Mr. J. Michael Cook  
President  
Financial Accounting Foundation  
401 Merritt 7  
P.O. Box 5116  
Norwalk, Connecticut 06856-5116  

Dear Mr. Cook:

In a multitude of important ways, Americans rely upon the integrity of the accounting process. The Financial Accounting Standards Board (FASB), with oversight by the Financial Accounting Foundation (FAF), was established for the purpose of strengthening the integrity of accounting practices in the United States by emphasizing the objectivity that is essential to that integrity.

That is why I am extremely troubled by continuing proposals that would politicize the FAF. As Chairman of the Senate Subcommittee on Securities, with oversight responsibility for the broad range of issues involved with capital formation and investment, I reject the idea that changes in our accounting rules should be made by a body comprised of anyone other than those who are the most knowledgeable about accounting matters. Proposals to change the composition of the FAF to require that as many as half of the Foundation members be so-called "public" representatives threaten to make a farce of the process. Packing the FAF and FASB with government officials and policy activists would shatter the objectivity on which these institutions rely.

Moreover, the rather skewed view of who represents the "public" in these restructuring proposals suggests that only unelected government employees or other individuals divorced from genuine economic activity can speak for the public interest. If anything, we should strengthen the accountability and involvement of people who can bring to bear the greatest experience learned from the marketplace and its rigors. Instead, these restructuring proposals would undermine the very basis for creating the FAF and FASB, converting them into a front for government setting of accounting standards.

If public interest groups disagree with proposals by FASB, they have the opportunity to present
their views during comment periods or otherwise publicly raise their concerns. I do not believe that replacing our system of generally accepted accounting principles with government directed accounting principles would benefit either American investors, companies, or the public. I strongly urge you to reject such unwise restructuring proposals.

Yours respectfully,

PHIL GRAMM
Chairman
Subcommittee on Securities

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