

Richard Nixon Presidential Library
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Folder List

<u>Box Number</u>	<u>Folder Number</u>	<u>Document Date</u>	<u>Document Type</u>	<u>Document Description</u>
17	12	n.d.	Report	The Role of the Securities Industry in the American Economy with cover sheet. 4 pgs. Duplicate not scanned.
17	12	n.d.	Report	Suggested Recommended Position on Securities Industry's Role in American Economic Life. 2 pgs.
17	12	n.d.	Report	The Role of the Securities Industry in the American Economy with writing. 3 pgs.
17	12	n.d.	Memo	Memo for Colson- Key Issues Committee. Notes. 3 pgs.
17	12	n.d.	Memo	Memo for Colson- Key Issues Committee. Draft Statement on the Role of the Securities Industry in the National Economy. 5 pgs.
17	12	n.d.	Report	Draft statement on the Role of the Securities Industry in the National Economy. 4 pgs. 13 duplicates not scanned.

<u>Box Number</u>	<u>Folder Number</u>	<u>Document Date</u>	<u>Document Type</u>	<u>Document Description</u>
17	12	09/17/1968	Memo	Memo from Chuck Colson to Allen Greenspan. 1 pg.

1. Issues: Regulation of Securities and Financial Industries.
2. Interested Groups: Investment Bankers, NASD, American Bankers, Mutual Fund Industry.
3. Platform Position: "The dynamism of our economy is produced by millions of individuals who have the incentive to participate in decision-making that advances themselves and society as a whole. Government can reinforce these incentives, but its over-involvement in individual decisions distorts the system and intrudes inefficiency and waste."
4. Comment: The financial and securities industries are deeply troubled by what they consider the Administration's failure to recognize their vital contribution to a healthy economy. As reflected in the attached paper, they believe that less attention should be focused in pushing them around and more stress should be given to freeing them to meet the needs of an expanding economy which requires dynamic adjustment unhindered by laborious regulatory processes.

The platform, and Republican tradition, recognize the need for minimum regulation and maximum decision making freedom. The industry has invested large sums in institutional advertising to further its image and has provided many services for larger numbers of voters.

Since the demands of the attached paper are mild, and the countervailing interests limited, a statement should not be too difficult to draft.

THE ROLE OF THE SECURITIES INDUSTRY
IN THE AMERICAN ECONOMY

The American economic system is a truly remarkable machine. During our generation it has demonstrated that when properly managed it can fight wars, battle poverty, better life for its growing numbers of citizens.

Its greatness is exemplified no where more than in the dramatic growth in share ownership and the boom in activity on the nation's stock exchanges. One out of every 8 Americans--124 million people-- own shares of common stock or mutual funds. Actually one hundred million Americans benefit from stock investments via their pension plan and insurance policies.

This broad base of public ownership of American Industry lies at the very heart of the American free economy. Millions of people are truly participants in the rewards of our free enterprise system and the investment by millions of individuals of modest means provides the flow of equity capital, so essential to the growth of the American economy.

Government should encourage this investment, this free flow of equity capital, this participation in American Economic democracy. The Democratic administration has all too often shown little, if any, appreciation for the vital role played by our financial institutions and for the need to maintain viable and innovative

institutions. When sophisticated and important economic issues have arisen, this administration has reacted with the same tired old solutions of the Democratic Party--that is, more heavy handed Bureaucratic regulation.

The Administration, frequently under the guise of "consumer protection" has sought to achieve more and more governmental control over the everyday operation of our financial institutions. Acting without the benefit of any economic study or analysis, the Justice Department and the SEC have attempted to revise drastically the stock exchange rate structure and to alter the basic character of the securities markets. The Administration has sought wide-sweeping new regulatory powers over the Mutual Fund Industry, which powers would be tantamount to "rate-fixing" in a highly competitive industry. Agencies of this administration have sought, sometimes with, but more often without legislative authority, to control the competitive relationship and every day business of banks, savings institutions, insurance companies and institutional investors. The actions of the administration have been characterized by a legalistic and bureaucratic approach, rather than one sensitive to the needs of our free economic system.

The new administration will conduct, therefore, an independent and comprehensive economic study of the role of our financial institutions before steps are taken which might seriously affect our ability to continue to raise the capital needed for future economic growth.

Suggested Recommended Position on Securities
Industry's Role in American Economic Life

The American economic system is a truly remarkable machine. During our generation it has demonstrated that when properly managed it can fight wars, battle poverty, rebuild its cities and still provide food, shelter and a better life for its growing numbers of citizens. Its greatness is exemplified no where more than in the dramatic growth in share ownership and the boom in activity on the nation's stock exchanges. Owners of common stock and mutual fund shares today total \$24 million - one out of every 8 Americans. Actually 100 million Americans benefit from stock investments via their pension plan and insurance policies.

The American financial system has reached a size and stage in its evolution that is unique. Savings and investments have become a mass market, and it is vital that this be so. We truly have a people's capitalism. The savings to fuel continued growth of a trillion dollar economy can only come from the broadest possible base. The challenge will be to design regulatory controls to fit the new conditions without destroying the vitality and consumer services of our financial institutions.

We are convinced that the party now in power and its agencies give too little weight to the need for vital and innovative financial institutions. They fail to see the critical need for real savings if investment is to grow. They fail to see that only by encouraging savings and investment by growing numbers of Americans can we produce enough investment dollars to create the jobs that will be needed for the use of Americans tomorrow. They fail to see how vital the role of savings institutions, brokerage offices and mutual funds are to the future growth of the American economic system. Specifically, the Securities and Exchange Commission and the Justice Department have embarked on a program which bodes ill for the financial systems that has produced such great economic gains for Americans. These agencies have approached the problems of our financial institutions strictly from a legalistic point of view without adequate economic study of the impact of their recommendation on our ability to raise capital for vital growth.

We would propose, therefore, an independent and comprehensive economic study of the role of our financial institutions before steps are taken which might seriously affect our ability to continue to raise the capital needed for future economic growth.

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Government should encourage this investment, this free flow of equity capital, this participation in American Economic democracy. The Democratic administration has all too often shown little, if any, appreciation for the vital role played by our financial institutions and for the need to maintain viable and innovative institutions. When sophisticated and important economic issues have arisen, this administration has reacted with the same tired old solutions of the Democratic Party, ^{- that is,} more heavy handed Bureaucratic regulation. [?] This ~~the~~ administration, frequently under the guise of "consumer protection" has sought to achieve more and more governmental control over the everyday operation of our financial institutions. Acting without

the benefit of any economic study or analysis, the Justice Department and the SEC have attempted to revise drastically the stock exchange rate structure and to alter the basic character of the securities markets. The Administration ^{has sought} ~~seeks~~ wide-sweeping new regulatory powers over the Mutual Fund Industry, which powers would be tantamount to "rate-fixing" in a highly competitive industry. Agencies of this administration have sought, sometimes with, ^{but} more often without legislative ^{authority} ~~activity~~, to control the competitive relationship and every day business ^d banks, savings institutions, insurance companies and ~~large~~ institutional investors. The actions of the administration have been characterized by a legalistic and bureaucratic approach, rather than one sensitive to the needs of our free economic system.

The New Administration ^{is} will conduct

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United States Senate

MEMORANDUM

Colson

Key Issues

Committee

Page 1 (2)

3 Look out for this. So-called "regulatory schemes" were recommended by the Wharton report. May have to use some regulation, so best suggestion might be to aim toward "self regulation" ideas that would encompass comparable penalty for failure or breakdown in such regulation.

*Page 1
4 (2) - entirely*

There can be no "independent" study as long as somebody has to pay for it. Wharton study was paid for by SEC. Whether that had anything to do with Wharton recommendations being favorable, for most part, to SEC thinking or whether it is pure coincidence is anybody's guess.

Sparkman's S.J. Res. 160, calling for a study of the total activities of institutional investment will be done by SEC-directed employees operating under an appropriation in the SEC Act of \$875,000. This could hardly be called an independent study which is deadlined for next September.

This is the type of private activity, having great effect on the total economy, which requires expert knowledge of the industry and which currently is in deep controversy.

I would, at least, strike the word "independent". It might even be a "dependable" study.

Paragraph (3) 5

No study of the nature mentioned in this statement should be made without recommendations from such ~~the~~ agencies ~~as~~ as the Justice Department.

Since it is a foregone conclusion Justice would be involved ~~in~~
this reference could be eliminated.

Paragraph (4) 7

It would seem to me the "Republican nominee could find some other label for legislation than "Truth" in anything. "Truth-in-lending"; "Truth-in-packaging", et cetera have all been misnomers.

I don't see why we couldn't use "assuring the exact quality of securities" has been the order of the ~~the~~ day....."

Finally, I would move cautiously for the time being on this subject due to what might become a real clambake in the securities field over the recent exposure on "tip sales".

SEC's "domination" over the industry may not be blamed for this one.

United States Senate

MEMORANDUM

Return to Colson,
Key Issues
Committee.

TC

To be cleared -

Severin Tower

Tentative approval -

awaiting GREENSPAN COMMENTS

DRAFT STATEMENT ON THE ROLE OF THE
SECURITIES INDUSTRY IN THE NATIONAL ECONOMY

Today, one out of every eight Americans own shares of mutual funds or common stocks in American industry. Directly, and indirectly, one hundred million Americans benefit from stock investments by way of pension plans or insurance policies. Nowhere is the greatness of the American economic system more dramatically exemplified than in the tremendous increase in the number of individual shareholders. This broad base of public ownership of American industry is the foundation of our free economic system.

The fantastic growth of our securities industry and ever-increasing public participation has created new problems such as the overburdened condition of our Nation's stock exchanges. The enormous increase in institutional investment has raised new public policy questions, the impact of institutional investing on the market and on our economy, and the effectiveness of existing law in providing full and adequate protection for the investor.

The reaction of this administration to these issues, however, has been simply to trot out the same tired old "cure=alls" of the democratic party, that is more heavy-handed bureaucratic regulatory schemes.

1 What is needed - and it will be a first priority of my administration - is an independent, comprehensive, economic study of the role of our financial institutions in our economy, the relationship of our financial institutions to our nation's growth, requirements for investor protection and the inter-relationship of all financial institutions, banks, savings institutions, insurance companies, mutual funds and pension plans. Such a study is imperative before steps are taken which might seriously affect the nation's ability to continue to raise the capital needed for its future economic growth. 2

5 During the past Congress, a joint resolution was adopted authorizing a study which would involve some of these issues. Even before the study initiated, however, the Justice Department and the SEC advanced proposals designed to revise the basic character of the securities market, involving drastic changes in the stock exchange rate structure and altering the economic relationships of brokerage firms, institutional investors and individual investors. The administration further sought wide sweeping new regulatory powers over the mutual fund industry, which powers would be tantamount to "rate fixing" in a highly competitive industry. Agencies of the administration have sought, sometimes with, but more often without legislative 3

authority, to establish bureaucratic domination over the competitive relationship and everyday activities of banks, savings institutions, insurance companies and institutional investors.

In short, in areas affecting the viability of our financial institutions, the actions of this administration have been characterized by a legalistic and bureaucratic approach rather than one sensitive to the needs of our free economic system.

Another priority of my administration, and an important plank in the Republican Platform, is a thorough and long overdue study of the Executive Department by an independent commission patterned after the Hoover Commission. One of the major items on the agenda of that commission must be a determination of the proper role which those agencies now regulating our economic institutions are to play in insuring our nation's economic stability and growth.

Our securities laws were designed to protect the investor by insisting upon full and complete disclosure. "Truth in securities" has been the order of the day since the Securities Act of the 30's was written. I believe in the full enforcement of the securities law to assure absolute protection for the investor; abuses of these laws should be vigorously prosecuted. I believe furthermore that the Federal Government should be continually sensitive to the needs for improvement in these laws to assure investor protection. The philosophy of this administration

however, has been that disclosure alone is not enough and that somehow the government can make decisions for the investor better than he can make them for himself. This philosophy I reject. By its actions, my administration will evidence its faith in the American investor and in the strength and viability of American financial institutions so essential to the success of our free economic democracy.

57 C

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September 17, 1968

TO: Allen Greenspan 7587202

Morse and Tower felt the previous draft I sent you did not sufficiently emphasize investor protection. This has been redone and will be resubmitted. I would like your opinion, thoughts or comments. Will discuss with you in the a.m.

Chuck Colson