

142 East 19th Street,
New York City, N.Y.
January 26, 1937.

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

My dear Bill:

There seems to be at least a sporting chance that you may succeed Landis which I sincerely hope to be the case, and if I thought I could add anything to the discussion, I should be only too glad to do so. Do you know of anything that ought to be done?

At some stage of the game I hope you will find it possible to spend a little time in New York and get acquainted with the Stock Exchange crowd. I am anxious for it because of an incident which I tell you confidentially. One of the governing committee suggested that the Stock Exchange hire one of the well-known lobbyists in Washington who is credited with having kept Cities Service out of trouble. The President, Gay, promptly objected; so did I and a large majority turned the thing down flat. But the type of argument in favor of it was not altogether easy to answer. It was pointed out quite plainly that this was a political administration; that the administration itself sanctioned the man they were thinking of hiring; and that if that was the game, one might as well accept it. Being on the other side of the lot, I did not admit the force that I knew the argument actually had.

My point is that you have here a group of men whose ideas do not go along with the administration and who on the whole have played it straight. Since apparently the campaign against them seems to be keeping up, they are gradually being forced to the conclusion that the proper way of handling an administration of this kind is to buy some political influence.

I have never had great difficulty with men who disapproved fully with my ideas so long as they were quite honest about it and my estimate about it is that this crowd would like to reach a peaceable basis if they could. Anyhow they are worth looking at. Having been many times a dissenter on the Stock List Committee, I have considerable respect for their views.

In the largest sphere, they have a feeling they are now being held responsible for the whole corporate system and would welcome something along a federal incorporation law to take them out from under. This happens to be my view likewise because I am very clear that the Stock Exchange can never get very far ahead from the prevailing level of corporation law.

We voted yesterday to list stocks of a couple of companies which had used the shot-gun provisions of the New Jersey and Delaware laws to violate quite frankly the rights of their

preferred stockholders. Nobody in the Stock Listing Committee liked it; but as there was no protesting minority and as refusal would have put the silent dissenters in a worse position rather than a better, we were in the position of accepting and, I suppose, impliedly approving a situation none of us either approved of or liked. This is going to get worse rather than better since the Supreme Court has upheld the constitutionality of the New York Mortgage Commission Act by which silence means consent in reorganizations; the next move will be to permit a stockholder's silence to be construed as assent; and one more step in the long road in making corporations' managements absolute in property matters will be taken.

Anyhow the best of luck to you.

Faithfully yours,

Adolph Berle