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United States Senate

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
WASHINGTON, D.C. 20510

September 12, 1978

The President
The White House
Washington, D.C.

Dear Mr. President:

On August 9, 1976 in a speech before the Public Citizens Forum in Washington, D.C., you outlined your philosophy on appointments to the regulatory agencies. In that speech you said:

"...almost by default, there becomes evolved a 'sweet-heart arrangement' between the regulatory agencies and those in the industry being regulated. Many Presidents have perpetuated that deterioration by appointments to regulatory agencies -- there has been a kind of "revolving door" between the industry being regulated and the regulatory agency itself. I would like to stop this if I am elected President."

I am in wholehearted agreement with your pledge to stop "revolving door" appointments to the regulatory agencies and I believe you have kept that pledge. For the most part, your appointments to the regulatory agencies have been first rate in terms of competence, integrity and independence from those who are regulated.

Unfortunately, some elements of the regulated industries would like to return to the old "revolving door" method of regulation. I am particularly concerned that a small but powerful group of securities industry executives has launched a concerted campaign to persuade you not to re-appoint John Evans to the Securities and Exchange Commission and to replace him instead with their handpicked candidate.

You may recall that on February 8, I and Senator Brooke, the ranking Republican on the Senate Banking Committee, wrote to you recommending that Commissioner Evans be re-appointed for another

five-year term upon the expiration of his present term on June 5. In that letter we referred to his unquestioned integrity and independence and his excellent record while on the Commission.

Despite Commissioner Evans' superior credentials, the securities industry has scurried to find a more pliable replacement. According to articles in the securities trade press the principal sins of Commissioner Evans are that he has taken the securities laws too seriously and has failed to represent the interests of the industry. In other words, he has done his job.

For example, a story in the June 12 Weekly Bond Buyer observes that "Opposition to Commissioner Evans appears to center on both the fact that he is an economist, not a former member of the industry he is helping to regulate, and a strong feeling by many members of the industry that he is not working in their best interest."

The same article goes on to quote an anonymous industry source as saying: "There appears to be a general ill feeling toward him, not necessarily because he favors Federally mandated municipal disclosure or because he was a major force behind the creation of the Municipal Securities Rulemaking Board, but because he is just not looking after the interests of the brokers....Commissioner Evans is a very knowledgeable man, but my objection is that he just does not see it our way....Many in the securities industry would like the SEC to act as the Federal Reserve or the Comptroller of the Currency has in protecting the banking industry."


This article is the best argument yet for stopping the "revolving door" appointments to the regulatory agencies. Speaking to the trade press, the anonymous industry spokesman candidly acknowledged the widespread industry viewpoint that the main job of a regulator should be to protect not the public but the industry.

The same industry executives who have conducted the anti-Evans campaign have also claimed they have inside and advance information as to your intentions on the SEC vacancy. For example, an industry newsletter called the "Wall Street Letter" states in its August 7 edition that: "While the official line from the White House last week was that SEC Commissioner John Evans still is under consideration for re-appointment, usually knowledgeable securities industry leaders

were saying last week that the White House had made a decision not to re-appoint Evans. The industry officials also said that the most likely replacement for Evans, at this point in time, appears to be Arthur Allen, former investment counsellor from New Jersey. But they added that an announcement from the White House is three to four weeks away." Allen is the handpicked candidate of the same group of securities executives who are campaigning against Evans. These kind of anonymous leaks are characteristic of the blatant and vicious campaign to pressure you into replacing Evans with an industry man.

Given the bold attempt by certain elements of the securities industry to control the SEC, I believe the issue of the Evans re-appointment has far transcended its importance to Mr. Evans personally and to the SEC as well. The controversy over the Evans re-appointment threatens to become a symbol of your Administration's approach to regulatory issues. If a hard working, dedicated, conscientious and able Commissioner such as John Evans cannot be re-appointed to the SEC because certain securities executives feel he does not advocate the views of their industry, the precedent established can have a chilling effect on all of your regulatory appointments. This is not to say that there are no other candidates who could be equally dedicated and conscientious in upholding our securities laws. However, the securities industry has chosen to politicize the issue by making a test case out of the Evans re-appointment. Therefore, I believe you must carefully consider the potential adverse political and psychological implications of not re-appointing Evans. In my opinion, a failure to re-appoint Evans could be taken as a clear and unmistakable signal that you want other members of the independent regulatory commissions to be less vigorous in protecting consumers. I know that is not your policy. Accordingly, I hope that you will recommend Commissioner Evans for another five-year term on the SEC.

Sincerely,



William Proxmire
Chairman