

The Securities and Exchange Commission at bay

"Many thousands of American citizens are clearly 'fed up' with what is going on in the United States. The Government bureaucracy is widely distrusted for reasons that have become all too obvious." This opinion was offered recently by E.C. Harwood, director emeritus of the American Institute for Economic Research and a member of the School's board of trustees, in commenting on the Securities and Exchange Commission investigation of the Institute.

Although no official complaint was made, SEC investigators questioned (maybe "grilled" would be a better word), Institute employees. The affair was touched off by a former employee who was disgruntled because she was denied unemployment compensation by the Massachusetts review board. She turned to the SEC in the avowed hope that she could close down the Institute's operation.

Only through the clumsiness of the investigating agency did the true nature of the matter come to light. A letter addressed to the former employee was mailed to

the Institute in Great Barrington. "It consisted," according to Col. Harwood, "of a long statement reciting a few facts correctly and numerous false and misleading assertions. It had been drafted by an employee of the SEC who specifically requested her (the former employee) to review it but *not* to sign it and *not* to acknowledge it. In other words, it evidently was prepared to be an anonymous complaint in the SEC files."

In a letter to Congressman Silvio Conte explaining this affair, Col. Harwood asks whether the Commission's staffer was not "entering into a conspiracy with a former employee" and whether the action of keeping the complaint anonymous and even unacknowledged was a deliberate attempt by the SEC to deprive the Institute of its rights under the Sixth Amendment of the Constitution to confront its accuser.

There seems ample justification for the colonel's observation that the SEC tactics may be better suited to the Gestapo than for the administration of justice in the

United States.

The Commission's actions are made even more suspect in light of an Institute study of the SEC's record begun some time before the investigations. In an Investment Bulletin of August 5, 1974, the Institute was at pains to point out that the SEC does not approve or recommend any security by virtue of its having been registered with the Commission. Nevertheless, the Commission was set up in 1933 presumably to protect investors.

A representative sample of the roughly 8,000 new corporate stocks registered with the SEC in the past 5 years had, by the end of 1972 declined 87% from their peak prices; by mid 1974, current quotations could be found for less than 10% of these issues. The Bulletin asks whether the SEC may not have served unwittingly as a "Swindlers' Entrapment Commission"?

Circularizing this material has evoked an "astonishing volume of replies" offering support for the Institute's position, Col. Harwood reports. □