

DONALDSON, LUFKIN & JENRETTE, INC.

February 17, 1967

Mr. Charles D. Ravenel
Special Assistant to the Under Secretary
Office of the Secretary of the Treasury
Washington, D.C. 20220

Dear Charlie:

I thought it might be helpful if I put down on paper a few thoughts prompted by the very interesting meeting held at the White House last Friday evening.

As was discussed, although the Administration appears to have fairly constant formal and informal communication with members of the financial community concerned with debt securities, there appears to be little dialogue with those whose decisions impact on the equity markets. I feel strongly that the establishment of channels for such an exchange could be extremely beneficial to all concerned.

The advantages to the financial community are numerous and need not be detailed here. From the Administration's viewpoint, it would afford an opportunity to explain and interpret current economic policies before a group that not only influences securities markets, but also has major impact on a broad cross section of the nation's business managers. Regular discussion with Administration policy makers could go a long way in dispelling misinterpretation of policies (such as existed during the "near money panic" this past fall) and could perhaps introduce positive contribution and suggestion from the conceptual viewpoint of an equity oriented participant.

As you well know, there have been major shifts in the forces influencing equity markets in recent years -- institutionalization of funds with resulting concentration of decision making and market influencing power; greater performance orientation with attendant shorter reaction times, etc. It would seem that a more complete understanding and awareness of these phenomena on the part of Administration policy makers could result from broadened communication opportunities.

I feel very strongly that the implementation of such a program should be carefully conceived in several areas.

1. Much of the impact of the closer contact sought would be diminished, I feel, if the program were limited to one government agency or participation delegated to below the policy-making level.

2. Representation from the financial community should be based on the quality and caliber of the individuals selected to participate and not on having representation by certain groups or the titular leaders of these groups.

3. The real benefits of this exchange, if the people are selected carefully, will come from the informal relationships developed on a personal basis. This argues for an unstructured, informal meeting format. A few regularly scheduled meetings may be needed to get the ball rolling, but once underway, I suspect meeting just for meeting's sake can be eliminated.

The informal communication channel will then be open, meetings can be convened only around a specific need, and the burden on already overcommitted Administration officials thereby reduced.

Thanks again, Charlie, for a most informative meeting. Since I have already written Messrs. Okun, Wallace, and Jones a brief note of thanks, I will send them a copy of this letter as you requested.

Best regards,

William H. Donaldson

WHD:rp