

MEMO TO H. L. FROY

Abraham, Co

FROM J. BLEIBTREU

September 22, 1958

After the end of World War I, the United States changed its pre-war condition of a debtor nation into that of a creditor nation. Circumstances favored this inasmuch as we have become wealthier vis a vis an impoverished Europe. We were able to finance practically the entire world to our and their benefit.

This process has been intensified right along and we have not only financed governments, municipalities and other official agencies, but private business on a very extensive scale. That this was of tremendous value to our economy and to our world influence is beyond question.

According to the New York Times of September 21st, our total foreign investments amounted to almost \$37. billion on December 31, 1957. During 1957, this investment had increased by \$4. billion. In the first half of this year, American investments abroad increased by \$1,700. billion. The earnings on U.S. investments abroad reached \$3,700. billion in 1957, and showed an increase of \$300. million over 1956.

In other words, this is big business. The U.S. Government in 1952 established a Mutual Security Agency whose main purpose is to assist American investments abroad by insuring them in various ways against existing risks, such as expropriation, etc.

Now the SEC attempts in one stroke to create an atmosphere of ill-will by making foreigners who invest in this country, suspect of being communist agents, manipulators, or worse, by trying to put their business into the strait jacket of complicated and costly reports. I should think that any restrictions which we might put into effect to limit foreign investments in America could very reasonably be expected to create counter-measures, particularly in proud nations such as Canada, England, Switzerland, France, Holland, etc., today our best customers both for lending and the security business.

In my opinion, what the SEC is proposing will nullify to a very large ex-

tent all the good that has been created over a period of forty years. It will also tend to wipe out, in my opinion, all the wonderful work that the New York Stock Exchange, the American Stock Exchange, individual banking houses, the NASD, and the Government itself have done to stimulate foreign business and to make us a truly international power in finance.

We have today some of the most important foreign companies listed on the New York Stock Exchange, such as Royal Dutch, Shell Trading & Transport, Canadian Pacific, International Nickel, Montecatini, and K.L.M. The activities on the American Stock Exchange today are, to a very large extent, centered in foreign securities, both European, South American and Canadian. The same holds good for the Over-the-Counter market, and I am sure negotiations are pending at this very moment towards the introduction of further foreign securities here.

When this matter was first brought up several months ago, this firm had very many anxious inquiries from abroad, where people, who are substantial owners of our securities, asked what was meant by these proposed restrictions. We told them that we believed that the main purpose was a question of regulating proxy contests, and nothing else, which satisfied our inquirers. To proceed with the program that the SEC seems to be sponsoring would be to burn down the house to kill the rats. We all know there have been certain abuses - I mention Penn-Texas - and perhaps some others - but measured by the total American interest abroad, these were mere flea bites.

I am sure that there are ways and means to control undesirable elements by other methods than by destroying all the financial goodwill which we have abroad and which is of the greatest importance to the progress of this country and also to the development of the whole world. We must not overlook the importance of foreign capital to us for development of new ventures and for investment. With all the handicaps of a soft currency, Great Britain has remained the second most important factor in international business largely because they have honored the age old principle of confidential relations.

In addition to all the foregoing, we must not forget that a very substantial amount of business on the New York Stock Exchange and other markets is being done here by foreign interests. Our member firms have many branch offices and other firms have correspondents. They all have established connections over the years which are of the greatest benefit and it goes without saying that any police action, such as is proposed by the SEC were put into effect, it would not only invite retaliation, but it would also frighten a great many foreign interests away from our markets and be exceedingly harmful to our entire economy.

Incidentally, the work and cost connected with the proposed regulations would be enormous and I wonder how far our regulatory bodies should go in forcing business men to assume a terrific work load for doubtful purposes.

J.B.