August 2, 1940

Mr. Jerome Frank
c/o Securities & Exchange Commission,
Washington, D. C.

Dear Mr. Frank:

The attached editorial in the "Wall Street Journal" saying that the Exchange is on solid ground in recommending the revision of Section 16-B, prompts me to write you and give you what I and a great many old warriors believe is the soundest reason for eliminating this section

Anybody who will buy stock in a panic or when no one else wants it and will sell stock when everybidy else is clamoring for it should be lauded and held up as a public benefactor, rather than disgraced and crucified. You should encourage executives to step in at the time of a panic and protect the market, for the general good. We used to force the insiders to form a pool in panics, even though they generally lost money, as prices invariably went lower in panics, but you have destroyed the good with the bad. I only wish you fellows had enough experience and understood the psychological effect of the formation of a money pool like that formed in 1929, or to have it gossiped about that insiders are willing to buy the stock.

To a practical man, this rule is just silly. In spite of what the know-it-all boys say, I think you will find that most insiders, generally speaking, lose more than they make in buying and selling their own stock. They don't gamble. They only invest occasionally an infinitesimal amount of the value of their holdings. You really do more harm than good and create more problems than you solve in keeping a rule like this on your books, and in pblishing sales and purchases, as no prudent man wants to explain why he bought and sold stock. You could buy all the stock that terrified stockholders rush to sell in a panic, but if you sell a thousand shares when it is all over and everybody wants to buy, you will get a dozen letters asking why you lost confidence in the company. Please take it for granted – most businessmen are more honest and confidential than you are.

Yours very respectfully,

Arnold Barker