

Saturday 5/7/77

Dear Stanley:

Lying here in bed and catching up with the news leads me to write to you. I have been too close to the line too many times to make me realize that temporizing or compromising is not a game for which I have too much time.

I have watched your career with interest, then with admiration, then with a mixture of equal parts of awe, pride, envy and satisfaction.

The Commission has had its heroes before – some for scholarship – some for regulatory success – some for interpretive insights – some for great administrative ability – and some for the sheer ability to convert a reasonable record into a great opportunity to serve others – as teachers, practitioners, judges, and just plain good citizens. And I keep wondering where you should be going and where you will be going. I will return to this in a few minutes.

The luster you have returned to the Commission has already obscured the few scandalist events in its history. But a serious problem or two remain.

There are those who are using the deregulation theme which seems to be on everyone's hit parade to cut back on the nature, the quantity and the quality of information to be provided investors. Here, perhaps, you and I differ while the individual investor – and not necessarily the poorest – continues to be the object of the con man and always will, the individual investor is – and perhaps should be – on the way out. His savings are in life insurance – another racket – in funds – a dying medium – in trusts of various lands but principally in various types of pension and other employee benefit plans. The managers of these plans – and much is needed to improve their caliber – are the investors who need protection. That protection is not provided by streamlining the information they get. The information ought to be made sophisticated and more searching. But this is on the way.

The real problem and the one that gives me great concern is what is happening to the shape of the markets. It is here that the greatest damage can be done. The creation of a framework with governmental blessing will provide for the greatest and most legitimate forms of investor rip off. And I am afraid that the staff in charge of this area of the Commission's work does not have the leadership, the courage, the competence or the guts.

Fraud, overreaching, abuse will always be with us unfortunately, and they can be dealt with in due course. But if we allow a bad system to develop and be legitimized as we did in the past, it will be difficult even to persuade people that it is wrong and even more difficult to change it.

I will do my bit as best as I can as has been, but you can do more and more directly.

Having written all above, I do not want to leave an impression of great calamity. The SEC is doing well, it will do better and I hope the problems I foresee are only the ramblings of a man with a bellyache.

So much for the SEC.

All of your friends – or nearly all – believe that the country would be served, the FBI would be served, and Stanley Sporkin would be served by taking over the FBI. I have no doubt about any of these

and in fact am trying to help the effort. My concern is of little doubt whether this is really what is best for Stanley Sporkin.

It is great to reform an important investigatory area in the pursuit of the truth and of justice. And my little cloud of doubt will disappear once I know that in the pursuit unworthy byways will not be a required activity or that necessary inquiries are not completed and not consummated for whatever unworthy or questionable reason. I know that you could not and would not stomach such, but I am concerned what effect it will have. I think I would rather see you in charge of the criminal division or the civil division or even the anti-trust division by way of a stepping stone to being the Deputy A.G. and moving up to the Court of Appeals.

All of this is by way of saying that you are a rare star in an otherwise cloudy firmament. And that star must continue to shine. I would miss you at the SEC and the opportunity to attempt to persuade you thus far with minor success – that names, places and amounts may on occasion be significant but that the main thing is to expose a practice, a pattern, a course of business which is antithetical to everyone's sense of propriety and sense of fairness.

I have not read the foregoing because I would correct it, prune it, and otherwise change it. Besides the doctor will let me out in a few days so I can talk to you about it. I come from a long line of people who, with reason, distrust City Hall. If you can break the mold, how wonderful it would be.

The thing that has given me great pleasure is to bring to a meeting with you an inside General Counsel or CEO who has heard that you are a devil or madman and then hear him report to his board that you are hardly an unreasonable person.

A dutch uncle,

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