

SEC Historical Society Founders Oral History

David Ruder – interviewed by Daniel Goelzer

November 28, 2018

Dan Goelzer: Good afternoon. This is an interview with David Ruder for the SEC Historical Society's Museum and Virtual Archive of the history of the US securities markets and their regulation. My name is Dan Goelzer. I'm the current Chair of the Board of Trustees of the Society. Today is November 28th, 2018, and we are in New York City. We're in the offices of Baker McKenzie, the law firm where, by coincidence, David and I were both partners and colleagues for a number of years.

Dan Goelzer: For listeners who may not be aware of it, David is a professor of law emeritus at the Northwestern University School of Law. More importantly, for present purposes, he was the Chair of the Securities and Exchange Commission from 1987 to 1989.

Dan Goelzer: David has an oral history in the museum already regarding his tenure as SEC Chair. That was taken in May of 2015. If I were to recount all of the interesting aspects of David's biography, it would take up the rest of this interview, so I won't do that. Just a couple of things that I regard as high points.

Dan Goelzer: First, we are both graduates of the University of Wisconsin School of Law, so I certainly regard that as a high point of your bio. David was the Dean of the Northwestern Law School for a number of years. He has been involved in countless programs and educational initiatives regarding the securities laws and directors' education, including the Garrett Institute, the Securities Regulation Institute in San Diego, and the Mutual Fund Directors Forum.

David Ruder: Also, the Corporate Counsel Institute.

Dan Goelzer: Yes, the Corporate Counsel Institute. David also, among other things, has been on the boards of both foundations that oversee accounting standard-setters-- the International Accounting Standards Board and the US Financial Accounting Standards Board.

Dan Goelzer: What we're here to talk about today, is an event that was set in motion about nine years after you left the SEC. That, of course, is the formation of the SEC Historical Society.

Dan Goelzer: As you know, David, we're working on an exhibit for the virtual museum about the founders of the Society, and the process and events that led up to the creation of the Society and its early years. In addition to you, there are two

other primary founders, Paul Gonson and Harvey Pitt. We'll also be doing oral history interviews with them.

Dan Goelzer: Today, we'd like to get your recollections of how the Society came to be, and what your involvement was in those events.

David Ruder: If I may interrupt you and say, Dan, what a pleasure it is for you to be my interviewer. For those who do not know this, Dan was General Counsel of the Securities and Exchange Commission when I was Chairman. He was one of my most trusted advisors. I relied on him for most of my major decisions at the SEC.

Dan Goelzer: Well, thank you. We have had some interesting experiences in common, both at the SEC and here at Baker McKenzie. I hope we can do another interview on those one day.

Dan Goelzer: Why don't we begin at the beginning. How did you first become aware of the idea of creating an SEC Historical Society? How did that idea come about?

David Ruder: Well, Arthur Levitt was then Chairman of the Securities and Exchange Commission. He periodically had dinners for the ex-chairmen. After one of those dinners, as we were walking out, he handed me a piece of paper and said that a staff memo had been presented to him suggesting the organization of a historical society for the SEC, patterned after the Supreme Court Historical Society. I looked at the memo with some interest, and then discovered that a group of SEC staff members, including Paul Gonson, had met to suggest the creation of the Society. They had said it should be the task of a former SEC Chairman to establish the Society, and they recommended me.

David Ruder: I was flattered and happy that they had recommended me. I took the paper, and a couple of days later wrote Arthur to accept his challenge to organize the Society.

Dan Goelzer: So, they'd already identified you as a good person to be the moving force behind the Society's creation?

David Ruder: They had.

Dan Goelzer: Can you say a little bit more about the idea at that point? What were the mission and goals of the Society?

David Ruder: The idea was to establish a residuary place for SEC papers including those of the Chairmen and other individuals. There were four goals: historical, educational, scholarly, and cultural. The idea was to establish an institution that could do this. I added another goal when I replied to Arthur. I told him I thought there should be a museum for SEC papers to be housed.

Dan Goelzer: As an aside, we may refer to several documents here during our conversation. We will try to get those into the Virtual Museum so that listeners to this video can refer back to them if they're interested.

Dan Goelzer: You've described the vision. Why was this something that you were willing to devote time to, or were interested in devoting time to?

David Ruder: Once you're at the SEC, you become a fan of the organization, and very loyal to it. One of the attributes of people at the Commission seems to be their dedication and loyalty to the Commission. I used to joke that the only reason I accepted the Chairmanship of the SEC was so I could be an SEC employee.

David Ruder: In any event, I had this dedication and as a law professor I'm really a legal historian. I thought, "It's going be wonderful to have a history of the SEC established in a single place."

Dan Goelzer: I note that you gave a speech called, "The Plan for the SEC Historical Society," or something along those lines, to the American Bar Association's Committee on Federal Regulation of Securities in 2000. One of the things you talked about was the importance of history, and that history can both inspire us and teach us by showing us challenges that others have faced and overcome in the past. You talked specifically about various market crashes over the history of the United States -- some before the SEC was created -- how the government responded, and whether those responses worked or didn't work.

Dan Goelzer: I saw that as perhaps part of the reason why you thought it was an important project.

David Ruder: Well, if you look at my SEC experiences, I happened to be Chairman during the 1987 market crash. The market declined 23%, the largest percentage decline in the history of the United States. I had a particular interest in what happened during the market crash, and the recovery after the market crash.

Dan Goelzer: So, Arthur Levitt invited you to help form an SEC Historical Society, and you accepted the invitation. What happened next? What did you do next?

David Ruder: Just to put this in chronological form, this was the fall of 1998. Within a few months, I had organized a group of people to talk about the proposed Historical Society and the possibility of establishing a museum. That group included former SEC senior staff members who had been at the Commission for a long time, including Paul Gonson, Harvey Pitt, Linda Fienberg, who was my Chief of Staff, and Stan Sporkin, the renowned former director of the Enforcement Division. Former Commissioner Al Sommer was also there. I think there were probably 20 people at that meeting.

Dan Goelzer: There were 18. I counted for you.

David Ruder: Oh, you counted. All right.

David Ruder: So, we sat and talked about whether it should be organized, and if so, how.

Dan Goelzer: Who were some of the key individuals who played a major role initially?

David Ruder: Paul Gonson wrote notes of the meeting, stating who was there and what was expected from the Society. As a result, he became crucial to the starting of the Society. Then, Harvey Pitt, who had been General Counsel of the Commission, expressed strong interest in forming the Society. He, Paul and I were really the people who founded the organization. Harvey was particularly important because he provided office space and legal services at Fried Frank in Washington, DC. It was particularly important that we had a location for the Society in its organizational phase.

David Ruder: Northwestern University was very helpful. It provided me with administrative support for the Society.

Dan Goelzer: What were the initial questions that you had to answer? What were the initial steps that had to be taken in order to get going?

David Ruder: As business and securities lawyers, we began immediately to worry about money. We established a 501(c)(3) corporation that could receive charitable gifts, and we began to consider where the money might come from. We thought we could raise money through former SEC staff members who were well-connected in the financial community. We also thought about getting money from law firms and the accounting profession. At one point, we obtained contributions from the Securities Law Section of the Federal Bar Association in Washington DC, and the Association of SEC Alumni, called ASECA. Each gave us \$25,000. Those funds were very important to us in starting the Society.

Dan Goelzer: I would note that the Executive Council of the Securities Law Section of the Federal Bar Association has been a consistent supporter of the Society over the years. At this point, they've probably given the Society something close to half a million dollars.

David Ruder: Have they? I didn't know that.

David Ruder: ASECA has also continued to be supportive as I understand.

Dan Goelzer: Yes, I think that's right.

David Ruder: One of the interesting questions was whether we would be creating an organization that would compete with ASECA. We worked through that in a very careful way.

Dan Goelzer: Yes, I think there have been discussions over the years about whether the two organizations ought to merge, but they have somewhat separate purposes.

David Ruder: Yes, separate purposes, and they're both flourishing I'm glad to say.

Dan Goelzer: Since you mentioned finances, was it ever envisioned that the SEC itself would provide any financial support?

David Ruder: No. The SEC was basically hands-off in terms of financing for the Society. The Commission provided moral support and some advice from time to time, but never provided anything by way of financial support.

David Ruder: We at one point talked about the fact that the SEC had boxes and boxes of materials which had no place to go -- they had no home -- and one of the reasons that a physical museum seemed right to me, was that we could put those boxes there, and people could access them later.

Dan Goelzer: You, Paul and Harvey were the initial Trustees and a 501(c)(3) organization was created, but pretty quickly there was a decision to create a larger Board of Trustees. Could you talk about how that decision was made, and what kind of people you looked for?

David Ruder: We only had three Trustees initially. I was Chairman of the Board, Harvey was the President, and Paul Gonson was Secretary Treasurer. We constituted ourselves as the Executive Committee of the three-man Board of Trustees. We then undertook to invite other people to be on the Board of Trustees with us. We organized, as of August of 2000, a new Board of Trustees. This was a year and a half after the Historical Society was started. We organized it with committees: Budget and Finance, Development, Membership, Program, Acquisitions, Publications, and Audit.

David Ruder: The idea was that we would have a chairman of each of those committees who would be a Trustee. The three officers, the seven committee chairmen, and two at-large Trustee became the new Executive Committee. Together with the other Trustees, we had a total of about 20 Trustees.

David Ruder: We were, by then, a growing organization. What we did was to capture the enthusiasm of the former staff people who had been at the Commission and were then out in practice.

Dan Goelzer: Do you have any recollection of how you hit on a number in the mid-20s for the number of Trustees? I noticed that, in the notes from one of the meetings, somebody referred to the fact that the Supreme Court Historical Society had 67 Trustees. You obviously decided on a smaller number.

David Ruder: Yes, we wanted a group that would be cohesive enough to meet and have good conversations. Interestingly enough, five or six years later, after the Board of

Trustees had expanded somewhat, the number was reduced. You may have more knowledge of that than I do. When I recently looked through my files, I saw that the board had been reduced below the 25 or 20 number.

Dan Goelzer: The idea originally must have been that the committees would be working committees because initially there was no staff for the Society. Whatever was done, had to be done by the committees.

David Ruder: We finally hired an Executive Director for the Historical Society. She was able to function as the coordinator between all of the volunteers. The Society was and has been, a volunteer organization.

David Ruder: I'm thrilled that it's prospered as much as it has.

Dan Goelzer: You mentioned that the SEC didn't provide any financial support. It probably wouldn't be appropriate for it to do so, given that it exists on appropriated government funds. Can you expand a bit more on the relationship with the SEC in those early days?

David Ruder: Arthur Levitt was the SEC Chairman when we started the organization, and he continued to be supportive. We had an inaugural session on May 11, 2000 in DC at which Arthur spoke in support of the Society. We naturally spread the news of that inaugural meeting as widely as we could. I remember that it was a very impressive group of people that came together. It was an indication of how supportive the SEC was at the time.

David Ruder: Then, of course, when Harvey became Chairman of the SEC, he was naturally very supportive of the Society. The SEC support, I think, has continued since then.

Dan Goelzer: That brings us to early 2001, and what I would consider to be a watershed event for the Society -- something of an existential crisis, if not a near-death experience -- the Major Issues Conference. Can you describe how the idea came about and what the Major Issues Conference was intended to be?

David Ruder: You are pushing my hot button here a little bit.

Dan Goelzer: Well, good.

David Ruder: As a securities law scholar and participant in securities matters, I had participated in two or three conferences about the SEC. They were called Major Issues Conferences. John Shad held one, as did some other Chairmen as well. They concentrated on the direction of the SEC looking forward. I was aware of these conferences as events of major consequence.

David Ruder: I can't be sure, but I may have come up with the idea of having a Historical Society Major Issues Conference. The conference would showcase the

existence of the Society and would establish a point in time at which we were a real player. If you look at the conference materials carefully, it says, "In cooperation with the United States Securities and Exchange Commission." At the bottom, it says, "With the support of Northwestern University School of Law." Northwestern became the conference administrator.

David Ruder: When you have a conference of this kind, you have mailing expenses, program publication costs, meal costs, and hotel accommodations for your speakers. It's not inexpensive to hold a conference.

Dan Goelzer: And you envisioned it as a fundraiser?

David Ruder: No, not as a fundraiser. It was to be a break-even event, but a public event for us. In fact, when I look back at this conference, I'm amazed at how far afield we were able to go to get speakers for this conference. Many former SEC staff gave papers. For instance, Linda Quinn spoke. She was one of the most well-known Directors of the Division of Corporation Finance. The leaders of the Financial Accounting Standards Board and the International Accounting Standards Board spoke. We had officials from international regulatory bodies in Great Britain, Canada, Brazil, the European Commission, France, China, and Germany come for this conference to talk about international matters. We also had Senator Paul Sarbanes.

Dan Goelzer: He was the chair of the Banking Committee, I believe, at that point.

David Ruder: Yes, we had a magnificent group of people there.

Dan Goelzer: I remember the excitement and anticipation around the conference.

David Ruder: You have to remember one other thing in my background. I was a supervisor for the Securities Law and Corporate Counsel Law programs at Northwestern. I thought of conferences as natural, and Northwestern was equipped to do administer them.

Dan Goelzer: So, there was a lot of excitement, some very high-level speakers, and a program scheduled for November of 2001. But then something happened -- the 9/11 attack.

David Ruder: Right.

Dan Goelzer: The attack was about six weeks before the conference was to take place, and that may have had some effect on it. In any event, it didn't, at least at a registration level, seem to be going the way that was anticipated. What happened?

David Ruder: Well, I don't really know. The Northwestern publicity efforts probably weren't as good as they should have been. We normally would have mailed or contacted

all the members of the Federal Securities Regulation Committee of the ABA, and others. At a very crucial time early on we had only eight registrations. We could tell that the conference was not going to be a financial success. The Trustees met and decided we should either cancel the conference or postpone it until the following spring.

David Ruder: I was not much in favor of cancellation or postponement, but I didn't know what to do. The costs for the conference were fixed costs. We had already incurred the mailing costs, the publication costs, the guarantees for the hotel and whatnot, and these were sunk costs that we were going to incur.

David Ruder: When I look back at the program that we were going to present, instead of offering a program on disclosure, or investment management, or markets, or enforcement, we were covering the whole panoply of securities regulation. After the fact I concluded that the audience we were contacting was not interested in a broad-based conference.

David Ruder I called Harvey, who was then SEC Chairman, to talk about what might happen. He was adamant that we should not cancel it. He urged that conference be held in any event. Topics were timely. Significant speakers had been invited. Papers had been prepared. Canceling the conference would cause embarrassment for both the Commission and the Society. I took that message back to the Trustees. My notes indicate that I said to the Trustees, "You should assume that the conference will take place. We're going ahead."

Dan Goelzer: So there actually was a reversal, maybe with some arm twisting. The Trustees had voted not to hold the conference, you spoke to Harvey, Harvey was adamant about it going forward, and the decision, whether they voted to change again or not, was ultimately to go forward.

David Ruder: My notes don't show there was a formal vote, but the notes said, "Professor Ruder spoke to a number of Trustees, and there was general agreement."

Dan Goelzer: Okay.

David Ruder: So, I did cover my bases. We went ahead with the conference.

Dan Goelzer: I think I was one of those Trustees at that point. I'm afraid that's all vanished from my memory.

Dan Goelzer: Did the conference go ahead with eight people in the audience?

David Ruder: No. The registration fee had been in the \$1,000 range per person, maybe \$1,200. We reduced the fee to around \$300. We also gave the SEC a group rate for as many SEC people as wanted to come. Harvey suggested to the staff that they might want to attend.

David Ruder: I think our attendance was around 300. About 200 were SEC staff. We had a good program, and the papers were wonderful. I thought it was a substantive success. However, it didn't turn out to be a financial success.

Dan Goelzer: Just before we get too far away from it, do you think that the 9/11 attack was much of a factor in attendance, or was it more the other things that you described?

David Ruder: I don't know. I didn't put the two together when I was there. Of course, Harvey was involved in the aftermath of 9/11 because the SEC office in New York was demolished. I presume that the financial community was in disarray and not so anxious to embrace a conference, but I don't know about the law firms.

Dan Goelzer: Reagan airport was closed for 23 days and commercial flights were limited for a longer time.

David Ruder: Was it?

Dan Goelzer: It would have been open on a limited basis, I think, beyond November.

David Ruder: I don't know. The conference was finally held on November 14th and 15th, 2001. As I said, I don't remember thinking that 9/11 was the cause of the original lack of interest, but it very well probably was.

Dan Goelzer: So the conference was substantively a success, but financially not so much.

David Ruder: Northwestern was advancing all the expenses and receiving the revenues. When it was all tallied up, the losses were \$107,000. I remember reporting to the Trustees that if the Society had to pay \$107,000, its activities would have to stop until the following spring. That scenario was potentially a disaster for the Society.

David Ruder: To my great glee, the Dean at Northwestern decided that Northwestern would absorb half of the loss, \$50,000 at least, and did so. That was enough to allow the Society to continue. We had a meeting of the Trustees when I announced that Northwestern was going to finance part of the loss. I said that "Each trustee would be asked to contribute \$1000 to absorb the loss" and that, "In a fascinating way, the financial difficulties stemming from the conference offer a test as to whether the objectives of the Society are sound enough to gather support for the present and the future."

David Ruder: I like to think I was the cheerleader. Our survival was wonderful. It made my faith in the vigor and loyalty of the former SEC staff greatly increase.

Dan Goelzer: I guess it's proof of the old saying, "What doesn't kill you makes you stronger."

David Ruder: That's probably right. When you say watershed, there were two problems. One was that if we had canceled the program, the Society would have suffered a real black eye. Harvey saved us from that, I think. The second was that we were facing a major financial problem.

Dan Goelzer: Really, as you've described it, Northwestern, in effect, saved the Society, or at least saved it from dormancy.

David Ruder: Well, it saved us from a lot of things.

Dan Goelzer: Can you give any more background around why Northwestern would do that?

David Ruder: David Van Zandt was the Dean, and Pete Wentz was our Administrative Dean. They were very supportive of the Northwestern continuing legal education mission. You may think of Northwestern as a rich law school, but back then, \$50,000 was a lot of money for the school. Not only did Northwestern absorb about \$50,000 in losses, but it agreed to delay payment by the Society of its share of its losses. In the financial agreement with Northwestern in the winter of 2001-2002, the Society agreed to pay Northwestern \$25,000 at the signing of the agreement and delay payment of \$25,000 until the spring. It was a formal agreement and very important because it relieved the Society of much of the financial burden resulting from the conference.

Dan Goelzer: In the wake of the Major Issues Conference, something else important happened. That is when the idea of a Virtual Museum was born, replacing the original idea of a bricks and mortar museum. What led to that?

David Ruder: Well, Steve Hammerman was at the original organizational meeting for the Society. Steve was the former head of the New York regional office. When I talked to him about the museum, he was quite negative about it. I asked him what we could do. He said, "We could have a Virtual Museum." I thought we might have both.

David Ruder: I pursued the physical museum for a while, but by the early part of 2002, it was decided by the Trustees that we would abandon the physical site and have only a Virtual Museum, which, in retrospect, was brilliant. The Society was ahead of its time. The physical museum would have been very expensive, very difficult to maintain, and old-fashioned. I was happy to see that in one of the annual reports, the executive director of the Society lists how the Society has progressed year by year, and I was impressed by a tabulation of the number of hits to the Society's website. I think the number was at four million hits.

Dan Goelzer: It's certainly in the millions.

David Ruder: It is amazing there is so much popularity for the website. I don't think that's per year, I think that's probably total. Still, it's a big thing.

Dan Goelzer: I think we're at the point now where there are a million hits a year, or at least in that neighborhood.

David Ruder: Is that right? Well, as the current Chairman you should know.

Dan Goelzer: On the point of the Virtual Museum, one of the things that runs through the early descriptions of the objectives of the Society, and as some of your comments suggested, is that the Society could be a document repository, for example, for the papers of former Chairmen. The papers might be taken in bulk, someone could catalog them, and then they would be made available in a physical museum. That could still be done in an electronic format, but really hasn't been. Do you think that's something that the Society should still be exploring?

David Ruder: Personally, I would say yes. At one point, I had our librarian at Northwestern do research about which Chairman of the SEC had deposited their papers somewhere to be looked at, and I was surprised at how few had done that. John Shad had given his papers to Harvard, but very few chairmen have found a home for their papers.

Dan Goelzer: He also gave a substantial amount of money to Harvard.

David Ruder: He did, right.

David Ruder: I'm speaking very personally, but you know, the Chairman of the SEC is unique in the sense that he or she is the administrative head of an agency that has multiple purposes. It protects investors, it pursues market efficiency, and it promotes capital formation. It has the Division of Investment Management that supervises mutual funds and investment advisors. It has Corporation Finance that regulates disclosure, takeovers, and M and A. It has Enforcement, and it has Market Regulation that regulates stock exchanges and stock brokers.

David Ruder: The Chairman has to know about the policies involved in all of these areas. Placing all of the events during a Chairman's tenure together in a chronological time period is valuable from a research point of view.

David Ruder: I think that it would be useful for the Historical Society to gather not just documents in a chronological form, but documents which showed the experience of a particular Chairman. That's my commercial for today.

Dan Goelzer: The birth of the Virtual Museum brings us to the end of the beginning of the Society, as it moves into adulthood. Let me ask you, as we're coming up to the Society's 20th anniversary, are there things we haven't covered? Are there other things about the establishment of the Society that you think are important for listeners to know?

David Ruder: It is important that the enthusiasm that Harvey Pitt, Paul Gonson, and I had for the Museum has continued. When Ted Levine, a former senior SEC staff member, became President and Chairman of the Board in 2003 - 2005, it was clear that the support of former staff members is crucial to the success of the Historical Society. I think the Society has prospered in many ways since then. The ability to obtain financing from institutions has increased. You know more about the current financing than I do, but I know that New York Stock Exchange has given money, some other financial institutions and some law firms have also done so, and accounting firms have given money for projects.

David Ruder: We now are in a position where the progress also includes the enthusiasm and hard work by former staff members, but also financial support by institutions. I'm very enthusiastic about the Society, particularly because you are now the Chairman and Jane Cobb is our new Executive Director. She's doing a wonderful job in the transition to new leadership.

David Ruder: Actually, when I read back over the minutes, you were there right from the start, Dan, and here you are again. So, best wishes to you.

Dan Goelzer: Well, thank you. One of the things that I enjoyed about preparing for this interview was reading that 2000 speech of yours over again. I do think that the idea of the challenges of history, both inspiring us and teaching us how to deal with challenges that rise today, is a good way of encapsulating what we're trying to do with the Society.

David Ruder: Well, I hope we have many more years of success with the Society.

Dan Goelzer: Thank you for sharing your memories and thoughts about how the Society was created, and thank you for your role in creating it.

David Ruder: Thank you for the interview. I enjoyed it.