

I do want to emphasize, reemphasize, that that is the basic purpose and the sole purpose of this statute. However, when I say sole purpose, I do want to indicate that it has a corollary effect, and it is an effect that may be found in all of the statutes administered by the Commission. Those statutes I think were deliberately designed and have had the effect of protecting the securities industry itself from the consequences of the overreaching by some who have been engaged in that business.

I cannot recall a single advance made in the securities laws which has not been met with the argument that it would have the effect of making business less profitable or even impossible for some segment of the industry or for some people. I need not repeat, I am sure all of you recall, that the first of the statutes, all of which have their genesis in this committee and are monuments to the wisdom of the members of this committee through the years, was the Securities Act of 1933, and that was greeted with the argument that grass would grow in Wall Street. And every improvement in the statutes and every improvement in the rules has always been met with a similar argument, that any such change would upset the market, would create problems for those engaged in the market and for the people that they serve.

But I think the facts of the matter are that after all of these improvements, we have a securities business that is bigger, that is stronger, healthier and more prosperous than it has ever been before in the history of this country, and indeed in the history of the world, and as I will show later, this is especially true for those engaged in the business of organizing, managing, and selling the shares of mutual funds.

Now it is true that the securities industry is a closely regulated industry, and it has been closely regulated by the Federal Government and by the self-regulatory organizations created by statutes passed by the Congress for more than a third of a century, and I cannot over-emphasize that the legislation before you really breaks no new grounds. It is not a tampering with the free enterprise system. It is merely a few relatively minor, although some would think otherwise, adjustments in an existing regulatory pattern that was carefully hammered out before this committee and the Congress.

The reasons for the changes grow from the great affluence that has affected this industry in the 27 years since the 1940 act was passed. I should say that Congress' concern with investment companies precedes that time by a substantial period.

The 1933 act, as you will recall, requires disclosure in connection with any offering of securities by an issuer, or on its behalf. But in 1935, the Congress felt that disclosure was not adequate to meet the problems that existed in what was then a fledgling and infant industry, and in the statute passed in that year directed the Commission to conduct a comprehensive study of the industry. This led to a substantial number of reports to the Congress and finally in 1940 the Congress passed the Investment Company Act and, I should make clear, without a single dissenting vote in the Congress. The report of this committee makes clear, it states unequivocally, that disclosure is an inadequate method for dealing with the problems that arise in this industry, problems which arise in some measure because of the extraordinary structure of this industry.