Chairman Oxley, Chairman Baker, and distinguished members of the subcommittee. My name is Christopher Byron, and I am a magazine, newspaper, and internet columnist, and radio commentator.

My columns appear weekly in the *New York Observer* newspaper, and on MSNBC Interactive on the Internet, where I host a daily webcast radio program entitled *High Noon On Wall Street.* I also provide a daily, drive-time radio commentary entitled *Wall Street Wake Up with Chris Byron* which is distributed by the Jones Radio Network and is aired daily on 40 radio stations around the country. In addition, I write a monthly column for *Red Herring* magazine.

You have asked for a brief biographical summary of my education and career. I am a 1968 graduate of Yale College, and hold a doctor of jurisprudence degree from the Columbia University School of Law, 1972. I have been in financial journalism without interruption for 30 years. I have been a Wall Street correspondent for *Time* magazine, as well as an editor and foreign correspondent for that publication. I have been an assistant managing editor for *Forbes* magazine, and a columnist for *Esquire*, *Playboy* and *New York* magazines, and the *New York Daily News.* I am the author of four books – the most recent of which is entitled *Delete Your Broker.com, Using The Internet To Beat The Pros on Wall Street.* It was published earlier this year by Simon & Schuster, Inc., and deals in part with the subject matter of your important hearing today – the changing role of financial analysts and journalism on Wall Street.

This is a subject about which I have an embarrassingly long perspective. I came to Wall Street as a reporter in the final boom days of the go-go 1960s bull market, and three decades later I am still covering the same basic beat: the ceaseless search for money in the equity markets of America – and now the world.

A lot has changed in that time. When I came to Wall Street as a reporter in 1969, almost no one owned or used a computer. Today, I know of no one who does not have one.

When I came to Wall Street, it typically took days – and sometimes a week or more – to obtain the single most valuable asset an investor can have: up-to-date financial statements from companies with stock in the market. Today, that information is available instantaneously, and for free, to anyone with a computer, a telephone, and a dialup connection to the Internet.

There has also been an enormous explosion in the public's interest in financial information itself. When I began covering the financial markets at the end of the 1960s and the beginning of the 1970s, the *Wall Street Journal* was viewed by members of my profession as, generally speaking, a second-tier publication in the news game. There was no CNBC, or CNNfn, and most importantly, there was no Internet.

Now, *The Wall Street Journal* is regarded as one of the world's great newspapers, and electronic media like CNBC and MSNBC.com on the Internet have global audiences on every continent. Simply by way of illustration, I do a daily webcast at noon, east coast time, that is distributed from my home office in Connecticut by MSNBC.com, to every time zone on earth, simultaneously. And it takes only a minute or two each day before I begin to receive back e-mail responses from my on-going webcast commentary, from listeners in cities around the globe. Every single day, I hear from people in London, Athens, Southeast Asia, Latin America, and Canada – to say nothing of listeners in cities all across America. It is quite a megaphone to speak into, when you're sitting in your den.

But there is one thing about Wall Street that has not changed at all. Fundamentally it remains what it has always been: the place where you go to get The Money. You may hear discussion from time to time about "socially responsible investing," and similar such concepts. But the reality is, people do not go to Wall Street to engage in "socially responsible investing" or anything like that. They go to Wall Street to get The Money – and

the promotion of concepts like "socially responsible investing" is simply another way to get it.

The financial markets of Wall Street are, in my experience, the single most successful effort the United States has ever undertaken in self-regulation at the national level. It has worked as well as it has, I believe, because most people are, by their nature, honest, and because the oversight capacity of the Securities & Exchange Commission – as embraced in the Securities & Exchange Acts of 1933 and 1934 -- is a constant, hovering presence in the background as the self-regulatory activities of the National Association of Securities Dealers and the Exchanges themselves proceed.

But the huge amplification of voices now provided by the digital age is, in my opinion, creating a new and increasingly difficult challenges for the self-regulators and the SEC. One can make a strong and convincing case that the entire tech-sector bubble, which swelled the NASDAQ stock market to three times its size in barely 24 months, then popped in March of 2000 like a champagne bubble in a glass, was caused by Wall Street's amplified megaphones of cable television and, most especially the Internet … megaphones through which the analysts shouted "come and get it" to uninformed investors all over the earth.

That fact has huge and obvious public policy ramifications for the Congress, because the collapse of the NASDAQ market has brought an end to the longest running bull market in the nation's history, and now threatens to tip the economy into a recession that no expert has yet shown a convincing way to avoid.

Trillions of dollars in national treasure have been drained from the economy by the implosion of what Federal Reserve Chairman Greenspan has termed the "wealth effect" created by that bubble, and the Bush Administration and the Federal Reserve are now engaged in an uncertain effort to replace it with a combination of tax rebates and lowered short-term interest rates. Yet if stock prices had not been pumped up to the indefensible heights they eventually reached in the first place, they would not now have fallen as far as they have and we would not now be groping for a way to pump them back up again.

This bubble was financed, largely, by individual investors. And it is the Wall Street analysts and the media voices that helped turn the analysts into pseudo-celebrities who must now bear responsibility for the consequences. In sme cases we have even seen the spectacle of professional investors simultaneously purporting to be analysts, investors, and journalists all at once.

For nearly four years – from the Yahoo IPO in April of 1996, to the deluge of IPOs that spread across Wall Street in the first three months of 2000 – the analyst community on Wall Street, and the media organizations that covered them, engaged in what amounted to a massive, shameless and totally irresponsible free-for-all riot in pursuit of money.

I have included, with this testimony, a collection of stories and columns I wrote during this period that attempted to call the public's attention to the colossal pocket-picking to which it was being subjected. Most particularly, I wrote repeatedly about the outrageous situation in which IPO's would be offered to investment bank clients at a cheap "pre-market" price, even as the bank's analysts engaged in nonstop commentary designed to pump up demand for the stock among individual investors in the after-market. Then, when the stock would come public, the insiders would instantly dump their shares into the waiting and out-stretched arms of individual after-market investors at four and five times their pre-market price. Within hours thereafter, the stock price would collapse. You can call it what you want, but I view schemes like that as nothing more than swindles and fraud.

You may review the trading histories of literally dozens of tech-sector IPOs during this period and find precisely this pattern repeating itself over and over again. To that end, I would thus respectfully call the Committee's attention to the following IPOs, which are simply illustrative of the process I have described:

-- VA Linux Systems, Inc. (insider price: $30; First sale to individuals: $320.)
-- theGlobe.com, Inc. (Insider price $9; first sale to individuals: $97.)
-- WebMethods, Inc. (Insider price $35. First sale to individuals: $336.)

There are many, many more like them. These stocks, and countless more, were pumped to wildly unsupportable prices by impossibly grand claims from analysts regarding their potential as businesses. The fact that these claims echoed through the megaphones of TV and the Internet, to reach individual investors from every corner of the globe simply underscores just how much capital can be raised on Wall Street now that the whole world has access to the same information simultaneously. And this is only the first instance in which this unexpected alliance of analysts and the electronic media has come to bear on the market. Unless efforts are undertaken now to prevent a recurrence, we may look for even more disruptive performances in the future.

To that end, I would respectfully suggest consideration of the following:

■ That so-called Sec. 17B of the Securities & Exchange Act of 1933, which, in layman's terms, requires anyone who is paid by an issuer to circulate, publish or otherwise disseminate stock recommendations, be augmented to require, as a matter of law, that anyone publishing or disseminating such information disclose, on the same document in which the dissemination takes place, any financial interest, either direct or indirect, he or she may hold in the stock in question. It is not enough for self-regulatory bodies such as the Securities Industry Association and individual investment firms, to do this on a "voluntary" basis. In this particular area, volunteerism has shown itself to be inadequate, and the law should be brought to bear. If Sec. 17B of the 1933 Act does not violate anyone's First Amendment rights, then I doubt that the augumentation I have suggested would do so either.

■ Secondly, I believe that Sec. 10B of the 1934 Act, which deals with fraud on the market, should be aggressively enforced by the Securities & Exchange Commission. In the now famous Foster Winans case, a *Wall Street Journal* reporter ran afoul of the Act by using information obtained in the course of his work for that newspaper, to trade in stocks before publication of his stories – in violation of an agreement he signed with his newspaper not to do so. His essential violation thus amounted to promising not to do something, then doing it anyway. That basic principal can, and I think should, be applied to an implied covenant that can be presumed to exist between *all* disseminators of financial information that is offered to the public under color of impartiality. Any conflict of interest can be waived by disclosure, to be sure, but the regulatory authorities, and ultimately the Congress, can set clear, convincing and unambiguous standards as to what sort of disclosure constitutes adequate disclosure. The goal should not be the "minimum" disclosure necessary to give comfort to the disseminator of the information, but the minimum necessary to give comfort to the consumer of the information that he or she is being fully informed as any hidden agendas lurking in a recommendation.

I thank you kindly for our time and patience.