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Dear Tom:-

Please note two items in the enclosed: (1) The slip at Bill Conroy from Matthews, (2) The other is the alleged Conroy axes between Leon, Matthews and Healy. There is much reason to believe that the story came via Milt. K. (h2)

James

P.S. Wolff says Herring is OK
J.

NEXT CHAIRMAN OF SEC LIKELY TO BE LESS IN PUBLIC EYE THAN PREDECESSORS; PRIMARY TASK WILL BE SMOOTHING INTERNAL PROBLEMS. -- Bernard Kilgore.

Washington -- Present indications are that a primary task of the next chairman of the Securities and Exchange Commission will be to put new emphasis on the institutional aspects of that agency's work. In so doing, he will become, in all probability, a less important public figure than any of his three predecessors. At the same time, his contribution to the historical record of the SEC should not be any less significant.

The law does not provide for any chairmanship in the commission and that office is actually an informal affair created by the SEC in the exercise of the usual organizational powers that such bodies ordinarily possess. The chairman of the SEC is only a member who has been selected by the other members to act as a leader and spokesman -- he is "first among equals."

Circumstances, however, have contrived to make the chairmanship of the commission something more than that up to date. In the first place, President Roosevelt always has taken a hand in the election of an SEC head and his suggestions always have been followed. Being a New Deal creation, the SEC has maintained close contact with the White House.

Use of Extra-Legal Authority.

In the second place, each one of the three chairmen to date has used vigorously the extra-legal authority which his position of leadership and White House connection seemed to confer upon him. The first chairman, Joseph P. Kennedy, now Ambassador to Great Britain, naturally had much prominence and personal influence as the chief organizer of the SEC. His successor, James M. Landis, played a major role in developing the commission's system of administrative law -- a most important phase of SEC development and one that has since stood it in good stead. He also found it necessary to exercise a restraining influence on the commission and the commission's more aggressive staff members from time to time.

The third chairman, William O. Douglas, continued in the role of a vigorous chairman and under his regime there unfortunately developed within the SEC some sharp differences

of opinion as to the necessity of continuing personal leadership to such a high degree. Mr. Douglas disagreed with some Landis policies and was energetic in reversing them, and he further believed that the SEC needed to extend its authority in order to completely perform its role as the investor's advocate.

While it would not be exactly fair to say that all three chairmen of the SEC rode rough shod over minority opinions within the commission, it is true that efforts have been made to keep disagreements from breaking into print except on unusual occasions. One member of the SEC recently revealed that a statement released a few weeks ago criticizing the suggestions of the so-called Hancock committee of Stock Exchange representatives was not made public by Chairman Douglas in the same form in which it had been approved by the commission as a whole.

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Leon Henderson, whose appointment to the SEC is now awaiting Senate confirmation, is understood to have been assured by high Administration officials that he is eventually to become chairman of the commission. There is a strong possibility, however, that Commissioner Jerome Frank will be named to that post if an election is held in the near future and will remain chairman until July 1 -- or thereafter if he decides to remain in the government service past that date. Mr. Henderson has told his friends he is in accord with this plan and since Commissioner Eicher will follow instructions, President has it within his power to bring about the election of Mr. Frank as chairman.

Commissioner Mathews has stated he will not vote for Mr. Frank and Commissioner Healy's attitude remains in doubt. Mr. Mathews and Mr. Healy are the Republican members of the SEC.

Close observers of the commission believe that neither Mr. Frank nor Mr. Henderson in the chairman's seat would undertake to make the commission a "one man show" and they doubt, furthermore, whether such a policy could be made effective if it were tried.

Assuming that Mr. Frank becomes chairman, he probably will have the unquestioned support of Commissioner Eicher in matters of major policy -- but Commissioners Mathews, Healy and Henderson will exercise considerable, but not necessarily unfriendly, independence. Mr. Henderson is a thoroughgoing New Dealer, a close friend of Mr. Frank and completely unfamiliar with details of the SEC's work, but he still has an unbreakable habit of speaking his mind when he thinks the situation calls for it.

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The probability is that the new chairman, whoever he may be, will quietly turn his attention to the internal problems of building up a smoothly functioning organization through team-work.

--Wall Street Journal
April 27, 1939