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banks settled on any given Wednesday should lessen the sharp and erratic swings that frequently occur in money rates toward the close of settlement periods. This is indicated because three fourths of member banks would be able to trade Federal funds at any given time without specific regard to immediate settlement problems. Meanwhile, the need for frequent "touching-up" operations by the Federal Reserve System should be greatly reduced. The adoption of such a settlement system might well enable the monetary authorities to cut down on the volume of "defensive" open market operations by as much as three fourths.

It is impossible to forecast what the precise effects will be of the much more limited change in settlement procedures that is actually scheduled. Federal Reserve officials apparently have reasoned that from the standpoint of country banks the new privilege of being able to carry forward a limited amount of excess reserves for one settlement period will roughly compensate for the new burden of having their reserve period shortened to one week. It may very well be, however, that many country banks—indeed, banks generally—will be hesitant about actually holding a significant volume of excess reserves at any given time despite the carry-over privilege. This is because of the risk that will be involved in exceeding the maximum allowable carry-over through miscalculation. The 2% permissible carry-over does not allow much room for error.

One additional factor which complicates the task of trying to gauge the probable impact of the Regulation D changes is the possibility that another even more basic change in Federal Reserve procedures will become operative before next fall. Specifically, the monetary authorities have been engaged in a lengthy and searching study of the use of the discount facility, and important changes in the guidelines governing member bank borrowings are known to be under active consideration. Conceivably, a decision may be made to encourage more active use of the discount window by banks for meeting temporary reserve shortages. If this proves to be the case, it would reduce the need for as large a volume of open market operations as now occurs. In a sense, therefore, final evaluation of the scheduled changes in Regulation D must be deferred until it is possible to relate them to whatever changes Federal Reserve officials decide to make in Regulation A—and also, of course, until there has been some actual experience with the new settlement procedures.

In spite of the uncertainties that cloak the amendments to Regulation D, it is encouraging that Federal Reserve officials are at least experimenting with change in an area where change has long been indicated. This justifies hope that further modifications will be made if the new regulations do not produce the improved functioning of the reserve mechanism that the monetary authorities anticipate.

The Problems of Urban Transportation

Of the numerous problems which contribute to the nation's "urban crisis," that represented by the poor quality of metropolitan travel must surely rank as one of the most prominent. For many city dwellers and suburbanites the time spent threading by car through congested streets and urban highways is so great at times as to appear to offset the advantages gained in recent years from reductions in the work week. For those who travel by public transport, the

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physical crowding, lack of ventilation, delays, and the dilapidated condition of many of the country's present railway, bus, and subway facilities can make the journey to and from work the most exhausting and dispiriting part of the day. And air travellers find that the time savings afforded by the introduction of the jet often are largely absorbed—at least on short-haul trips—by the traffic snarls encountered on the highways to and from the airports.

But obvious as the basic facts of the situation may be, both the causes of and the possible cures for the delay, the congestion, and the discomfort so common to urban transport are highly complex. That is perhaps the clearest message that has emerged from professional scrutiny of the problem. Generalization is hazardous, experts emphasize, particularly because of the diverse conditions of topography and economic history that prevail from one metropolitan region to another.

The most apparent general cause of urban transportation difficulties is simply urban growth—that is, the continuing concentration of population and industry in the central cities and in their environs. Whereas in 1900 less than a third of the population lived in communities of 50,000 or more persons, the proportion had risen to almost two thirds by 1960 and is undoubtedly continuing to trend upward. Residents of such communities (Standard Metropolitan Statistical Areas in Census Bureau terminology) numbered 113 million at the 1960 census; and roughly one half of these lived in SMSA's where the population was 1 million or more. Given these figures alone, it is hardly surprising that many Americans are finding it increasingly difficult to get around. To some extent, it is simply inevitable that they get in each other's way. In the extreme case represented by the business district of Manhattan, it is in a sense remarkable that movement at any pace is possible.

It is estimated that on a typical weekday something like 3½ million people first enter and then leave the area south of 59th Street.

Aggregate population figures for SMSA's, moreover, do not in themselves convey a full sense of the way in which demographic developments have impinged on transportation. They fail, for example, to highlight the significant trend toward suburbanization that has been going on within the broader trend of gravitation toward metropolitan centers. Particularly in the years since World War II ended, urban areas have tended to grow mainly at their fringes and outskirts, reflecting a quest for spaciousness and greenery by millions of citizens once satisfied with, or at least resigned to, central-city apartments. Dramatically, three quarters of the growth in metropolitan-area population between 1950 and 1960 took place in the suburbs. During the postwar period, moreover, many corporations in choosing locations for office accommodations and plants have tended to prefer sites in suburban areas, where land is comparatively cheap and plentiful.

**Shifting travel patterns**

As a result of the diffusion of residential and job locations, a gap opened up between metropolitan-area transportation needs and the capabilities of transportation systems. Most of these systems originally had been designed to service high-density populations situated relatively near central business districts (CBD's). Primarily, this involved travel along a relatively limited number of radial lines to and from city centers. With traffic moving increasingly between diverse points at the cities' extremities, as well as from new suburban areas into CBD's, however, mass-transit facilities on the whole did not adequately meet the changed needs.

One manifestation of this development has been a decline in the number of mass-transit passengers in the past quarter-century, despite
substantial growth in both population and total travel. Between 1940 and 1966, for instance, combined bus, city railway, and subway patronage in metropolitan areas fell about one third to 8 billion trips. Owing to the fact that most of the drop occurred in off-peak hours while peak-hour travel remained about constant, the financial problems of the transit industry have been considerably greater than the decline in patronage would suggest. The drop in usage has not made possible a proportionate decline in industry manhours, and it has made scarcely any difference at all in real overhead costs. These rigidities, coupled with the difficulties many transit organizations have experienced in getting approval of fare increases, have been reflected in a progressive erosion of profits. Since 1962, the industry as a whole (almost half of which is still privately operated in terms of revenue passengers carried) has been operating in deficit, and many companies, over the years, have been forced into bankruptcy.

In postwar years, by contrast, a sensational expansion occurred in automobile ownership and use. Growing at a far more rapid rate than population, auto registrations climbed from 27 million in 1940 to almost 62 million by 1960, and at present something approaching eight tenths of families in the country own at least one car. And auto travel, as measured by total vehicle miles, has been growing almost as rapidly in metropolitan areas as elsewhere; urban auto traffic doubled in the 1950-65 period to an estimated 357 billion vehicle miles.

A large part of this growth manifestly can be accounted for by dispersal of population into suburban areas. But not all. The substantial increase in per capita incomes recorded in the postwar period has afforded many individuals the freedom of mobility that comes with private car ownership, thus relieving them of dependence on mass-transit facilities. Most importantly, perhaps, public policy somewhat inadvertently favored the growth of metropolitan auto traffic. This reflected in part a reluctance of city governments to underwrite the substantial capital outlays that would have been required to tailor publicly owned transit systems to the changed environments, as well as a reluctance of governments at all levels to assist privately owned transit companies with the grants or subsidies they would have required for the same purpose. For the past dozen years, in comparison, vast sums of public money have been invested in upgrading highways and expressways in metropolitan areas.

The role of federal funds

Although it certainly was not realized widely at the time, the federal government's sponsorship in 1944 of the Interstate Highway System was of profound importance in influencing the course of urban transportation developments. Whereas many people have tended to think of the System primarily as a network of intercity roadways, somewhat less than one sixth of its total mileage upon completion will be situated within urban areas; and about half of total Interstate expenditures, it is now estimated, will have been devoted to providing extensions in and near cities. Particularly after 1956, when the original legislation was amended to provide for a 90% underwriting of Interstate costs by Washington, the impetus to expressway construction in metropolitan areas was tremendous. By contrast, mass-transit investment, which had no 90-10 money to draw on, inevitably came to look relatively unattractive to local officials. Thus, without any systematic evaluation of whether or not it was in fact desirable and sensible on a long-term basis to favor auto travel as against mass-transit travel in metropolitan areas, public policy somewhat by happenstance crystallized in that direction.

The outcome has been a very substantial

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addition in the past decade and a half to the total mileage of modernized urban expressways—coincident with what in many locales has amounted to little more than maintenance efforts in the case of mass-transit facilities. But while the carrying capacity of urban streets and highways has grown tremendously, there has been at least equal growth in usage by urban travelers. Widely around the country, therefore, rush-hour auto traffic is not moving much if any faster now than it used to before the roadway improvement thrust began. In many cities traffic experts simply seem to have lost hope of ever being able to outpace the burgeoning of demand.

Second thoughts

The spectacle of frequently clogged roadways despite all the improvement efforts that have been made is tending to produce a good many second thoughts as to proper public policies with regard to urban transportation. For the first time, really, the implications of the national policy posture that emerged in the early postwar period virtually by default are coming to be widely appreciated and debated. And not only is there discouragement over the fact that new roadways have been filled up about as fast as they have been built; other problems associated with the emphasis on expressway construction are beginning to be aired more frequently. Increasingly, for example, concern is being expressed over the diversion of urban land to parking space, over pollution dangers related to automotive exhaust, over the loss of municipal taxes that occurs when expressways replace buildings, and over the esthetic effects of crisscrossing cities with more and more ribbons of concrete and steel. The point also is being made increasingly that the relative neglect of public transit imposes a particular hardship on low-income families inasmuch as they often cannot afford automobiles. In fact, in the case of some Negro ghetto areas, evidence has been uncovered which indicates that a deficiency in transportation facilities has been a contributory cause of unemployment.

Dissatisfaction with the results of heavy investment in highways has generated renewed interest in the possibility of putting more stress in the future on improvements in mass-transit facilities, particularly in the more densely populated urban areas where land scarcity is most acute. One of the principal points made in this connection is that subways, railways, and buses are far more economical in terms of land usage than expressways. It has been estimated, for example, that under rush-hour conditions a single track of railway can carry up to 40,000 passengers an hour whereas a single lane of highway will be performing well if it accommodates a flow of 3,000 people in cars. While these particular figures cannot be taken as precise guides for all situations, there can be no doubt that in general mass-transit operations use land much more economically than does automobile travel.

Evidence of the awakened interest in emphasis on mass transit is to be found in several major cities across the country—for example, San Francisco, Cleveland, Boston—that in recent years have initiated large-scale investment programs in rapid-transit rail facilities within their metropolitan areas. Indicating citizen interest in transport improvements, New York State voters last autumn approved a bond issue of $2.5 billion to be used to finance investment in a variety of transportation facilities throughout the state.

One of the most significant manifestations of renewed interest in mass transit is to be found in federal legislation. After years of almost exclusive focus on highways, Congress in 1961 took its first gingerly steps toward support and subsidization of mass-transit facilities. It did so by authorizing a $50-million loan program to assist states and localities in acquiring new

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transport equipment and by providing $25 million for mass transportation demonstration projects. These steps, however, did not mean that Congress' historical reluctance to involve the federal government deeply in municipal transport problems had entirely vanished. This became clear in 1962 and again in 1963 when Congress in both years refused to respond to pleas from President Kennedy for a $500-million authorization "as the first instalment" in a proposed new long-term program of mass-transit assistance. Indeed, debate in those years revealed that many legislators continued to harbor deep reservations as to the propriety of federal involvement on a large scale in what was still very widely thought of as a strictly local problem. In 1964, however, with President Johnson enjoying a high degree of success in getting Congress to act favorably on a range of domestic legislative proposals that had previously been stalled, action was taken which dramatically confirmed that Washington was in fact moving toward a major role in nonautomobile urban transport. That year's legislation, The Urban Mass Transportation Act of 1964, authorized federal expenditures of $375 million for capital grants and demonstration projects over a three-year period, specifying that up to two thirds of the net cost of transportation projects (that is, total costs minus revenues) could come from the U.S. Treasury. Subsequent legislation in 1966, which authorized continued grant expenditures at an annual rate of $150 million through fiscal 1969, served to impart a look of permanence to the program.

Minibuses and monorails

Even though Congress has not in any year appropriated as much money as the basic authorizing legislation permits, there can be no doubt that the new federal initiative has triggered a considerable amount of experimentation and research in mass transit that otherwise would not have occurred and that it also has prompted an acceleration of transit equipment acquisitions and other improvements. Many municipalities that previously stayed away from new public transit undertakings now are moving to take advantage of federal help. The research stirrings are regarded as particularly significant and hopeful, since research only a few years ago was almost totally absent from the field. The market that then existed for new equipment was simply too weak to justify very much experimentation by manufacturers or anyone else.

Because so many different projects have been undertaken under the terms of the new federal legislation, description in brief terms is very difficult. This is especially so since a good many of the demonstration and research undertakings involve relatively small sums of money, often limited in individual cases to several hundred thousand dollars. There are a few eye-catchers, such as the acquisition of 400 subway cars in New York City with the help of federal grant money and the purchase of 180 new lightweight transit cars in Chicago with the help of a federal loan. In a sense, though, such tangibles are less exciting to traffic professionals than many of the smaller-scale demonstrations and studies that are aimed at trying to develop techniques and technologies for attracting urban-area residents back to mass-transit facilities.

A large number of experiments, for example, have been conducted with a view to determining the response of potential riders to new convenience features and to changes in fares. Typical of these was a project in which ten minibuses circulated within the central business district of Washington on a fixed route with frequent schedules and a fare lower than is customary in the city. Patronage proved to be heavy. In Illinois a successful experiment was conducted among a number of people who had in common relatively close living and working places. Each
day a bus picked up subscribers at or near their front doors in the suburbs and carried them nonstop to their working places. Monthly billing and coffee en route were features of the innovation. At the drawing board stage, moreover, are plans for eventually experimenting in even more radical ways—with driverless vehicles on automatic highways, for instance, and with driver-operated vehicles that would have route flexibility at the pick-up and terminal phases of their runs but which would hook into automatic traffic lanes for the so-called line-haul part of their journeys. On the technical side, the Department of Housing and Urban Development has already sponsored a variety of experiments including the testing of a gas turbine as a source of power on a commuter train, the operation of an air-cushion vehicle across San Francisco Bay, and the evaluation of the Seattle World's Fair monorail. This flurry of experimentation and innovative thinking is beginning to make a difference in professional assessments of the future of mass transit. Specifically, the conviction is emerging that the downward trend in mass-transit ridership is not necessarily inexorable but can be reversed by the introduction of improvements and adjustments.

**Striking a balance**

Just how much emphasis there should be on investment in mass-transit systems, as distinct from continuing investment in highway facilities, is not something that it is possible to generalize about. The answer will obviously differ from community to community, depending on local conditions. In metropolitan areas that tend to be spread out in their geographic reach, or where strong tendencies in the direction of decentralization exist, stress on roadway improvement to accommodate travel by private automobile is likely to persist. This is so mainly because in such cases the cost of developing transit systems with enough spurs to gather travelers at points conveniently near their homes is bound to be very high. And stress on street and roadway improvement will be especially indicated in instances in which decentralization tendencies extend to business location as well as to residences. In such circumstances, the flexibility of the auto in getting people directly from home to job would give mass transit exceptionally hard competition.

On the other hand, mass-transit improvement will have its greatest attraction in high-density urban communities that continue to have a heavy daily flow of workers in and out of central business districts. In many such urban areas, acute disadvantages would be involved in the diversion of much more land to expressway use and parking space. From the standpoint of these communities, it is crucially important that a new phase of mass-transit research and experimentation has begun and that federal policy no longer leans so exclusively in the direction of encouraging just one kind of transportation investment.

It is also important that a sense of the need for comprehensive transportation planning seems to be evolving. Far too frequently in the past, cities, states, and private transit companies provided transport facilities in a piecemeal way, with responsibilities spread among so many different agencies and regulatory bodies as to make effective coordination impossible. U.S. legislation now makes comprehensive transport planning by state and local bodies a requisite for the receipt of mass-transit aid, but even before that was specifically the case a marked tendency toward the integration of transportation efforts by state and local governments was in progress. The principle is now pretty generally accepted not only that every part of a metropolitan area's transportation system must be developed with the whole system in mind but also that transport planning must be actively related to over-all urban planning. Practice and principle are still
far from being fully joined, but the gap appears to be rapidly diminishing.

It needs to be recognized, of course, that the start that has been made in the direction of more stress on mass-transit facilities could still prove abortive, at least in a sense of really making a large difference any time soon in the state of urban travel. For one thing, efforts to wean drivers from their cars may encounter stubborn resistance no matter how much effort is devoted to sprucing-up subway, bus, and rail systems. Many people clearly prefer the flexibility of the automobile with respect to routing and scheduling, and often are prepared to pay a significant differential in expense for these advantages. Actually, the automobile will often appear as cheap as, or at least not much more expensive than, public transport for the journey to work. This is mainly because the automobile owner is unlikely to add fixed charges and depreciation to the out-of-pocket costs of commuting by car.

Progress in strengthening mass-transit systems could also be stymied by financial difficulties. The flow of federal grant money is probably most meaningfully viewed as a catalyst. Even at $150 million annually, the amount currently authorized, it is not going to be sufficient in itself to finance a dramatic upgrading of mass-transit facilities. One estimate of mass-transit needs made several years ago by Dr. Lyle Fitch of the Institute of Public Administration reckoned that about $10 billion would be needed to bring the rolling stock of transit systems up to "reasonable" standards and to provide for extensions and new facilities then under consideration in a number of cities. Clearly local bodies will have to make substantial independent investment, and this is obviously very uncertain of accomplishment in view of all the other pressing needs with which cities are confronted. Of course, an end to the war in Vietnam would give rise to the possibility of a greater flow of financial assistance from Washington, not just for use in transit projects but for all purposes. The issue would then become whether federal assistance should take the form of grants-in-aid for specific purposes or whether it should be in the form of simple revenue-sharing without any earmarking. The latter would give states and localities freedom to determine the allocation of its use according to their own best judgments. The experience that the country has had with the earmarking of highway money suggests that a maximization of local-body discretion in the use of funds would, in fact, be highly desirable and that, at the very least, there should be a conscious effort in the future to achieve some kind of neutrality as between the encouragement of expressway investment and mass-transit investment in urban areas.
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Northern lines are parted at the altar again

It's no novelty for Northern Pacific, Great Northern, and Burlington to be shunted off the merger track. It began 75 years ago

J. Pierpont Morgan had been involved with Northern Pacific since 1873. When he scented a takeover, he teamed with...

The presidents of the three railroads were there, their fountain pens uncapped; the press was there; the public relations people were there. After 75 years of trying, everything was in readiness to create the nation's longest railroad system by merger of the Great Northern Ry., the Northern Pacific Ry., and the Chicago, Burlington & Quincy RR.

Then, with only minutes to go before the scheduled 10 a.m. signing, Chief Justice Earl Warren issued a restraining order. Thus, two weeks ago, the merger was put off for perhaps another year of litigation, which most observers believe will wind up in the Supreme Court—again.

Precedent. Close as the merger came to passing this time, the proceedings lacked the high drama that marked the first such attempt, around the turn of the century.

That episode culminated in the handing down by the Supreme Court of one of the most important decisions in U.S. economic history: that a holding company was illegally in restraint of trade in violation of the Sherman Antitrust Act—a law that hitherto had been considered to be without teeth. This 1904 precedent has set corporate and governmental policies ever since.

Hungry eye. Whether the whole affair would have taken place if the Northern Pacific had a record for solvency equal to that of the Great Northern is for historians to debate. But the fact is that the NP appar-
James J. Hill, who then ran his own Great Northern and NP together. Next, the partners bid for Burlington, foiling ... Edward H. Harriman's attempt to get it for Union Pacific. All subsequent moves to merge the three roads have failed.

ently couldn't, at this time, quite kick the sad habit of falling into receivership every couple of years.

While the NP was bobbing up and down in red ink, J. J. Hill's Great Northern was successfully operating in the same territory—the Plains and Mountain States, between Minneapolis-St. Paul and the West Coast. Under the leadership of Hill, known as "The Empire Builder" among friends and "The Bald Eagle" by detractors, the GN never had gone bankrupt. What's more, unlike the NP, it had been built and operated by Hill without the aid of federal land grants.

Hill watched the NP's affairs with an interested—if not downright covetous—eye. After the NP's financial debacle in 1893, he set about acquiring control of the line (through a mortgage bond deal) so as to have control of both northern roads. His move was declared illegal by the Supreme Court in 1896.

Partners. Undaunted, Hill then began acquiring large chunks of NP stock—a move so distressing to NP's president that he quit rather than face the prospect of serving under the fiery-tempered Hill. Another who found Hill's maneuvering nettlesome was J. P. Morgan, the Wall Street banker and professional railroad reorganizer, who had been involved in the NP since the panic of 73. Morgan, fearing loss of control to Hill, formed a working partnership with him. But, though Morgan retained his interest, the two roads became known as the "Hill lines" because of Hill's force of personality and management expertise. According to an 1897 appraisal by one brokerage house: "The result of the large joint ownership of the two lines is that the NP is being operated on a common-sense basis for the first time in history."

With both roads operating successfully, Morgan decided that the next step was to gain access to an eastern terminal in Chicago, with its rich connections, rather than terminating in St. Paul. The Burlington was selected as the vehicle, and Hill and Morgan quietly began acquiring its stock.

But the Burlington was considered a plum by more than the Hill-Morgan group. Like the northern lines, the Union Pacific—which terminated in Omaha—wanted entry to Chicago. And E. H. (Little Ned) Harriman, who dominated the UP group, was unaware until late in the game that the Burlington takeover was in process. He then sought an audience with Hill and asked for a one-third cut in the Burlington, Hill refused.

"Very well, sir," said Harriman. "This is a hostile act, and you must take the consequences."

Surprise. In April, 1901, while Hill was in Seattle and Morgan was taking the waters at Aix-les-Bains, Hill became concerned at the rising price of the NP. Fearing the worst, he ordered a special train and a clear track and reached New York in record time.

Storming into the office of Harriman's bankers, Kuhn, Loeb & Co., Hill demanded to know what was going on in "Little Nipper"—the Street's name for Northern Pacific. Jacob H. Schiff, counsel to Harriman, quietly told him that Harriman had control of Nipper, and thus an indirect interest of almost 50% in the Burlington. (The CN and NP, then as now, each held slightly less than 50% of the Burlington; the remaining 2% to 3% was public.)

Incredulous, Hill retired to the friendly confines of J. P. Morgan & Co., and immediately cabled Morgan of Harriman's shenanigans. Aside from railroad business, Morgan and Harriman were intense foes in the game of high finance. "That twodollar broker" was one of Morgan's more generous terms for his rival—the man who had very successfully revived the Union Pacific after Morgan himself had turned down the opportunity.

Lost chance. Morgan immediately tabled his offer to buy 150,000 shares of NP common. The order was received Sunday, May 5, with Monday the first opportunity to begin trading. As it fell out, Morgan's cable would have been too late if the Harriman crowd hadn't blown the whole deal the day before. As it
Shooting for the longest railroad

had happened, Harriman did not have quite all the shares he needed—he was about 40,000 short.

After a fretful night, he resolved on Saturday, May 4, to pick up the needed shares, and instructed Kuhn, Loeb to do so that day. (At that time the Stock Exchange was open for trading on Saturday mornings.) But Schiff was at synagogue when the order came in, and a junior man waited until he could see Schiff before executing it. Schiff, confident of Harriman's position, negated the order—thus leaving the door open for the Hill-Morgan effort.

By Monday, Morgan's men had begun buying the necessary shares, and Harriman saw the futility of trying to acquire the 40,000-share margin of comfort he needed.

Panic. It was obvious by the following Wednesday that the NP market had been cornered: the Hill-Morgan and Harriman interests actually owned more stock in Northern Pacific than existed. With both sides claiming victory, a showdown was in order—thus leaving the door open for the Hill-Morgan effort.

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No warning. Shortly before the establishment of the Northern Securities Co., Morgan had put together the U.S. Steel trust. Neither the then ascendant “muckrakers” of the press nor President Theodore Roosevelt seemed to care about such ventures, and before long the government began investigating the northern lines.

Early in 1902, Roosevelt instructed Attorney General Philander C. Knox to bring suit against the Northern Securities Co. under the Sherman Antitrust Act of 1890. The Northern Securities case was the first major prosecution under the act.

Justice John Marshall Harlan ruled that: “This process might be extended until a single corporation owned by three or four parties would be in practical control of both roads—or, having before us the possibility of combination, the control of the whole transportation system in the country, I cannot believe that this is lawful.”

Ties. The current Justice Dept. action against the merger, although it is technically based on Section V of the Interstate Commerce Act rather than the antitrust acts grows out of the right of the Justice Dept. to sue if it thinks any ICC-approved merger violates antitrust laws.

While the Northern Securities de-
The IntersfiH1ie State.

When it comes to interstate highways, Tennessee is in a real crossfire. East-West and North-South interstate routes just seem to meet up with each other more times in Tennessee than any place else.

When the entire interstate system is complete, Nashville will be one of only five U.S. cities to have as many as 3 interstate routes going through it. 6 big transportation “spokes”. Memphis will have 4 spokes. Chattanooga 4. And Knoxville 4.

Move your next plant to Tennessee and you’ll really be on the road.


THE 3 “STATES” OF Tennessee
3 STATES IN ONE

Business Week May 25, 1968

The IntersfiH1ie State. The latest merger attempt began in 1953 when John M. Budd, president of the GN, and Robert S. MacFarlane, then president and now chairman of the NP, started informal talks. A formal application went to the ICC in 1961. In August, 1964, the merger received a favorable report from an ICC examiner, subject to modifications which would protect employees and the Milwaukee road. Not until April, 1966, did the ICC reveal its decision: Thumbs down, by an 8-to-2 vote.

Three months later, the roads cranked up the legal machinery again and made a bid for reconsideration, which included protection for the Milwaukee and for employees. The go-ahead was finally received from ICC last November, and consummation was set for this month—until Chief Justice Warren hung out the red flag and set the legal wheels turning one more time.

If and when the merger does take place, Burlington Northern, Inc., with 26,500 mi. of rail routes, will be the longest rail system in the country, stretching from Galveston to Seattle through St. Louis, Kansas City, Chicago, Denver, and Minneapolis-St. Paul. Total assets for the new company, on a post-merger basis, would be $2.8-billion.

While the legal procedures go on, the roads maintain close contact. The general offices of both the GN and the NP are housed in the same building in St. Paul built in the 1920s—the last time they thought they would merge. Recently carpenters have been literally poking holes in the plaster so officials of the companies can pass back and forth with ease. End
Airliners are breathing down the necks of business and private planes competing for scarce runway space.

Battling over the air traffic jam

Commercial airlines and private plane operators each blame the other for at least part of the mess. The airlines say: 'Don’t block the public.' The answer: 'It’s a free country'

Anyone who has flown around the Middle West and Northeast this spring knows that airline service is like the little girl who, when she is good, is very, very good, but when she is bad, she is horrid.

To an increasing degree the service is horrid. Delays in the sky and at ramps and runway ends are mounting. "Periodically, we have to add 10 minutes to the scheduled time for one of our shuttle flights to reflect the amount of congestion it encounters," said an Eastern Air Lines official last week. "But it seems as though we just can’t add the minutes on fast enough. Today, some of our jets are taking longer than the old Constellations did just a few years ago."

Dispute. The passenger cabin and the departure lounge are not the only places where tempers are getting short over these delays. A bitter argument is breaking out between the airlines and general aviation—all sectors other than commercial and military—over who has what right to the limited air and ground space. At present, landings and takeoffs at airports are generally on a first-come, first-served basis. Each side tends to blame the other for at least part of the traffic jam.

Even if the Administration’s proposed $1-billion airport modernization plan, announced this week, were to be passed by the present Congress, it is doubtful that relief would arrive in time to stave off the crisis. Construction at the busiest airports, which is where the problem occurs, takes years.

Bogging down. The plan may not even be passed by this Congress. Some congressmen are known to favor alternative financing schemes and the House Ways & Means Committee is still tied up on general tax matters.

So, any plan will probably be delayed, and the fight will intensify before conditions improve.

Leading the attack for general aviation is the Aircraft Owners & Pilots Assn. "While a bus or truck can carry many times what the private automobile can, that does not give it special priority over the private user," says a recent policy statement by the trade group.

"Speed limits." The truck on a public highway, this argument runs, "is almost always restricted to speeds below those allowed for the lighter and more maneuverable private vehicle. The same principle must apply in air." Thus, when airliners operate in the lower airspace used by most small, slower planes, "reasonable speed limits must apply to the vehicle that creates the hazard," AOPA maintains. This position, of course, gives airline officials fits.

Scheduling blamed. General aviation forces also charge that airline schedules are responsible for much of the traffic jam. Cessna Aircraft Co. says it found, for example, that one major airport had 16 departures scheduled for 6 p.m.

The airlines insist this isn’t as bad as it sounds. This bunching happens only at the biggest airports where the greatest number of connecting flights have to arrive and depart close to each other, they say. But the bigness
of the airport generally means that gate positions are widely scattered, so all 16 planes scheduled to leave the gate at 6 p.m. do not get to the end of the runway simultaneously.

Furthermore, the airlines note, 6 p.m. is when the public wants to travel, and not much can be done about that.

**Counterattack.** George A. Spater, president of American Airlines, goes a step further and asserts: "There is much more bunching of general aviation flights at peak hours than there is of airline flights." According to a recent survey by the Port of New York Authority, he says, "42% of all general aviation operations at LaGuardia peaked between 3 p.m. and 7 p.m. American schedules only 27% of its departures during this period."

Spater emerges as a spokesman for the airlines in this debate, because American has been singled out by the Aircraft Owners & Pilots as a special target; the line's route system packs many of its flights into the busiest part of the U.S. airplanes, between Chicago and St. Louis and the East Coast.

Almost everyone agrees that new general aviation airports with adequate runways, hangars, and ground transportation facilities should be built quickly—away from the airspace used by airlines. Where possible, additional shorter and narrower runways should be built at the major airports for light planes, where these runways can be used without conflicting with airline traffic.

Meantime, the airlines believe their increasingly efficient use of airspace through larger planes should give them favored positions at congested airports. They estimate that they will double the number of passenger miles flown within the next five years, while the number of planes will only grow from 2,270 to less than 3,500. In the same time span, general aviation planes aloft are expected to increase from 117,000 to upwards of 160,000.

"It is plain that unless some order and priorities are established, there won’t be any room for the airlines," says Spater. "We are all . . . entitled to the rights and freedoms of American citizens, but this does not mean that 100 people traveling in an airline airplane must be subordinated to the two or three people in a general aviation airplane.

"When saturation is reached on the long runways at an airport like LaGuardia," he says, "either general aviation has to go elsewhere or the airlines have to go elsewhere, and there is no other place for us to go." End

**Business Week** May 25, 1968
New subsidy plans stir up turbulence

Administration proposals to curtail subsidies for aviation and the merchant fleet encounter stiff opposition from the industries and in Congress. Likelihood of passage is dim

Two big industries this week felt the sting of the Administration's efforts to cut the budget, when Transportation Secretary Alan S. Boyd proposed two new programs to Congress.

The programs would revise and, in many areas, reduce the direct subsidies paid to the aviation and maritime industries.

Both industries have been crying loud and long for increased subsidies, however, and both have powerful friends in Congress. So the betting is that neither program will pass in the present session unless drastically revised.

Loan fund. Instead of the existing federal aid program to all classes of airports, which has been costing the government $65-million to $70-million a year, Boyd has proposed a $1-billion loan fund to be made up from general appropriations. Loans would be granted to medium-sized airports that are "potentially viable," but which lack revenues to float their own bond issues "at reasonable rates." Big airports would have to raise their own money privately. And the little commercial airports—those served only by local service airlines—would get outright grants for construction projects out of a separate $100-million fund.

In either case, federal money would be used only for runways and instrumentation. Revenue-producing facilities such as terminal buildings, hangars, and parking lots would have to be financed privately. The little commercial airports—those served only by local service airlines—would get outright grants for construction projects out of a separate $100-million fund.

In either case, federal money would be used only for runways and instrumentation. Revenue-producing facilities such as terminal buildings, hangars, and parking lots would have to be financed privately. At the same time, Boyd submitted a second aviation measure, a plan to increase user charges to make the industry bear the brunt of the soaring costs of the government-operated air traffic control system. The bill would:

- Hike the tax on passenger tickets from 5% to 8%.
- Introduce a new 8% tax on air freight waybills.
- Increase the effective tax rate on gasoline for general, or noncommercial, aviation users from 2¢ per gallon to 7¢ per gallon by fiscal 1969 and to 10¢ by fiscal 1972. (The airlines would receive a refund on the extra 4¢ per gallon tax they pay on gasoline.)
- Impose a new tax on jet fuels used by general aviation of 7¢ per gallon by fiscal 1969 and of 10¢ per gallon by fiscal 1972.

Bigger share. The new taxes would raise an additional $500-million in revenues in fiscal 1969, nearly double what is now reaped from the industry each year. The traffic control system is expected to cost $658-million in fiscal 1969.

Boyd's revenue plan may not get through Congress. Some legislators prefer a trust fund arrangement similar to that of the federal highway system. The Transportation Dept. rejected this method, fearing that it would block all other avenues of future federal funds for the industry.

Another problem is the work load confronting Congress before adjournment. The key Senate aviation subcommittee headed by Senator A. S. Mike Monroney (D-Okla.) may not take up the program this session. A day before presenting his aviation proposal, Boyd touched off a furor in the maritime industry—and in Congress—when he outlined the Administration's long-awaited policy on the U.S. Merchant Marine before a Senate subcommittee.

The Administration plan, which is strongly opposed by the industry and its Congressional supporters, would:

- Reduce the subsidized fleet to the level necessary for national defense, unofficially estimated at 200 ships (compared with the 300 ships now subsidized).
- Make subsidies more competitive by making them available to a larger segment of the industry, including bulk cargo carriers.
- Provide construction subsidies only when Navy shipbuilding in
Oilmen bid high for Gulf leases

The oil industry surprised even itself this week when it put up $602-million in winning bids for 141 federal oil and gas leases in the Gulf of Mexico off Texas.

The Interior Dept. had figured to get around $200-million for the leases, and even the most optimistic forecast was only $300-million. Four previous federal lease sales in offshore Texas totaled only $68.1-million for 105 tracts.

The Texas sale is part of the worldwide surge of interest in offshore drilling. Last February, the oil companies bid a record $603-million for federal leases in the Santa Barbara Channel off California. And last June, they paid $510-million for the right to further exploration in the fields off east Louisiana.

Drillers are getting more excited about offshore operations because:

- New geophysical techniques are more accurately identifying potential reserves.
- The profit squeeze on foreign oil production is getting tighter.
- Demand for oil is rising fast. By 1980, U.S. demand will rise to 18-million bbl. a day, compared to 12-million bbl. now.
- One oilman observes: "Going offshore is a matter of survival for some companies. They simply are not finding needed reserves onshore."
- Offshore exploration generally costs three times more than onshore.

Texaco, Inc., and Humble Oil & Refining Co., two of the industry's giants, were the high bidders in the Texas sale. Texaco had winning bids totaling $233-million, Humble $140-million.

News briefs

An F-111A crash on May 8 was blamed by the Air Force this week on a defective valve. The Air Force has now solved five of the seven F-111A crashes, and says none was caused by a defect grave enough to shake its faith in the controversial fighter-bomber.

A long-term contraceptive, Upjohn Co.'s injectable form of the drug Depo-Provera, may receive marketing approval this year from the Food & Drug Administration. Squibb Beech-Nut, Inc., also is seeking FDA approval for a long-term contraceptive to be administered by doctors only.

The Interior Dept. has reversed its cancellation of a controversial 7,213-bbl.-a-day petrochemical import quota for a Standard Oil Co. of California, after the Justice Dept. passed the word that the cancellation had weak legal footing. However, Interior plans quick changes in the rules to block double quotas to the company that processes oil and petrochemicals.

U.S. companies that borrow money abroad could keep it there until needed, instead of having to ship much of it home, under a rule change proposed this week by the Commerce Dept. The old rule has threatened to shrink the Eurodollar market, just at a time when borrowing was heaviest. To qualify for the exemption, companies would pledge to use up funds borrowed abroad before transferring cash from the U.S.

The Supreme Court this week upheld a Federal Trade Commission order that General Foods divest itself of S.O.S. Co., though the two companies were not direct competitors. The ruling—that General Foods' huge marketing power could be used to boost S.O.S. sales of steel scouring pads—serves as a warning on possible conglomerate mergers to acquisition-minded executives.

A group of 44 companies in the New York area has pledged 2,400 jobs to the National Alliance of Businessmen—a private organization seeking to find 200,000 jobs for hard-core unemployed. The single New York pledge represents 13% of the area's quota. Social Research Corp., representing the companies, has applied for a Labor Dept. grant of $6.9-million to provide training and counseling.
other words, they are the rates that would have applied before taxes.

But Lawrence Fisher and James H. Lorie—the professors who conducted this research job—are very patient and meticulous men. Their study also shows exactly how you might have made out if you had bought every stock on the New York Stock Exchange at the end of every month from January, 1926, to December, 1960, and sold it in each and every succeeding month.

Take General Motors, for example. Dr. Fisher assumed that you bought GM in January of 1926 and sold in February, bought in January and sold in March, bought in January and sold... in every month right up through December of 1960—a total of 419 combinations. Then the researchers went back and assumed you bought GM in February of 1926—and sold in March, sold in April, sold in May, and so on through December, 1960.

For GM—or any other common stock listed for the whole period—

the same basis, our $50,000-a-year man would have realized 6.1%. The comparable returns for the postwar years: 10.4% and 8.5%.

"Are you trying to tell me that you can't lose buying common stocks?"

By no means. People have lost their shirts in the market, and everybody knows it. In the single year of 1962, the average rate of return was negative—minus 13.5%. During the Great Depression of the early thirties, and during the recession of 1937-38, losses on common stock were frequent.

But you can't ignore the study's conclusion that you could have made money in 91% of all the 820 possible year-to-year holding periods from 1926 to 1965, ex taxes.

"How does the rate of return on stocks stack up against other ways I might have invested my money?"

Another good question. Four years ago, a preliminary study concerning rates of return in the stock market, 1926 to 1960, disclosed that common stocks yielded rates of return substantially higher than alternative investment media for which comparable data were available.

Specifically, Fisher and Lorie pointed out that savings in commercial banks, mutual savings banks, and savings and loan associations yielded less than 4% for most of this period. Yields on mortgage loans and bonds of all kinds were generally lower than those available on common stocks.

"What has Merrill Lynch got to do with all of this?"

Well, Merrill Lynch has supported this project—over many years. So have several major research foundations, because they think the project puts facts and figures where only guesses existed previously. No one is more appreciative of that than the banks, insurance companies and other large institutional investors who are now also supporting the work of the Center for Research in Security Prices.

Merrill Lynch wants its customers to know as much as we can tell them about the risks and rewards of investing before they put their money into the stock market. That's why, for a great many years, our motto has been: Investigate—then invest.
S. 3727—INTRODUCTION OF BILL TO ESTABLISH A COMMISSION TO BE KNOWN AS THE COMMISSION ON AIR TRAFFIC CONTROL

Mr. BROOKE. Mr. President, every time we take an airplane up into the sky our lives are literally in the hands of two human beings: the pilot in the cockpit and the controller in the tower. We are aware of the care with which pilots are selected and trained; each airline is responsible for its own personnel, and its safety record is a matter of frequent public discussion. But air traffic in the United States is rapidly approaching a critical stage; in some areas of high-density traffic, crises already exist. In many areas the system is handicapped by a lack of sufficient competent personnel to operate essential air traffic control and directed aircraft movement. Many controllers are working mandatory overtime hours, and their resources are being so overtaxed that efficiency necessarily suffers. It is becoming increasingly difficult to attract new men of high caliber who possess the skill and stamina necessary to function in this delicate and essential occupation.

Besides the drain on human resources, physical facilities are often not adequate to the job at hand. Because of insufficient air traffic control and electronic landing systems, some airports now operating are not adequate to handle the present traffic and still maintain minimum safety standards. In many facilities the radar needed for positive control is obsolete and inadequate; in many other facilities there is no radar at all. Among its other deficiencies, our air traffic control system has no means of limiting or even forecasting the number of airplanes which schedule arrivals and departures at any single airport at a given time. At some airports, delays are rapid.

As these occur, spacing between aircraft is often shortened to the point where safety is undermined.

Our annual increase in air traffic has been very substantial during the past 5 years. It promises to continue without abatement for the foreseeable future. If the American people are to have air transportation that is reasonably dependable and secure, the same team must be present to establish proper safety standards the country must, without further delay, develop the personnel to fulfill the task. We must make it possible to manage safely and efficiently the rapidly accelerating air traffic flow.

It is for these reasons that I send to the President, January 29, 1965, a bill to establish a commission to be known as the Commission on Air Traffic Control. The Commission shall be responsible for making a full and comprehensive study of air traffic control personnel and responsibilities of air traffic controllers. It will serve in an advisory capacity to the Secretary of Transportation, and will submit a comprehensive report of its findings to the President and the Congress within 1 year.

I am pleased to have as co-sponsors of this bill Mr. ANDERSON, Mr. BURDICK, Mr. CARLSON, Mr. CASE, Mr. DIKREIN, Mr. DOMINICZ, Mr. GILBERT, Mr. HANSEN, Mr. HAY, Mr. HAYTER, Mr. HAYFIELD, Mr. INOTUDEV, Mr. JAYTIS, Mr. LONG of Missouri, Mr. McINTYRE, Mr. MONDRALE, Mr. SMITH, Mr. TOWER, and Mr. TOWER.

S. 3727—BE IT ENACTED BY THE SENATE AND HOUSE OF REPRESENTATIVES OF THE UNITED STATES OF AMERICA IN CONGRESS ASSEMBLED, That in recognition of (1) the need increasing workload and stress on air traffic controllers, particularly at certain airports in the Nation, and (2) the fact that (a) by 1970 80 per cent of all air traffic carrying many more passengers soon to become operational, the performance of such controllers will become even more important, there is hereby established a commission to be known as the Advisory Commission on Air Traffic Control (hereafter referred to as the "Commission").

(a) The Commission shall make a full and comprehensive study of air traffic control and the duties and responsibilities of air traffic controllers in order to determine what policies are necessary to assure that such controllers are of the highest caliber, and to coordinate and work under such rules as will best assure the safety of the public. Such study shall include—

(1) an examination and determination of the best methods for defining the "workloads" of air traffic controllers and "high density" airport facilities, taking due account of other relevant surveys and studies;

(2) a thorough review and recommendations concerning air traffic control personnel standards and practices, including problems of recruitment, education and training, personnel qualifications, licensing and classification, periodic proficiency and medical examinations, compensation, retirement, and leave policies;

(3) a consideration of the desirability and feasibility of establishing an academy to conduct specified pretraining and training for air traffic control personnel;

(4) any other matter which the Committee shall determine is necessary to the orderly development of responsibilities under this Act.

(b) The Commission shall submit a comprehensive report of its study, including such recommendations as it deems appropriate, to the President and the Congress within one year of enactment of this Act. The Commission shall cease to exist ninety days after the submission of such report.

(c) The members of the Commission shall be composed of fifteen members appointed by the Secretary of Transportation. The composition of the Commission shall be—

(1) four members appointed from private life;

(2) four members who are active air traffic control personnel;

(3) three members who are active traffic controllers in the United States Air Force, the United States Navy, the United States Marine Corps, the United States Air National Guard, and the United States Air Force Reserve;

(4) one member appointed from recommendations submitted by the Air Transport Association of America and the Allied Pilots Association;

(5) one member appointed from recommendations submitted by the Airline Association of America and the Allied Pilots Association;

(6) one member appointed from recommendations submitted by the National Business Aviation Association;

(7) one member appointed from recommendations submitted by the National Business Aviation Association;

(8) two members appointed from the Civil Service Commission, or its equivalent; and

(9) one member appointed from recommendations submitted by the National Business Aviation Association.

(c) The members of the Commission who are appointed from private life shall receive a fee of $100 per day for each day (excluding travel time) during which he is engaged in the work.
actual performance of his duties as a member of the Commission. A member of the Com-
mission who is in the legislative, executive, or judicial branch of the United States Govern-
ment shall serve without additional compensation, and such compensation shall be paid
without regard to the provisions of chapter 53 of title 5, United States Code, governing
appointments in the competitive service, and such compensation shall be paid
without regard to the provisions of section 3709 of the Revised Statutes, as amended (41 U.S.C.
529); and
(b) The Commission is authorized to ob-
tain, from any department, agency, or instrumen-
tal, or modifications thereof, with the
interest of the security of the United States
reports not be furnished.

Mr. ROTH'S efforts have already won
him favorable responses and support; and I join
many of his House colleagues and others in congratulating him for the very
valuable contribution he has made.

The bill which Mr. ROTH introduced in
the House, and which I am introducing today in the Senate, provides that the President shall send to the Congress at
the beginning of each regular session a
catalog of Federal assistance programs.
The catalog is also to be the only
compendium of program information
published by any Federal agency or de-
partment.

Most of us are familiar with the cata-
log developed by the Office of Economic
Opportunity. In his study of this catalog,
Mr. ROTH found that it was incomplete and
the information contained was in
many cases not available . We all know how
useful this information is to a potential program beneficIary.

But at least it was an effort. It was a start. My colleague's study made it plain,
and the information contained was in
many cases not available. We all know how
useful this information is to a potential program beneficIary.
on the basis of its legal authority, its adminis-
terative office, its specific purpose, the spe-
cific benefit it provides, or the specific qual-
ifications of its beneficiaries.

(b) Federal Assistance program "benefi-
ciary" includes but are not limited to a State, or
group or subdivision thereof, county, city, or political body, profit or non-
profit corporation, or institution, any individ-
ual, or any other political beneficiary, domestic or foreign, other than an
agency of the Federal government.

(3) An "administering office" is the lowest
subdivision of any Federal agency or depart-
ment that has direct, operational responsi-
bility for each Federal assistance program.

(4) "Federal agency or department" means
any executive department, independent
commission, wholly owned Government cor-
poration; board, bureau, office, agency, or
other establishment of the Government; in-
ccluding any independent regulatory commis-
sion, board, or other instrumentality of any
United States or District of Columbia.

SEC. 9. This Act does not apply to any ac-
tivities related to the collection or evalua-
tion of national security information.

PUBLICATION OF FEDERAL AID PROGRAMS

SEC. 4. For each Federal assistance program, the
President shall:

(1) identify the program. The identification
may include the name of the program, the
existing Federal assistance programs, the specific adminis-
tering office, and a brief description of the program including the objectives it is
designed to attain.

(2) describe the program structure. The
description may include a statement of the eligibility, restrictions, limitations, benefits, and the restrictions on the use of such benefits.

(3) state the level of funding. This state-
dement may include the program data, current
practices, past appropriations, obliga-
tions incurred, average assistance given, or other pertinent data. The
statement is designed to indicate the size of the program and any funding remaining.

(4) state the costs to the recipient of re-
curring costs or support. This state-
ment may include a statement of pre-
requisites or requirements for receiving benefits, and of duties required after receiving benefits.

(5) identify the appropriate officials to
contact. The list may include contacts in both
Washington, D.C., and locally, includ-
ing addresses and telephone numbers.

(6) describe the mechanics of application.
The description may include application

deadlines, and the time taken to process or approve an application.

(7) identify revised programs.

FORM OF CATALOG

SEC. 7. (1) Detailed budgetary information
shall be given for each Federal assist-
ance program. Except for budgetary infor-
mation, similar information for each Federal assistance program may be consolidated.

(2) The program information may be set
forth in such form as the President may
determine, and the Catalog may include such
other program information and data as in
his opinion are necessary or desirable in order
to assist the potential program beneficiary
to understand and take advantage of each
Federal assistance program.

(3) The Catalog shall contain a detailed
index designed to assist the potential bene-
ciary to identify all Federal assistance pro-
grame related to a particular need.

SIMPLIFICATION OF APPLICATION PROCEDURE

SEC. 8. The President shall transmit with
the annual report setting forth the specific
measures taken in the past year to simplify
and consolidate the various application forms
and program guidelines a potential
beneficiary would use to benefit from each
Federal assistance program, and to coordi-
nate, simplify, and consolidate application
forms and program guidelines of one Federal assistance program with application
forms and program guidelines of other related Federal assistance programs, administered
by the same or especially by differ-
ent Federal agencies or departments.

SEC. 9. The President shall revise the Cata-
glog at no less than monthly intervals. Such
revision:

(1) shall reflect for each Federal assistance
program any changes in the program informa-
tion listed in section 8.

(2) shall include such other program in-
formation as will provide the most current
information on changes in current funding
status, on changes in organizations admin-
inistering Federal assistance programs, and on
other changes of direct, immediate rele-
Vance to a potential program beneficiary as will most accurately reflect the full scope of
Federal assistance programs, and the current
organization of the Federal agencies and departments that administer such programs.

(4) may include such other program in-
formation as the President may deem
necessary or desirable in order to assist the potential program beneficiary
to understand and take advantage of each
Federal assistance program.

PUBLICATION BY SUPERINTENDENT OF
DOCUMENTS

SEC. 10. The Superintendent of Documents shall
make the Catalog and all revisions thereof available to the public at cost in
quantities adequate to meet public demand.

The Catalog and all revisions thereof shall be
made readily available to the public at a
reasonable cost.

The Catalog shall be the only compendium
listed in section 8 as is given in the most
recent revision of the Catalog shall be re-
tained in any such reprint. All other com-
pendiums of program information are pro-
vided in order to make the Catalog the
exclusive source of such program information
ordered to make the Catalog the
exclusive source of such program information
program.

DECLARATION OF FUNCTIONS

SEC. 11. The President may delegate any
function conferred upon him by this Act to
the director or other personnel of the Bureau
of the Budget, with authority for redelegation
within that Bureau, but no functions under
this Act may be delegated to any other de-
partment, agency, or officer of the United
States.

AMENDMENT TO BUDGET AND ACCOUNTING

ACT, 1921

SEC. 12. Section 207 of the Budget and Ac-
counting Act of 1921 (31 U.S.C. 536) is amended
by (1) inserting "(a)" immediately after
SEC. 207, and (2) by adding at the end thereof the following new subsection:

(b) The Bureau, under such rules and
procedures as the President may prescribe,
shall prepare the Catalog of Federal assist-
ance programs in accordance with the Pro-
gram Information Act, shall prepare pro-
promises to the Catalog, and shall achieve
Further to assist the potential program bene-
ciary to understand and take advantage of each
Federal assistance program, and shall
make every effort to simplify and consolidate the various application forms and program
guidelines of such Federal assistance programs to
assist the potential beneficiary would use to benefit from each
Federal assistance program, and to coordinate, simplify, and
conform to such guidelines of other related Federal Asst-
tances. The catalog shall provide the President
with data on other changes of direct, immediate rele-
Vance to a potential program beneficiary as will most accurately reflect the full scope of
Federal assistance programs, and the current
organization of the Federal agencies and departments.

(b) The Catalog shall be the only compendium
listed in section 8 as is given in the most
recent revision of the Catalog shall be re-
tained in any such reprint. All other com-
pendiums of program information are pro-
vided in order to make the Catalog the
exclusive source of such program information
program.

DECLARATION OF FUNCTIONS

SEC. 11. The President may delegate any
function conferred upon him by this Act to
the director or other personnel of the Bureau
of the Budget, with authority for redelegation
within that Bureau, but no functions under
this Act may be delegated to any other de-
partment, agency, or officer of the United
States.

AMENDMENT TO BUDGET AND ACCOUNTING

ACT, 1921

SEC. 12. Section 207 of the Budget and Ac-
counting Act of 1921 (31 U.S.C. 536) is amended
by (1) inserting "(a)" immediately after
SEC. 207, and (2) by adding at the end thereof the following new subsection:

(b) The Bureau, under such rules and
procedures as the President may prescribe,
shall prepare the Catalog of Federal assist-
ance programs in accordance with the Pro-
gram Information Act, shall prepare pro-
promises to the Catalog, and shall achieve
Further to assist the potential program bene-
ciary to understand and take advantage of each
Federal assistance program, and shall
make every effort to simplify and consolidate the various application forms and program
guidelines of such Federal assistance programs to
assist the potential beneficiary would use to benefit from each
Federal assistance program, and to coordinate, simplify, and
conform to such guidelines of other related Federal Asst-
tances. The catalog shall provide the President
with data on other changes of direct, immediate rele-
Vance to a potential program beneficiary as will most accurately reflect the full scope of
Federal assistance programs, and the current
organization of the Federal agencies and departments.

(b) The Catalog shall be the only compendium
listed in section 8 as is given in the most
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this Act may be delegated to any other de-
partment, agency, or officer of the United
States.
resumery which defies even the expert
scrutiny of a Congressman’s office!
And LBJ says he has a tight budget!
Because of the concern of your organization with federal policies which affect the investment community, I thought you might find of interest the statement which I have issued today on this subject.

I believe it is vitally important that the policies of the federal government provide complete protection for the investor and at the same time encourage the free flow of capital so essential to our nation's economic stability and growth.

With every good wish,

Sincerely,
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With every good wish,

Sincerely,
Francis R. Schanck, 2 President, (IBA)
c/o Bacon, Whipple, and Co.
135 So. LaSalle Street
Chicago, Illinois 60603

Mr. John R. Haire, 2 Chairman
Investment Company Institute
c/o Anchor Corporation
Westminster at Parker
Elizabeth, New Jersey 07207

Mr. Leon T. Kendall, 3 President
Association of Stock Exchange Firms
120 Broadway
New York, New York 10005

Mr. James W. Davant
Chairman of the Board
Association of Stock Exchange Firms
c/o Paine, Webber and Jackson
140 Broadway
New York, New York 10005
THE ROLE OF THE SECURITIES
INDUSTRY IN THE NATIONAL ECONOMY

Today, one out of every eight Americans owns shares of mutual funds or common stocks in American industry. Directly, and indirectly, one hundred million Americans benefit from stock investments by way of pension plans or insurance policies. This broad base of individual ownership of American industry is the foundation of our free economy.

The fantastic growth of our securities industry and the dramatic increase in public participation has over-burdened our Nation's stock exchanges, and raised questions about the impact of institutional investing on the market and on our economy, and the effectiveness of existing law in providing full and adequate protection for the investor.

These are sophisticated, complex questions. The reaction of this administration to these new challenges, however, has been simply to trot out the same tired old "cure-alls" of the Democratic party, that is more heavy-handed bureaucratic regulatory schemes.

What is needed - and it will be a first priority of my administration -- is an independent, comprehensive, economic study of the role of financial institutions in our economy, the relationship of financial institutions to our nation's growth, the requirements for investor protection and the inter-relationship of all financial institutions. Such a study is imperative before steps are taken which might seriously impair the nation's ability to continue to raise the capital needed for its future economic growth.

During the past Congress, a joint resolution was adopted authorizing
a Securities and Exchange Commission study which would involve some of these issues. Even before the study could be initiated, however, the Justice Department and the SEC advanced proposals designed to alter the basic character of the securities market, involving drastic changes in the stock exchange rate structure and altering the economic relationships of brokerage firms, institutional investors and individual investors. Tragically, those who would suffer most are the small broker dealers, the small independent businessmen.

The Administration has further sought wide sweeping new regulatory powers over the mutual fund industry, which powers would be tantamount to "rate fixing" in a highly competitive industry. Agencies of the administration have sought, sometimes with, but more often without legislative authority, to establish bureaucratic domination over the competitive relationship and everyday activities of banks, savings institutions, insurance companies and institutional investors.

The actions of this Administration have been characterized by a legalistic and bureaucratic approach rather than one sensitive to the needs of our free economic system. Another priority of my administration, and an important plank in the Republican platform, is a thorough and long overdue study of the Executive Department by an independent commission patterned after the Hoover Commission. One of the major items on the agenda of that commission must be a determination of the proper role which those agencies now regulating our economic institutions are to play in insuring our nation's economic stability and growth.

The free and healthy operation of the market is of utmost importance to the investor; to the nation, the orderly growth of the industry and its ability to attract new investment provides the flow of capital essential to our
Nation's economic well-being and expansion.

Our securities laws were designed to protect the investor by insisting upon full and complete disclosure. This has been the order of the day since the Securities Act of the 30's were written. I believe in the full enforcement of the securities law to assure absolute protection for the investor; abuses of laws should be vigorously prosecuted. I believe furthermore that the Federal Government should be continually sensitive to the needs for improvement in these laws to assure investor protection. The philosophy of this Administration, however, has been that disclosure alone is not enough and that the government can make decisions for the investor better than he can make them for himself. This philosophy I reject.

By its actions, my administration will evidence its faith in the American investor and in the strength and viability of American financial institutions so essential to the success of our free economy.
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September 24, 1968

Dear Mr. Schanck:

Because of the concern of your organization with federal policies which affect the investment community, I thought you might find of interest the statement which I have issued today on this subject.

I believe it is vitally important that the policies of the federal government provide complete protection for the investor and at the same time encourage the free flow of capital so essential to our nation's economic stability and growth.

With every good wish,

Sincerely,

Mr. Francis R. Schanck, President
Investment Bankers Association
c/o Bacon, Whipple and Company
135 South LaSalle Street
Chicago, Illinois 60603
September 24, 1968

Dear Mr. Haire:

Because of the concern of your organization with federal policies which affect the investment community, I thought you might find of interest the statement which I have issued today on this subject.

I believe it is vitally important that the policies of the federal government provide complete protection for the investor and at the same time encourage the free flow of capital so essential to our nation's economic stability and growth.

With every good wish,

Sincerely,

Mr. John R. Haire, Chairman
Investment Company Institute
c/o Anchor Corporation
Westminster at Parker
Elizabeth, New Jersey 07207
September 24, 1968

Dear Mr. Kendall:

Because of the concern of your organization with federal policies which affect the investment community, I thought you might find of interest the statement which I have issued today on this subject.

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With every good wish,

Sincerely,

Mr. Leon T. Kendall, President
Association of Stock Exchange Firms
120 Broadway
New York, New York 10005
September 24, 1968

Dear Mr. Davant:

Because of the concern of your organization with federal policies which affect the investment community, I thought you might find of interest the statement which I have issued today on this subject.

I believe it is vitally important that the policies of the federal government provide complete protection for the investor and at the same time encourage the free flow of capital so essential to our nation's economic stability and growth.

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[Signature]

Mr. James W. Davant
Chairman of the Board
Association of Stock Exchange Firms
c/o Paine, Webber and Jackson
140 Broadway
New York, New York 10005
Today, one out of every eight Americans own shares of mutual funds or common stocks in American industry. Directly, and indirectly, one hundred million Americans benefit from stock investments by way of pension plans or insurance policies.

Nowhere is the greatness of the American economic system more dramatically exemplified than in the tremendous increase in numbers of individual shareholders in American industry. This growth has been reflected in the accelerated activity of the nation's stock exchanges, and in the tremendous increase of institutional investment.

This broad base of public ownership of American industry is the foundation of our free economic system. Millions of people truly participate, directly, in the rewards of our free enterprise system. On the one hand this is democracy at its very best; on the other hand, this investment by millions of individuals provides the flow of capital so essential to the growth of our nation's economy.

Government should encourage the free flow of capital, the free operation of our institutions so vital to our economy, and free investment participation by our citizens. The present Administration, of which Vice President Humphrey has been a part, has all too often shown little faith in the American investor, and in American financial institutions. Whenever policy questions have arisen involving the role of financial institutions in our economy, the present Administration has trotted out the same tired, old "cure-alls" of the Democratic Party -- that is, more heavy-handed, bureaucratic regulation.

Our securities laws were designed to protect the consumer by demanding full and complete disclosure. "Truth in securities" has been the order of the day since
the Securities Acts of the 30's were written. This Administration, however, frequently under the guise of "consumer protection" has sought to achieve more and more governmental control over the everyday operation of financial institutions. Its philosophy has been that disclosure alone is not enough, that somehow the Government should make decisions that the individual, armed with all relevant information and facts, is incapable of making himself.

Acting without the benefit of any economic study, for example, the Justice Department and the SEC have zealously attempted to revise the basis character of the securities market. Without the benefit of economic analysis, these Agencies have proposed drastic changes in the stock exchange rate structures, and in the economic relationship of brokerage firms, institutional investors, and individual investors. They have further sought wide-sweeping new regulatory powers over the mutual fund industry, which powers would be tantamount to rate-fixing in a highly competitive industry. Agencies of the Administration have sought, sometimes with, but more often without legislative authority, to establish bureaucratic domination over the competitive relationship and activities of banks, savings institutions, insurance companies and institutional investors. Wisely, the Congress has rebuffed these efforts. The actions of this Administration in areas affecting the viability of our financial institutions, have been characterized by a legalistic and bureaucratic approach rather than one sensitive to the needs of our free economic system.

One of the first steps of the new Administration will be to conduct an independent and comprehensive economic study of the role of our financial institutions, the relationship of our financial institutions to the growth
of our economy, the requirements for investor protection, and the ways in which Government can assist both the investor, and the sound growth of all financial institutions, banks, savings institutions insurance companies, the exchanges, mutual funds, and pension plans. Such a study is imperative before steps are taken which might seriously affect the nation's ability to continue to raise the capital needed for its future economic growth.

Another priority of my Administration, and an important plank in the Republican Platform, is a thorough and long overdue study of the Executive Department by an independent commission patterned after the Hoover Commission. One of the major items on the agenda of that commission must be a determination of the proper role which those Agencies now regulating our economic institutions are to play in insuring our nation's economic stability and growth.
Today, one out of every eight Americans own shares of mutual funds or common stocks in American industry. Directly, and indirectly, one hundred million Americans benefit from stock investments by way of pension plans or insurance policies. Nowhere is the greatness of the American economic system more dramatically exemplified than in the tremendous increase in the number of individual shareholders. This broad base of public ownership of American industry is the foundation of our free economic system.

The fantastic growth of our securities industry and ever-increasing public participation has created new problems such as the overburdened condition of our Nation's stock exchanges. The enormous increase in institutional investment has raised new public policy questions, the impact of institutional investing on the market and on our economy, and the effectiveness of existing law in providing full and adequate protection for the investor.

The reaction of this administration to these issues, however, has been simply to trot out the same tired old "cure-all" of the democratic party, that is more heavy-handed bureaucratic regulatory schemes.
What is needed - and it will be a first priority of my administration - is an independent, comprehensive, economic study of the role of our financial institutions in our economy, the relationship of our financial institutions to our nation's growth, requirements for investor protection and the interrelationship of all financial institutions, banks, savings institutions, insurance companies, mutual funds and pension plans. Such a study is imperative before steps are taken which might seriously affect the nation's ability to continue to raise the capital needed for its future economic growth.

During the past Congress, a joint resolution was adopted authorizing a study which would involve some of these issues. Even before the study initiated, however, the Justice Department and the SEC advanced proposals designed to revise the basic character of the securities market, involving drastic changes in the stock exchange rate structure and altering the economic relationships of brokerage firms, institutional investors and individual investors. The administration further sought wide sweeping new regulatory powers over the mutual fund industry, which powers would be tantamount to "rate fixing" in a highly competitive industry. Agencies of the administration have sought, sometimes with, but more often without legislative
authority, to establish bureaucratic domination over the com-
petitive relationship and everyday activities of banks, savings
institutions, insurance companies and institutional investors.

In short, in areas affecting the viability of our financial
institutions, the actions of this administration have been
characterized by a legalistic and bureaucratic approach rather
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September 17, 1968

TO: Allen Greenspan 7587202

The following two statements have been approved by Tower and Morse. They are not to be distributed, however, until our negotiations are complete with the affected groups. Will discuss with you by telephone.

Chuck Colson
Draft Statement by Richard Nixon on the Roles of the Securities Industry

Today, one out of every eight Americans own shares of mutual funds or common stocks in American industry. Directly, and indirectly, one hundred million Americans benefit from stock investments by way of pension plans or insurance policies.

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This broad base of public ownership of American industry is the foundation of our free economic system. Millions of people truly participate, directly, in the rewards of our free enterprise system. On the one hand this is democracy at its very best; on the other hand, this investment by millions of individuals provides the flow of capital so essential to the growth of our nation's economy.

Government should encourage the free flow of capital, the free operation of our institutions so vital to our economy, and free investment participation by our citizens. The present Administration, of which Vice President Humphrey has been a part, has all too often shown little faith in the American investor, and in American financial institutions. Whenever policy questions have arisen involving the role of financial institutions in our economy, the present Administration has trotted out the same tired, old "cure-alls" of the Democratic Party — that is, more heavy-handed, bureaucratic regulation.

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Acting without the benefit of any economic study for example, the Justice Department and the SEC have zealously attempted to revise the basis character of the securities market. Without the benefit of economic analysis, these Agencies have proposed drastic changes in the stock exchange rate structures, and in the economic relationship of brokerage firms, institutional investors, and individual investors. They have further sought wide-sweeping new regulatory powers over the mutual fund industry, which powers would be tantamount to rate-fixing in a highly competitive industry. Agencies of the Administration have sought, sometimes with, but more often without legislative authority, to establish bureaucratic domination over the competitive relationship and activities of banks, savings institutions, insurance companies and institutional investors. Wisely, the Congress has rebuffed these efforts. The actions of this Administration in areas affecting the viability of our financial institutions, have been characterised by a legalistic and bureaucratic approach rather than one sensitive to the needs of our free economic system.

One of the first steps of the new Administration will be to conduct an independent and comprehensive economic study of the role of our financial institutions, the relationship of our financial institutions to the growth
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Another priority of my Administration, an an important plank in the Republican Platform, is a thorough and long overdue study of the Executive Department by an independent commission patterned after the Hoover Commission. One of the major items on the agenda of that commission must be a determination of the proper role which those Agencies now regulating our economic institutions are to play in insuring our nation's economic stability and growth.
FY '70 CRYSTAL BALL ON NAVY PROGRAM

Careful analysis of testimony in May on FY '69 Defense Appropriations Bill (HR-18707) before Senate Appropriations Committee (released only recently) indicates Navy is anticipating FY '70 Shipbuilding and Conversion program of following character:

<table>
<thead>
<tr>
<th>NEW CONSTRUCTION</th>
<th>Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 SSN</td>
<td>$259.0</td>
</tr>
<tr>
<td>2 DXGN</td>
<td>320.0</td>
</tr>
<tr>
<td>1 CVAN</td>
<td>535.0</td>
</tr>
<tr>
<td>5 DX</td>
<td>246.0</td>
</tr>
<tr>
<td>4 FDL</td>
<td>183.6</td>
</tr>
<tr>
<td>1 DE (gas turbine)</td>
<td>25.0</td>
</tr>
<tr>
<td>2 LHA (number could be 3)</td>
<td>306.0</td>
</tr>
<tr>
<td>17 New Construction Subtotal</td>
<td>$1,874.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CONVERSIONS</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>9 SSBN to POSEIDON</td>
<td>$685.7</td>
</tr>
<tr>
<td>1 Range Instrumentation Ship</td>
<td>25.0</td>
</tr>
<tr>
<td>3 DLG</td>
<td>120.0</td>
</tr>
<tr>
<td>10 MSO</td>
<td>48.6</td>
</tr>
<tr>
<td>23 Conversions Subtotal</td>
<td>$879.3</td>
</tr>
</tbody>
</table>

40 TOTAL $2,753.9

On basis of "batting averages" lately, it is unlikely that funds of above magnitude would be requested at start of new Administration or approved by Congress. Total closer to $2 billion will probably be included in FY '70 budget when presented to Capitol Hill next January.

There are also suggestions that updating of current classes of submarine rescue vessels (ASR), salvage tugs (ATS), tank landing ships (LST), combat stores ships (AFS), replenishment fleet tankers (AOR), environmental research ships (AGER), surveying ships (AGS) and oceanographic research ships (AGOR) may be initiated through reinstitution of
$3 million for "advanced contract design" recommended by Senate Committee to be deleted from FY '69 program (see Sept. 26 BULLETIN).

VAdm. J. B. Colwell, USN, Assistant Chief of Naval Operations (Fleet Operations and Readiness) made strong plea for FDL ships - at unit cost of $45.9 million - funds for which per our Sept. 12 BULLETIN were later eliminated by Congress from FY '69 Navy shipbuilding and conversion program "without prejudice." He also stated that program contemplated 30 ship multiyear contracts to be funded 4 in FY '69; 10 in FY '70; 8 in FY '71; and 8 in FY '72.

APL/FARRELL/MARAD/INGALLS CONTRACTS SIGNED

Two contracts were signed this morning (Oct. 3) here in Washington for construction of seven C-6 containerships at Ingalls Shipbuilding Corp., Div. of Litton Systems, Inc., Pascagoula, Miss. Three of these vessels are for American President Lines, Ltd., and four for Farrell Lines, Inc.

Award of pending contract covering 3 Sea Barge vessels for Lykes Bros. Steamship Co., on which General Dynamics Corp., Quincy, Mass. Division was low bidder, has been postponed. GD has extended its bids until Dec. 8.

U.S. SUBMARINE CAPABILITY ASSESSED

Less than 10 days ago (on Sept. 24), Preparedness Investigating Subcommittee of Senate Armed Services Committee released report on "United States Submarine Program" culminating investigation started late last year "to determine the status of our submarine fleet, both as it exists today and as it is projected into the mid-1970's under presently approved programs."

Principal conclusion: "The United States must make up in quality what it lacks in quantity, having conceded to the Soviet Union a substantial numerical superiority in submarines." Chairman John Stennis (D-Miss.) noted: "Certainly, this is no time to consider stopping our submarine construction program. Therefore, our primary recommendation is that the United States should have a continuing submarine construction program."

On Friday (Sept. 27), same Subcommittee issued another report on "Status of U.S. Strategic Power" expressing "concern about the adequacy of our presently approved level of strategic nuclear forces." It is asserted: "Since Hiroshima, our nuclear posture vis-a-vis the Soviet Union has moved progressively from monopoly to massive superiority to exploitable superiority to our present posture of what is at best marginal superiority . . . The Soviets have continued to close the gap in the nuclear race. . . ."
The Soviets have about 40 ballistic missile submarines and about 50 cruise missile submarines. They are placing increasing emphasis on their ballistic missile submarine force and are building a new nuclear-powered submarine comparable to our Polaris submarine that may be able to fire ballistic missiles to a range of 1,500 miles. The first unit of this class is just becoming operational.

Coincidentally, NEWSWEEK magazine (Oct. 7) contains report of "Secret Shipyard For Soviet A-Subs" reading: "NATO intelligence officers say the Russians have built a submarine shipyard, completely roofed over to escape reconnaissance and satellite observations, that can turn out more nuclear submarines than all U.S. shipyards combined have been producing. The Soviet yard's capacity is more than a dozen submarines a year. The United States currently is producing about two nuclear-powered submarines each year."

GOP candidate Richard M. Nixon, in statement released at Williamsburg, Va., yesterday (Oct. 2) said that "the Soviet Union is making a very impressive bid to become the world's number one sea power" while "the United States has not been doing what it should to keep them from overtaking us." Mr. Nixon also declared: "We face a troubled future for our naval strength."

Investigating Subcommittee further comments with respect to U.S. capability:

"POSEIDON will start coming into the inventory in the 1970's during which time a number of POLARIS submarines will have been converted to POSEIDON, a new missile with greater design accuracy, more throw weight and potentially more separately targeted warheads than POLARIS. The present program is to convert 31 submarines to the POSEIDON. The fate of the remaining 10 POLARIS submarines has not yet been determined. As currently programmed there will be both POLARIS and POSEIDON missiles in the strategic force in 1976.

"The Joint Chiefs have also supported the ballistic missile ship (i.e. surface vessel) which would carry a number of POSEIDON missiles. Their fiscal year 1969 proposal to construct a prototype missile ship in order to preserve an early deployment option if such a force is required was disapproved by the Secretary of Defense in the final record of decision on January 15, 1968."

Against this backdrop, as well as other expressions of Congressional and public concern, it is understood Navy is presently considering establishment of Project Manager Office for submarine development, reporting directly to Chief of Naval Material. Modus operandi would be similar to that of POLARIS-POSEIDON, Antisubmarine Warfare and Deep Submergence Special Projects Offices.
HEARINGS ON "MID-BODY" BILL SET

In curious twist of legislative procedure, Senate Commerce Committee will conduct hearings next week on bill which has already been ordered favorably reported (technically this action has never been set aside).

Government witnesses as well as proponents and opponents of HR-163, so-called "mid-body" bill, have been invited to testify before Committee on Wednesday morning (Oct. 9). This bill is intended to close loophole by which foreign-built or rebuilt vessels registered under American-flag have escaped 3 year waiting period to qualify for carriage of defense and preference (AID) cargoes.

HR-163 passed House of Representatives July 15 by vote of 370-30 and was ordered favorably reported by Senate Commerce Committee on July 18 (see July 18 BULLETIN). With adjournment of Congress variously predicted between Oct. 15 and 19, there is now considerable doubt that bill will be enacted into law this year.

SEA POWER SUBCOMMITTEE HOLDS FIRST MEETING

As Special Subcommittee on Sea Power of House Armed Services Committee (see Sept. 26 BULLETIN) held its organizational meeting yesterday (Oct. 2) behind closed doors, speculation continues to multiply as to timing and motivation of this effort.

One body of opinion senses move on part of Democrats to neutralize Nixon's proposal to revive U.S. maritime resources. Announcement of formation of Sea Power Subcommittee by House Armed Services Committee Chairman L. Mendel Rivers (D-S.C.) came within hours after text of Mr. Nixon's maritime statement was generally available.

Another school of thought believes Mr. Rivers' action was prompted by his continuing misgivings about (1) quality of nation's sea power resources and (2) failure of Administration and Congress to exert leadership in correcting alarming deficiencies in both naval and merchant fleets. While Subcommittee could not put in motion any effective action prior to start of 1969, it could set stage for needed programs when 91st Congress convenes in January.

Tuesday (Oct. 8), Subcommittee will hold hearings with Adm. T.H. Moorer, USN, Chief of Naval Operations, and VAdm. L.P. Ramage, USN, Commander, MSTS. Subcommittee staff visited Newport News Shipbuilding & Dry Dock Co. Friday (Sept. 27) and has scheduled trip to GD-Quincy yard tomorrow (Oct. 4). Earlier this week, counsels met with Pentagon personnel to "get educated" on nation's sea power complex.
THE CANDIDATES SPEAK

How Humphrey, Nixon and Wallace Stand on Major Housing Questions

The great importance that the home-building industry has achieved in the nation is well illustrated by the thoughtful replies of all three candidates to housing questions submitted by the National Association of Home Builders. The replies begin in alphabetical order with the name of the candidate but then are rotated for the sake of equal treatment.

Q Over the past few years, including this year, the Congress has passed a wide variety of legislation aimed at solving the housing needs of this country. What do you feel are the future legislative needs? What would you, as the Chief Executive, propose in this field?

HUMPHREY: As a Nation, we must live up to the commitment to ourselves to produce a housing supply that truly meets the needs of our people. I agree with the President and the 90th Congress that this means that during the next 10 years we must produce at least 6,000,000 dwellings with Federal assistance for those of low and moderate incomes and a minimum of 20,000,000 more units for those who can afford housing in the private market. For the next decade, our cities must be given a top-level priority in the Nation's agenda of unfinished business. Upgrading the Nation's housing stock is at the very heart of any sincere and meaningful effort at reviving our cities and providing a suitable living environment.

The Housing and Urban Development Act of 1968 could prove to be the most significant housing legislation ever passed. It authorized many of the actions we must take to solve our housing problems—to encourage all forms of homeownership, to facilitate private initiative in the development of housing, to assure an adequate supply of investment capital at reasonable interest rates, and to provide the subsidies needed for ownership as well as renting by those for whom market costs are beyond reach. In administering this Act, we must respond to the urgent desire among lower income families for the sense of security and dignity which homeownership affords.

NIXON: The Congress has been very active in the area of housing and urban-related legislation in recent years. The 1968 Housing Act is particularly far-reaching and large in content. Thus, there is already an abundance of laws on the statute books. Of course, this does not necessarily obviate the possible need for additional legislation in the near future.

However, the most pressing need for the next Administration will be to take immediate inventory of the housing programs now available with a view toward evaluating which ones should receive priority in funding. Those programs that are burdened with their shortcomings or duplicative in their scope should be reoriented, or if need be, discarded. It would be my hope that these studies could be completed by the middle of 1969, at which time a housing message could be sent to the next Congress.

With this in mind, it would be premature to set forth my specific ideas on new programs. But every avenue for unleashing the productive potential of private enterprise and individual effort will be explored. I feel that this can be done, for example, through tax credits and other financial incentives, the creation of urban development corporations and domestic development banks, loans and guarantees, and other technical assistance and self-help vehicles. My administration will bring about a joint venture in urban betterment between the Federal Government and private enterprise. The Government's role in this urgent undertaking will primarily be to provide a climate of incentive and encouragement for the full involvement of the entire private sector in solving our urban needs.

WALLACE: I would propose general support payments from the U. S. Treasury, consisting of revenue payments on a per capita basis, with the end result of allowing states and localities to devise their own programs and set their own priorities to help solve their own unique and most crucial problems.
The Congress has not yet acted upon appropriations for funding the programs authorized under the 1968 Act. Funding on an adequate basis, as authorized, is imperative if there is to be any chance of success. In the context of other national demands for funds in many other fields, and in view of the budget problem, what relative priority would you give to such funding to get these new programs moving quickly?

NIXON: The 1968 Housing Act authorizes some $5.5 billion in urban expenditures. The American people were promised a $6 billion cut in Government spending when the surtax measure was adopted, and our country's budgetary dilemma certainly must be expected to have its effect on urban spending.

While there are priorities that will have to be weighed in overall Government spending activities due to current budgetary problems, it is both necessary and prudent that priorities likewise be established for expenditures within each given area of Government activity. The Federal Government has assumed a broad role in the area of housing and urban affairs. As I have noted, there is a need for concentrating available funds in programs where they are truly needed and they can be expected to do the most good.

Available funds should be employed in such a manner as to provide financial leverage for the mass infusion of private investment capital into our urban areas. It is not realistic, nor is it possible in light of our fiscal crisis, to expect the Government to do the job in the cities by itself.

The 1968 Act's "Declaration of Policy" clearly defines where the Federal Government should concentrate its attention. It calls for the highest priority and emphasis on meeting the housing needs of those low-income families for whom the national goal of "a decent home and a suitable living environment for every American family" has not become a reality. With this I agree.

The private home-building industry has produced quality housing for the vast preponderance of our population over the years. But obsolescence and deterioration has taken its toll of the housing inventory, and these dwellings are for the most part occupied by families with such limited financial means that they cannot secure decent housing in the private market unassisted. Theirs are the neighborhoods that are characterized by blight and despair. These are the families that can become the owners and tenants of decent housing through the cooperative efforts of Government and free enterprise. The need for producing this housing is most apparent and pressing. There must be an increase in our inventory of standard housing reasonably commensurate with such spending as is attainable under our urban programs. This is where the priority lies, and the programs that can be shown to offer the most promise of progress in this area will receive priority attention in my Administration.

WALLACE: It is of the utmost importance that the war in Vietnam be brought to an early and honorable conclusion. This is the first priority facing the administration. The ending of the war would, in itself, free some money to be used in the other pressing problems facing our nation.

As for the allocation of Federal funds to the states for their use in solving problems relating to unemployment, education and housing—these three areas would, of course, receive prime consideration and as much funding as is appropriate and available and still be consistent with the national security.

HUMPHREY: The Administration I have worked in—as a Senator and as Vice President—has put the cities and housing high among domestic priorities. I certainly would not do less.

Full funding of the new housing programs of the 1968 Act is a minimum and a beginning—not the upper limit. I have used the phrase, "a Marshall Plan for the Cities," to indicate the dimensions I believe are justified for our financial commitment to the American cities of the 1960's. And because I believe in this plan as an investment rather than a cost—just as was our investment in the rebuilding of Europe's ravaged cities—I am willing to ask the Nation to face the problem and make the necessary investment to meet the goals we have set for ourselves.

Q. Included in the 1968 Housing and Urban Development Act were housing goals for the nation. This is the first time such goals have been spelled out specifically along with a plan for achieving them. How do you regard this concept? Would your administration be favorably inclined towards this approach to evaluating housing needs and progress made annually toward resolving them?

(Continued on next page.)
WALLACE: If we are to make progress toward effecting housing goals, we must intensify coordination and planning to meet these necessary ends. My administration would investigate and evaluate our progress in this area as a matter of course. Prudent management would dictate the concept of evaluating progress toward our goals in every area of government, and making the information so obtained available to private industry and the local governments involved so as to enable them to more effectively utilize the funds toward solving our problems.

HUMPHREY: The 1949 Housing Act proclaimed goals—"a decent, safe, and sanitary home in a suitable living environment for every American family"—but they were not translated into comprehensive programs and specific numbers. This made it possible for some people to give lip service to the goals while opposing actions to achieve them.

The Housing Act of 1968 represents a great step forward; first, it rests on a specific assessment of housing needs, including those of low-income families, and a quantified schedule for meeting them; and second, it requires the President to make an annual report to Congress on progress toward fulfillment of the 10-year goal.

The annual report is most important. Just as the annual Economic Report focuses attention on the objective of full employment and the policies and practices necessary to sustain it, so the annual housing report will help the Executive Branch and the Congress to keep in mind housing goals when they make decisions affecting them.

But I must point out that the Employment Act, notwithstanding its rather general language, has worked because the country is committed to it and will not long tolerate high levels of unemployment. This same kind of national and political commitment is necessary to make a housing policy effective. As President, I would adhere to this national commitment and take all measures necessary to achieve the national housing goals.

However, the setting of production goals must be realistic and capable of being achieved. The Federal Government must not unduly expand its direct involvement in housing, nor assume the sole responsibility for fulfilling the goals so established. We have long been a nation housed by the efforts and initiative of the private home-building industry and private institutions. I feel that it is the Government's proper function to encourage and stimulate this approach.

Q. Legislation in the housing field is one thing. Producing the housing is sometimes another. What can a President do to make these laws achieve their full potential?

HUMPHREY: If elected President, I would offer the type of leadership that would encourage HUD to use accomplishment rather than caution as its guide. Competent and committed personnel will be made responsible for the administration of all housing and urban programs.

I would count on the NAHB to use its ready access to both the President and Congressional leaders to prod us if our efforts were lagging or if our administration was cumbersome. The NAHB must keep both branches of the Government fully advised of any factors that adversely affect housing production so necessary action can be taken.

HUD has taken some actions to expedite housing production. Average time from FHA application to occupancy has been reduced by one-third. A "turnkey" public housing technique has enabled private builders to improve housing production and serve the low income group. The 1968 Housing Act creates the authority for new urban renewal procedures to make land available faster.

WALLACE: As President, I would appoint a commission to study the residential and community needs of the American people and to recommend solutions for meeting all housing and production needs of the American people, and serve as a continuing up-to-date information and planning service for private industry as well as for the states and municipalities administering the program.

Supplying the 1.5 million housing units a year which will be necessary in the next decade would make this question of paramount interest and it would receive my full endorsement as your president.
The housing goals of the 1968 Act are based on estimates of the size of the need and demand for housing in the immediate future, but even meeting present housing needs and demands is straining credit resources. How would you go about finding and tapping new sources of mortgage money? And what fiscal, monetary and tax policies would you follow to assure an adequate supply of credit?

NIXON: As I have stated, the setting of realistic housing production goals is a needed addition to overall economic and social planning. However, while both need and demand are readily apparent I am concerned over the realism of the production goals underlying the 1968 Act.

Notwithstanding the many obstacles confronting it, the home-building industry produced around 1.3 million units in 1967 of which some 55,000 were Government-assisted. The 1968 Act contemplates Government-assisted starts alone of 1.2 million over a three year period. Even if total production approaches an annual figure of 2 million, as I'm sure can be done if your industry can operate in a healthier climate than has been the case during the past several years, the Act tends to edge the Government toward too prominent a position in the overall housing picture. The current shortage of trained labor, land, materials and mortgage credit makes it hard enough for the private producer of housing to meet conventional market demand. While a reasonable amount of publicly-aided housing must be produced to meet social objectives, such increased competition for these available resources would aggravate the situation.

Whatever level of production we set out to achieve, eventual success will depend on the improvement of techniques for tapping private capital markets for the home-building industry. I vigorously support the provision in the 1968 Act which authorizes the newly constituted Government National Mortgage Association to guarantee privately issued securities backed by FHA, VA and Farmer's Home Administration mortgages. This emphasis on private as opposed to direct Government financing has great potential for raising mortgage investment funds in the capital markets, particularly from the largely untapped pension trusts and other institutional investors. Additionally, the debenture mechanism of the National Home Ownership Foundation Act should be explored further. Tax incentive measures should be considered.

But very importantly, my administration will not stand idly by and allow a repetition of the policies and mismanagement that brought on the tight-money crisis of 1966 and precipitated the near collapse of the building industry. Higher building costs, the drying up of mortgage investment sources and the highest interest rates since the Civil War are the hallmarks of the present administration's inflationary policies. My administration will implement responsible fiscal and monetary policies that will restore the worth of, and confidence in, the dollar.

WALLACE: Effective solutions to finding new mortgage money sources may come about through a further attraction of pension funds. Mortgage interest rates must remain competitive and not be controlled by the whims of political groups. Effective results must come from the great source of private enterprise with less, not more, Federal assistance, as I have previously stated, in a fiscally responsible manner, so that the housing industry will no longer be plagued with rising discounts which rob builders of legitimate profits and rob homeowners of earned equities at the time of sale or resale of a home.

A premium should not be paid to finance homes in connection with Federally insured or guaranteed mortgages. Financing is a component of the finished home the same as brick and lumber and should be governed by the law of supply and demand.

HUMPHREY: First, in our pursuit of the twin objectives of economic growth and price stability, we must adopt a mix of credit and budget policies that will not treat home building as a step-child, as has been the tendency in the past, but will give housing the high priority it deserves. This means probably more reliance on fiscal actions to keep the economy growing smoothly, and less reliance on credit restraints. It means, moreover, that when credit restraint is invoked, precautions are taken to enable home builders to participate at least on equal terms in the credit which is available.

Over the long run, to finance the growing demands for housing investment on an ever-increasing scale, we shall have to devise new institutions and practices to tap the growing volume of savings. I have already said that I would establish a National Urban Development Bank with capital privately subscribed so that it would not be a charge on the Federal Budget. It would attract investment capital for housing through Federally-guaranteed bond issues, to invest in mortgages and to assure the consistent availability of mortgage funds at reasonable interest rates. These bonds should be purchased as investments by the trust funds of the Federal Government involving social security and other programs.

The new Act provides for a National Housing Partnership to attract corporate savings to housing. The single purpose of the national partnership will be the development of subsidized housing. It offers an opportunity and tax incentives for major corporations to invest in such housing on a large scale and to spread the risk over many projects.
WALLACE: I am in favor of a return to the private enterprise system of individual builders fulfilling the housing needs of all people. This system has efficiently and economically produced 35 million housing units in the last two decades. Possible cost reductions in construction practice should come from research programs such as that of the National Association of Home Builders' and suggestions from such groups would receive every consideration during my administration.

HUMPHREY: I don't think there's any question but that more research and development work is needed in housing technology. The current Administration pioneered in this area; only after the formation of the Department of Housing and Urban Development less than three years ago were any meaningful funds appropriated for this purpose. As President I would use my best efforts to continue and expand this activity. We cannot count on any spectacular breakthrough in housing technology—but if we're going to meet our goal of giving every American a decent home and if we're going to provide decent housing for over 100 million new urban Americans expected by the end of the century, we have to keep looking for new techniques to reduce housing costs.

We've also got to evaluate the other institutional arrangements which, together with the home builders, play a part in delivering a home to the consumer—the financing of homes, the cost of land, building codes, zoning ordinances and so forth.

In short, we have to look constantly for both technological and institutional advances while doing the best we can with what we have to cut costs of decent housing.

NIXON: I feel that this technology is for the most part available and ready to be applied, although there must be continuing research and experimentation by both Government and industry. The Government should particularly encourage leadership in this area by private enterprise where the expertise exists, and provide the necessary momentum by showing more concern over rising building costs. What the Government should do immediately is to encourage the free and unencumbered application of existing technology and eliminate the barriers stifling its full application. The application of cost-cutting technology in the housing industry will require a degree of cooperation and understanding between Government, industry and labor that seems to have eluded us thus far. Leadership and understanding in negotiating such cooperation will be a difficult but essential task of the next administration, for certainly something must be done to prevent building costs from outreaching the economy. The home-building industry can best determine the need for its own reorganization, but I certainly would hope that the vital role played by the small and medium size builder remains intact in the future.

HUMPHREY: The pattern of feast or famine which characterizes the residential construction industry is reflected in the adequacy of the work force. When there is a slowdown in home building some skilled workmen leave the industry. When the pickup comes, there are shortages. Thus, efforts to stabilize the industry are necessary to the maintenance of an adequate work force.

Moreover, a greatly expanded work force will be needed to meet our expanded construction goals. In some cases, current training programs can be shortened, but we must be sure that they provide the trainee with the skills required to produce housing efficiently. In residential construction, however, some operations require only part of the skills generally associated with a specific craft. Where the demand for workers is such that crash programs must be implemented, it should be possible to employ workmen with a limited range of skills and defer further training until the situation is less urgent.

Besides crash programs and shortened programs, training programs must be expanded, geared to real employment opportunities. In urban areas to be improved with Federal aid, manpower and training programs must increase the employability of the residents of such areas so they can get productive jobs in carrying out the assisted activities.

We must strive for a situation where any willing and able young man in this country can learn a trade, become a productive member of a growing home-building industry, and can earn a good living for himself and his family.

NIXON: The problem of assuring an adequate supply of trained labor for the building industry must be solved if our nation's housing needs are to be satisfied. The industry has yet to fully recover from the aggravation of the shortage of manpower precipitated by the 1966 tight-money crisis, and thus the need for a solution is even more critical than it would otherwise be. It is estimated that 700,000 additional workers will be needed in the building industry by 1975, not counting the possible impact of recently enacted Government-assisted housing programs. Yet there are thousands of unemployed young men and inner city residents who, with the proper training, could be added to this labor pool.

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Q: A shortage of labor is plaguing the housing industry. So far we have been unable to make any real progress in breaking through some of the barriers to correcting this shortage. The current Labor Department apprenticeship programs are not able to cope with the massive manpower needs in the housing industry. What do you think might be done in the labor field and through which Government agencies to correct this problem?

HUMPHREY: The pattern of feast or famine which characterizes the residential construction industry is reflected in the adequacy of the work force. When there is a slowdown in home building some skilled workmen leave the industry. When the pickup comes, there are shortages. Thus, efforts to stabilize the industry are necessary to the maintenance of an adequate work force.

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I fully agree that the Labor Department's manpower training programs have been ineffective in implementing the Manpower Development and Training Act passed in 1962. It was a full six years before the Labor Department launched any meaningful programs under the act. I believe that the effective administration of existing statutory authority can do much both to provide employment opportunities for those presently having adequate skills and at the same time furnish the manpower needed by your industry. I also believe that much can be done to improve the handling of unfair labor practice complaints. A substantial overall streamlining of the NLRB is essential. Improving the co-
operative relationship of labor and management can do much to improve the effectiveness of your industry. I have urged a more aggressive national program for vocational training so that every youngster entering public high school will have the opportunity to learn at least one trade.

WALLACE: As governor of Alabama I instituted a strong program of trade schools throughout our state in which young men could receive training for skilled and semi-skilled work in the construction industry. Management working in close cooperation with trade unions will be asked to advise my administration in establishing such a program on a national level.

The tax load on our citizens could be greatly reduced by similarly providing training facilities for those persons working in close cooperation with trade unions will be asked to advise my administration in establishing such a program on a national level.

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Q. Other impediments to housing production, particularly in the low-income field, are local codes, local zoning and local attitudes. NAHB has consistently worked to overcome these impediments. Is there a Federal role that could help? And how do you view Federal inducements and incentives in this context?

NIXON: No matter what level of authorizations or appropriations we maintain for the various Federal urban programs, if they are inconsistent with local building codes, local zoning and local attitudes they will be essentially unworkable. Your organization is to be commended for its efforts to lower building costs through code improvement. The Douglas Commission's upcoming report should contribute to a better understanding of this problem.

WALLACE: As stated previously, I am in favor of a general support payment from the U. S. Treasury to allow local governments to meet these problems at the level of city government. Cities are becoming overburdened with the costs of such governmental actions and should be aided directly rather than by Federal intervention and funding. Local governments can and should solve local problems by a program of Federal revenue sharing rather than by Federal controlled subsidies. Problems, such as codes and zoning, vary greatly from state to state and can best be solved by local and state authorities aided by the information services which I have proposed, which could greatly assist the local authorities in modernizing and improving local codes and zoning ordinances where such problems are encountered.

HUMPHREY: We must overcome all impediments to housing production. Appropriate land use policies will be one of the great challenges of the next decade. We must face this challenge squarely. To meet our housing goals we will have to consume 60% more land per year than we are currently doing.

The Federal Government must respond with sound policies to this challenge. I believe there is a Federal role here, primarily in encouraging states and localities to act to remove these impediments. In this regard I am hopeful that the Douglas Commission, which was charged by the President to study these very constraints, will add to our understanding of their effect on housing production and will recommend alternative courses of action to deal with them.

The Federal Government can also help to encourage rational and economic use of land, which is both a national resource and a major component of the cost of housing and of supporting public facilities.

First, we must reduce and stabilize the cost of land. State and local governments should be encouraged to adopt uniform subdivision regulations to avoid unreasonable additions to cost. Where feasible, Federal aids for technical assistance should be provided.

Second, we must stimulate and assist local governments to acquire land for future needs, to permit economical and orderly development of housing of all kinds and to ensure land for public use at minimum cost to local governments.

Third, we must examine ways to overcome zoning barriers where they conflict with housing needs. Such barriers lead to uneconomic use of land and militate against sound community development. Needless to say, these practices also penalize those builders who participate in Federal assisted housing programs.

Fourth, we must encourage adoption of more uniform building codes. This will stimulate technological advances and enable an expansion of the housing market.

Fifth, we must develop an active Federal research program that will examine those impediments to housing production fostered by Federal policies.

The Federal Government should not attempt to exercise control over such matters as codes and zoning which are subject to local authority. However, the Federal Government should use its influence to improve codes and zoning policies. I would hope that encouragement and leadership by the Federal Government would suffice for this objective but it may be necessary in allocating Federal resources to assure that there are improvements in these critical functions.

There has been a measure of success in the area of code enforcement through Federal incentives. But clearly, the initiative for more uniformity must come from local and state authority and from privately sponsored national groups who pursue these objectives. While I do not feel that the Federal Government should unduly intrude on such purely local responsibilities I am hopeful that encouragement and sustained efforts in this area will lead to more uniform building codes.

There are certainly sufficient agencies now in existence to handle this problem. A consolidation of some overlapping programs would allow this problem to be treated more efficiently.

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TO: ALAN GREENSPAN
FROM: TOM COLE

RE: DRAFT STATEMENT ON THE ROLE OF SECURITIES INDUSTRY IN NATIONAL ECONOMY

SENATOR TOWER FEELS, GREENSPAN, BEING WELL VERSED IN THIS FIELD, SHOULD HAVE MAXIMUM INPUT. PAPER AS NOW WRITTEN MAY BE TOO INDUSTRY-ORIENTED.

FOLLOWING IS COMMENTS FROM GOP BANKING AND CURRENCY COMMITTEE STAFF MEMBER WHICH MIGHT BE HELPFUL TO YOU:

PARAGRAPH 1

LOOK OUT FOR THIS. SO-CALLED "REGULATORY SCHEMES" WERE RECOMMENDED BY THE WHARTON REPORT. MAY HAVE TO USE SOME REGULATION, SO BEST SUGGESTION MIGHT BE TO AIM TOWARD "SELF REGULATION" IDEAS THAT WOULD ENCOMPASS COMPARABLE PENALTY FOR FAILURE OR BREAKDOWN IN SUCH REGULATION.

PARAGRAPH 4

THERE CAN BE NO ENTIRELY "INDEPENDENT" STUDY AS LONG AS SOMEBODY HAS TO PAY FOR IT. WHARTON STUDY WAS PAID FOR BY SEC. WHETHER THAT HAS ANYTHING TO DO WITH WHARTON RECOMMENDATIONS BEING FAVORABLE, FOR MOST PART TO SEC THINKING OR WHETHER IT IS PURE COINCIDENCE IS ANYBODY'S GUESS.

SPARKMAN'S S.J. RES. 160 CALLING FOR A STUDY OF THE TOTAL ACTIVITIES OF INSTITUTIONAL INVESTMENT WILL BE DONE BY SEC-DIRECTED EMPLOYEES OPERATING UNDER AN APPROPRIATION IN THE SEC ACT OF $875,000. THIS COULD HARDLY BE CALLED AN INDEPENDENT STUDY WHICH IS DEADLINED FOR NEXT SEPT.

THIS IS THE TYPE OF PRIVATE ACTIVITY, HAVING GREAT EFFECT ON THE TOTAL ECONOMY, WHICH REQUIRES EXPERT KNOWLEDGE OF THE INDUSTRY AND WHICH CURRENTLY IS IN DEEP CONTROVERSY.

I WOULD, AT LEAST, STRIKE THE WORD "INDEPENDENT" IT MIGHT EVEN BE A "DEPENDABLE" STUDY.

PARAGRAPH 5

NO STUDY OF THE NATURE MENTIONED IN THIS STATEMENT SHOULD BE MADE WITHOUT RECOMMENDATIONS FROM SUCH AGENCIES AS THE JUSTICE DEPT.

SINCE IT IS A FOREGONE CONCLUSION JUSTICE WOULD BE INVOLVED. THIS REFERENCE COULD BE ELIMINATED.

PARAGRAPH 7

IT WOULD SEEM TO ME THE REPUBLICAN NOMINEE COULD FIND SOME OTHER LABEL FOR LEGISLATION THAT "TRUTH" IS ANYTHING. "TRUTH-IN-LENDING", "TRUTH-IN-PACKAGING", ETC, HAVE ALL BEEN MISNOMERS.

I DO NOT SEE WHY WE COULDN'T USE "ASSURING THE EXACT QUALITY OF SECURI-

TIES" HAS BEEN THE ORDER OF THE DAY.

FINALLY, I WOULD MOVE CAUTIOUSLY FOR THE TIME BEING ON THIS SUBJECT DUE TO WHAT MIGHT BECOME A REAL CLAMBAKE IN THE SECURITIES FIELD OVER THE RECENT EXPOSURE ON "TIP SALES".

SEC'S "DOMINATION" OVER THE INDUSTRY MAY NOT BE BLAMED FOR THIS ONE.

END STOP W
Directly, and indirectly, one hundred million Americans benefit from stock investments by way of pension plans or insurance policies. This broad base of public ownership of American industry is the foundation of our free economic democracy.

The fantastic growth of our securities industry and the dramatic increase in public participation has overburdened our Nation's stock exchange and raised questions about the impact of institutional investors on the market and on our economy, and the effectiveness of existing law in providing full and adequate protection for the investor. These are sophisticated, complex questions. The reaction of this administration to these new challenges, however, has been simply to trot out the same tired old "cure-alls" of the Democratic party, that is more heavy-handed bureaucratic regulatory schemes.

What is needed- and it will be a first priority of my administration- is an independent, comprehensive, economic study of the role of financial institutions in our economy, the relationship of financial institutions to our nation's growth, requirements for investor protection and the inter-relationship of all financial institutions.
Such a study is imperative before steps are taken which might seriously impair the nation's ability to continue to raise the capital needed for its future economic growth.

During the past Congress, a joint resolution was adopted authorizing an SEC study which would involve some of these issues. Even before the study was initiated, however, the Justice Department and the SEC advanced proposals designed to revise the basic character of the securities market, involving drastic changes in the stock exchange rate structure and altering the economic relationships of brokerage firms, institutional investors and individual investors. Tragically, those hurt most by these rash proposals were the small broker dealers, the small independent businessman, would suffer the most under these proposals.

The administration further sought wide sweeping new regulatory powers over the mutual fund industry, which powers would be tantamount to "rate fixing" in a highly competitive industry. Agencies of the administration have sought, sometimes with, but more often without legislative authority, to establish bureaucratic domination over the competitive relationship and everyday activities of banks, savings institutions, insurance companies and institutional investors.
Rather than attempt to dominate the securities markets, the Federal Government should seek to encourage self-regulation, which has operated so successfully in this industry over the years. The free and healthy operation of the market is of utmost importance to the investor, since it enables millions of Americans to participate in the great economic growth of our country. The orderly growth of the industry and its ability to attract new investment provide the flow of equity capital essential to our Nation's economic well-being and expansion.

The actions of this administration have been characterized by a legalistic and bureaucratic approach rather than one sensitive to the needs of our free economic system. Another priority of my administration, and an important plank in the Republican platform, is a thorough and long overdue study of the Executive Department by an independent commission patterned after the Hoover Commission. One of the major items on the agenda of that commission must be a determination of the proper role which those agencies now regulating our economic institutions are to play in insuring our nation's economic stability and growth.

Our securities laws were designed to protect the investor by insisting upon full and complete disclosure. "Truth in securities" has been the order of the day since the Securities Act of the 30's was written. I believe in the full enforcement of the securities law to assure absolute protection for the investor; abuses of these laws should be vigorously prosecuted. I believe furthermore that the
Federal Government should be continually sensitive to the needs for improvement in these laws to assure investor protection. The philosophy of this administration, however, has been that disclosure alone is not enough and that the government can make decisions for the investor better than he can make them for himself. This philosophy I reject.

By its actions, my administration will evidence its faith in the American investor and in the strength and viability of American financial institutions so essential to the success of our free economic democracy.
Today, one out of every eight Americans own shares of mutual funds or common stocks in American industry. Directly, and indirectly, one hundred million Americans benefit from stock investments by way of pension plans or insurance policies. This broad base of public ownership of American industry is the foundation of our free economy.

The fantastic growth of our securities industry and the dramatic increase in public participation has overburdened our Nation's stock exchanges, and raised questions about the impact of institutional investing on the market and on our economy, and the effectiveness of existing law in providing full and adequate protection for the investor.

These are sophisticated, complex questions. The reaction of this administration to these new challenges, however, has been simply to trot out the same tired old "cure-alls" of the Democratic party, that is more heavy-handed bureaucratic regulatory schemes.

What is needed— and it will be a first priority of my administration— is an independent, comprehensive, economic study of the role of financial institutions in our economy, the relationship of financial institutions to our nation's growth, requirements for investor protection and the inter-relationship of all financial institutions, banks, savings
Such a study is imperative before steps are taken which might seriously impair the nation's ability to continue to raise the capital needed for its future economic growth.

During the past Congress, a joint resolution was adopted authorizing an SEC study which would involve some of these issues. Even before the study was initiated, however, the Justice Department and the SEC advanced proposals designed to alter the basic character of the securities market, involving drastic changes in the stock exchange rate structure and altering the economic relationships of brokerage firms, institutional investors and individual investors. Tragically, those most by these rash proposals were the small broker dealers, the small independent businessman.

The administration further sought wide sweeping new regulatory powers over the mutual fund industry, which powers would be tantamount to "rate fixing" in a highly competitive industry. Agencies of the administration have sought, sometimes with, but more often without legislative authority, to establish bureaucratic domination over the competitive relationship and everyday activities of banks, savings institutions, insurance companies and institutional investors.
Rather than attempt to dominate the securities markets, the Federal Government should seek to encourage self-regulation, which has operated so successfully in this industry over the years. The free and healthy operation of the market is of utmost importance to the investor; the orderly growth of the industry and its ability to attract new investment provides the flow of equity capital essential to our Nation's economic well-being and expansion.

The actions of this administration have been characterized by a legalistic and bureaucratic approach rather than one sensitive to the needs of our free economic system. Another priority of my administration, and an important plank in the Republican platform, is a thorough and long overdue study of the Executive Department by an independent commission patterned after the Hoover Commission. One of the major items on the agenda of that commission must be a determination of the proper role which those agencies now regulating our economic institutions are to play in insuring our nation's economic stability and growth.

Our securities laws were designed to protect the investor by insisting upon full and complete disclosure. "Truth in securities" has been the order of the day since the Securities Act of the 30's was written. I believe in the full enforcement of the securities law to assure absolute protection for the investor; abuses of these laws should be vigorously prosecuted. I believe furthermore that the
Federal Government should be continually sensitive to the needs for improvement in these laws to assure investor protection. The philosophy of this administration, however, has been that disclosure alone is not enough and that the government can make decisions for the investor better than he can make them for himself. This philosophy I reject.

By its actions, my administration will evidence its faith in the American investor and in the strength and viability of American financial institutions so essential to the success of our free economy.
Securities Statement -

Pursuit - Rather than attempt to dominate the Securities market, the Court should seek to encourage the free and healthy operation of the market place over the years. So suffers in this industry. The free and healthy operation of the market is of utmost importance to the investor. Moreover, the allocation of new resources accounts for the growth of the industry and its ability to attract new investment. This, in turn, provides the flow of equity capital and economic expansion well being and expansion.
DRAFT STATEMENT ON THE ROLE OF THE
SECURITIES INDUSTRY IN THE NATIONAL ECONOMY

Today, one out of every eight Americans own shares of mutual funds or common stocks in American industry.

Directly, and indirectly, one hundred million Americans benefit from stock investments by way of pension plans or insurance policies.

Nowhere is the greatness of the American economic system more dramatically exemplified than in the tremendous increase in the number of individual shareholders.

This broad base of public ownership of American industry is the foundation of our free economic system.

The fantastic growth of our securities industry and the ever-increasing public participation has created new problems of an overburdened condition of our Nation's stock exchanges. The enormous increase in institutional investment has raised new public policy questions, the impact of institutional investing on the market and on our economy, and the effectiveness of existing law in providing full and adequate protection for the investor.

These are sophisticated complex questions.

The reaction of this administration to these however, has been simply to trot out the same tired old "cure-all" of the democratic party, that is more heavy-handed bureaucratic regulatory schemes.
What is needed—and it will be a first priority of my administration—is an independent, comprehensive, economic study of the role of our financial institutions in our economy, the relationship of our financial institutions to our nation's growth, requirements for investor protection and the inter-relationship of all financial institutions, banks, savings institutions, insurance companies, mutual funds and pension plans. Such a study is imperative before steps are taken which might seriously affect the nation's ability to continue to raise the capital needed for its future economic growth.

During the past Congress, a joint resolution was adopted authorizing a study which would involve some of these issues. Even before the study initiated, however, the Justice Department and the SEC advanced proposals designed to revise the basic character of the securities market, involving drastic changes in the stock exchange rate structure and altering the economic relationships of brokerage firms, institutional investors and individual investors. The administration further sought wide sweeping new regulatory powers over the mutual fund industry, which powers would be tantamount to "rate fixing" in a highly competitive industry. Agencies of the administration have sought, sometimes with, but more often without legislative
authority, to establish bureaucratic domination over the competitive relationship and everyday activities of banks, savings institutions, insurance companies and institutional investors.
however, has been that disclosure alone is not enough and that the government can make decisions for the investor better than he can make them for himself. This philosophy I reject. By its actions, my administration will evidence its faith in the American investor and in the strength and viability of American financial institutions so essential to the success of our free economic democracy.
In short, in areas affecting the viability of our financial institutions, the actions of this administration have been characterized by a legalistic and bureaucratic approach rather than one sensitive to the needs of our free economic system. Another priority of my administration, and an important plank in the Republican Platform, is a thorough and long overdue study of the Executive Department by an independent commission patterned after the Hoover Commission. One of the major items on the agenda of that commission must be a determination of the proper role which those agencies now regulating our economic institutions are to play in insuring our nation's economic stability and growth.

Our securities laws were designed to protect the investor by insisting upon full and complete disclosure. "Truth in securities" has been the order of the day since the Securities Act of the 30's was written. I believe in the full enforcement of the securities law to assure absolute protection for the investor; abuses of these laws should be vigorously prosecuted. I believe furthermore that the Federal Government should be continually sensitive to the needs for improvement in these laws to assure investor protection. The philosophy of this administration