The Securities and Exchange Commission


The stock market crash of 1929 devastated the American economy and produced the Great Depression. Between September 1929 and July 1932, stocks lost 83% of their value, prompting the Senate Banking and Currency Committee to conduct a series of hearings on the causes of the crash.

These hearings revealed deep problems with how stocks were being sold to investors. At that time, it was basically the responsibility of the investor to determine whether a company was telling the truth about its stock before investing. Many stocks were sold that were not worth their price, and millions of people lost their fortunes in the crash.

To bring order out of the chaos, Congress passed three major acts creating the Securities and Exchange Commission in 1934 and defining its responsibilities. The SEC works to monitor the stock market industry and to protect investors. Since its creation, companies that offer their stock for sale to the public are required by federal law to tell the truth about their businesses. Without an oversight body like the SEC giving investors some basic confidence in the system, today's stock market simply couldn't exist.

Corporate irregularities are not always caught as quickly as they should be, but the overall structures designed by Congress have helped to make America's stock markets among the safest in the world.

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