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STATEMENT OF HON. ADOLPH J. SABATH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

MR. SABATH. Mr. Chairman and gentlemen, I will require much more than 10 minutes; but I am willing to be brief this morning, as I understand that there are several gentlemen from out of town who would like to make their statements and return to their places of business or to their homes.

MR. TUCKER. Yes.

MR. SABATH. And all I wish to say this morning—so as to give these gentlemen an opportunity to be heard—is this:

My first bill on short selling was introduced about 22 years ago. It is not before us, however, to-day. [Laughter.] There are bills that I have introduced at this session, and there is also the bill introduced by Mr. LaGuardia, and there is another bill introduced by Mr. Kelly.

sons why short selling should be prohibited, or, at least, controlled or limited.

Now, I do not want to be understood—before we go any further I would like to say this—as wanting to destroy the stock exchange; but on the contrary I wish to say this, that to some extent it is performing useful service; and in so far as it will devote its efforts to conducting its business and affairs on legitimate lines, in the interest of the public and of industries, I have no objection to it. But when they start out and utilize, and permit this great organization to be utilized, against the interests of the Nation, not only for speculation, but for pure gambling, dishonest gambling, then I say it is our duty to take steps to make such practices in the future impossible and prevent the repetition in the future of what has occurred in 1929 and 1930, from the effects of which we are still suffering, and will continue to suffer, as long as we permit these invidious practices to continue.

I thank you, Mr. Chairman and gentlemen, for your attention. I think the first person who wishes to address you to-day is Mr. Aron; he will give you his full name and state whom he represents, if anybody, and submit whatever statement he desires to submit to you, and I will desist, for the present.

Personally, I am not wedded to any proposition. I am interested in the principle. My aim is to eliminate what we term "short selling," or "bear raiding," which, to my mind, is responsible for the conditions now existing. It is the greatest evil that has been permitted or sanctioned by the Government that I know of; and it is absolutely necessary, in the interests of the Nation, that some legislation be had along these lines.

Of course, I am delighted to know that the stocks went up last Thursday, Friday, and Saturday. And I was wondering whether that had anything to do with the hearings here to-day—and I am inclined to think that it had; because I have known of three such experiences before, in 1929, in 1930, and again in 1931.

When Great Britain went off the gold standard, all the gambling institutions or stock exchanges were closed with the exception of France; and the Stock Exchange of New York did not know whether to close or what to do to prevent what they termed "a great big panic."

But, instead of closing, they came to the conclusion that, if they stopped short selling—something that I have been advocating strenuously since October, 1929, before the crash—that that would save their institution and the country. And they did order that no short selling be permitted that morning, when the sad news was broadcast throughout the world that Great Britain had gone off the gold standard. And instead of there being a great panic on the stock exchange and prices tumbling down from 5 to, perhaps, 25 points, the moment the order came out that short selling was prohibited, notwithstanding the bad news from London, prices immediately started to rise, and they rose from 2 to 10 points. And they rose so fast that within two hours the stock exchange rescinded the order, and Mr. Whitney said it was done because of the fear that the stocks were going up too high.

Now, perhaps a secret order was sent out Thursday or Friday last, showing that they did not want such an order made. And I feel that that is responsible for the favorable conditions on all of the stock exchanges.

Now, in view of the fact that these gentlemen are here from outside the city to-day, I am not going to go into details and give reasons and arguments why legislation must be enacted against this evil that has brought about the deplorable conditions or is responsible to a great extent for the deplorable conditions in this country, from which the entire Nation is suffering to-day. I am satisfied to say that, in 1929, when I appealed to the stock exchanges, if they had stopped short selling, instead of merely sending out a questionnaire for two weeks and then rescinding it—I am satisfied that not one-half of the banks that were closed nor of the factories or other plants that were closed would have been closed; and there would not be 8,000,000 or 9,000,000 people out of employment, nor would there have been over 20,000,000 people who lost nearly all they possessed, due to the manipulation on the stock exchanges.

Now, with that statement, and in view of the fact that it is desired to hear the gentlemen who are here from out of the city, I will yield, requesting that I be given ample time in the near future, or when these gentlemen have concluded, to proceed and give rea-