

REMARKS OF
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At a famous southern resort, after a certain hour, signs are placed in conspicuous places which say -- "Shhh -- it's sleepy time down South." That's the tone of my talk today. I am lowering my voice -- in the hope that I can bring the problems of your industry into proper perspective.

The newspapers and television are filled with stories of violence, protests and crises.

Our youth is disenchanted with our way of life --
Labor is unhappy with management --
Local governments are demanding more from the
Federal Government.

Everywhere we turn we see that our established institutions are under attack. The tensions which exist in our nation caused one prominent minister to say that the patron Saint of the United States at this time could be St. Vitus.

I think he's got something there. I believe, too, that many of the expressions of unhappiness are justifiable.

But this doesn't offer any solutions. To criticize and to despair is of absolutely no assistance in solving the problems that cause tensions.

As far as your industry is concerned, there is a need to return to tested ways, to certain fundamentals which have proved useful over the years in coping with the crises which characterize the history of commercial activity. This may not sound very practical to you, but therein lies the basic solution to your problems.

I am aware of these problems and I want to do something about them. But you must understand that my ability to help solve these problems is limited by the Acts which I administer. I and my fellow Commissioners have only an oversight responsibility with regard to your industry. It is the responsibility of the securities industry to first attempt to solve its own problems. Ours -- is the responsibility to assist you -- and, ultimately, to approve or disapprove of some of your decisions.

Thus, the first fundamental I want to remind you of is the principle of self-reliance. You are responsible for yourselves. As helpful as a government agency can be -- it cannot -- and should not in my opinion -- assume the major responsibility for the operation of an industry.

Of course, no industry can hope to accomplish everything demanded by each of its members. Therefore, your expectations of what can be accomplished for you personally must be tempered by the realization that progress usually can be achieved only by fair compromise of diverse interests.

A second point to remember: by solving your own problems you -- at the same time -- strengthen the discipline of your industry. Self-reliance cannot be strengthened by dependency any more than the muscles of the body can be strengthened without exercise. This is another reason why I believe that in the final analysis it is in your best interest that the ultimate solutions to your problems come from you. This is the American way -- and it is the underlying reason for this country's spectacular industrial growth. This country did not become a world leader because its citizenry was unable to do for themselves those things which had to be done.

A word of caution, however. You cannot compare yourselves in every respect with unregulated private enterprise. You have specific public responsibilities for which you are accountable -- and -- I must say -- that to disregard the public interest is a cardinal sin. Furthermore, to ignore, as some industries have, the needs of their customers may only lead to financial disaster -- and possibly additional regulation.

I, for one, do not intend to administer over an industry whose membership grows smaller. I believe too strongly that your industry, together with others, is responsible for the high standard of living which the citizenry of this country enjoys. You provide the means by which billions of dollars are made available to the business community to finance its growth -- which is so essential to meet the demands of a growing, educated population. Your role is significant -- and -- I think that many times your contribution has been overlooked.

It is true -- you have profited -- in the past -- from your efforts; but -- more importantly -- you have made it possible for people in every hamlet, town, city and state in this country to participate in the profitability of the free enterprise system. Unfortunately, the criticism to which you currently are being subjected obscures the distribution of wealth to millions of people which has happened as a result of your activities.

Real profits are earned by the performance of services and by the production of goods which can be sold at a price in excess of their cost and which are useful. Fundamental as the latter may seem, too many businesses seem to have forgotten it.

Perhaps your industry needs to examine its practices and methods of doing business to reduce costs -- so that profits can be maximized or increased without necessarily pricing yourself or your customer out of the marketplace.

Don't make the mistake of thinking you can achieve substantial economies merely by extensive automation of your industry. Cost reduction is achieved by a systematic objective review of every expense element regardless of the trauma that may be created. Furthermore, automation usually increases expenses in the conversion period. Beware of those false prophets who have never experienced conversion.

This is not to say I am against automation. I am well aware your industry has already embarked on a substantial automation program. Those who say much remains to be done are correct, but they brush aside the fact that millions of dollars have already been expended by you in this area. Simple fairness demands the presentation of both sides of this matter.

Also to your credit -- but often overlooked -- is the substantial expense incurred for industry and firm studies on systems and planning. The millions of dollars paid for these studies and for automation were taken from your revenues and your capital. It was not generated from the sale of securities. Nor were these expenditures supported by government subsidy -- as is often the case with certain industries which are no more vital to our economy than yours. What other industry has voluntarily assessed itself millions of dollars to be set aside to protect the general public?

Another forward step you have taken is to form an inter-industry group to coordinate efforts to develop further efficiencies in the marketplace. This group will need your support as well as ours -- and Chairman Budge has already committed the support of the SEC. The new group will be suggesting that things be done in a new way. I hope that you will support their efforts vigorously.

Undoubtedly, their recommendations will result in some substantial procedural changes in the way you do business. Do not let emotions or self-interest interfere with your support. The stakes are large. The survival of the system is at issue, and this is the greater goal. If I may make a comparison --

It is unpleasant to think in terms of high interest costs, but the greater goal is to reduce the rate of inflation.

The leaders of your industry can only be concerned with your greater goal, which is to maintain a viable marketplace so that all Americans will have an equal opportunity to invest in the free enterprise system. A marketplace to which American industry and government can go for capital funds to finance our standard of living and which insures equal opportunities and living standards for future Americans.

One last, personal thought. It is relevant to keep in mind that we are only working for our daily bread. Our ultimate reward is not here -- regardless of how pleasant this existence may be. We are merely players on the stage of history. Therefore, have faith in your future and in your leadership. Let us dedicate ourselves toward insuring that the securities industry and the securities markets are turned over to the next generation in better condition than when they were given to us.