After Donaldson

The New York Sun

June 2, 2005 Thursday

Section: EDITORIAL & OPINION; Pg. 10

Length: 365 words

Body

Yesterday's resignation of the chairman of the Securities and Exchange Commission, William Donaldson, was welcome news to advocates of a free marketplace. In an administration that prizes loyalty and conservative principles, Mr. Donaldson stood out as lacking both.

President Bush nominated Mr. Donaldson in 2002, calling him "one of the most respected business leaders in our nation." He came to office with a notable Wall Street pedigree, having co-founded the investment bank Donaldson, Lufkin & Jenrette and served as chairman of Aetna and the New York Stock Exchange. He was a Bush family friend as well.

Yet at the SEC, Mr. Donaldson sided with the two Democratic commissioners and against the two Republicans to impose new regulations on American business. The commission decided, in a 3-2 vote, to require mutual fund boards to be chaired by independent outsiders. The two Democrats and Mr. Donaldson also established a new rule that stock orders must be filled at the best price available, no matter which market it comes from - a move that extended a lifeline to the NYSE, which has been losing market share to faster electronic markets despite its generally better prices.

Under Mr. Donaldson's direction, the SEC set records by imposing more than $6 billion in fines and other payouts on securities law defendants.

Several of Mr. Donaldson's initiatives - including the mutual-fund governance measures as well as new regulations for hedge funds - now face legal challenges. Some regulations don't take effect until next year anyway, which gives the administration an opportunity to change the SEC's direction away from over-regulation by appointing a new chairman more in line with the president's own economic thinking.

Mr. Donaldson came to office on the heels of the high-profile Enron scandal. "His job was to restore trust and confidence in our capital markets," the president of the United States Chamber of Commerce, Thomas Donohue, said yesterday. "His successor will need to focus on ensuring the future competitiveness of our markets. We must have markets where good ideas are rewarded; where entrepreneurs can take risks, and create wealth and prosperity for the economy."

Load-Date: June 2, 2005