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OF THE
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE
WASHINGTON, D.C. 20515

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Editor
Business Week Magazine
McGraw-Hill Building
1221 Avenue of the Americas
New York, New York 10020

To the Editor:

As Chairman of the Subcommittee with legislative and oversight responsibilities for the Securities and Exchange Commission, I was perplexed by the editorial, "The Mouse at the SEC," which appeared in Business Week's January 21, 1980, issue. Your thesis seems to be that, when measured against the scope of the investigation which preceded it, the charges in the SEC's civil complaint against a major multi-national corporation are too trivial to be worth pursuing. Moreover, you seem to feel that because the litigation is likely to prove time consuming and expensive, the Commission should drop it. This is certainly a curious view of the manner in which federal law should be enforced. If, as your editorial proposes, the Commission were to treat violations of the disclosure requirements of the federal securities laws as merely "technical" where the concealed conduct proves to be profitable to shareholders, the statutory scheme of securities regulation would become a mockery.

The real issue here is a broader one. Investigating the accounting and recording practices of one of the world's largest multi-national corporations is a mammoth undertaking. Agencies such as the SEC, with annual budgets which are only a tiny fraction of those of major corporations, have strong incentives to ignore undertakings of this magnitude in favor of simpler investigations involving less wealthy and less influential companies. For that reason, many feel that large corporations, with their complex and far-flung operations, enjoy a measure of de facto immunity from law enforcement. Adoption of the approach which Business Week's editorial suggests would lend considerable credence to this view.

Neither Business Week nor I is in a position to assess the merits of the allegations in the SEC's complaint. If the charges are groundless, the judicial system will presumably bring that fact to light. We should all agree, however, that dishonest and incomplete financial disclosure is destructive of confidence in the integrity of the private enterprise system. It is, I believe, fully appropriate and in the public interest that the Commission will not tolerate such conduct, regardless of whether the defendant is large or small.

Sincerely,

James H. Scheuer
Chairman