

Mr. LIVINGSTON. I was talking about the trust department of the bank.

Mr. KEITH. Yes.

Mr. LIVINGSTON. Handling the funds of clients.

Mr. KEITH. And my question goes beyond that.

Mr. LIVINGSTON. I don't think the banks are permitted to invest any of their own money to any large extent in stocks, so that to that extent—

Mr. KEITH. Do you think that these investments I have referred to in the New York Stock Exchange report on this subject with commercial banks are listed as being big buyers and sellers, do you think that those were the trust accounts?

Mr. LIVINGSTON. Oh, sure, I think they were pension funds. Oh, yes, pension funds that the banks handle, and individual trust accounts. Oh, I don't think, oh, no, they weren't the banks' funds. I think the banks would like to get into it, but they are forbidden by law to do so.

Mr. KEITH. Well, the banks there are fiduciaries, this is what you point out, in the literal sense of the word.

Mr. LIVINGSTON. Yes, but they have a carte blanche in most fiduciary accounts to invest as they please, and they have to render service to the person who is the investor, or the account may be shifted to somewhere else.

Mr. KEITH. Do you think that there is any real threat of increases in institutional activities that is of such speculative nature as to adversely affect the public interest?

Mr. LIVINGSTON. Well, I do indeed. I think that the fear of what is going to happen to the dollar, the concern about inflation is such that insurance companies and pension funds and even large individual investors who would normally put their money in bonds are putting it in common stocks. This is creating a notion that you can make money in the stock market. I know from the letters I have received and the desire of people to get into funds that are going to perform well. It is always a desire to protect themselves against deterioration in the dollar, or to speculate to get something for nothing.

Mr. KEITH. Well, they expect to get their share in the equities of the corporate assets of this country, but I am not talking about an informed trustee or pension fund manager considering the long-range interests, as a trustee. I am just wondering, you mentioned the go-go funds, the performance funds, I just say that that is a part of the whole thing. That banks, insurance companies, and private investors move into the market in a big way where it is a narrow market, and by that move affect the price of the stock, and then move out in a way that allows them to make a profit on that transaction, and perhaps leaves others stranded. Do you follow me?

Mr. LIVINGSTON. Yes, I do.

Mr. KEITH. Do you think that there is any need for investigation by the SEC or the Congress or both into this kind of activity? Do you think it requires our serious attention?

Mr. LIVINGSTON. I wouldn't know. I think only an investigation would reveal whether it is a powerful enough influence on the market.