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SEC. & EXCH. COMM.

October 27, 1981

The Honorable E. J. Garn
United States Senate
5205 Dirksen Senate Office Building
Washington, D. C. 20510

Dear Jake:

This may be the most unusual letter you've ever received.

As you well know, I am a conservative Republican who favors substantially reducing government expenditures and phasing out much government regulation over business. As you also know, I am a senior partner of a leading Wall Street firm which is regulated by the Securities and Exchange Commission, an agency which I have often criticized sharply for its policies and practices.

Yet now I am writing to you to appeal that you not press the SEC to reduce its budgeted expenditures for fiscal 1982. I am sure you will feel that coming from me this is a very strange request!

But here are my reasons: If our economy is to survive and prosper, our nation's people must be more willing to save and invest. They must be confident that what they are investing in are sound and solid investments. A strong, active SEC is an essential ingredient in this process. Our capital markets, the best in the world, depend on this public confidence. If it is lost and the public is unwilling to save and invest, interest rates will stay high and stock prices low.

I think the SEC makes a strong case that a 12% budget cut will result in a substantial reduction in its ability to effectively monitor the markets and enforce the laws. If it is not able to continue to review corporate disclosure, to inspect broker-dealers and other market professionals, and to investigate suspected violators of the securities laws, then surely the capital formation process in this country will suffer.

With kind regards.

Sincerely,

JGW:las

bcc: ✓ John Schad
Barbara THOMAS