



SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20548

January 7, 1976

The Honorable Alan Greenspan
Chairman
Council of Economic Advisers
Room 314
Old Executive Office Building
Washington; D.C. 20506

Dear Alan:

The Commission is planning to meet on Friday, January 9, 1976, with a small group of economists, to discuss how we might improve our efforts to gather empirical evidence to measure the effectiveness of our regulatory policies and programs. Among those attending will be Ficher Black (Massachusetts Institute of Technology), James H. Lorie, (University of Chicago), George J. Stigler (University of Chicago), and Richard Posner (University of Chicago Law School). I am enclosing a copy of the agenda we propose to follow.

We would like you to join us for lunch with our guests at 12:30 p.m., at the Capitol Hill Club. Please advise my secretary (at 755-1100) if you can join us.

Sincerely yours,

A handwritten signature in black ink, appearing to read "R. Hills".

Roderick M. Hills
Chairman

Enclosure

Photocopy from Gerald R. Ford Library

Proposed Agenda

Meeting to Review Economic Analysis at the SEC

January 9, 1976

- 8:00 Breakfast -- SEC -- Room 876
- 8:30 - 9:30 General discussion of how economic theory and analysis can assist the Securities and Exchange Commission to identify and achieve its regulatory objective to facilitate the raising and allocation of capital by maintaining fair and orderly markets:
1. regulating market practices;
 2. assuring full and timely disclosure from issuers, significant investors and other market participants;
 3. setting standard for broker-dealers;
 4. regulating certain types of investment intermediaries; and
 5. prevention of fraud.
- Question:
- What type of data or evidence should be gathered to judge the potential effectiveness and measure the impact of regulatory policies?
- 9:30 - 10:00 Description of the Commission's current economic capability.
- 10:00 - 12:00 Working groups to consider how the Commission might develop empirical evidence to:
1. assess the effectiveness of its present disclosure system, e.g., does it provide adequately for investors while placing the least burden on issuers and others;

2. measure the efficiency of the securities markets, including:
 - the effect of relaxing off-board trading rules,
 - the benefits of the auction market (as compared with the dealer market), and
 - the significance of cross-subsidization;
3. assess the potential effects of full-scale entry of commercial banks into the securities business, including:
 - the risk of increased conflicts of interest, and
 - the benefits which might accrue to smaller investors;
4. identify the significance of the changes in the relative importance of individual and institutional investors; and
5. assess the impact of changes in compensation in the securities industry, including the effect on incentives to salesmen.

12:30 - 2:00

Lunch -- Capitol Hill Club

2:30 - 3:30

General review of the conclusions of the morning work groups as to potential improvements in the Commission economic effort.

3:30 - 4:30

Planning for future meetings.