

Securities and Exchange Commission
Chairman John S.R. Shad
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The Securities and Exchange Commission's primary responsibilities are of course investor protection and the maintenance of fair and orderly markets. Properly administered, these activities facilitate, rather than inhibit capital formation. The Commission's successful efforts to date are a testimony to its distinguished Commissioners and outstanding staff.

Congress has directed the Commission to conduct forums on capital formation. In this connection, it should be noted that within the brief span of a generation, America's tax, fiscal and regulatory policies have become antithetical to capital formation.

Mounting regulatory burdens, rising inflation, corporate and individual taxes, inadequate depreciation allowances, double taxation of dividends, up to 70% taxes on interest and dividends, and one of the highest effective rates of capital gains taxation in the industrialized free world, have been emphatic disincentives to save and invest.

Investors have historically purchased bonds to preserve capital and stocks as a hedge against inflation. However, the foregoing factors have severely depressed the bond market and the Dow Jones Industrial Average is presently below the 1968 level, despite the 156% interim increase in the cost of living index.

As a consequence of our saving and investment disincentives, America's rate of capital formation has plummeted from one of the highest to near the lowest among industrialized nations. The inevitable consequence has been a similar deterioration in our rates of productivity and growth.

If we are to maintain the standard of living of all Americans and the nation's socio-economic leadership in the world community, it is essential that these adverse trends be reversed.

The Commission is facilitating capital formation by simplifying the process of raising capital in our public markets; by reducing excessive registration, reporting and other regulatory burdens; and by maintaining public confidence in our securities markets through effective oversight, disclosure and antifraud enforcement. Deregulation is also facilitating the free flow of capital and commerce throughout the world.