LESSONS IN CRISIS MISMANAGEMENT FROM THE 1929 CRASH

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Crisis management theory illuminates the New York Stock Exchange's efforts to recover organizational legitimacy after the 1929 crash and the scandals unearthed in its wake. Ineptly defusing charges of an unfair and disorderly marketplace, NYSE President Richard Whitney and his Old Guard colleagues magnified perceptions of Exchange dysfunction. Even after New Deal reform of the securities sector the NYSE remained a self-regulatory organization. How did the NYSE emerge from its crisis decade (1929–38) intact despite serious tactical mistakes by Exchange leaders?

From 1929 through 1938, the New York Stock Exchange weathered an organizational crisis. Triggered by the 1929 crash, the crisis snowballed during the Depression years as scandals involving Wall Street luminaries surfaced. While the crash and scandals of the era have been accorded scholarly attention, how NYSE management reacted to these challenges has been neglected. I will address that deficiency by treating the crash and depression years at the NYSE as a case study in crisis management or, more accurately, a case study in crisis *mis*management.

At the time of the 1929 crash, NYSE acting president Richard Whitney led an elite faction on the Board of Governors called the "Old Guard," or "Whitneyites," a contingent that favored the status quo at the Exchange, a status quo that benefited established investment bankers at the expense of newcomer commission brokers and the investing public. The Old Guard understood that maintaining the NYSE's status as a self-regulatory organization (SRO) was essential to sustaining their entrenched position of power and control over Exchange affairs.

Outsiders challenged the Big Board's SRO status once the crash came to be viewed as the cause of the Great Depression and unfair Exchange practices were blamed for the crash. New Deal reformers came to power with President Franklin D. Roosevelt in 1933 and clamored for an end to the NYSE's private club status.[1] Nationalization of the NYSE was proposed

as was co-regulation. The Whitneyites fought externally imposed reforms. Locked in a war with Washington, the NYSE faced a crisis that would shape and direct its future.[2] But in waging that war, Whitney and the Old Guard made a series of tactical errors.

First and foremost, NYSE leadership did not anticipate the demand for securities reform that the crash would trigger. They were not alone in failing to see the coming of world depression. In the autumn of 1929, few in the United States or abroad foresaw the economic tidal wave rolling their way. Yet Whitney and the Old Guard can be faulted for not expecting the crash itself to turn critics' eyes toward the Exchange. Earlier panics, like the one in 1907, had stirred finger-pointing and congressional investigations.

The Whitneyites did know the crash was a crisis, but they misidentified its nature. More than falling stock prices, the crisis also entailed plummeting organizational legitimacy. Yet taking a limited view of the disaster before them, the Whitneyites thought their job was to stem the crash. They did not anticipate the need to protect their SRO status.[3]

The Whitneyites' efforts to stop the stock slide by propping up prices to prevent market volatility were ineffective, misguided, and beyond the scope of the NYSE's mission to provide a "fair and orderly marketplace."[4] Whitney and company concentrated on creating an orderly market when they should have concentrated on guaranteeing a fair one.

Suspicion grew in the wake of the crash that inequities in the system protected insiders from losing as heavily as outsiders. Had a few powerful short sellers (bears) engineered the crash to profit at the expense of the naïve investing public? The Great Bear conspiracy was never substantiated. Rumors emerged that wealthy insiders like National City Bank's Charles Mitchell had acted improperly in the wake of the crash. Although some historians question whether Mitchell and others behaved unethically, contemporary public opinion favored scandal.[5]

Good managers prevent a crisis before it begins. At the NYSE any hint of scandal should have been contained. But the Exchange managers were faced not only with investors' behavior in the immediate aftermath of the 1929 crash but with an entire decade of questionable deals. In the 1920s the Old Guard tolerated blatantly unfair stock-market practices like pools and corners. Once uncovered by the media in the 1930s, past malfeasance colored the public's perception of Wall Street's behavior during and after the 1929 market collapse.

At the time of the crash, the public was unaware of the abuses in the 1920s. The congressional investigation of the securities market, led by lawyer Ferdinand Pecora, had not begun, so after the crash the Old Guard had an opportunity to implement substantive reforms.[6] They had not maintained a fair market in the past, but they could bring an end to abuse. Swift and voluntary reform could have advanced the Exchange's argument that it was capable of running an ethical marketplace.

Whitneyites resisted internal reforms because they had vested interests in the status quo. In the first two years after the crash, they enacted symbolic reforms. They were more concerned with presenting a good image to the public than with changing the substance underlying the image. For example, after much debate, they changed the name of customers' men to brokers to "elevate and dignify" the job.[7] In another example, Whitney, together with the Committee on Library (COL), the Exchange's publicity arm, embarked on a speech-making campaign designed to reassure citizens that the stock market was sound.[8]

Besides being an ineffective substitute for concrete reforms, Whitney's campaign presented other dangers. The media attention lavished on Whitney could result in the NYSE and its president becoming linked in the popular mind. This could backfire, for if Whitney's image deteriorated, the Exchange's image could also suffer. Another potential problem stemmed from an unintended implicit message underlying many of Whitney's speeches: that the NYSE understood and could explain the market's erratic behavior. Warned one Exchange member:

> It is the function of the NYSE to provide a proper and efficient market where an individual can buy or sell securities listed on that Exchange. It is not the function of the Exchange to explain economic conditions or to make alibis for panics, declines in the price of commodities, or other factors which are beyond the control of the Exchange and its individual members.[9]

When "the best minds in the country" were "at a loss to explain the reasons for the trends in prices of securities and commodities," the NYSE president was "treading on dangerous ground" by tackling those same subjects. Any verbal misstep threatened to "exacerbate the already widespread distrust of the securities market." Even assuming that Whitney's speech con-

tent was satisfactory, the mere fact that the NYSE president presumed to speak on certain matters might send the wrong message. "The moment the Stock Exchange attempts to explain the reasons for the violent advances or declines in the market the investing public immediately assumes that the Exchange is responsible for all these conditions."[10]

While enlisting popular support for the NYSE was not necessarily a bad idea, Whitney had to be careful not to expose the Exchange to unnecessary culpability. Moreover, the quest to mold popular opinion was too large an element of Whitney's strategy. His rhetoric needed to be in balance with real reform.

Frustrated that the NYSE was not instituting sufficient reforms on its own, New Dealers took steps to overhaul the securities sector. In the Banking Act of 1933 (Glass-Steagall), one central provision was the separation of commercial and investment banking. The measure was designed to restore competition and dismantle the money trust allegedly run by the largest house on Wall Street, J. P. Morgan & Co. Interestingly, partners at Morgan mounted no major effort to overturn the legislation. Resistance was likely to be futile, and they considered Glass-Steagall the lesser of evils that could befall them.[11]

While the House of Morgan consciously avoided a direct confrontation with the New Deal on Glass-Steagall, the Whitneyites adopted a more bellicose strategy toward proposed changes to their organization.[12] The Pecora investigation was a threat to the status quo, so they were less than cooperative at the proceedings. As a matter of principle, they thwarted the progress of the hearings, believing it their duty to maintain their privileged relationship with clients.

To the public, Exchange leaders' obstruction of Pecora's work was indicative of a cover-up and evidence that insiders thought themselves above the law. Whitney provoked popular ire when, in one highly publicized episode, he refused Pecora's request for any information about NYSE clients and trading activities. As the media reported, Whitney chastised Pecora's staff, "You gentlemen are making a great mistake" in trying to reform the marketplace. The Exchange was already "a perfect institution."[13] Whitney's comment epitomized the Exchange's stubborn refusal to admit mistakes. In light of the scandals unearthed by the Pecora committee, the contention that the Exchange was a perfect institution was laughable. Whitney later claimed he did not mean to deny that some scandals had occurred, just that the NYSE possessed within its own perfect structure the capacity to prevent their recurrence. The flaw resided in the administration of the code, not in

the code itself. The Exchange, Whitney argued, was fully capable of cleaning its own house; no "cop on the corner" was needed.[14]

Disagreeing, Pecora's committee concluded in June 1934 that federal regulation was "necessary and desirable" considering the "evils and abuses which flourished on the exchange and their disastrous effects on the entire Nation." Likewise, a House committee report endorsed federal regulation, declaring that exchanges should no longer be allowed to operate as "private clubs" that promote only their members' interests; instead, they needed to be treated as "public institutions...affected with a public interest in the same degree as any other great utility."[15]

A stock regulation bill had been proposed even before the Pecora committee issued its final report in June. In February, Senator Duncan Upshaw Fletcher drafted a bill to empower the Federal Trade Commission (FTC) to oversee the Exchange. The Old Guard predictably objected, but a minority of Exchange members, known as the Reformers, declared their willingness to consider modifications to the proposal. The Reformers sought a restructured NYSE to diminish the Old Guard's power and give their own contingent more input into decision making. Supported by a vocal minority on Wall Street, the Securities Exchange Act became law shortly after the Pecora committee concluded.

A compromise between the moderate factions of Wall Street and Washington, the Securities Exchange Act of 1934 was not, as popularly believed, an unmitigated defeat for the securities sector. While the Pecora committee had recommended federal regulation as necessary and desirable, the major architect of the Securities Exchange Act, James Landis, left the NYSE a self-regulatory organization.[16] Landis and his colleagues, with the support of Reformers within Wall Street, designed the legislation to leave self-regulation intact while improving the Exchange's character and its responsibility to the public. The new Securities and Exchange Commission was headed by five commissioners appointed by the president of the United States and confirmed by Congress. SEC officials were empowered to change the rules of the Exchange but were so disposed only if the Exchange proved incapable of changing them on its own. In other words, the SEC intervened when self-regulation failed. As William O. Douglas, one of the agency's early chairmen, later noted, the idea was to "keep the shotgun, so to speak, behind the door, loaded, well-oiled, cleaned, ready for use, but with the hope that it would never have to be used."[17]

The Old Guard was hostile to the SEC, which it saw as the end of the Exchange as an SRO. Landis repeatedly emphasized the New Deal's intention to keep self-regulation the guiding spirit of Exchange life, but Whitney and his colleagues apparently did not believe him.[18] The Old Guard resisted any oversight or regulation of the Exchange.[19]

Roosevelt selected as the first SEC chairman not Ferdinand Pecora, as the NYSE had feared, but Joseph Kennedy. Kennedy was friendly to business and likely to be a lax SEC administrator since he had a reputation for questionable stock-market exploits in the 1920s. Nonetheless, Kennedy proposed serious reform measures, many of which were designed to increase the power of the commission brokers represented by the Reformers on the Board. Because these members relied on retail investors for business, presumably they would better champion the investing public's interests.

Not wishing to surrender any power to the commission brokers, the Whitneyites ignored the Kennedy agenda but supported the banning of pools, syndicates, and joint accounts organized to influence stock prices. To curb insider trading, they forbade specialists to discuss with other people (excluding Exchange officials) confidential information regarding orders they filled. In an effort to remove any inherent conflict of interest in specialists' work, the Board prohibited specialists from acquiring themselves or dispensing to others options in stocks they handled. In addition to adopting these and other new regulations, the Business Conduct Committee, still dominated by the Old Guard, enforced old rules more strictly. The committee investigated, then prosecuted, errant brokers and specialists.

These internal reforms, however, did not appease the SEC's desire for substantial changes in the Exchange's underlying power structure.[20] The SEC wanted a change in leadership at the NYSE. They wanted more Reformers on the Board of Governors and fewer members of the Old Guard.

Contributing to the SEC's desire to topple the Old Guard was Whitney's sharpened criticism of their new agency. In radio addresses and personal appearances, Whitney vilified the SEC for worsening the Depression and threatening the country's economic freedom. Speaking before the Chicago Association of Stock Exchange Firms in December 1934, Whitney implored the "intelligent citizen" in his audience "to weigh judiciously the clamor for penalties and reform, raise his eyes from the distress of the hour, and looking down the perspective of time, judge these institutions by their over-all performance." Distinguishing "honest criticism" from the current assault

on the Exchange, Whitney warned that "when [an attack] serves no other purpose than the glorification of a self anointed critic, it bears the seed of great mischief." He concluded, "It is the duty of every intelligent citizen to maintain these markets inviolable against the mischievous proposals of misguided visionaries. In so doing it is the conservative and not the radical who best assures a higher standard of material welfare for all our people."[21]

Whitney's tirades hurt more than helped the Exchange, as some dissident members realized. One vocal commission broker, John Hanes, bluntly accused Whitney of maintaining outmoded policies and refusing to respond to the public demand for reform. Even some Old Guardsmen began to agree that Whitney's candor, if not his actual policies, was becoming a serious liability.

Consequently, in March 1935 when Whitney's term as Exchange president expired, the NYSE Board did not renew it but instead appointed to the top post Charles Gay, a long-time moderate Exchange governor. Shortly after Gay replaced Whitney, the Board made some concessions to the Exchange's moderate Reformer wing, appointing, for instance, a prominent minority member to chair the Committee on Public Relations. Yet the Old Board retained control over key committees like Business Conduct, Law, and Admissions. Moreover, the Old Guard continued to resist the idea of the SEC. Though the Securities and Exchange Act had already been passed, the Whitneyites proposed an alternative, a czar to oversee Wall Street, who would be appointed by the NYSE, not the government.[22]

As these continued efforts to undermine the legitimacy of the SEC indicate, the change in power from Whitney to Gay was superficial. The SEC had erred in thinking that Gay's appointment signaled a new spirit of cooperation between Wall Street and Washington. The Governing Committee, more than the presidency, was the locus of Exchange policy making, and Whitney, though no longer president, remained a Governor and served on key committees where he could still influence his colleagues.

The SEC miscalculated the power of the Governing Committee and Gay's ideological leanings. Gay admired Whitney and like him championed the specialists and floor traders, not the commission brokers. As his term progressed, Gay, like Whitney before him, increasingly criticized the SEC. In his address prefacing the NYSE's 1936 Annual Report, Gay blamed the SEC for creating an "illiquid market," a particularly incendiary remark given its timing. The report was published on August 18, 1937, and less than two months later, on October 16, 1937, the market again collapsed.

When the SEC received a barrage of mail from citizens blaming the agency for the latest market collapse, the new chairman, William O. Douglas, attributed the outcry to Gay's inflammatory comment. Angrily deriding the NYSE as an antiquated private club, Douglas threatened to nationalize the Exchange unless it cooperated with the SEC. President Roosevelt supported Douglas's ultimatum, and Reformers within Wall Street urged Gay to take heed. The NYSE's self-regulatory structure, intact since 1792, seemed in imminent jeopardy.[23]

Deciding that the threat to nationalize the Exchange was not a bluff, Gay promised Douglas he would appoint a commission to research and propose an acceptable internal reorganization. In late 1937, the committee began its work, led by Carle C. Conway, chairman of the board of Continental Can Company. The completed Conway study published January 27, 1938, recommended reorganization measures similar to those made first by Kennedy and later by Douglas. A paid independent presidency and a heightened role for commission brokers were key points. Under the pressure of Douglas's threat to nationalize the Exchange, the Governing Board unanimously approved these recommendations. Whitney abstained. The SEC initially thought it had won, but the Old Guardsmen expected to reorganize the Exchange at some undesignated future date. In the meantime, they would resist substantial reforms unless forced to do otherwise. Once again, the Old Guard and the SEC were deadlocked.

In 1938 a scandal at the top broke the impasse. Five-time NYSE President Richard Whitney was exposed for stealing funds from the Stock Market's Gratuity Fund. The Embezzler, as he was later dubbed, did not steal directly from public investors—the Gratuity Fund was a retirement account for Exchange employees. Nevertheless, the crime embodied everything wrong with the NYSE: arrogant leaders, their protection of insiders, the immorality of Wall Street.

The "Whitney affair" was a crime that stigmatized the NYSE because the financial community had ignored it and then tried to conceal it. Whitney's money problems had been evident to coworkers since 1930, when he began borrowing from them to cover losses in speculative real estate and stock investments. He borrowed more funds to repay loans as they matured. He did so by illegally pledging customers' securities as collateral and by using the Gratuity Fund as his personal bank. Whitney's distress selling should have triggered an Exchange investigation into his firm's affairs, but his posi-

tion on the Governing Board and the Business Conduct Committee enabled him to escape detection for eight years.[24]

It was a clerk, George Lute, who brought the irregularities in the Gratuity Fund accounts to the Exchange's attention. The scandal did not immediately become public knowledge. Richard Whitney's brother, George, at J. P Morgan, offered to pay the exposed deficit. Meanwhile, Richard suggested a deal to his friend, President Gay: Whitney would sell his Exchange membership if the charges against him were dropped. The deal, Whitney argued, would be in his best interest, and in the best interest of the NYSE, because "I'm Richard Whitney, and I mean the Stock Exchange to millions of people."

Instead of a deal, on March 1, 1938, Gay tearfully ascended the rostrum on the trading floor and announced that "an examination of the affairs of Richard Whitney & Company [uncovered] evidence of conduct apparently contrary to just and equitable principles of trade." Expelled from the Exchange, Whitney, who had once described himself as persecuted, was now prosecuted. Convicted on embezzlement charges, he was sentenced to a term at Sing Sing Prison in upstate New York.[25] The SEC castigated the Exchange for attempting to cover up Whitney's malfeasance. In the SEC's opinion, the NYSE had acted "as if it were a private social club where the misconduct of members and officers was regarded as a purely private affair and of no public concern." Such a "private club" philosophy was "dangerous" and "outmoded."[26]

With Whitney's indictment, the NYSE's reputation, as the Embezzler had warned, plummeted. Ironically, the Whitney affair engendered the collapse of the Old Guard and opened the door to meaningful internal Exchange reforms. Seizing the opportunity presented by the power vacuum, the Reformers quickly worked with the SEC to restructure the NYSE according to the already approved Conway plan. As SEC Chairman William O. Douglas explained, "political and economic power only rarely diverge, and when they do, you must move rapidly."[27] By June, only a few months after Whitney's indictment, the Reorganization of 1938 was complete. The presidency became a paid post to which William McChesney Martin, a leading Reformer and member of the Conway Committee, was appointed. Possessing an impeccable reputation, Martin was the antiWhitney.

In addition to the changes in the presidency, the Governing Committee was expanded into a new Board of Governors, which now also included three

representatives of "the public." Finally satisfied, Douglas declared that, "The day of the crackdown on Wall Street is over. The prosperity of the Stock Exchange is not incompatible with the national welfare."[28]

By 1938, with the collapse of the Old Guard, the "war with Washington" and the crisis years at the Exchange sputtered to a close. For a decade, the NYSE's entrenched leaders had played a dangerous game of brinkmanship: they waited as long as possible to do as little as possible. They enacted internal reforms only to stave off external reforms. Perversely this worked to the Old Guard's advantage. By the end of the Depression the Old Guard had succeeded in preserving a modicum of the NYSE's self-regulatory powers. Admittedly, they had been forced to enact internal reforms like ending pools, but the SRO structure of the NYSE remained unchanged. Nor did the Securities Exchange Act of 1934 change the SRO structure, for the SEC was designed to intercede only when the NYSE failed to be diligent. Not as much changed on Wall Street during the Depression years as reformers might have liked.

The Exchange maintained its status quo despite crisis mismanagement because the Old Guard fought defensively in its war with Washington. The NYSE had only to preserve what it already possessed, its SRO status. According to military philosopher Carl von Clausewitz, "It is easier to hold ground than take it. It follows that the defense is easier than the attack, assuming both sides have equal means." "Preservation and protection" are easier than an offensive strategy, because "time which is allowed to pass unused accumulates to the credit to the defender. He reaps what he did not sow. Any omission of attack—whether from bad judgment, fear, or indolence—accrues to the defender's benefit."[29] By the late 1930s, the public had tired of the war with Washington and with the start of World War II would soon be riveted by international events. Wall Street and its shortcomings faded from the national spotlight to the advantage of conservative elements of the Street.

Yet "in war," Clausewitz warned, "the result is never final...Even the ultimate [military] outcome of war is not to be regarded as final [for] the defeated state often considers the outcome merely as a transitory evil for which a remedy may still be found in political conditions at some later date."[30] In truth, 1938 did not mark the end of Wall Street's war with Washington; the war would erupt periodically as new stumbles on the part of the NYSE triggered renewed criticisms. During the NYSE's Great Crisis of 1929–38, Richard Whitney and the conservative Old Guard, despite their

ineptitude, retained regulatory independence for the NYSE. Benefiting from their defensive position, they succeeded despite themselves. Thus, while crisis mismanagement caused the NYSE to lose many battles during the Depression years, in the long run, it was the Old Guard, not the New Deal, who won the war with Washington.

NOTES

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1. "Private club" was not a new accusation against the NYSE; two decades earlier, it had permeated the 1912 Pujo hearing.
2. On crisis as a turning point, see Norman R. Augustine, "Managing the Crisis You Tried to Prevent," in *Harvard Business Review on Crisis Management* (Boston: Harvard Business School Press, 2000), 1–32.
3. Whitney recalls the efforts of the Lamont-led bankers' pool in "The Work of the NYSE in the Panic of 1929" (June 10, 1930), box 3, folder 1, NYSE Archives.
4. The "fair and orderly" rhetoric still suffuses Exchange language, as a perusal of the NYSE website www.nyse.com, accessed July 1, 2005, revealed.
5. See Thomas F. Huertas and Joan L. Silverman, "Charles E. Mitchell: Scapegoat of the Crash?" *Business History Review* 60, no. 1 (Spring 1986): 81–103.
6. As crisis management experts Blake E. Ashforth and Barrie W. Gibbs note, a "substantive" reform policy "involves real, material change in organizational goals, structures, and processes or socially institutionalized practices." In contrast, with "symbolic" reforms, "rather than actually change its ways, the organization might simply portray—or symbolically manage—them so as to appear consistent with social values and expectations." "The Double-Edge of Organizational Legitimation," *Organization Science* 1, no. 2 (1990): 180.

7. John B. Newman, letter to Perry D. Bogue, December 7, 1933, Committee on Customers' Men box, NYSE Archives.
8. Richard Whitney, *Functions of Stock Exchanges: A Collection of Addresses by Richard Whitney, President NYSE, 1930–1935* (New York: NYSE, 1935).
9. L. Cricuolo letter to Thomas Lamont, October 15, 1930, box 116, folder 7, Thomas W. Lamont papers, Harvard Business School.
10. Ibid.
11. Ron Chernow, *Death of the Banker: The Decline and Fall of the Great Financial Dynasties and the Triumph of the Small Investor* (New York: Vintage Books, 1997), 44.
12. The NYSE's reactions to the Federal Securities Act (enacted May 27, 1933), another critical reform measure, is not discussed here for the sake of brevity.
13. Whitney quoted in John Brooks, *Once in Golconda: A True Drama of Wall Street, 1920–1938* (New York: Harper & Row, 1969), 198. On NYSE politics from 1929 through 1938, see pages 86–281.
14. See Richard Whitney, "Economic Freedom," December 10, 1934, *Vital Speeches of the Day* 1, no. 7 (1934): 212.
15. Quoted in Chris Welles, *Last Days of the Club* (New York: E.P. Dutton, 1975), 13.
16. See Chapter 5, "Landis and the Statecraft of the SEC," in Thomas K. McCraw, *Prophets of Regulation: Charles Francis Adams, Louis D. Brandeis, James M. Landis, Alfred E. Kahn* (Cambridge: Harvard University Press, Belknap Press, 1984), 153–209.
17. Douglas quoted in Welles, *Last Days of the Club*, 12.
18. Addressing the New York Stock Exchange Institute, Landis reassured his audience, "Self-government is, of course, the desirable thing. Everyone will admit that the less regulation there is, the better it will be, provided the objectives are always kept clear; and the better the self-government, the less need there is for regulation." Returning to the Institute a few months later, Landis asserted, "It has always been my thesis that self-government is the most desirable form of government, and whether it be self-government by the exchange or self-government by any other institution, the thesis still holds." Landis quoted in McCraw, *Prophets of Regulation*, 192–93. See also SEC, *First Annual Report* (Washington, DC: U.S. Government Printing Office, 1935), 38.
19. On Whitney's opposition to the legislation, see Richard Whitney,

Statement in Regard to HR 7852 2/22–2/23/34; Statement in Regard to Senate Bill 2693 2/29/34; Statement in Regard to the National Securities Exchange Act of 1934 as amended (HR 8720) 3/22/34, in Whitney Speeches box, NYSE Archives.

20. The reforms also seem to have been ineffective in validating the institution in the public eye. As historian Robert Sobel observed, people "must have viewed the Exchange's reforms as a sign that it had been a dishonest institution in the past, when it also claimed to have been an equitable marketplace." Sobel elaborates, "In effect, the organization's leaders were in a no-win situation. If they sponsored reform, it would be taken as an admission of prior guilt and perhaps present corruption, while a lack of action might be interpreted as a refusal to own up to abuses. In either case, the result would be a loss of public confidence." *N.Y.S.E.: A History of the New York Stock Exchange, 1935–1975* (New York: Weybright & Talley, 1975), 17–19.
21. Whitney, "Economic Freedom," 212.
22. The czar idea was satirized in the poem "We Need a Czar," *New York Sun* (March 17, 1935): 24.
23. Joseph Alsop and Robert Kintern, "The Battle of the Market Place Marketplace," *Saturday Evening Post* (June 25, 1938): 81–82. See also the first part of this series in the June 11, 1938, edition of the *Post.*
24. For the history of Whitney's rapidly escalating money problems, see Securities and Exchange Commission, *In the Matter of Richard Whitney,* especially vol. 1 (Washington, DC: 1938).
25. Alsop and Kintern, "Battle of the Market Place," 82.
26. Quoted in Welles, *Last Days of the Club,* 14.
27. Douglas quoted in David McCaffrey and David Hart, *Wall Street Polices Itself: How Securities Firms Manage the Legal Hazards of Competitive Pressures* (New York: Oxford University Press, 1998), 13.
28. Douglas quoted in Brooks, *Once in Golconda,* 281.
29. Carl von Clausewitz, *On War,* ed. and trans. Sir Michael Howard and Peter Paret (Princeton, NJ: Princeton University Press, 1984), 357.
30. Ibid., 80.