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S.E.C.'s Embattled Chief Resigns In Wake of Latest Political Storm

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Correction Appended

Harvey L. Pitt resigned tonight as the chairman of the Securities and Exchange Commission after a political firestorm over his selection of the head of a new board overseeing the accounting profession.

Mr. Pitt announced his resignation just before 9 o'clock as polls were closing nationwide. For days, he had insisted he would continue to serve as long as he had the confidence of the president. At the same time, White House officials strained to try to keep the growing crisis at the agency from becoming a political issue that would remind voters of Washington's response to corporate scandals. The officials publicly voiced support for him but privately expressed deep anger about his stewardship.

Administration officials said tonight that Mr. Bush had not requested Mr. Pitt's resignation but that White House officials welcomed it, particularly because Mr. Pitt had created a new round of political difficulties for Republicans in the days leading up to the election.

Mr. Pitt's leadership of the agency had grown increasingly tenuous in recent months with a series of political missteps, including a widely ridiculed effort over the summer to insert a provision in the corporate antifraud legislation that would raise his pay and elevate his status to that of cabinet level.

His hold over the agency cracked last Thursday with the disclosure that he had failed to tell either the White House or the four other commissioners at the S.E.C. that he had known that William H. Webster, the new accounting board chairman, had headed the audit committee of a company accused of fraud. Mr. Webster, who was recruited for the post by the White House, was approved by the commission 10 days ago in a bitterly divided vote in which two of the five commissioners said he was unqualified for the job.

The disclosure that Mr. Pitt withheld information about Mr. Webster's ties to the ailing company, U.S. Technologies, led to the immediate start of three investigations into Mr. Pitt's handling of the selection of the new board, including a Congressional inquiry that was preparing for three days of Senate hearings this month. A fourth inquiry, by the S.E.C., is examining Mr. Webster's work for U.S. Technologies, which is virtually insolvent and the subject of a criminal investigation.

"Unfortunately, the turmoil surrounding my chairmanship and the agency makes it very difficult for the commissioners and dedicated S.E.C. staffers to perform their critical assignments," Mr. Pitt said in a letter to President Bush. "Rather than be a burden to you or the agency, I feel it is in everyone's best interest if I step aside now, to allow the agency to continue the important efforts we have started.

A woman who answered the phone at Mr. Pitt's residence this evening said, "I'm sorry, we're not taking any calls right now."

A White House spokeswoman, Claire Buchan, said "this was his decision," speaking of Mr. Pitt's decision to step down. She added that no interim successor had been selected.

In his letter, Mr. Pitt said he would leave "as soon as I can help your staff ensure a smooth transition of leadership."

Among the people being considered to succeed him are Richard C. Breeden, a former S.E.C. chairman under the first President Bush; Michael Chertoff, the assistant attorney general in charge of the criminal division at the Justice Department; James Doty, a securities lawyer who was S.E.C. general counsel under Mr. Breeden and represented George W. Bush before he became governor of Texas; Rudolph W. Giuliani, the former New York mayor; Joseph A. Grundfest, a former S.E.C. commissioner who now teaches at Stanford Law School; Gov. Frank Keating of Oklahoma; and Frank Zarb, the former chairman of Nasdaq.

Mr. Pitt is only the second chairman of the S.E.C. to resign abruptly because of political turmoil. In 1973, G. Bradford Cook resigned 74 days after taking office during part of the Watergate-related scandals. He had been accused of deleting references from an S.E.C. injunction to a secret $200,000 cash contribution made by the financier Robert L. Vesco to the Committee to Re-elect the President.

Mr. Pitt's announcement tonight was an embarrassing ending for his government career. He was the 26th chairman in the agency's history, was unanimously confirmed by the Senate last year and was widely praised as one of the most experienced securities lawyers in the nation.

"It's a terrible personal tragedy but the appropriate thing for an agency that he and so many people love," said Joel Seligman, the dean of the law school at Washington University in St. Louis and author of a history of the commission. "It's important for the economy that the agency not be a target of ridicule but that it get back to work and restore investor confidence in the markets."

Mr. Pitt had served the agency in the 1970's with distinction, rising as a protégé to Stanley Sporkin, one of the legendary prosecutors at the agency, to become the youngest general counsel in the commission's history. He left in 1978 to lead one of the most lucrative private practices on Wall Street as a partner at Fried, Frank, Harris, Shriver & Jacobson.

But his close ties to the accounting profession that he once represented, his slow response to the growing crisis in the markets and a series of political gaffes eroded his support and ultimately caused the White House to lose confidence in him.

Neither the first or even second choice of Mr. Bush, Mr. Pitt assumed office in August 2001, a few weeks before the Sept. 11 attacks on the World Trade Center prompted a crisis by forcing the major markets to shut down. He was widely praised for moving swiftly to help coordinate the reopening of the markets.

But a few weeks later, he outlined a conciliatory approach to the American Association of Certified Public Accountants, and his words came back to haunt him when a series of accounting frauds led to the collapse of some of the nation's largest companies, including Enron and WorldCom.

After Enron's collapse put auditors in the spotlight, Mr. Pitt called for the commission to create a new accounting oversight panel to replace an ineffective one already in place. But Mr. Pitt failed to tell that board's members about his plan before discussing it with leaders of the accounting industry. The angry board resigned in January, and some members accused Mr. Pitt of being too protective of the accounting industry.

The missteps continued.

Last April, Mr. Pitt met privately with the chief executive of the accounting firm KPMG while it was being investigated by the S.E.C. for the work it did for Xerox.

In July, he privately urged lawmakers to elevate his office to cabinet rank, on a par with the secretary of state and attorney general. The plan, which was ridiculed by Democrats, was quickly disavowed by the White House, which apparently had been unaware that he had planned to propose it.

The latest furor began early last month, when Mr. Pitt backed away from naming John H. Biggs, a widely respected chief executive of the investment plan TIAA-CREF and vocal advocate for stricter accounting rules, to head the new accounting panel. Mr. Biggs has said Mr. Pitt vowed in September to support him. But he said Mr. Pitt backed down after members of the accounting profession complained that he was too aggressive.

When senior Congressional Democrats reacted angrily to reports about Mr. Biggs's treatment, Mr. Pitt breached political protocol by attacking them with uncharacteristic bluntness.

"Their facts are wrong," he told reporters in Brussels. "They don't know what they're talking about."

Ignoring his critics and making no effort to find a consensus candidate, Mr. Pitt selected Mr. Webster to fill the top post on the audit panel. But officials said he then failed to tell the commission, and the White House, about Mr. Webster's experience at U.S. Technologies.

Correction: *November 22, 2002, Friday A front-page article on Nov. 6 about the resignation of Harvey L. Pitt, the chairman of the Securities and Exchange Commission, omitted attribution for quotations critical of Democratic lawmakers that Mr. Pitt made during an October trip to Brussels. They were from The Wall Street Journal.*