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Mickey -  
Another note re:  
an important item. I  
again urge your  
attention to this. PEs

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Nov. 25, 1987

Honorable Edward Markey, Chairman  
Subcommittee on Telecommunications and Finance  
U.S. House of Representatives  
Washington, D.C.

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Dear Sir:

Reference my letter to you of November 9, 1987

I note with interest that SEC Chairman David S. Ruder joins other voices in expressing concern about "new trading products such as stock index options and futures" in contributing to current market volatility. (See attached article from The Daily Oklahoman newspaper for Nov. 24, 1987.)

I urge you to review my previous letter in which I suggest that trading in all options, including stock index options and futures, not only contributes to market volatility but--and much more importantly--this trading robs regular capital markets of \$2 trillion annually.

Don't you agree, Sir, that this translates to a catastrophic cost in loss of productivity, jobs, and incomes? Plus exacerbating the problem of budget and trade deficits?

Based on experience from my career in financial services, including ten years as President of a securities firm, I respect the SEC--but I also know that it functions with preponderant reliance on the industry it regulates. Thus, even though Mr. Ruder pursues his investigation, he may not be fully advised by brokers who invented option/index trading in recent years to lure back customers driven from the regular market by its 45% drop in the early '70s.

There is an axiom in financial markets that "you don't throw light on magic."

I commend your courage in forcing this matter to light. I am convinced that banning all option/index gambling would not only restore some sanity to regular market movements but it would also release \$2 trillion annually to worthwhile capital formation.

I would appreciate being included in reports on the continuing work of your subcommittee.

Sincerely yours,  
Phil E. Gafford  
Phil E. Gafford

cc: Rep. Mickey Edwards  
Sen. David Boren  
Edward L. Gaylord