

Mr. UNTERMYER. The broker has been paid back by the bank, has he not?

Mr. WOLLMAN. No; we go right to the broker and borrow the money.

Mr. UNTERMYER. I do not think you understand.

Mr. WOLLMAN. All right.

Mr. UNTERMYER. You make a loan to a man on stock and you go to your bank and get your money back, do you not?

Mr. WOLLMAN. Yes.

Mr. UNTERMYER. So the man owes you nothing; he owes it to the bank?

Mr. WOLLMAN. No; he owes it to us.

Mr. UNTERMYER. And you have got it back from the bank.

Mr. WOLLMAN. We have got it back from the bank.

Mr. UNTERMYER. So you are in?

Mr. WOLLMAN. Yes.

Mr. UNTERMYER. Now, this loan being at the bank with the stock, when you lend that stock on a short sale you pay off the loan, do you not?

Mr. WOLLMAN. And we lend it to the broker.

Mr. UNTERMYER. You pay off the loan?

Mr. WOLLMAN. Yes; or, in other words, it is just a transfer.

Mr. UNTERMYER. I understand. You lend it and give the money back to the bank?

Mr. WOLLMAN. We pay the bank.

Mr. UNTERMYER. Under that clause that allows you to loan out this man's stock?

Mr. WOLLMAN. Yes.

Mr. UNTERMYER. You keep on charging him interest, do you not?

Mr. WOLLMAN. But we pay the broker——

Mr. UNTERMYER. Do you ever notify a customer that you have loaned his stock?

Mr. WOLLMAN. We very often do.

Mr. UNTERMYER. Is that your custom?

Mr. WOLLMAN. We very often do.

Mr. UNTERMYER. Have you any blank or form on which you do that?

Mr. WOLLMAN. No; but we very often say that we can loan his stock and ask him if he wants us to do it.

Mr. UNTERMYER. Is that a custom, to notify people that you are going to lend out their stock?

Mr. WOLLMAN. Very often.

Mr. UNTERMYER. But is it a custom?

Mr. WOLLMAN. I do not think it is a custom.

Mr. UNTERMYER. You know it is not a custom. All stocks are loaned back and forth, and the customer knows nothing about it. Is not that the custom and the fact?

Mr. WOLLMAN. Yes.

Mr. UNTERMYER. Now, let us take another phase of this same proposition. Suppose you make a short sale for a customer and you do not have the stock in your box belonging to some of your customers who are long, then what do you do?

Mr. WOLLMAN. We go out and borrow it from some other broker.

Mr. UNTERMYER. You go out and get it from another broker?

Mr. WOLLMAN. We do.

Mr. UNTERMYER. Do you pay him the amount of it when that other broker lends that stock to you?

Mr. WOLLMAN. We do.

Mr. UNTERMYER. And then he goes to the bank and gets the stock and hands it to you, does he not?

Mr. WOLLMAN. Yes; but we allow him a certain amount of interest on it, too.

Mr. UNTERMYER. Yes. That other man, who has thus been paid what is owing him or his customer on that stock, keeps on charging that customer interest on that stock, does he not?

Mr. WOLLMAN. Yes; but he has to pay——

Mr. UNTERMYER. Now, will you not answer that?

Mr. WOLLMAN. He does.

Mr. UNTERMYER. Is this custom of charging a customer interest on stock that has been loaned to another broker to make short sales, even after the broker who lends the stock has had his money, a universal custom in New York among brokers?

Mr. WOLLMAN. It is a custom; but the broker who loans the stock pays a certain amount of money.

Mr. UNTERMYER. Do you not know it is a larger source of revenue to the brokers than the commissions the brokers get?

Mr. WOLLMAN. At times it is a good source of revenue.

Mr. UNTERMYER. This interest on stock is a bigger source of revenue than the revenue the brokers get from the commissions, is it not?

Mr. WOLLMAN. I do not think so.

Mr. UNTERMYER. You do not think it is bigger?

Mr. WOLLMAN. No, sir. I think it is very small.

Mr. UNTERMYER. I thought you said just now that it is very considerable.

Mr. WOLLMAN. Considerable?

Mr. UNTERMYER. Do brokers charge their customers the same rate of interest that they pay, or do they charge them more?

Mr. WOLLMAN. They make a little profit on interest.

Mr. UNTERMYER. Do you know how much profit they make?

Mr. WOLLMAN. They will average from one-half of 1 per cent to 1½ per cent per annum.

Mr. UNTERMYER. You mean the difference between the rate——

Mr. WOLLMAN. That they pay.

Mr. UNTERMYER. That they pay, and the rate they get from their customers averages from one-half of 1 per cent to 1½ per cent; is that right?

Mr. WOLLMAN. I would say so.

Mr. UNTERMYER. Three-quarters is about the least, is it not?

Mr. WOLLMAN. Very often we do not make one-half of 1 per cent.

Mr. UNTERMYER. That difference in interest is in addition, is it not, to this other interest account on stocks that are loaned, on which the customer continues to pay interest after his loan has been repaid?

Mr. WOLLMAN. Yes; but the other account does not amount to very much.

Mr. UNTERMYER. You mean the difference between the——

Mr. WOLLMAN. One-half of 1 per cent is quite an item, and what we loan to other brokers does not amount to very much.

Mr. UNTERMYER. About how much does it amount to in your concern? Have you figured it out? Have you got any statement?

Mr. WOLLMAN. No; I do not imagine it amounts to more than $2,000 or $3,000 a year.

Mr. UNTERMYER. You do not mean that?

Mr. WOLLMAN. I really do.

Mr. UNTERMYER. Do you not know that it amounts to more than two or three hundred thousand dollars a year in your concern?

Mr. WOLLMAN. No, sir; I do not believe it amounts to more than two or three thousand dollars.

Mr. UNTERMYER. Do you know?

Mr. WOLLMAN. No, sir; I do not know.

Mr. UNTERMYER. Have you ever made a calculation?

Mr. WOLLMAN. No, sir; but I would be very glad to make a calculation.

Mr. UNTERMYER. Have you ever made one?

Mr. WOLLMAN. No, sir; I have not.

Mr. UNTERMYER. At the present time those transactions do not amount to very much, do they?

Mr. WOLLMAN. No, sir; they do not.

Mr. UNTERMYER. And they have not for some months?

Mr. WOLLMAN. They have not for some months.

Mr. UNTERMYER. But in times of great activity, when short selling is very largely dealt in, they amount to a great deal, do they not?

Mr. WOLLMAN. When we have the largest amount of activity it is the time when we have bull markets, and when we have bull markets there is very little short selling.

Mr. UNTERMYER. There comes a time, does there not, when short selling is very active, when bull markets have, in the opinion of the principal operators and the most far-sighted men, reached their height?

Mr. WOLLMAN. Yes; but the public do not sell short.
Mr. UNTERMYER. The operators do, do they not?
Mr. WOLLMAN. I do not know what they do, but the public do not.
Mr. UNTERMYER. Do you not know what class of people sell short?
Mr. WOLLMAN. The public do not sell short.
Mr. UNTERMYER. Who are the people; the room traders and the big operators?
Mr. WOLLMAN. I do not think they sell short as much as the general public think they do.
Mr. UNTERMYER. But the question is whether the men who sell short are the professional operators and room traders.
Mr. WOLLMAN. I do not know about that. We do not deal with the professionals; we deal with the public.
Mr. UNTERMYER. Do you not usually have a number of big operators?
Mr. WOLLMAN. No, sir; we do not. Our business is all with the public.
Mr. UNTERMYER. They are among the public, are they not?
Mr. WOLLMAN. By big operators I mean members of the New York Stock Exchange——
Mr. UNTERMYER. No; I do not mean the members of the New York Stock Exchange; I mean the big operators who are not members of the stock exchange.
Mr. WOLLMAN. The big operators who are not members of the stock exchange do not sell very often short; not through us.
Mr. UNTERMYER. Do room traders sell short?
Mr. WOLLMAN. I do not know whether they do or not.
Mr. UNTERMYER. Do you not deal for room traders?
Mr. WOLLMAN. We do not; very seldom.
Mr. UNTERMYER. Do you not have facilities for room traders?
Mr. WOLLMAN. We have very little of that business.
Mr. UNTERMYER. I say, have you not facilities for room traders? Have you not a room and a board?
Mr. WOLLMAN. Oh, I thought you meant on the stock exchange.
Mr. UNTERMYER. No; I mean in your offices.
Mr. WOLLMAN. They sell short very seldom. The public always buy.
Mr. UNTERMYER. The public buy always?
Mr. WOLLMAN. Yes.
Mr. UNTERMYER. Who are the class of people who do the selling?
Mr. WOLLMAN. I do not believe that amounts——
Mr. UNTERMYER. Who are the class of people who do the selling?
Mr. WOLLMAN. I do not believe there is a class of people who do the selling.
Mr. UNTERMYER. You say you have how many wire houses connected with you by private wires?
Mr. WOLLMAN. I would say 15 or 20.
Mr. UNTERMYER. And those houses have private wires with your house?
Mr. WOLLMAN. They do.
Mr. UNTERMYER. I suppose that wire business is not speculative, is it?
Mr. WOLLMAN. The business is becoming more of an investment business all the time.

Mr. UNTERMYER. Do you mean lately?

Mr. WOLLMAN. Within the last two or three years.

Mr. UNTERMYER. Do you mean that there is less gambling than there used to be?

Mr. WOLLMAN. The business is becoming more of an investment business all the time.

Mr. UNTERMYER. Do you mean by that that the stock-exchange business is not so speculative as it used to be?

Mr. WOLLMAN. It is not nearly as speculative as it used to be.

Mr. UNTERMYER. Do you mean by that that the amount of transactions is very much reduced—the volume of business?

Mr. WOLLMAN. The volume of business is very much reduced, and the number of stockholders over the United States has increased tremendously. I would say there are 500,000 more stockholders than there were 5 or 10 years ago, showing that the business is becoming an investment business.

Mr. UNTERMYER. Then there would not be any harm in stopping short selling, would there?

Mr. WOLLMAN. Short sales are a safeguard for the people generally.

Mr. UNTERMYER. My question was: If it is true that the business nowadays is getting to be investment and not speculative, would there be any great harm in stopping short selling?

Mr. WOLLMAN. Short sales are——

Mr. UNTERMYER. Will you not answer that?

Mr. WOLLMAN. I think there would be a great deal of harm.

Mr. UNTERMYER. Do you think there would be any harm, under such a state of affairs, if we have gotten down to an investment basis on the stock exchange, in stopping manipulation?

Mr. WOLLMAN. Manipulation at times is good.

Mr. UNTERMYER. You think that manipulation is good?

Mr. WOLLMAN. It depends upon the manipulation.

Mr. UNTERMYER. And speculation is good?

Mr. WOLLMAN. I think speculation is good. It exists in every country in the world.

Mr. UNTERMYER. What do you understand by "manipulation"?

Mr. WOLLMAN. Where a lot of men get together and put up a stock or put it down.

Mr. UNTERMYER. Put it up in what way?

Mr. WOLLMAN. By buying and selling.

Mr. UNTERMYER. Do you mean their purpose in getting together is to lift the market price of the stock?

Mr. WOLLMAN. They believe in a stock and they put it up.

Mr. UNTERMYER. If they believe in the stock, why should they sell it while they are buying it?

Mr. WOLLMAN. Because they have probably a large investment in the stock and they want to increase the value of that investment.

Mr. UNTERMYER. Do you mean that is the reason for buying and selling at the same time?

Mr. WOLLMAN. In order to interest the public.

Mr. UNTERMYER. You mean to make it appear active?

Mr. WOLLMAN. I mean to make it appear active.

Mr. UNTERMYER. Yes. Well, just tell us how that is done. How is this appearance of activity brought about?

Mr. WOLLMAN. I imagine if John Jones, on the outside, wanted to make his stock look active he would give an order to one broker to buy 1,000 shares and give another order to another broker to sell 1,000 shares.

Mr. UNTERMYER. Where would he be at the end and how would he get the stock up by doing that?

Mr. WOLLMAN. The stock would look active and probably attract the attention of some people, and they might come in and investigate the stock and buy it.

Mr. UNTERMYER. But how would that lift the price of it if he bought and sold 1,000 shares at the same price? How would that make the stock any higher?

Mr. WOLLMAN. Somebody might come in and buy 1,000 shares of stock and take it out of the market.

Mr. UNTERMYER. The idea would be that he might get some other fellow in between who would take off 500 shares; is that it?

Mr. WOLLMAN. Yes.

Mr. UNTERMYER. That is a good deal like a mock auction, is it not?

Mr. WOLLMAN. Not at all.

Mr. UNTERMYER. What is the difference between that and a mock auction?

Mr. WOLLMAN. I do not see how you can make any comparison.

Mr. UNTERMYER. Let us see. He has two brokers bidding against one another, has he not, looking for some other man to come in and take some of the stock? Is not that about it?

Mr. WOLLMAN. Yes; but he has, probably, a large interest in the stock himself.

Mr. UNTERMYER. Never mind that. So might the man who conducted the mock auction have a large interest in the furniture at his home. But the question is whether that has not really all the features and characteristics of a mock auction.

Mr. WOLLMAN. I do not think you can compare them at all.

Mr. UNTERMYER. Suppose you analyze it, if you will, Mr. Wollman. You say that when a man wants to make a stock look active and raise the price he gives one broker an order to buy and another broker an order to sell, and he is hoping to get somebody in to take part of that business?

Mr. WOLLMAN. What he is hoping for is to get somebody interested in the stock who will investigate it and possibly buy some of the stock.

Mr. UNTERMYER. Yes. Is that what you understand by a manipulation?

Mr. WOLLMAN. That is the way I understand it.

Mr. UNTERMYER. Is it or not the fact that when the stock is being manipulated actively the orders are not given to one broker to buy and to another broker to sell, but to a number of brokers to buy and to a number of brokers to sell?

Mr. WOLLMAN. I think that is true.

Mr. UNTERMYER. What do you say the purpose of that is?

Mr. WOLLMAN. To get the public interested in the stock.

Mr. UNTERMYER. And to lift the price?

Mr. WOLLMAN. To lift the price.

Mr. UNTERMYER. Is that the way, when a man has a block of stock to sell that he endeavors to dispose of it?

Mr. WOLLMAN. There is very little of that.

Mr. UNTERMYER. I say, is that the way he does it?

Mr. WOLLMAN. Sometimes he pursues that course.

Mr. UNTERMYER. Are there other methods of doing the same thing?

Mr. WOLLMAN. No; I do not know of any other method of doing it.

Mr. UNTERMYER. And that you consider entirely praiseworthy and harmless?

Mr. WOLLMAN. I think there is a certain amount of it necessary.

Mr. UNTERMYER. Referring to this interest question, in borrowing money from the bank are you required to put up a larger amount than the margin that the customer puts up?

Mr. WOLLMAN. Certainly.

Mr. UNTERMYER. Not always, are you?

Mr. WOLLMAN. Ninety-nine per cent of the time you are.

Mr. UNTERMYER. Are you not frequently able to borrow more from the bank than the customer owes you?

Mr. WOLLMAN. I would say once out of a hundred times.

Mr. UNTERMYER. In cases in which you have to borrow from the banks, in which you are able to borrow from the banks less than the customer owes you, the balance comes out of your own capital, does it not?

Mr. WOLLMAN. Yes; it does.

Mr. UNTERMYER. That is all.

Witness excused.

Mr. UNTERMYER. Mr. Chairman, there are some data here that ought to go into the record, and for the convenience of the committee, perhaps, if there is no objection, I may refer to certain features of the data as it is being marked, without having my remarks go in the record.

I offer first a list of stockholders of 1,000 shares and over in the National City Bank of New York.

The list referred to was marked "Exhibit No. 201½, January 22, 1913," and will be found printed in full following volume 25.

Mr. UNTERMYER. I offer a list of the stockholders of the Continental & Commercial National Bank of Chicago.

The list referred to was marked "Exhibit No. 202, January 22, 1913," and will be found printed in full following volume 25.

Mr. UNTERMYER. I offer in evidence a list of shareholders of the National Bank of Commerce of New York City.

The list referred to was marked "Exhibit No. 203, January 22, 1913," and will be found printed in full following volume 25.

Mr. UNTERMYER. I offer in evidence a list of the stockholders of the Chase National Bank.

The list referred to was marked "Exhibit No. 204, January 22, 1913," and will be found printed in full following volume 25.

Mr. UNTERMYER. I offer next a list of shares of the Mechanics & Metals Bank of New York.

The list referred to was marked "Exhibit No. 205, January 22, 1913," and will be found printed in full following volume 25.

Mr. UNTERMYER. I offer a list of shares of the Hanover National Bank of New York City.

The list referred to was marked "Exhibit No. 206, January 22, 1913," and will be found printed in full following volume 25.

Mr. UNTERMYER. I offer a list of shareholders of the First National Bank of Chicago, Ill.

The list referred to was marked "Exhibit No. 207, January 22, 1913," and will be found printed in full following volume 25.

Mr. UNTERMYER. I offer a list of shareholders of the National Shawmut Bank of Boston.

The list referred to was marked "Exhibit No. 208, January 22, 1913," and will be found printed in full following volume 25.

Mr. UNTERMYER. I offer a list of the shareholders of the First National Bank of Boston.

The list referred to was marked "Exhibit No. 209, January 22, 1913," and will be found printed in full following volume 25.

Mr. UNTERMYER. I offer a list of the shareholders of the Mellon National Bank of Pittsburgh, Pa.

The list referred to was marked "Exhibit No. 210, January 22, 1913," and will be found printed in full following volume 25.

Mr. UNTERMYER. I offer a list of the shareholders of the Mercantile National Bank of St. Louis, Mo.

The list referred to was marked "Exhibit No. 211, January 22, 1913," and will be found printed in full following volume 25.

Mr. UNTERMYER. I next offer a list of the stockholdings of the First National Bank of New York.

The list referred to was marked "Exhibit No. 212, January 22, 1913," and will be found printed in full following volume 25.

Mr. UNTERMYER. I now offer in evidence data relating to the First National Bank of New York, showing first the syndicate transactions of the First National Bank and the First Security Co. from January 1, 1903, to January 1, 1913; next, the original purchases by the First National Bank in syndicate operations, and with whom they were associated in the issue of those securities; next, the securities which have been publicly offered by the First National Bank, either alone or in conjunction with others, and the names of those publicly associated in the issues from January 1, 1903, to January 1, 1913.

The purpose of this is to show the extent of the partnership or joint-account relationships between those concerns.

The data referred to were marked "Exhibit No. 213, January 22, 1913," and will be found printed in full following volume 25.

Mr. UNTERMYER. I offer next a schedule, supplied by the First National Bank, of corporations in which an officer or director of the First National Bank is a voting trustee with cotrustees.

The schedule referred to was marked "Exhibit No. 214, January 22, 1913," and will be found printed in full following volume 25.

Mr. UNTERMYER. Lee, Higginson & Co. have furnished two volumes of transactions and a supplemental list, which I offer in evidence.

The two volumes referred to were marked respectively "Exhibit No. 215, January 22, 1913," and "Exhibit No. 216, January 22, 1913," and will be found printed in full following volume 25.

A letter accompanying Exhibits Nos. 215 and 216 was marked "Exhibit No. 217, January 22, 1913," and a series of lists showing directorships held in corporations by members of the firm of Lee, Higginson & Co. was marked "Exhibit No. 217½, January 22, 1913." The above exhibits will be found printed following volume 25.

Mr. UNTERMYER. I offer in evidence now a list of corporations and associations in which the members of the firm of Lee, Higginson & Co. are directors or trustees, showing that members of that firm are directors in 66 interstate corporations. I am not sure whether that includes any others than interstate corporations.

The list referred to was marked "Exhibit No. 218, January 22, 1913," and will be found printed in the record following volume 25.

I read the following from the syndicate agreement of February 26, 1901, between J. P. Morgan & Co. and the synidcate subscribers, relative to the organization of the United States Steel Corporation. The agreement, after reciting that J. P. Morgan & Co., acting for the syndicate, are about to enter into contracts with the steel corporation to transfer to it, in exchange for its securities, the stocks of certain named other corporations, provides in its first article that—

J. P. Morgan & Co. shall have power and authority from time to time, in such manner and on such terms as from time to time, either generally or in special cases, they may deem expedient, (1) publicly or otherwise to offer, or to agree to deliver, or to cause to be delivered, in such amounts and at such general or special rates as, from time to time, either generally or in special cases, they may deem expedient, shares of the preferred stock and shares of the common stock and bonds of the steel company in exchange for or in purchase of any of the stocks of any of the other companies named in said proposed contracts that shall be delivered to J. P. Morgan & Co., or as they may direct; and (2) by the use of any of the stocks or of any of the bonds of the steel company, deliverable under said proposed contracts, or of moneys provided or derived under the terms of this agreement, to acquire all or any of the stocks or of the bonds, or both, of all or of any of the other companies above referred to.

And in its twelfth article that—

J. P. Morgan & Co. shall have full power, in their discretion, to agree with the steel company upon the terms and provisions of such proposed contracts, and as to the amount of the preferred stock and the common stock and bonds of the steel company to be issued and delivered under said proposed contracts; and, also, they shall have full power and authority from time to time to enter into any agreements with the steel company modifying the said proposed contracts as they may deem expedient. Any and all contracts with the steel company made by J. P. Morgan & Co. in behalf of the syndicate shall be open to inspection by any subscriber at the office of J. P. Morgan & Co.

This agreement constitutes Exhibit 3 of the report of the Commissioner of Corporations on the United States Steel Corporation, which report is incorporated in the record of the Stanley committee in pamphlet No. 63.

The agreement of March 1, 1901, between J. P. Morgan & Co., acting for the syndicate, and the United States Steel Corporation in part recites and provides as follows:

Whereas each of the corporations, the capital stock of which it is proposed now to acquire hereunder, has been organized and now is existing under the laws of the State of New Jersey and has outstanding capital stock divided into shares each of the par value of $100 (excepting the Carnegie Co., of which the capital stock is divided into shares of the par value of $1,000), and divided also into classes as next hereinafter stated, the said corporations and the total outstanding capital stock and the classes thereof being as follows, to wit:

Name of corporation.	Total outstanding capital stock.	
	Preferred.	Common.
American Sheet Steel Co.	$24,500,000	$24,500,000
American Steel Hoop Co.	14,000,000	19,000,000
American Steel & Wire Co.	40,000,000	50,000,000
American Tin Plate Co.	18,325,000	28,000,000
Carnegie Co.	....	160,000,000
Federal Steel Co.	53,260,900	46,484,300
National Steel Co.	27,000,000	32,000,000
National Tube Co.	40,000,000	40,000,000

And whereas the Carnegie Co. has issued, and there are now outstanding, its 5 per cent bonds for the aggregate principal sum of $160,000,000; and

Whereas the syndicate has arranged for the acquisition of substantially all of the bonds and the stock of the Carnegie Co.; and

Whereas in reliance upon this contract the syndicate is endeavoring to effect the acquisition and the delivery of all of the bonds of the Carnegie Co., and all of the outstanding shares of the capital stock of all of said corporations, upon the terms herein provided;

Now, therefore, in consideration of the premises and of other good and valuable considerations, and of the efforts and expenses which both parties recognize will have to be made and incurred by the syndicate in their endeavor to consummate such sale:

First. The steel company agrees with J. P. Morgan & Co., acting in behalf of the syndicate, as follows:

(1) If, on or before May 31, 1901, J. P. Morgan & Co. in behalf of the syndicate shall—

(*a*) Sell and deliver, or cause to be sold and delivered, to the steel company at least 51 per cent of such outstanding shares of the capital stock of each of the corporations above named, or of such of said corporations as finally shall be embraced within the operation of this agreement with the approval of the steel company, which 51 per cent of the total outstanding capital stock of each of such corporations shall include not less than 51 per cent of the total outstanding preferred stock, if any, of such company; and also all of the $160,000,000 of bonds of the Carnegie Co. now outstanding, or such lesser amount thereof as shall be tendered by J. P. Morgan & Co.; and

(*b*) Shall pay, or shall cause to be paid, to the steel company $25,000,000 in cash.

(2) The steel company will purchase such shares and bonds and in payment and consideration for such stock and bonds, and for such case, will issue to such persons as J. P. Morgan & Co., in behalf of the syndicate, shall indicate shares of its preferred stock and shares of its common stock (all of which shall be fully paid and nonassessable), and also its 5 per cent gold bonds (which bonds shall be of such form and tenor and shall be secured as J. P. Morgan & Co. may determine), as follows:

(*a*) In the event that the steel company shall acquire all the shares of the capital stock of all of such other corporations and all such bonds of the Carnegie Co., the steel company will issue for all such stock and such bonds and such sum in cash 4,249,985 shares of its preferred stock and 4,249,985 shares of its common stock and also $304,000,000 of its said 5 per cent gold bonds.

(*b*) In the event that the steel company shall not acquire all the shares of the capital stock of all of such other corporations and all such bonds of the Carnegie Co. the steel company will issue for the shares of stock and the bonds which shall be acquired and said sum in cash 4,249.985 shares of its preferred stock and 4,249,985 shares of its common stock and $304,600,000 of its 5 per cent gold bonds, less abatement and deduction therefrom to be made as follows.

This agreement constitutes Exhibit 1 of the aforesaid report of the commissioner of corporations.

2. The circular letter of March 2, 1901, addressed by J. P. Morgan & Co. as syndicate managers to stockholders of the various companies composed to be taken over by the United States Steel Corporation, states that:

The forms of the new bonds and of the indenture securing the same and of the certificates for the new preferred and common shares, and the entire plan of organization and management of the United States Steel Corporation, shall be determined by J. P. Morgan & Co.

This circular constitutes Exhibit 4 of the aforesaid report of the commissioner of corporations.

At 4.10 o'clock p. m. the subcommittee adjourned until to-morrow, Thursday, January 23, 1913, at 11 o'clock a. m.

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