



# **The Hellhound of Wall Street: How Ferdinand Pecora's Investigation of the Great Crash Forever Changed American Finance**

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A gripping account of the underdog Senate lawyer who unmasked the financial wrongdoing that led to the Crash of 1929 and forever changed the relationship between Washington and Wall Street.

In *The Hellhound of Wall Street*, Michael Perino recounts in riveting detail the 1933 hearings that put Wall Street on trial for the Great Crash. Never before in American history had so many financial titans been called to account before the public, and they had come within a few weeks of emerging unscathed. By the time Ferdinand Pecora, a Sicilian immigrant and former New York prosecutor, took over as chief counsel, the investigation had dragged on ineffectively for nearly a year and was universally written off as dead.

*The Hellhound of Wall Street* provides a minute-by-minute account of the ten dramatic days when Pecora turned the hearings around, cross-examining the officers of National City Bank (today's Citigroup), particularly its chairman, Charles Mitchell, one of the best known bankers of his day. Mitchell strode into the hearing room in obvious disdain for the proceedings, but he left utterly disgraced. Pecora's rigorous questioning revealed that City Bank was guilty of shocking financial abuses, from selling worthless bonds to manipulating its stock price. Most offensive of all was the excessive compensation and bonuses awarded to its executives for peddling shoddy securities to the American public.

Pecora became an unlikely hero to a beleaguered nation. The man whom the press called "the hellhound of Wall Street" was the son of a struggling factory worker. Precocious and determined, he became one of New York's few Italian American lawyers at a time when Italians were frequently stereotyped as anarchic criminals. The image of an immigrant lawyer challenging a blue-blooded Wall Street tycoon was just one more sign that a fundamental shift was taking place in America.

By creating the sensational headlines needed to galvanize public opinion for reform, the Pecora hearings spurred Congress to take unprecedented steps to rein in the freewheeling banking industry and led directly to the New Deal's landmark economic reforms. A gripping courtroom drama with remarkable contemporary relevance, *The Hellhound of Wall Street* brings to life a crucial turning point in American financial history.

## **The Hellhound of Wall Street: How Ferdinand Pecora's Investigation of the Great Crash Forever Changed American Finance Details**

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# **From Reader Review The Hellhound of Wall Street: How Ferdinand Pecora's Investigation of the Great Crash Forever Changed American Finance for online ebook**

## **Steve says**

A fascinating, well-written book telling the story of the investigation by the Senate Banking and Currency Committee into Wall Street abuses and crimes in the run-up to the Great Depression. And speaking of depressing things, their bullshit and crimes were no different than those of Wall Street in recent years. Plus ca meme, plus ca change.

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## **Martha says**

This book will make you weep. Not only was everything that brought the nation down in 1929 repeated in 2008, it was the same bank! National City Bank, now Citigroup. Enron, insider trading, bonuses (it was in the 20's that the bonus system was inaugurated), sweetheart deals, screwing your employees, lying to your shareholders, fraudulent wash sales. On and on and on. But now we have no Ferdinand Pecora (the chief counsel for the Senate Hearings on the crash and the hero of this book), no FDR, and most important no progressive Republicans to legislate disclosure of investment info and protection of the public. Just the swindle they pulled with Boeing's IPO is enough to kill you, and that's only a small part of the aftermath of the Senate investigation. The parallels are just down the line. And it was Robert Rubin, revolving through the door from Goldman Sachs to Treasury to Citigroup who got Clinton to sign the repeal of Glass-Steagall (and Senator Carter Glass of Mass. is a true American hero) which was passed as a result of Pecora's hearings to protect us from these bank-securities trading conglomerates, after which Rubin left town sitting pretty and the American financial system collapsed again in the most predictable way screwing hundreds of thousands of American working stiffs in a perfect replay of 80 years before. And bailing out Mexico just as his predecessors bailed out Peru and Chile so they could pay back their loans from City Bank. It's sickening. And nothing will be done about it this time b/c the federal regs instituted then have just served to keep the banks afloat so the public didn't panic and riot and demand regulation as they did in 1933. It's the rich that get the glory, and the poor that get the blame. And no one ever learns anything. And this book will grip you.

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## **Bank says**

Very thoroughly researched history of the Senate's investigation into the stock market crash of 1929 and the lead counsel investigating, Ferdinand Pecora. Change the names and dates and it could have been written about the events of the last three years with the highly disappointing exception that our present Congress has yet to lay a finger on any of the guilty parties on Wall Street or to investigate its own culpability in the looting and collapse of FNMA.

I believe George Santayana's famous quotation regarding the repetition of history is appropriate here.

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## **Will Sync says**

If your interested in greed, power and JUSTICE! Ha. The closest person to M.P. we have today is E. Warren. Pecora was shooting fish in a barrel, only because of his tenacious brilliant mind. The banks got spanked! Dont worry this was a minor set back for the the humble Bankers. The seem to have profited from speculation win or loose.

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## **Goldfrancine says**

Excellent detailed account of the corruption and subsequent hearings of the Wall Street Bankers who contributed to the 1929 crash. Sad part is that history repeated itself during the deregulation and credit default swaps that lead to the 2008 crash. Pecora is an American hero---he has the real life litigation genius that Lt. Caffé displayed in a Few Good Men.

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## **Adam Carheden says**

How come we haven't all heard of Ferdinand Pecora? What a guy. Someone reincarnate him already and jail the crooks running things today.

This book was fascinating and I couldn't put it down. Very in-depth look at how wall street callousness didn't so much cause the great depression as it pulled huge swaths of Americans into harms way.

Funny thing though. The chief "villian", Charles Mitchell, President of the National City Corporation, brought non-government bond and equity investing to the average middle-class American. His dream was a one-stop financial services shop that served not just the wealthy, but everyone. Which is exactly what we have today. While his methods were clearly unscrupulous, possibly he was just a visionary ahead of his time who took a risk (albeit with other peoples money and lives) and got blindsided by the great depression.

Or maybe we're set up for another great depression with the current status quo of unequal wealth distribution ensured by the twin evils of inflation (why we can't save in FDIC-insured accounts) and risk equity and bond investments (which ensure that if the rich loose, the middle class do too).

Anyone for a french-style revolution?

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## **Alberto Lopez says**

A great story of accomplishment. Pecora, an Italian immigrant, broke preconceptions of immigrant incompetence to change US history. No doubt that today's regulators looked at his success with salivating envy. Unfortunately, he didn't seek fame but rather to do the right thing.

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## Perry says

"Halls of justice painted green.

Money talking,

Power wolves beset your door.

Hear them stalking,

Soon you'll please their appetite.

They devour."

Metallica, *And Justice for All*, 1988.

A stellar portrait of a true unsung hero: one man who, with integrity and persistence, brought to justice the fat cats who caused the 1929 stock market crash, and made a **real difference**, forever changing American finance.

I'd never heard of Ferninand Pecora until I saw this book browsing through a Manhattan bookstore while up there on a case. Mr. Pecora was a Sicilian immigrant who gained a reputation as an honest and talented assistant DA in NYC, but fell victim to Tammany Hall politics as the heir apparent to the Manhattan DA post.

In January 1933, after practicing solo for a few years, he was called on to serve as the U.S. Senate Banking Committee's Chief Counsel in investigating Wall Street corrupt practices. There, he was tasked with probing the causes of the 1929 Wall Street Crash. During the hearings, he blistered financial industry leaders like the president of the NY Stock Exchange, investment bankers from Chase, Citibank and J.P. Morgan, whose testimony, along with the evidence, showed fraudulent and irregular practices in financial markets that benefited the wealthy on the backs of regular investors.

The "Pecora Commission" hearings spurred the first and largest major reform to U.S. financial regulation in, among others, the Securities Act of 1933 and the Securities Exchange Act of 1934. He was featured on the cover of TIME's June 12, 1933 issue. Still, despite the notoriety at the time, Pecora does not get enough credit for the impact he made with his dogged determination to bring the big whigs' chicanery to light.

The author is a faculty member of the St. John's law school.

I highly recommend this book.

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## Linda says

Absolutely required reading for everyone. Those who do not know and learn from history are bound to repeat it. We have repeated it. Again.

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## Nicole Marble says

It all sounds so familiar - banks knowingly selling worthless bonds; banks manipulating stock prices; insider trading, banks insisting THEY can police themselves far better than any government agency; banks giving out huge bonuses to its executives for peddling shoddy securities.

But this is 1929 and the 1933 U.S. Senate hearings - not 2008.  
Have we learned nothing?

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## **Piece Maker says**

I saw this book lying around at my office so I picked it up and thought it would be an interesting read. I was surprised at how much I enjoyed the book. It's very well written and flows seamlessly, and the research behind it is also top notch.

The facts are presented as story of sorts. Whenever a new player is introduced, he is first established by Perino in a manner that provides us with their impact and stature for a better context.

Pecora's story is inspirational and reflects the importance of hard work, integrity, and a willingness to excel. The book also covers the facts surrounding the trial in a manner that is both interesting and informative.

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## **Andrew Davis says**

A great story of how an unregulated financial industry led to 1929 crash and its reasons revealed by almost single-handedly by a Congressional Committee council - Ferdinand Pecora. His investigation of the financial industry combined with his questioning techniques revealed how much greed of a few led to ruin of many small investors. Makes for compulsive reading.

A brief set of notes follows:

A story of Ferdinand Pecora, who was chief counsel for the Senate Committee on Banking and Currency, charged with investigating the causes of 1929 stock market crash. The committee was chaired by Peter Norbeck, a republican senator from South Dakota.

One of the reasons behind the crash was practice of shortselling, which relayed on a bet that shares price would drop. For example, a broker was "borrowing" shares to sell them and while their price was dropping, he would have to pay a lower price and retain the difference, when returning them to the original owner. President Hoover was trying to stop that practice pleading with the exchange's president Richard Whitney with little effect. In response, he set up an investigation into banking practices, which was run by Norbeck. After months of investigation the investigation did not turn up anything specific. After a few attempts with various highly regarded, but ineffective, investigators, Norbeck was recommended Pecora. He engaged him in January 1933.

Hearings began late February 1933. Pecora started with a chairman of National City Bank (precursor of Citygroup) Charles Mitchell. He revealed that Mitchell was paid over \$3.5M from 1927 to 1929. The senators were earning \$9k per year. The factory workers were paid \$17 per week (with 45% unemployment rate). He also disclosed that after the crash the executives were allowed to keep their profits paid in July 1929.

Pecora also revealed that Mitchell sold some of his City Bank shares at the end of 1929 to his wife, establish an investment loss and make tax deduction, only to buy them back for exactly the same price in early 1930. With his declared loss of \$2.8M he didn't have to pay any tax for 1929, the same year he took \$1.1M in salary and bonuses.

On the second day Pecora questioned Mitchell about his investments in General Sugar Corporation, whose officer he was. As the prices collapsed in 1921, General Sugar having invested heavily in Cuba was consistently losing money. In February 1927 City Bank sold \$50M worth of new shares to its affiliate the

National City Company. The next day, National City purchased all of General Sugar 1.5M shares for \$25M. General Sugar in turn then paid off the vast bulk of what it owed to City Bank. That way City Bank removed his debt with General Sugar and placed it with his affiliate, with the bank's shareholders picking up the tab. None of that was obviously disclosed to the shareholders.

Later in the afternoon Gordon Rentschler, the president of City Bank took stand. It was his idea to form General Sugar. Pecora started with a City Bank board meeting in November 1929, when share prices tumbling, and the executives were being hit with margin calls. The bank's board decided to lend the top 100 executives up to \$2.4M, most without security and interest-free. By the time of hearing only about 5% of the loans had been paid back. In case of its lower-level employees the bank was still requiring to meet their obligations, at the original price of \$200 per share, even though they had been traded at \$25 per share. On day three Pecora started with Hugh Baker, the president of the securities affiliate. Baker tried to avoid any answers. Pecora raised an issue of how City Bank shareholders increased from 15k in 1927 to 86k at the time of hearing. As City Bank was prohibited from directly trading in its own securities, it was doing it via its National City affiliate. In order to drive the stock prices up, the bank removed its stock from the New York Stock Exchange and was selling it through the National City Company. This led to doubling City Bank stock to \$580 in 1929.

On Friday, Attorney General William Mitchell launched a formal investigation of City Bank.

On day four, Pecora started with Baker and analysed the operations of the National City Company during the 1920s and their conflict of interest when their apparently independent advice was to recommend the City Bank's bonds. This arrangement between National City Company and City Bank was questioned since 1911, but nothing has been done about it.

On weekend Mitchell and Baker resigned from the bank and that James Perkins, the president of City Bank's trust affiliate would be taking over from Mitchell.

The Monday proceedings (day 7) focused around the Peruvian bonds. City Bank participated in about one-third of all foreign bond offerings. In the afternoon, Victor Schoepperle, one of the company's South American experts took the stand. He admitted of poor quality of the bonds.

On the eight day Pecora moved from Peru to Brazil, specifically the state of Minas Gerais bonds. Richard Byrnes, the former head of the foreign bond department at National City took the stand. He admitted that half of the offerings were used to pay off existing short-term obligations held by the National City. Next, Pecora put on the stand George Train, the man who originally urged the National City to underwrite these bonds. Despite his knowledge of the negligence of state officials in respect to external borrowing, he wrote in the prospectus for the bond offerings about prudent and careful management of the State's finances. He explained that it was done to capture as much as possible of bond market and retain the favour of the state authorities.

On the same day Pecora questioned Edgar Brown, one of the bond holders, who has been ruined by the City Bank advice. He also called as the witness National City's treasurer Samuel Baldwin about organising \$10k cash for Horace Sylvester, the head of the company's municipal bond department, when National City handled a huge \$66M bond offering for the Port Authority of New York.

In the senate, senator Costigan's resolution to continue the investigation into the next session of Congress was passed unanimously.

The first witness on day nine was Horace Sylvester, who admitted that the mysterious transaction was to help the friend of friend, who was in strife at the time. None of that was ever repaid.

On that day Pecora called Richard Whitney, the president of the New York Stock Exchange. After feisty questioning Pecora proved that the Stock Exchange did not conduct any probity audits. All was done as a gentleman's agreement. He also demonstrated that by running pool accounts, they manipulated the price of shares. They also distributed among themselves some of the best shares before making them available to public and therefore making huge profits.

On Sunday, 5th of March 1933, the day after his inauguration Roosevelt closed the banks to stop the panic of people trying to withdraw their money. A week later he gave his first fireside chat where he appealed to

people to regain faith in the banking system. Money flooded back into the banks and the system quickly righted itself. The day after his chat he nominated the Florida Democrat Duncan Fletcher as the new chair of the Banking and Currency Committee. He also reappointed Pecora as counsel.

On 27th of May 1933 the president signed the Securities Act. Its disclosure philosophy is still the touchstone for regulation of the security markets.

Three weeks later, near the end of the first hundred days, Roosevelt signed the Banking Act of 1933, more commonly known as Glass-Steagall act. It gave the Federal Reserve the power of remove officers of national banks if they were operating the banks in an unsafe or unsound manner. National banks were barred from loaning money to their own executives; private investment banks were prohibited from accepting deposits. Separation of commercial and investment banking remained in place until 1999, when president Clinton signed the law repealing those provisions of Glass-Steagall.

The Securities Exchange Act was signed in June 1934. It required stock exchanges to register with the federal government and submit to the oversight of the Securities and Exchange Commission.

In March 1933 Charles Mitchell was arrested for tax evasion. Jury found him not guilty.

In March 1938, Richard Whitney was indicted for embezzlement. He was sentenced to five to ten years. He was released in 1941.

Pecora resigned from the SEC after only six months and took an appointment as a judge on New York's Supreme Court. He died in 1971 after suffering a heart attack.

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## **Damon says**

It's pretty remarkable how closely history repeats itself. If the definition of insanity is doing the same thing over and over again and expecting a different result, our "job creators" are indeed insane. I remember hearing congress people complain of "Depression-Era Regulations". This book reminded me that another way to think about "Depression-Era Regulations" is regulations designed to prevent another depression--which is why we came so close to having another depression when we killed many of them.

I highly recommend this book about Ferdinand Pecora's Senate hearings of 1933.

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## **Don says**

I learned of this book reading the alumni newsletter from St. John's, as Michael Perino is currently a Professor there. Yogi Berra's famous quote "It's deja vu all over again" is apropos, as it tells the story of the financial collapse of 2008, only, Perino wrote this book as a historical account of the 1930's banking crisis. This is a very comprehensive read, as the author painstakingly researched the material he so articulately presents in a robust, compelling fashion.

Ferdinand Pecora was born in Sicily in the early 1880s and emigrated with his family to New York before he was five. His early life was not easy as he experienced many of the inequities and rampant discrimination of the time afforded Italian immigrants. Nevertheless, his career eventually saw him become Chief Counsel to the U.S. Senate's Committee on Banking and Currency. During hearings concerning the banking collapse which were known as "The Pecorra Commission", Ferdinand questioned the highest ranking member of National City Bank, which through mergers, acquisitions and time, has evolved into the present day Citigroup. His results were so positive for the general public, and so devastating to the "banksters" (a phrase

coined about the financial gangsters), that he became one of the original Commissioners for the Security and Exchange Commission. The Glass-Steagall Act, which was dismantled under President Clinton's administration via the Gramm-Leach-Bliley Act, was first adopted as a result of Pecorra's historic achievements.

This book serves as definitive proof that history does indeed repeat itself. Sadly, the hard earned lessons of this era have literally been swept under the rug, and investment bankers, once again, prey like vampires, on a naive public.

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### **Gil Bradshaw says**

One of the best Wall Street books ever written, this highly readable book reads like fiction, except it isn't. This masterpiece documents the deeply ingrained period racism, the greed and corruption from early Wall Street bankers without the dramatic flair that some other authors on the topic are prone to include. It bothers me when books point to a revenue strategy that a bank has and then dramatically includes an editorial as to the ethics of such strategy. This author didn't do that. In fact, the record did it for him. Ferdinand Pecora's investigation usually asked all the right questions and illustrates in great detail the necessity for the securities laws passed in the 1930s.

I couldn't get enough of Pecora's story and hope to continue the study about him on my own.

I am considering making this required reading for my securities regulation students next year.

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### **Tom Schulte says**

Flat narration of textbook-like, dry history is what keeps me from giving this three stars.

In title, this is about "Ferdinand Pecora's Investigation of the Great Crash Forever Changed American Finance", i.e. the Pecora Commission begun on March 4, 1932, by the United States Senate Committee on Banking and Currency to investigate the causes of the Wall Street Crash of 1929. The fourth and final chief counsel for the investigation, Ferdinand Pecora, exposed of abusive practices in the financial industry which galvanized broad public support for stricter regulations. As a result, the U.S. Congress passed the Glass-Steagall Banking Act of 1933, and created the U.S. Securities and Exchange Commission (SEC) putting in place a familiar regulation landscape tested in more recent financial disasters. His exposé of the National City Bank (now Citibank) made banner headlines and caused the bank's president to resign. It is that testimony detailed here that becomes the main feature of this history. It is amazing to me how rapacious the concert was then -- shades of Enron -- and amazing how, unlike Enron, it survived and thrives even now as the consumer division of financial services multinational Citigroup, one of the Big Four banks in the United States.

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## **Sherry says**

It is the small details that personalized this book for me. The research was great - as Perino introduced an individual, there was always a context provide. Some other bit of trivia or insight that made me remember all the players. This book is really just one more example of how the idea of six-degrees of seperation is really so true.

Still amazed that we have learned so little from the banking crisis of the 1920-1930.

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## **Jessica Jones says**

Really 3.5. I felt really interested and engaged in the beginning but my interest lagging in the last third. Definitely has material I never knew before and I am glad there is a book covering the Pecora's work. Also the subject material felt very timely.

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## **Kate says**

One of the best books I have read on this subject. It is so frighteningly close to what happened in 2008 and exactly the same circumstances and involving the same families and banks. In 1933 the federal government passed the Glass Steagall Act to prevent further embezzlement, stealing, short selling and other nefarious activities of bankers and Wall Street. This protected the public until the 1980s when slower but surely governments both Democrats and Republicans dismantled the Act. The result was the crash of 2008. The bank that caused the crash was the National City Bank. It became known as Citibank which was the one that led to the crash of 2008. The big difference is that in 1933 we had people like Pecora who were courageous enough to go after the big boys. Charles Mitchell aka Sunshine Charlie was head of National City Bank. Unbeknownst to the shareholders he received one BILLION dollars in compensation and profits in a three year period. By the way that is a billion dollars in 1933 dollars. This is at a time when millionaires were considered to be the wealthiest of men. He admitted that thanks to writing off losses that he gerry rigged he had paid no taxes for over 5 years. (does this sound familiar?) Fortunately, he was charged and convicted and went to jail for it. He died broke. The head of the New York Stock exchange Richard Whitney who was a 'patrician' of a very old society family was extremely wealthy and a real snob. He talked to Pecora like he was something that he found at the bottom of his shoe. After all he was high society and Pecora was an Italian immigrant. All the while he was embezzling money from the Stock Exchange's 'widows and orphans' fund, the stock exchange, his own company etc. He was charged, convicted and went to jail for 10 years. He died broke. Does anyone remember the names of anyone who went to jail or even was charged in the 2008 scandal? Besides Madoff?? Read this book. It is a little dense if, like me, you don't know too much about the stock market but it is well worth the read.

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## **Jessica says**

This tells the story of Pecora's investigation into banking and Wall Street, or the impetus of many of our financial laws and regulations. Interesting story and insight into this period of time. It was really interesting to hear about the run on the banks and how that happened and understand why there was such panic at the

time.

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