

FEDERAL RESERVE BANK

OF ST. LOUIS

March 26, 1940.

Mr. Wm. McC. Martin, Jr.,
Yale Club,
New York, N. Y.

Dear Bill:

I am sending this letter by air mail hoping that possibly it may be some help to your Buffalo speech.

I am enclosing an interview with Glenn Frank, which seems to give the Republican viewpoint and, as you will note, does not condemn all of the New Deal.

I also enclose a statement from Thomas D. Sherrin and Company of Indianapolis, for it seems to me to have in it a great deal of good sense and is an expression of opinion at any rate in the Middlewest.

I think the report of the Stock Exchange which appeared on the broad tape yesterday certainly shows that your administration is making progress in the way of economy.

As I told you over the telephone last night, in a year of National politics and a time when Exchange politics are at their height you are bound to hear all kinds of rumors, gossip, calumny, uncomplimentary and crazy comments. Pay as little attention to them as you can and try to separate any comment worthy of consideration and, if necessary, answer it. Cursing and the calling of names, in the last analysis, do not amount to anything.

There are always hot heads, and some of them are very sincere, who do a lot of talking and wish to take extreme measures, but men of this type frequently take this out in talking and when time for action comes you will find them very silent and in the rear ranks. They are glad enough to "egg" a man on and then let him bear the brunt of their indiscretion. It seems to me that you are safe in following the general line of your public utterances about the SEC; in other words, it should be administered for the nourishment, protection, and sustenance of not only the public but of business in general, for unless business prospers the public will not prosper. Regulation within bounds is not wholly undesirable, but the temper of those charged with the regulations must be constructive and cooperative or regulations will fail their purpose. A regulation is a general statement of a rule of conduct, but is not control and when it becomes control it ceases to be a regulation and then is management, *Richard L. Davis* instead of being a help to management *It is so that it may* ~~and then is management~~ along what have been determined as safe and dependable lines. It is the duty of the SEC to look on and let the Exchange conduct its business in what it conceives to be for the welfare of the public, not to interfere until such time as it is evident that the Exchange is taking undue advantage of the public. It should be courteous enough to give the Exchange credit for honestly endeavoring to make a public market in which the public is sure of fair treatment in the exercise of its judgment. As you have stated, neither Government nor the Exchange can undertake or, in fact, can accomplish anything to keep a man from suffering from wrong judgment. The minute it holds itself out as doing such a thing it is deceiving the public; in other words, the SEC can be a help so long as it stays on its side of the line. The minute it comes over it is unwarranted interference and is bound to affect business adversely. Again, it is a new law, and, based on experience of other laws, may be needful of considerable

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SHEET NO. 2ADDRESSED TO Wm. McC. Martin, Jr.

amendment before it really is a law that helps. This being true, those who administer the law should move slowly and carefully and be very certain when they take any step which may be detrimental to the purpose for which it was created. If it insists upon haste, your protest should be recorded and they be made to take the responsibility for their actions; in other words, by press reports and innuendo you should not allow the Exchange to be pushed into doing anything about which it is doubtful, so that the SEC can stand off and say "Well, the Exchange did it, we didn't".

I do not believe that the general public, certainly out here, has any idea other than that you have led a protest against the temper of the administration of the SEC in its efforts to do things by indirection. You were given credit for doing this in your radio rejoinder to Mr. Frank. This you followed up by a letter, other public utterances and your Rochester speech. It is entirely possible that the IBA would not have taken as positive a stand had you not led the way. Neither would the Curb Exchange. Without retreating from your position you can emphasize it somewhat and if the IBA and the Curb Exchange wish to be more radical in their attacks you can let them do the fighting along those lines and in the end the Exchange will benefit by the atmosphere created by what others are doing. You have a greater responsibility than Mr. Conley, who is just the head of an organization somewhat like the ABA, or the President of the Curb Exchange, whose organization is a minor one. By your very position you have to be more careful in your speech and after all what you want to do is to give the Exchange and its members the best opportunity for proper treatment and consideration under the law which will enable them to make a living and do their duty to the public; in other words, you and the Exchange want to keep your feet and not be "sucked in" by any political party either national or brokerage. I should think your Board of Governors would see that your position is thoroughly sound.

In your address avoid using anything that could be construed as asking help from Governor, Senators, Representatives, or Legislature, but try to make it plain that if they and the people fully understand the serious situation you feel sure you will be entitled to their sympathy and they will render assistance in saving the situation so that they may save themselves. In speaking of the SEC I would avoid the use of the word "control" ~~but~~ use of the word "cooperate". You do not need their control. You do need their understanding of the situation and friendly assistance.

We have talked this over ^{the phone} pretty thoroughly and I am just putting down on paper some of the things I have been thinking of, hoping that they may be helpful.

You have doubtless already received an invitation from the Arkansas Bankers Convention to address it on either May 16 or May 17. Bailey, the Manager of our Little Rock Branch, was up here yesterday and said that the officers of the Association had asked him to speak to me and urge you to come if possible. This is a meeting of from 200 to 300 of the Arkansas bankers, not a very large meeting because the bankers in Arkansas are not very numerous, but Hot Springs, Arkansas is a very attractive place of meeting. It is possible that you might get some rest there. I would not suggest your coming unless you think you can get some personal rest. Of course, you can visit home on the way and even down at Hot Springs I could get away and I know the ropes well enough so that we could disappear from the crowd and have a good part of the time to ourselves. You evidently wrote a nice letter to Dr. Gaines. He sent me a copy of his reply.

I just notice from the ticker that George Matthews has resigned from the SEC effective April 15, presumably to go with some utility company. I rather suspect the SEC is on the defensive and none of the members of the Commission are happy.

*I am also enclosing two lovingly
clippings from Broad Tape which may
be of interest*