Chemical Company Coalition:Is Cure Worse Than Disease?

DuPont and other chemical producers have joined a growing coalition of companies concerned that government zeal to curb corporate fraud may choke U.S. capital markets and starve businesses large and small of investment cash. Charles Holliday, DuPont's chief executive, has become a founding member of the Committee on Capital Markets Regulation, a private group of business leaders and academics who plan to make recommendations to federal officials and Congress on how they might reverse the worrying trend. The committee is headed by Hal Scott, an international finance professor at Harvard Law School, who warns that "we are witnessing a crucial moment in economic history &#151 the movement of U.S. capital markets abroad." Scott's office cited an arresting observation made by John Thain, New York Stock Exchange chief executive: 23 of the 25 largest initial public offerings were made in capital markets outside the U.S. last year; so far this year nine of 10 major IPOs were placed in foreign exchanges. "The fact is," Thain said, "we are making the U.S. unattractive for foreign firms looking to raise capital." The 20-member Harvard-led committee will draw on business and academic resources to draft an interim report by mid-November that, says Scott, will assess the degree to which U.S. public markets are losing ground to foreign and private markets, the causes of the decline and its impact on the financial industry and economy. Some in business already see the effect. Eric Wohlschlegel, spokesman for the U.S. Chamber of Commerce, says the mounting international aversion to U.S. capital markets is nothing less than disaster in development.

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