

THE VICE PRESIDENT  
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EXCERPTS FROM REMARKS BY  
VICE PRESIDENT GEORGE BUSH  
AT THE SECURITIES AND EXCHANGE COMMISSION'S  
1984 MAJOR ISSUES CONFERENCE DINNER  
WASHINGTON HILTON HOTEL  
WASHINGTON, D.C.  
THURSDAY, JUNE 28, 1984, 8:25 p.m.

I accept this award tonight on behalf of all the members and staff of two superb working groups -- the Regulatory Relief Task Force and the Task Group on Regulation of Financial Institutions. And I receive it with deep appreciation.

Over the last three years, John and the Commission he leads have compiled an impressive record of achievements. Perhaps the most significant is the integration of disclosure requirements under the 1933 and 1934 Acts. These new rules are expected to save the shareholders of issuing firms \$350 million per year, without any compromise of full disclosure for investors.

Another important step, the decision to extend the exemption for limited or private offerings, should save \$50 million per year.

The commission has also tackled a number of nuts-and-bolts issues that will produce \$1 billion in freed-up capital for their industry, and over \$350 million in annual savings.

If you combine the Commission's reforms, the regulatory relief given to small businesses, and the recent reductions in the almost confiscatory capital gains tax, the result has been a geometric increase in the amount of venture capital available to produce the jobs of tomorrow and keep America's technological leadership. This surge of venture capital -- a 100-fold increase from \$40 million in 1977 to \$4 billion in 1983 -- is the envy of Western Europe and Japan and helps explain the strength of our economic recovery.

At the same time the SEC has strengthened investor protection, achieving all-time highs in several areas of enforcement with a 3 percent reduction in staff.

Opponents of regulatory relief often charge that we are trying to dismantle programs vital to a sound economy and to the protection of the public. These charges may make good media copy, but they don't square with reality.

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Needless to say, the financial services industry will always require regulation because it involves stewardship over other people's money. Some things like human nature stay the same and I'm sure there are as many people out there today as there ever were who want to make money the old-fashioned way -- by stealing it.

But the need for regulation should not keep us from trying new techniques to increase efficiency and reduce interference with the free market as much as possible.

Well, because of John Shad, the SEC has been ready and responsive to any proposal to make our securities markets safe, fair, and efficient.

Of course, John was not alone in trying to improve our financial regulation. But I expect everyone involved -- John's wonderful fellow Commissioners, the fine staff at the SEC, members of Congress on both sides of the aisle and their staffs -- would agree that John Shad provided the leadership and the grit to get the job done. I hope you will join me in applauding him for his exceptional efforts.

One further thing that John did was to ask for a comprehensive study.

He asked for a study of the regulation of financial services. President Reagan immediately responded to his idea, and I accepted the President's request to chair the Task Group to accomplish it.

The efficiency, fairness, and stability of our financial system is a matter of the highest national interest, because it is the central nervous system of the economy. And its vitality has a direct impact on the cost of American products here and abroad.

Our financial system consists of over 50,000 firms. They manage more than \$4 trillion in private assets.

The only thing more complex than our financial markets is our financial regulatory system. We have literally hundreds of agencies at the state and local level, together with seven primary federal regulatory agencies.

Our system of regulation has grown piece by piece since President Lincoln first created the office of Comptroller of the Currency in 1862, and it has never been comprehensively overhauled. As a result we have five agencies for antitrust issues involving financial firms, five agencies for securities matters, and so on.

This fragmentation can actually compromise safety and soundness by creating a situation where the responsible agencies may

react to a problem like two overly polite outfielders expecting each other to catch a fly ball.

And it can create artificial advantages and disadvantages for competitors engaged in the same activity, but subject to different requirements.

The Task Group's final report will be issued this summer ,and legislation incorporating its 50 recommendations will be introduced in the next Congress. I am confident that our proposals will be reviewed favorably and will justify strong support from all of you.

The overall objective of the proposals is to strengthen the regulatory system by simplifying it and improving accountability.

Let me mention several key proposals:

-- The number of bank regulators will be reduced from three to two. Most banking organizations will be regulated by only one agency.

-- The government's financial insurance agency, the FDIC, will join in the examination of all troubled banks, thereby beefing up its ability to serve as a hard-headed source of financial discipline.

-- Antitrust, securities, deposit insurance, and thrift regulation will each be handled on a functional basis, usually by a single agency.

-- The Federal Reserve's authority to establish the permitted activities for bank holding companies will be transferred to a new banking agency in the Executive Branch.

-- And finally, the Federal Reserve will continue to supervise the nation's largest bank holding companies -- perhaps 50 or so -- recognizing the problem of overseeing those banks centrally engaged in international transactions.

These proposals are conservative in the best sense. They make no changes when change is not absolutely necessary. They retain important checks and balances. The solutions have been devised to solve real problems and not to over-reach them.

They will not make the competitive environment any easier for financial firms. But they will strengthen our ability to achieve a sound, fair, and efficient financial system.

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You and your predecessors in the financial community have developed mechanisms of finance which make economic opportunity available on a breadth that is the wonder of the world. Our flexible, inventive, often chaotic, infinitely diverse system of supplying equity and credit enables every American, no matter what background or vocation, to play a part in building a better future.

This is the genius of our system.

Before I conclude this evening, let me say there is something ugly in present-day American politics that the President and I discussed this morning.

During this Presidential campaign, one of Jesse Jackson's staunch supporters, Louis Farrakhan, has done as much to advance anti-Semitism as any American in memory. Recent statements by Farrakhan have no place in the United States or the world.

That a man who has been an advocate of civil rights and human rights can continue to defend and accept the support of a Farrakhan, a man figuratively draped in the Nazi swastika, is an incredible episode in modern American politics. If Jesse Jackson won't tell Louis Farrakhan, the President of the United States and I will: There is no room in the United States for venomous hate, racism and anti-Semitism.

Thank you very much.

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