

DRAFT:  
November 5, 1937.

Hon. William O. Douglas, Chairman,  
Securities and Exchange Commission,  
Washington, D. C.

My dear Mr. Chairman:

During the conference held between yourself and Mr. Joseph Kennedy and Messrs. Shields, Jackson, Dominick, Johnson, Simmons and myself, you requested the Exchange to put in writing and send to you its plans for improvement of the administrative organization of the Exchange. At that conference it was pointed out that the Exchange had been working on plans tending toward this end for more than two years.

The studies we have made, the ideas we have canvassed, and the plans presently under consideration and further to be matured, are, of course, available to anyone interested, just as they have already been outlined to you by representatives of the Exchange. But the proposal that they now be written out and sent to you for publication is, in my judgment, inadvisable. The sole reason for this lies in the fact that at the conference it was definitely proposed that such a statement might be used as a shield against possible political attack either upon the Securities and Exchange Commission, or upon the Stock Exchange, or both.

In our judgment, the recent irregularity of the market has not been primarily due either to the Commission or to the Exchange, though we are in doubt as to the effect which certain cumulative restrictions may have had on the liquidity of the market. But it is plain that, in the public interest, the utmost of care and the completest of knowledge be availed of if the evolution of the exchange machinery is to satisfy the plain economic need of the country. A plan hastily

drawn to meet a political exigency, is obviously the worst method of achieving the sound evolution which I am sure you as well as we desire.

You no doubt have in mind that neither I nor any group in the Exchange can undertake to commit its membership in advance of a very full and thorough discussion by that membership. Several alternative points of view have been suggested, calling either for choice or reconciliation. Obviously any statement attaining the dignity of a plan ought to have reached a degree of acceptance entitling both the Commission and the country to assume that it can be put through. At the moment we know of certain things which can be done; of certain things which perhaps should be done, depending on the outcome of sufficient research; certain other proposals which should be studied.

These could of course be stated if desired. But their premature embodiment in terms of concrete measure might very well lead to hasty conclusions in a matter of far-reaching importance. The Exchange has every duty to the Government; and an even higher duty to the public, to make sure that what is done shall forward rather than hinder the public interest and the economic development of the country; and I feel very sure that on reconsideration you will agree with me that despite any political exigency it is better to see that the work is well done.

Very truly yours,