

25 April, 1939

Theodore E. Hammond, Esq.,
William R. Staats Co.,
640 South Spring Street,
Los Angeles, California.

Dear Hammond:

Thank you for your personal letter of April 10th. The attitude of the California investment houses is understandable and is not exceptional. At the start of a number of meetings in other sections, the same attitude has been evidenced by individuals not fully familiar with the work that has been done and the manner in which it has been accomplished over the past four years.

There was evidence also of no little misunderstanding of what can be accomplished in a constructive way through a national association organized under the Maloney Act.

Fear of the larger houses controlling the Association is neither an unreasonable fear nor an unreasoned suspicion. It is always a danger in our business as in others. Such domination is of course something to be particularly guarded against. One real protection is that the larger houses have intelligence enough I think to know that this will work greatly to their own injury in the long run .

The danger of too great influence will always exist in our business, whether or not you have a national association, but I think some of your friends are reasoning the wrong way. The existence of an organization of some 2,000 to 4,000 members, largely composed of small houses, should tend to lessen rather than increase the danger.

Is it not true that in all lines of democratic endeavor if you keep the windows open to fresh air and the doors open to expel self-seekers, you are reasonably safe? In the long run such open-air factors are a very real and genuine protection.

Even if this were not true, what now is the choice offered to the business and which should we elect:-- Self-regulation with checks and balances to protect us against the domination of groups; or the almost limitless authority which now exists in the S.E.C., possessing almost dictatorial powers, governing our business as a whole and in individual cases -- a Commission remote geographically and at times sympathetically from the industry and subject to

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frequent changes in membership.

Self-regulation even under supervision means that if your house makes an honest error and it is not a criminal offense, you will have the matter taken up with you privately and in a reasonable way by men experienced in your business and in the customs of your locality. Against this you must elect a system under which you may be first investigated by Washington agents not so familiar with your business and eventually perhaps followed by an indictment, "shot at you" from a far-distant Washington. And remember, no matter how innocent you may be, an acquittal never catches up in the public mind with an indictment.

We had a meeting of the South Eastern Group in Baltimore recently. There were some 90 investment bankers present. The same inquiries that bothered your California members were bothering a number of those present, but after we had gone over in detail the history of the past, the menace as well as the promise of the future, at the end of a session of some 2½ hours, the vote was cordially unanimous not only in favor of registering, but registering under the plan as proposed by the I.B.C.

Sincerely yours,

B. Howell Griswold, Jr.

copy to Mr. Fulton