

## Securities & Exchange Commission

The “right man” for the non-Democratic successor to Mathews has to be picked to fit the special problem facing the Commission over the next six months and the effectiveness of the entire personnel of a reorganized Commission to meet that problem.

### The Problem

(1) The Commission faces a special election-time problem for the next six months which will make or break the Commission for the future.

(a) The SEC has been under heavy attack for a year. The attack has made headway. The partisan split within the Commission, the necessities of the Associated Gas fight arising from the split, the inability of the Democratic majority to keep together, and a variety of other causes, have weakened the resistance power of its prestige. The enemy has gained footholds in the shape of legislative proposals encouraged by loose talking of members of the majority without consultation with their fellows.

(b) These weakened under attack occur at a time when greater attack than ever is certain. The needs of the Republican campaign and of Wendell Willkie as the most effective Republican campaigner will make the Commission bear the brunt of the Republican domestic campaign for the next six months on Willkie’s personal “government bureaucracy” issue. The passage of the Logan-Walter bill, even if vetoed, will intensify that issue.

On behalf of Commonwealth & Southern, Willkie has just defied the Commission to enforce the “death sentence” -- the SEC will succeed the TVA as his personal sounding board. There is a Fifth Column inside the Commission to help Willkie on the Utility Act in Judge Healy and certain supposedly Democratic personnel of the Hanes faction, as was proved by the Associated Gas and Electric fight.

(c) Willkie’s campaign will parallel a demand sponsored by the financial press New York that “someone who knows something about business” be put on the Commission. The natural concentration of that demand will be upon the non-Democratic vacancy on the Commission left by Mathews.

### The Solution

(3) The pressures can be met by:

(a) beating our enemies to the vacancy-issue by naming somebody in business (not a lawyer) known to be intellectually honest and intellectually sympathetic with whom even the Willkies or the Wall Street pressure artists can raise no charge of policies of "practical" incompetence and whom we can build up as a utility businessman;

(b) bold and imaginative movement on the utility front by showing the financial and utility community how money can be made by conforming with rather than by bucking the law.

Assuming that Chairman Frank is retiring, the way to work out the situation would seem to be to appoint Sumner Pike of Maine as the Republican new member and Benjamin Cohen of New York as the Democratic member at the same time as

(x) Chairman Frank's resignation is announced, and

(y) other "businessmen" are named to cooperate in "industrial mobilization".

(4) The advantages of appointing Pike. He is a bona fide Republican -- from Republican Maine -- not a Progressive who may be charged at this time of demand for "coalition" government as a political "phoney" even in a place where the law requires a non-Democratic appointment. This is one of the reasons why Richards of California, who has been the financial backer of Olson and all the rest of our Left Wing friends on the Pacific Coast, is strategically not a wise appointment at the present time. (There's a more certain way of "compensating" Olson through preferment of his son who has asked for special assistant work from Department of Justice).

Pike has been in the private utility business -- with Stone & Webster -- in Massachusetts, Georgia and Texas -- and knows everybody in the field. He is not a lawyer -- he is an engineer as well as a banker -- and he provides that "someone we can talk practical problems to" whom the utility people are demanding on the Commission. He would be invaluable as a "promoter" with those utility men who are willing to comply with the Act to help it get into a momentum of operation which would force the recalcitrants to go along. Richards, on the other hand, is a member of the Board of the most powerful public ownership competitors with "private enterprises" in the country. If Richards is appointed a howl can be created that we are only appointing a Left Winger who is not a true "non-Democrat" but also a public ownership man.

Pike's career in Wall Street was with the much respected independent, common-stock-venture, non-Morgan house of Case-Pomeroy & Co. He is a bachelor of 48, with a retired income of \$40,000 a year from investments, of great intellectual curiosity, honesty and desire to "do something worthwhile". He is respected everywhere for a really first class mind. There is no question as to his integrity or the competence of his intelligence to see around the kind of enormous problems the Securities Commission has.

For nearly six months he has been sitting as a member on the Monopoly Committee. He has received a real education in the economic approach of the New Deal; he has already obtained a sense of government rhythms and the government side of problems, and has made personal contacts around town. His appointment would also have a byproduct value as a "business expert" to meet the "industrial mobilization" problem; he is an expert in petroleum problems.

(5) To offset the apprehension in the New Deal that Pike, from Wall Street, is a sell-out or another Johnny Hanes; and to provide the knowledge and imagination to adapt the technique of the Commission to the new demands and new attack being made on it, the ideal man is Benjamin Cohen.

No one has the welfare of the Commission more at heart and for the legislative battle and the legal ingenuity ahead, no one matches his ability. And the staff of the Commission, now mutually suspicious, enormously respects him.

By staying in the background of controversies, he has avoided the acrimonies of those who have had to carry the fight in the front line. He has strong friends in the Senate on all sides; he could be confirmed easily as successor to Frank, and as part of a package including Pike and others from Wall Street.

Nor could any successful press attack be made upon him. He is on excellent personal terms with people like Baruch and the utility people. Willkie has already publicly proclaimed his respect for Cohen's competence and integrity; so has Groesbeck of Bond & Share, and other utility company most under the axe of the Commission. Cohen and Pike get along very well.

Under Cohen's chairmanship, the Commission could be reorganized so that on next January 1st he could step within the Commission to succeed to places on the Commission.