Richard Nixon Presidential Library
White House Special Files Collection
Folder List

Box Number	Folder Number	Document Date	Document Type	Document Description
17	11	05/25/1968	Newsletter	Business Week. New subsidy plans stir up turbulence. 3 pgs.
17	11	07/02/1968	Report	Introduction of Bill to Establish a Commission to be Known as the Commission on Air Traffic Control in the Congressional Record- Senate. 4 pgs.
17	11	05/22/1968	Newspaper	"Airport Aid Plan Increasing Taxes of Users Sought" in the Wall Street Journal. 1 pg. Not scanned.
17	11	09/25/1968	Letter	Form letter from Richard Nixon. 1 pg.
17	11	09/24/1968	Letter	SEC Letter. 1 pg. Attached to the previous.
17	11	n.d.	Memo	Investment bankers letters. 1 pg. Attached to previous.

Box Number	Folder Number	Document Date	Document Type	Document Description
17	11	09/25/1968	Report	Statement by Richard Nixon. The Role of the Securities Industry in the National Economy. 3 pgs. Two duplicates not scanned.
17	11	09/25/1968	Report	Draft Statement by Richard Nixon with writing. The Role of the Securities Industry in the National Economy. 4 pgs.
17	11	09/24/1968	Letter	Letter to Mr. Schanck concerning federal policies. 1 pg.
17	11	09/24/1968	Letter	Letter to Mr. Haire concerning federal policies. 1 pg.
17	11	09/24/1968	Letter	Letter to Mr. Kendall concerning federal policies. 1 pg.
17	11	09/24/1968	Letter	Letter to Mr. Davant concerning federal policies. 1 pg.
17	11	09/16/1968	Report	Draft statementwith writing by Nixon on the Role of the Securities Industry. 3 pgs.

Box Number	Folder Number	Document Date	Document Type	Document Description
17	11	n.d.	Report	Draft statement on the Role of the Securities Industry in the National Economy. 4 pgs.
17	11	09/17/1968	Memo	Memo to Allen Greenspan from Chuck Colson. 1 pg.
17	11	09/16/1968	Report	Draft statement by Richard Nixon on the Roles of the Securities Industry. 3 pgs.
17	11	10/02/1968	Newspaper	"Nixon Promises to Relax US Policy on Securities" in the New York Times. 1 pg. Not scanned.
17	11	n.d.	Newspaper	"Everybody's Business" in an unknown newspaper. 1 pg. Not scanned.
17	11	10/06/1968	Newspaper	"A Combination of Stimulants is Propelling a 'Nixon Market'" by Thomas Mullaney in the New York Times. 2 pgs. Not scanned.
17	11	10/06/1968	Newspaper	"Nixon Over Wall Street: His Statement Is a Puzzler" by Terry Robards in the New York Times. 2 pgs. Not scanned.

Box Number	Folder Number	Document Date	Document Type	Document Description
17	11	10/06/1968	Newspaper	"Capital View: A Bluner" by Eileen Shanahan in the New York Times. 2 pgs. Not scanned.
17	11	10/14/1968	Newspaper	"How 'The Nixon Market' Got That Way" in Newsweek. 1 pg.
17	11	10/03/1968	Newsletter	Weekly Bulletin Shipbuilders Council of America No. 40. 4 pgs.
17	11	10/1968	Newsletter	The Candidates Speak: How Humphrey, Nixon and Wallace Stand on Major Housing Questions in the Journal of Homebuilding. 6 pgs.
17	11	n.d.	Memo	Memo from Tom Cole to Alan Greenspan. RE: Draft Statement on the Role of Securities Industry in National Economy. 1 pg.
17	11	n.d.	Report	Draft statement with writing on the Role of the Securities Industry in the National Economy. 4 pgs.
17	11	n.d.	Report	Draft statement with writing on the Role of the Securities Industry in the National Economy. 4 pgs.

Box Number	Folder Number	Document Date	Document Type	Document Description
17	11	n.d.	Memo	Handrwitten notes. 1 pg.
17	11	n.d.	Memo	Handwritten notes. 1 pg.
17	11	n.d.	Report	Draft statement with writing on the Role of the Securities Industry in the National Economy. 4 pgs.
17	11	n.d.	Report	The Problems of Urban Transportation. Morgan Guaranty Trust Company. 8 pgs.
17	11	05/25/1968	Newsletter	Business Week. Northern lines are parted at the altar again. 4 pgs.
17	11	05/25/1968	Newsletter	Business Week. Battling over the air traffic jam. 2 pgs.

Transportation

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

Morgan Guaranty Survey

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, about 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

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 criss-crossing 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 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 shied 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

May

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 Viet Nam 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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Printed in U.S.A.

Transportation rail

TRANSPORTATION

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 . . .

Theodore Roosevelt's decision to give teeth to the 10-year-old Sherman Antitrust Act brought historic Supreme Court order that broke up Northern Securities Co., Morgan and Hill's vehicle for joining three lines.

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 soon 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.

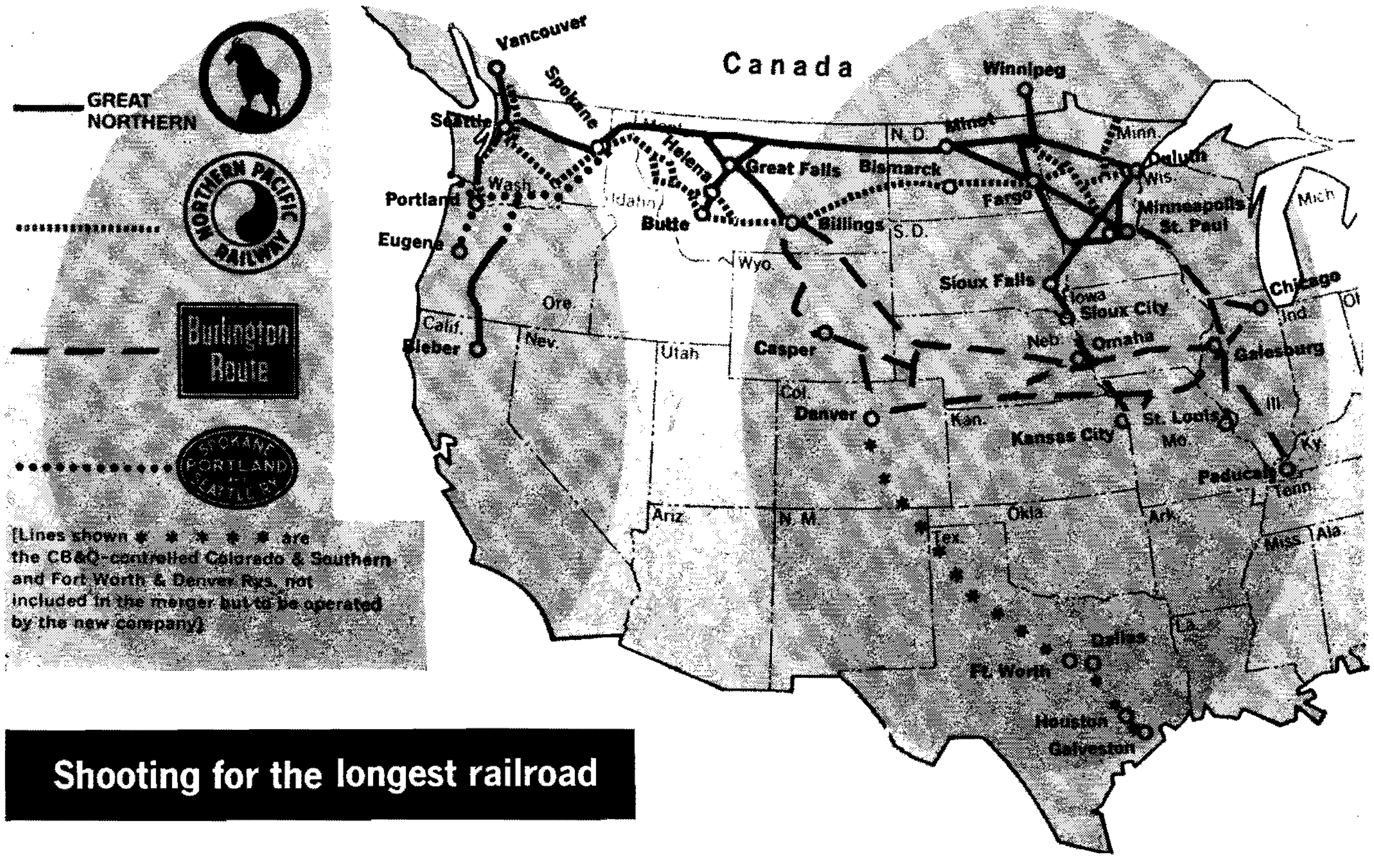
"Very well, sir," said Harriman. "This is a hostile act, and you must take the consequences."

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 GN 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 two-dollar 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 cabled his office 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. Traders who had sold NP short, in order to cover, began to trade wildly in what little NP stock was then available—mostly through loans. NP opened Thursday, May 9, at $170 and quickly shot to $225, $300, $650, $700, and at the height of the melee, a block of 300 shares sold for $1,000 per share.

To pay the exorbitant prices, the shorts had to dump their holdings in other stocks, and the wild selling caused a general panic and collapse of prices. Luckily neither the Morgan nor Harriman factions wanted to press delivery requirements—so the panic was limited to one day only.

When it was all over, Harriman had a majority of the total capital stock, preferred and common. But Morgan held the majority of common—which included the rights to retire the preferred, and Harriman with it. Rather than contest the matter, a compromise was reached. Harriman got a seat on the NP board and a 20% stake in a new holding company, the Northern Securities Co., into which the NP, GN, and Burlington would be merged.

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 looked kindly on 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.

Morgan, as Frederick Lewis Allen relates in The Great Pierpont Morgan (1949), was appalled. He went to Washington and saw both TR and Knox to protest that Roosevelt might have given him the courtesy of advance warning.

When Roosevelt explained that that was precisely what the government had not wanted to do, Morgan said: "If we have done anything wrong, send your man [Knox] to see my man [a Morgan lawyer], and they can fix it up."

Historic. To the surprise of most corporation lawyers of the time, the Supreme Court in 1904 held (by a 5-4 decision) that the holding company was in restraint of trade, just as an operating company might have been.

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 decision was historic in its effect on the concept of holding companies, control of the northern lines was little changed. When the company was dissolved, its shares of NP and GN were distributed to Northern Securities shareholders on a pro-rata basis, which reduced Harriman to a minority holder of NP and maintained the community of interest between the two roads.

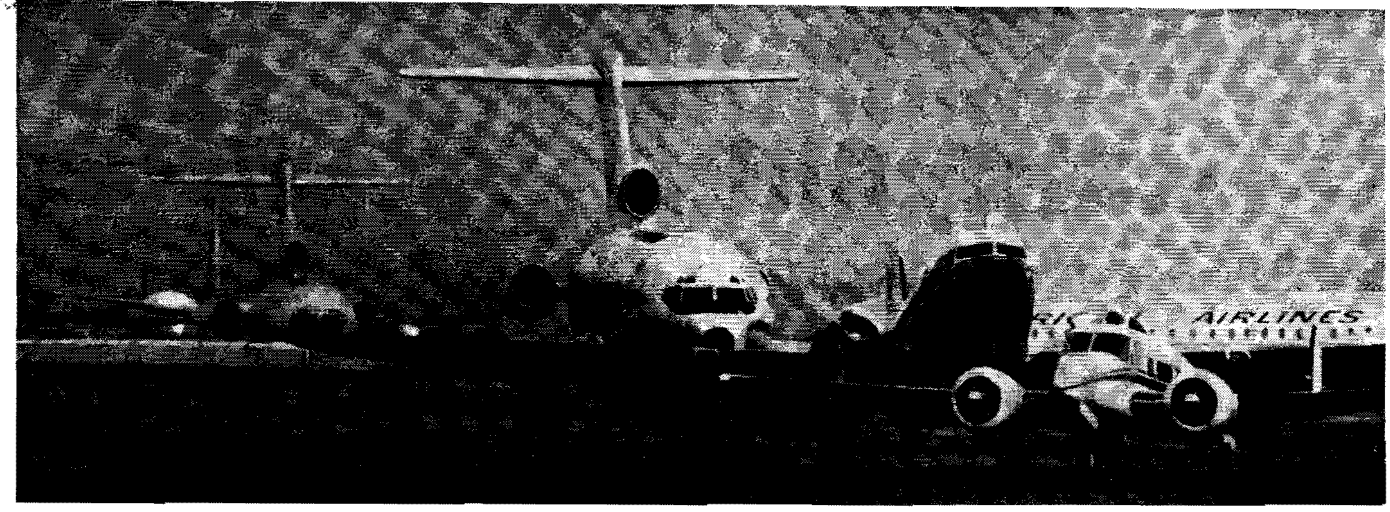
Obviously, the ties that bind are not only on the roadbed where the northern lines are concerned. In successive attempts at consolidation, the roads have protested their separateness and the strength of the competition between them—but they have maintained their joint ownership of the Burlington and of the Spokane, Portland & Seattle Ry. as well. In a second merger attempt in the 1920s, the ICC eventually gave its approval in 1930 on condition that the Burlington interest would be jettisoned. The lines refused.

Long road. The latest merger attempt began in 1955 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.

Transportation Air

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.

Generally, there are two sets of regulations under which it is possible to fly: visual flight rules (VFR) and instrument flight rules (IFR). There is also special VFR, which calls for aircraft operating under VFR to be directed by a ground controller when smoke or haze or other local conditions limit visibility. In bad weather, everyone has to fly on instruments, and light planes do not fly at all if they don't have suitable equipment.

Responsibility. VFR means that the pilot is responsible for seeing all other planes in the sky around him and for being seen by their pilots. General aviation pilots prefer this system, but airline pilots, with a lot more to watch inside the cockpit, do not. Therein lies the difficulty: Flying can be tricky when both sets of rules are in force in the same block of air at the same time.

"The airlines' insistence on using the air traffic control system even when weather does not require it is an attempt to shift some of the responsibility for avoiding traffic to the federal controllers," say the Aircraft Owners & Pilots. "However, history has shown that being under the control of the federal system is not a sure way of preventing collisions."

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. airlanes, 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** ured against its new competition. Against its current competitors, the Post's total audience performance has been unimpressive: it suffers a disadvantage of three to one.

The new competition will be fundamentally the news weeklies: Time, Newsweek, and U. S. News & World Report. Here, the Post's audience will make a far better showing. Of the three news magazines, only Time would substantially exceed the Post in audience; Newsweek would reach about the same number of people; and the Post would do better than U. S. News.

What's more, the Post has a higher proportion of women in its audience than the news weeklies. Agency men think this will prove attractive to advertisers, who prefer a balanced audience rather than one heavily directed toward men.

Duplication. The risks for the Post are apparent, too. The deal could strip the Post of all the desirable subscribers who now read the Post but not Life. Thus, the Post would be left with perilously few readers who don't already read Life. Estimates of the so-called "duplication" proportion—that part of the Post's audience that will read both magazines—range in excess of 50%. Life would be able to argue that advertisers have no need of the Post.

There are also advantages and risks for Time, Inc. Life, of course, will be strengthened against Look, its principal competitor. But Time may have a considerably rougher fight against the new Post, which will be a muscular competitor in the 3-million circulation class rather than a weakling among the 7-million giants. Time may even be forced to add circulation fast to counter the Post's challenge in total audience.

Outlook. In the long run, agency executives think Time can take care of itself; they also appreciate what they perceive as Time, Inc.'s unwillingness to see Curtis, one of the great magazine companies in the business, go down the drain altogether. But the admen speculate that the Time people more than half expect the Post's editorial redirection, a necessary adjunct to its circulation overhaul, to run out of steam. That, of course, would leave Life with the circulation, and Time still without the competition from the Post.

Thus, the verdict on Curtis is still out. Last Monday, some wags in a publishing office—competitive with both Life and the Post—were passing around one of Life's promotional ads, one of those ads whose tagline reads: "Life. Consider the alternative." Handlettered in pencil were the words:. "Post life?"

Transportation
Air & Marine

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.

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 current 4¢ per gallon tax they pay on gasoline.)
- Impose a new tax on jet fuels used by general aviation of 7¢ per gallon in 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 $638-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 program, 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

private yards will not support a minimum shipbuilding force.

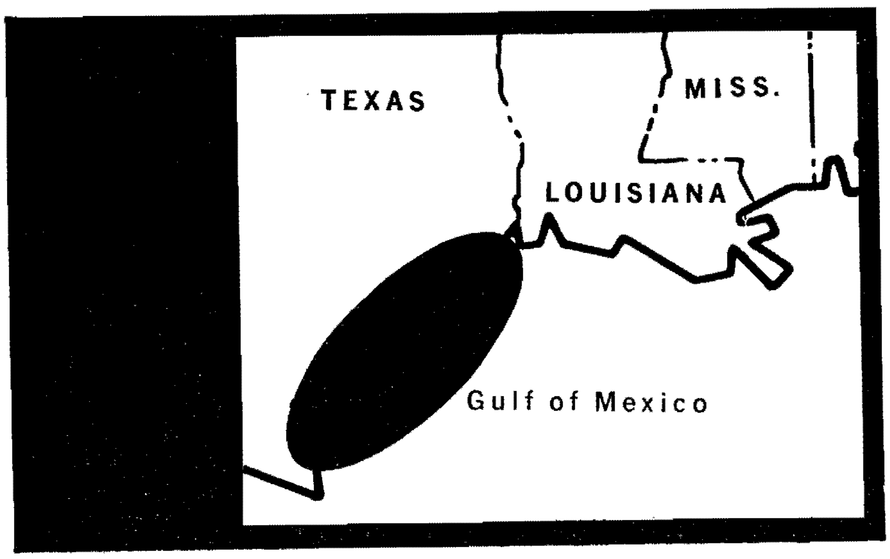
- Allow U. S. shipowners to buy cheaper foreign made ships.
- Bring the Maritime Administration under the Transportation Dept.

What it costs. Of the 971-ship merchant fleet, 308 now get operating and construction subsidies. Since the program began in 1937, the government has paid out $2.5-billion in operating subsidies (the difference in cost between running an American flag ship and a comparable foreign ship), and $972-million in construction subsidies (which offset the higher costs of building a ship in U. S. yards).

Congress, meantime, had worked on its own maritime program under the stewardship of Senator Warren G. Magnuson (D-Wash.), chairman of the Senate Commerce Committee, and Representative Edward A. Garmatz (D-Md.), chairman of the House Merchant Marine & Fisheries Committee. They were pushing hard for this year's authorization for a $1.5-billion, five-year construction program that would add 150 to 200 new ships to the Merchant Marine fleet.

Opposition. As recently as last February, the legislators had been led to believe that the White House would support their plan. When it didn't, there were sharp rebukes on the Hill.

With Congress and the White House poles apart in their approach to maritime ills, the likelihood is that there will be no action this year.



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 $235-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 Standard Oil Co. of Indiana, 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.

Highlights of Previous Study on Stock Market Probabilities

This study, published in 1965, sought to determine a hypothetical investor's chances of making a profit by choosing stocks at random during the 35-year period from 1926 to 1960.

In other words, how you probably would have done if you exercised no judgment. If you had merely fired darts at the stock pages of your newspaper to choose your stocks—and at calendars to determine when you bought and when you sold.

At the Center for Research in Security Prices, Prof. Lawrence Fisher figured how you would 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, reinvested dividends—and then sold the stock 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—that meant 87,990 possible combinations of monthly purchases and sales throughout the 35 years. For *all* the common stocks on the New York Stock Exchange during all or any part of that period, it meant 56,557,538 possible transactions!

Conclusions

If you had been our hypothetical investor, here is what you might have expected on average if you had bought single stocks by purely random selection:

- You would have made a profit on *78 percent* of your transactions. Odds of better than three to one. Of course, you would have lost 22 percent of the time.
- Your median rate of return would have been 9.8% per year, compounded annually.
- On more than half of your transactions, you would have at least *doubled* your money.
- Over two thirds of the time, your rate of return would have exceeded 5% per year, compounded annually.
- Almost one fifth of the time, your rate of return would have been 20% per year, compounded annually.
- Losses of 20 percent per year occurred only about eight times in a hundred; losses of more than 50 percent less than two times in a hundred.

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 *after* Federal taxes, in each of the 820 possible periods. First, assuming you had filed a joint return on a taxable income equal to $10,000 in 1960, then, assuming you had an income equal to $50,000 in 1960, and comparable incomes in other years.

The results for each category of investor are also shown *with* reinvestment of dividends, *without* reinvestment, even ignoring dividends! All told, there are *eighteen* separate tables. (Clip coupon for your free copy.)

Over the full 40-year period—*after paying commissions and Federal taxes* (and counting dividends but *not* reinvesting them) — our $10,000-a-year man would still have realized an average rate of return equal to 6.9% per year, compounded annually. On 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 13.3%. 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.*

MERRILL LYNCH, 507EB
PIERCE, FENNER & SMITH INC
P. O. Box 333, Wall Street Station, N.Y., N.Y. 10005

Findings of the Center for Research in Security Prices

Please send me, without charge or obligation, a reprint of the *Journal of Business* article, "Rates of Return on Common Stocks, 1926-1965."

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Transportation

By Mr. BROOKE (for himself, Mr. ANDERSON, Mr. BIBLE, Mr. BURDICK, Mr. CARLSON, Mr. CASE, Mr. CLARK, Mr. DIRKSEN, Mr. DOMINICK, Mr. GRUENING, Mr. HANSEN, Mr. HART, Mr. HARTKE, Mr. HATFIELD, Mr. INOUYE, Mr. JAVITS, Mr. LONG of Missouri, Mr. MCINTYRE, Mr. MONDALE, Mr. SMATHERS, and Mr. TOWER):

S. 3727. A bill to establish a commission to be known as the Commission on Air Traffic Control; to the Committee on Commerce.

(See the remarks of Mr. BROOKE when he introduced the above bill, which appear under a separate heading.)

By Mr. HARRIS (for himself and Mr. MONRONEY):

S. 3728. A bill to authorize the use of funds arising from a judgment in favor of the Kiowa, Comanche, and Apache Tribes of Indians of Oklahoma, and for other purposes; to the Committee on Interior and Insular Affairs.

By Mr. BREWSTER:

S. 3729. A bill for the relief of Carlota de Veyra; and

S. 3730. A bill for the relief of Erlina R. Manzano; to the Committee on the Judiciary.

By Mr. CASE:

S. 3731. A bill to prohibit the use of certain park and recreational lands for public work projects unless such lands so utilized are replaced by lands of a like kind; to the Committee on Interior and Insular Affairs.

By Mr. BOGGS (for himself, Mr. BENNETT, Mr. CASE, Mr. COTTON, Mr. MONTOYA, Mr. SCOTT, Mr. JAVITS, and Mr. WILLIAMS of Delaware):

S. 3732. A bill to create a Catalog of Federal Assistance Programs, and for other purposes; to the Committee on Government Operations.

(See the remarks of Mr. BOGGS when he introduced the above bill, which appear under a separate heading.)

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 off or land in an airplane, 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 pronouncement. But air traffic controllers, as Government employees, come under different standards of recruitment and training.

While the pilot may be at the manual controls of the plane, some of the most vital decisions are made by the man in the control tower. The controller tells the pilot when to take off and to land, how much distance to keep between planes, where to circle the airport and for how long, the approach to take for a landing, and the pattern to follow after takeoff. The control of the flow of traffic at all of our airports is largely in the hands of the controllers, and they must be well trained.

But air traffic in the United States is rapidly aproaching 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 positions and direct aircraft movement. Many controllers are working mandatory overtime hours, and their resources are being so overtaxed that their 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 runways and electronic landing systems, some airports now operating are actually unable to handle the present traffic and still maintain minimum safety standards. In many facilities the radar necessary 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 major airports, delays are commonplace. 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 at the same time meets proper safety standards the country must, without further delay, develop the facilities and the manpower which will make it possible to manage safely and efficiently our rapidly accelerating air traffic flow.

It is for these reasons that I send to the desk 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 compresensive study of air traffic control and the duties 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 cosponsors of this measure: Mr. ANDERSON, Mr. BIBLE, Mr. BURDICK, Mr. CARLSON, Mr. CASE, Mr. CLARK, Mr. DIRKSEN, Mr. DOMINICK, Mr. GRUENING, Mr. HANSEN, Mr. HART, Mr. HARTKE, Mr. HATFIELD, Mr. INOUYE, Mr. JAVITS, Mr. LONG of Missouri, Mr. MCINTYRE, Mr. MONDALE, Mr. SMATHERS, and Mr. TOWER.

Mr. President, I introduce this bill and ask unanimous consent that it be printed at this point in the RECORD.

The PRESIDENT pro tempore. The bill will be received and appropriately referred; and, without objection, the bill will be printed in the RECORD.

The bill (S. 3727) to establish a commission to be known as the Commission on Air Traffic Control, introduced by Mr. BROOKE (for himself and other Senators), was received, read twice by its title, referred to the Committee on Commerce, and ordered to be printed in the RECORD, as follows:

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 ever increasing workload and stress on air traffic controllers, particularly at certain airports in the Nation, and (2) the fact that, with very large aircraft 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 (hereinafter referred to as the "Commission").

SEC. 2. (a) The Commission shall make a full and comprehensive study of air traffic control and the duties and responsibiliites of air traffic controllers in order to determine what policies are necessary to assure that such controllers are of the highest caliber attainable and work under such rules as will best insure the safety of the public. Such study shall include—

(1) an examination and determination of the best methods for defining the "work loads" 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, personel qualification, 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 specialized education and training for air traffic control personnel;

(4) any other matter which the Commission deems necessary to carry out its responsibilities under this Act.

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

SEC. 3. (a) The Commission shall be composed of fifteen members appointed by the Secretary of Transportation. The composition of the Commission shall be as follows:

(1) four members appointed from private life;

(2) four members who are active air traffic controllers appointed from recommendations by the Professional Air Traffic Controllers Organization, the Air Traffic Control Association and the National Association of Government Employees;

(3) one member appointed from recommendations submitted by the Air Transport Association of America;

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

(5) one member appointed from recommendations submitted by the Aircraft Owners and Pilots Association;

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

(7) one member appointed from the Civil Service Commission or its employees;

(8) one member appointed from the Federal Aviation Agency;

(9) one member who is an expert in the field of air traffic control, and who shall serve as chairman.

(b) Vacancies shall be filled in the same manner in which the original appointments were made. Any vacancy in the Commission shall not affect its powers, and six members of the Commission shall constitute a quorum.

(c) Each member of the Commission who is appointed from private life shall receive $100 per diem for each day (including travel time) during which he is engaged in the actual performance of his duties as a member of the Commission. A member of the Commission who is in the legislative, executive, or judicial branch of the United States Government shall serve without additional compensation. All members of the Commission shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of such duties.

SEC. 4. (a) The Commission is authorized to appoint and fix the compensation of such personnel as may be necessary to carry out the provisions of this Act. Such appointments shall be without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and such compensation shall be paid without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates, but no individual so appointed shall receive compensation in excess of the rate prescribed for GS-18 in the General Schedule under section 5332 of title 5, United States Code.

(b) The Commission is authorized to obtain services of experts and consultants in accordance with the provisions of section 3109 of title 5, United States Code, at rates for individuals not to exceed $100 per diem.

(c) The Commission is authorized to accept and utilize the services of voluntary uncompensated personnel and reimburse them for travel expenses, including per diem, as authorized by section 5703 of title 5, United States Code.

SEC. 5. (a) The Commission, or, on the authorization of the Commission, any subcommittee or member thereof, may, for the purpose of carrying out the provisions of this Act, hold such hearings and sit and act at such times and places, administer such oaths, and require, by subpoena or otherwise, the attendance and testimony of such witnesses and the production of such books, records, correspondence, memorandums, papers, and documents as the Commission or such subcommittee or member may deem advisable. Subpoenas may be issued under the signature of the chairman of the Commission, of such subcommittees, or any duly designated member, and may be served by any person designated by such chairman or member. The provisions of section 102 to 104, inclusive, of the Revised Statutes (2 U.S.C. secs. 192–194), shall apply in the case of failure of any witness to comply with a subpoena or to testify when summoned under authority of this section.

(b) The Commission is authorized to secure directly from any department, agency, or instrumentality of the United States information, studies, surveys, and reports to carry out the purposes of this Act. Each such department, agency, or instruementality is authorized and directed to furnish such information, studies, surveys, and reports directly to the Commission, upon request made by the chairman, unless the President determines that it is in the best interests of the security of the United States that such information, studies, surveys, and reports not be furnished.

SEC. 6. To carry out the provisions of this Act, the Commission shall have the authority—

(1) to prescribe such rules and regulations as it deems necessary governing the manner of its operations and its organization and personnel;

(2) to obtain, upon a reimbursable basis, from any department, agency or instrumentality of the United States, with the consent of the head thereof such facilities, services, and supplies as the Commission deems necessary to carry out its duties;

(3) to enter into contracts or other arrangements, or modifications thereof, with State and local governments, and institutions and individuals in the United States, to conduct studies the Commission deems necessary to carry out the purposes of this Act, and such contracts or other arrangements, or modifications thereof, may be entered into without legal consideration, without performance or other bonds, and without regard to section 3709 of the Revised Statutes, as amended (41 U.S.C. 5);

(4) to make advance, progress, and other payments which the Commission deems necessary under this Act without regard to the provisions of section 3648 of the Revised Statutes, as amended (31 U.S.C. 529); and

(5) to make any other expenditures necessary to carry into effect the purposes of this Act.

S. 3732—INTRODUCTION OF PROGRAM INFORMATION ACT

Mr. BOGGS. Mr. President, I introduce, for appropriate reference, and on behalf of myself and Senators BENNETT, CASE, COTTON, MONTOYA, SCOTT, JAVITS, and WILLIAMS of Delaware, a bill to create a catalog of Federal assistance programs, and for other purposes.

We are all familiar with the proliferation of Federal programs in recent years. The tangle of programs frustrates efforts to ferret out all of those which apply to certain individuals or to a particular agency of State or local government. No one will ever know how many man-hours this searching has wasted.

The absence of a reliable cross-referenced source of information for all Federal programs has also undoubtedly contributed to an overlapping of Federal programs, adding needless cost to the considerable confusion.

As a new Member of the House of Representatives, my colleague from Delaware, the Honorable WILLIAM V. ROTH, JR., was constantly being asked about various programs. He determined that he needed more answers than were immediately available. Being resourceful as well as energetic, he and his staff proceeded to make an intensive survey of existing Federal programs; and from that study has emerged not only a compilation of nearly 1,300 programs, but a proposal to create an up-to-date compendium of existing programs. (See RECORD pp. H5434–H5585, June 25, 1968.)

Mr. ROTH's efforts have already won him a wide favorable response; 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 to outline all the essential information a potential applicant for a Federal program would need. This catalog is to be revised at no less than monthly intervals.

This catalog is also to be the only compendium of program information published by any Federal agency or department.

Most of us are familiar with the catalog 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 far too little to be of much help to a potential program beneficiary. But at least it was an effort. It was a start. My colleague's study made it plain, however, that much more information is needed if the many agencies and levels of State and local government—along with private citizens—are to be able to make the best use of the programs available to them.

It is evident that the publication of a compendium such as this bill provides would be useful in focusing attention on overlapping functions of various agencies. It would certainly also suggest ways for judicious trimming of the budget.

This bill is in keeping with the spirit of a bill I cosponsored in January of 1967 which called for the establishment of a Hoover-type commission to study the organization and operation of the executive branch of the Government.

Introduction of a clean bill (S. 3640) followed hearings on this proposal to eliminate duplication and overlapping of Federal services, activities, and functions and to consolidate them where possible. Hopefully the Senate will get an opportunity to act on it before the current session is over.

I might say, Mr. President, that the intent of the bill I introduce today to make the operation of the Federal Government more efficient is also in line with the basic intent of S. 355, the proposed Legislative Reorganization Act of 1968, which has been passed by the Senate (March 7, 1967), but not by the other body.

My introduction of the proposed Program Information Act follows widespread interest shown in the proposal after Mr. ROTH introduced it in the House. Because much of that interest came from Member of the Senate, he encouraged me to introduce it here; and I am very happy to do so.

I ask unanimous consent that three of the comments on the proposal, one by Roscoe Drummond and the others editorials in the Wilmington, Del., Evening Journal and the Washington Daily News, be inserted at this point in the RECORD, along with a copy of the bill.

The PRESIDENT pro tempore. The bill will be received and appropriately referred; and, without objection, the bill and editorials will be printed in the RECORD.

The bill (S. 3732) to create a Catalog of Federal Assistance Programs, and for other purposes, introduced by Mr. BOGGS (for himself and other Senators), was received, read twice by its title, referred to the Committee on Government Operations, and ordered to be printed in the RECORD, as follows:

S. 3732

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Program Information Act."

DEFINITIONS

SEC. 2. For the purposes of this Act—

(a) The term "Federal assistance program" means any program providing Federal benefits, regardless of whether it is identified as a separate program by law or by any administering agency, which can be differentiated from any other such program on the basis of its legal authority, its administering office, its specific purpose, the specific benefits it provides, or the specific qualifications of its beneficiaries.

(b) Federal Assistance program "benefits" include but are not limited to grants, loans, mortgage loans, mortgage and other insurance, scholarships, other financial assistance, property of any kind, services, technical assistance, and expert information.

(c) A Federal assistance program "beneficiary" includes but is not limited to a State, or grouping or subdivision thereof, county, city, other political body, profit or nonprofit corporation or institution, any individual, or any other potential beneficiary, domestic or foreign, other than an agency of the United States.

(d) An "administering office" is the lowest subdivision of any Federal agency or department that has direct, operational responsibility for a Federal assistance program.

(e) "Federal agency or department" means any executive department; independent commission; wholly owned Government corporation; board, bureau, office, agency, or other establishment of the Government, including any independent regulatory commission or board; and the municipal government of the District of Columbia.

EXCLUSION

SEC. 3. This Act does not apply to any activities related to the collection or evaluation of national security information.

CATALOG OF FEDERAL ASSISTANCE PROGRAMS

SEC. 4. The President shall transmit to Congress during the first days of each regular session a catalog of Federal assistance programs, referred to in this Act as the Catalog, in accordance with this Act. The Catalog shall set forth the required program information for each Federal assistance program, summary data and text, supporting additional detail, required reports, recommendations, and other matter as the President may determine.

PURPOSE OF CATALOG

SEC. 5. The Catalog shall be designed to assist the potential beneficiary identify all existing Federal assistance programs whereever administered, and shall supply information for each program so that the potential beneficiary can determine whether particular assistance or support sought might be available to him to use for the purposes he wishes.

REQUIRED PROGRAM INFORMATION

SEC. 6. For each Federal assistance program, the Catalog shall—

(1) identify the program. The identification may include the name of the program, the authorizing statute, the specific administering 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, the available benefits, and the restrictions on the use of such benefits.

(3) state the level of funding. This statement may include a tabulation of the appropriations sought, past appropriations, obligations incurred, average assistance given, or other pertinent financial information designed to indicate the size of the program and any funding remaining available.

(4) state the costs to the recipient of receiving assistance or support. This statement may include a statement of prerequisites to 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, including 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 related programs.

FORM OF CATALOG

SEC. 7. (a) Detailed budgetary information shall be given for each Federal assistance program. Except for budgetary information, similar information for each Federal assistance program may be consolidated.

(b) 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.

(c) The Catalog shall contain a detailed index designed to assist the potential beneficiary to identify all Federal assistance programs related to a particular need.

(d) The Catalog shall be in all respects concise, clear, understandable, and such that it can be easily understood by the potential beneficiary.

SIMPLIFICATION OF APPLICATION PROCEDURE

SEC. 8. The President shall transmit with the Catalog a 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 coordinate, 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 either by the same or especially by different Federal agencies or departments.

MONTHLY REVISION

SEC. 9. The President shall revise the Catalog at no less than monthly intervals. Each revision—

(1) shall reflect for each Federal assistance program any changes in the program information listed in section 6.

(2) shall further reflect addition, consolidation, reorganization, or cessation of Federal assistance programs, and shall provide for such Federal assistance programs the program information listed in section 6.

(3) shall include such other program information as will provide the most current information on changes in current funding status, on changes in organizations administering the Federal assistance programs, and on other changes of direct, immediate relevance to potential program beneficiaries as will most accurately reflect the full scope of Federal assistance programs, and the current organizational structure of the Federal agencies and departments that administer such programs.

(4) may include such other program information and data as in the President's opinion are 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, providing subscriptions to the Catalog and revisions thereof in such manner as he may determine.

The Catalog shall be the only compendium of program information published by any Federal agency or department. For its own use, any department or agency of the United States may reprint such parts of the Catalog, together with such other program information, as it may deem appropriate, and may change the form of the Catalog in any such reprint, but all the program information listed in section 6 as is given in the most recent revision of the Catalog shall be retained in any such reprint. All other compendiums of program information are prohibited in order to make the Catalog the exclusive source of such program information both for the public and for the program officer.

DELEGATION 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 department, agency, or officer of the United States.

AMENDMENT TO BUDGET AND ACCOUNTING ACT, 1921

SEC. 12. Section 207 of the Budget and Accounting Act, 1921 (31 U.S.C. 16) is amended (1) by 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 regulations as the President may prescribe, shall prepare the Catalog of Federal assistance programs in accordance with the Program Information Act, shall prepare proposals on improvements in the Catalog so as further to assist the potential program beneficiary 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 that a potential beneficiary would use to benefit from each Federal assistance program, and to coordinate, simplify, and consolidate application forms and program guidelines of other related Federal Assistance Programs, administered either by the same or especially by different Federal agencies or departments. In order to facilitate its performance of any function specified in this title, the Bureau of the Budget may—

"(1) prepare information for machine processing;

"(2) process information by machine by performing mathematical or logical operations thereon, selective retrieval, integration, or other machine operations; and

"(3) prepare for presentation or other use information processed by machine.

The Bureau may acquire automatic data processing equipment and retain personnel needed for any activity authorized by the Program Information Act."

TRANSFER OF FUNCTIONS

SEC. 13. (a) The functions of operating the Federal Information Exchange System and of preparing the Catalog of Federal Assistance Programs administered prior to the enactment of this Act by the Information Center of the Office of Economic Opportunity are removed from the Office of Economic Opportunity and shall be administered instead by the Bureau of the Budget, not to be delegated therefrom to any Federal agency or department. Such personnel, records, property, and unexpended balances of appropriations related to functions under this Act as may be agreed upon between the Director of the Office of Economic Opportunity and the Director of the Bureau of the Budget may be transferred from that Office to the Bureau.

(b) Sections 613 and 635 of the Economic Opportunity Act of 1964 are amended by inserting "of the Bureau of the Budget" immediately after "Director" each place it appears therein.

The editorials, presented by Mr. BOGGS, are as follows:

[From the Washington Post, June 26, 1968]

DOMESTIC AID CAUGHT IN SPRAWLING CHAOS

(By Roscoe Drummond)

WASHINGTON.—Federal Administration of billions of dollars in aid to millions of Americans is so tangled today nobody knows how bad things are.

The need is urgent to rescue from itself the sprawling, chaotic, inefficient, overburdened, overcostly maze of Federal assistance programs.

Democratic liberals like the late Robert Kennedy, J.F.K. aides Daniel Moynihan and Richard Goodwin and Republican conservatives like Congressmen Melvin Laird, Gerald Ford and Charles Goodell have for some time been suggesting that the Federal complex has become so big, so cumbersome, so overlapping that it simply can't any longer do its job.

The need is to decentralize, not just a little bit but radically, functions, funds and authority so that State and local Government—near to the people—can begin to do the job on a scale which is manageable.

New facts which reveal how bad the situation is come from a heroic effort of a lone first-term Congressman, William V. Roth, Jr. (R., Del.), who set out four months ago to survey the entire Federal establishment to find out just how many programs of Federal assistance there are, what they do, how and where they are administered.

His findings justify virtually everything that has been said about the labyrinth of overgrown national Government. He found:

That nobody knows how many Federal programs there are and that there is no place to go in the whole Federal system to find out.

That Congress simply does not have the information to judge which programs should be kept and which should be stopped.

That the executive branch does not have the information to find overlapping and duplication and thereby to unify and streamline the operation.

That at the very least the Federal Government is attempting to administer 1050 assistance programs designed to dispense more than $20 billion a year.

That as many as 10 Cabinet-level departments and 15 or more agencies operate programs devoted essentially to the same purpose.

No wonder Democrats and Republicans alike, conservatives and liberals alike and many who used to think let-Washington-do-it was the answer to every social ill are beginning to see and say that functions, funds and initiative need to be turned back to state and local government.

This is why Moynihan, Assistant Secretary of Labor under President Kennedy and now head of the Harvard-M.I.T. Urban Affairs Center, bluntly asserts that while the Federal Government has proved itself massively efficient at collecting taxes, it has shown itself massively inefficient at dispensing Federal services.

Representative Roth's titanic study of administrative dishevelment ought to stir Congress and the White House to action. His immediate proposal is modest—that the Government be directed to put into a single catalogue a lucid report on all Federal assistance programs and what the citizen needs to know to use them.

It would be a beginning to get at the facts. But far more need to be done—and soon. A special Congressional-Presidential commission, like the Hoover Commission, ought to be put to work at once to study how best to decentralize Federal assistance programs and to report to the new Congress early enough so that action could be forthcoming next year.

There is little doubt that decentralization of the unwieldy Federal sprawl is coming. It ought to be brought about in an orderly, well planned manner. This is why Congress ought to put it in motion now.

[From the Wilmington (Del.) Evening Journal, June 26, 1968]

CLEARING SOME COBWEBS

Former Congressman Harris B. McDowell Jr. is paid $15,000 a year by the state to thread his way through the bureaucratic maze of federal aid programs to ensure that Delaware gets its share of them. Now, his successor, U.S. Rep. William V. Roth Jr., has come up with an idea that might make Mr. McDowell's job obsolete.

Mr. Roth's measure to require the federal government to maintain a complete, up-to-date catalog of its aid programs is needed and long overdue.

There is no quarrel with Mr. McDowell's work—federal aid, which rose an estimated $5 million to about $50 million in Delaware this year, is an important source of revenue. And as things now stand, without the services of someone to bridge the information gap between eligible recipient and the government Delaware could easily lose sizable sums of federal support for its programs.

Individuals and small local governments, however, cannot afford the services of an "aid detective" and may often miss out on aid for which they qualify simply because of ignorance.

The government provides about $20 billion a year for aid programs, yet there is no central office where a citizen interested in scholarship money or a state agency interested in help for its mental health program can receive answers to such basic questions as: How many programs exist? Who is eligible? What aid is provided? How do I apply?

If Mr. Roth's bill passes, as it should, obtaining answers to these questions will become a more simple matter and another layer of the administrative bureaucracy that separates the people from the government will be reduced, if not removed.

[From the Washington Daily News, July 1, 1968]

PONDEROUS GOVERNMENT

William V. Roth is a first term Congressman from Delaware and one of the first things a freshman Congressman learns is that his constituents expect him to be a fountain of information—especially about such things as where in the Government do we go to get some of the assistance the Government has promised us?

Mr. Roth soon found that he didn't have much of this information and just finding somebody in the Government who did have it was a frustrating job.

As a result, he and his staff spent eight months in a "massive" effort just to identify the complex, overlapping assortment of Government programs purporting to offer "assistance to the American public."

He finally compiled such a list with brief descriptions of these programs and where to find them, and had it printed in agate type in the Congressional Record. The list covered 148 pages. He says he has 1050 programs identified; he knows there are many more but he can't get the responsible departments to answer his questions.

Some of his other findings:

These programs spend about $20 billion of taxpayer money a year; "no one, anywhere, knows exactly how many Federal programs there are," there is not even a "common denominator" of what a program is, as many as 25 agencies of the Government have programs in the same areas.

Mr. Roth's chief complaint was that a state or municipality or university or individual wanting to take advantage of any of these programs couldn't find out where to go, or even if there was a program to meet their needs, without a staff of birddogs to run them down.

So he introduced a bill to require the President to publish yearly, and update monthly a compendium of Federal assistance programs.

But there is another much more awesome point to all this.

Think of the staggering cost of all this duplication, all this red tape, all the bureaucracy which defies even the expert searchers of a Congressman's office!

And LBJ says he has a tight budget!

SENATE RESOLUTION 311—RESOLUTION TO MAKE A STUDY OF MILITARY OVERPAYMENTS

Mr. TOWER. Mr. President, I submit for appropriate reference, a measure that instructs the Comptroller General of the United States to make a complete study of overpayments of compensation and allowances to members of the Armed Forces and employees of the executive branch of the Government as a result of administrative error. The number of these overpayments which are not the fault of the receiving person, has apparently been steadily increasing lately and has been causing much havoc for those who receive the money.

Under the terms of this measure, the Comptroller General shall find out why these overpayments are increasing and shall devise ways to both decrease their occurrence and prevent them from recurring. In many instances, today, the members of the armed services and other governmental employees are underpaid. We must take steps to insure such burdens are ended.

The PRESIDENT pro tempore. The resolution will be received and appropriately referred; and, under the rule, the resolution will be printed in the RECORD.

The resolution (S. Res. 311) was referred to the Committee on Government Operations, as follows:

S. RES. 311

Resolved, That, in accordance with section 312(b) of the Budget and Accounting Act, 1921 (42 Stat. 26; 31 U.S.C. 53(b)), the Comptroller General of the United States is directed to make a complete study with respect to overpayments of compensation and allowances to members of the Armed Forces and employees of the executive branch of the Government as the result of administrative error and through no fault of the member or employee. The study will cover such overpayments made during fiscal years 1966, 1967, and 1968 and shall include a review of the particular reasons for the overpayments and measures that may be taken to eliminate overpayments.

SEC. 2. The Comptroller General shall make a report on such study, together with any recommendations for legislation, to the Senate on or before June 30, 1969.

SENATE RESOLUTION 312—STUDY RELATING TO THE ESTABLISHMENT OF AN INTERNATIONAL SMALL BUSINESS MANAGEMENT PROGRAM

Mr. TOWER. Mr. President, the Senate has acted on an Export-Import Bank bill designed particularly to increase exports from this country to less developed nations in the world.

The act will expand American exports to such nations by liberalizing the conditions of Bank loans, insurance, and guarantees covering exports needed in those countries for development purposes; and, to improve our international trade balance-of-payments position.

I am submitting a resolution which I believe belongs in our less developed nations package and which can do much

mar. 17
tabs 27-39

SEC 02

RICHARD M. NIXON
P. O. BOX 1968
TIMES SQUARE STATION
NEW YORK, N. Y. 10036

2 Cls
September 25, 1968

10 Cls

Dear ss:

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,

9 Cls
SWC
A/S

SEC Letter

September 24, 1968

Dear ____________________:

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,

SEC

INVESTMENT BANKERS LETTERS

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

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

Mr. Leon T. Kendall, 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

Statement by Richard M. Nixon
450 Park Avenue
New York, New York
September 25, 1968

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.

Statement by Richard M. Nixon
450 Park Avenue
New York, New York
September 25, 1968

15 Copies

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 econony.

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, Repeated

economic study of the role of financial institutions in our economy, the relationship 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 ~~SEC~~ Securities & 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 sustem. 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 Acts 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 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.

:

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.

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. 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.

With every good wish,

Sincerely,

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

Tom Cole

September 16, 1968

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.

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 and broad based 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~~ investor 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~~ investor 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~~ ~~consumer~~ investor, 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 credible 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.

X 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.

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 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=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 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 Justic 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.

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 however, has been that disclosure alone is not enough and that somehow 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.

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

September 16, 1968

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

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Government should encourage the free flow of capital, the free operationn 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 3-'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 consumer, armed with all relevant information and facts, is incapable of making himself.

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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.

WEEKLY BULLETIN
SHIPBUILDERS COUNCIL OF AMERICA
1730 K STREET N. W. | WASHINGTON, D.C. 20006 | 202|338-7722

Thursday, October 3, 1968 - No. 40

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:

NEW CONSTRUCTION

		Millions
2	SSN	$259.0
2	DXGN	320.0
1	CVAN	535.0
5	DX	246.0
4	FDL	183.6
1	DE (gas turbine)	25.0
2	LHA (number could be 3)	306.0
17	New Construction Subtotal	$1,874.6

CONVERSIONS

9	SSBN to POSEIDON	$685.7
1	Range Instrumentation Ship	25.0
3	DLG	120.0
10	MSO	48.6
23	Conversions Subtotal	$879.3
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 reconaissance 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

J.F.

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.

How Humphrey, Nixon and Wallace Stand on Major Housing Questions

A JOURNAL EXCLUSIVE

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.

The 1968 Act calls for an annual report to the Congress on the progress toward our 10-year goals. If these reports show a failure to keep pace with our goals, we must promptly take corrective action. We must re-evaluate the means by which economic help and financing is made available and the scale of financial assistance required to support a sustained market. In the discussion below, I describe additional future legislation to achieve the volume of housing necessary to provide everyone a decent home in a good neighborhood.

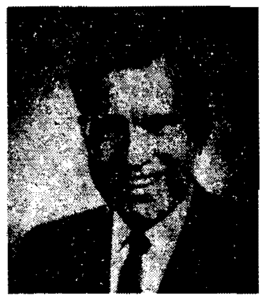
NIXON: The Congress has been very active in the area of housing and urban-related legislation in recent years. The 1968 Housing Act is particularly far-reaching and large in content. Thus, there is already an abundance of laws on the statute books. Of course, this does not necessarily obviate the possible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

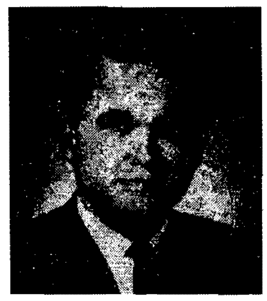
With this in mind, it would be premature to set forth my specific ideas on new programs. But every avenue for unleashing the productive potential of private enterprise and individual effort will be explored. I feel that this can be done, for example, through tax credits and other financial incentives, 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.

HUBERT H. HUMPHREY



RICHARD M. NIXON



GEORGE C. WALLACE

Q. 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 building

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.

NIXON: There is a great merit in the housing goals concept included in the 1968 Act. Housing is certainly one of the most basic of human needs and should be an integral part of overall economic and social planning. There should be a continuing evaluation and projection of Government-assisted and conventional housing programs, and the relevant factors affecting production, if there is to be tangible progress in replacing substandard units and coping with housing needs.

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.

NIXON: The President has much at his disposal to bring about the effective implementation of our laws. However, the relization of their full potential is dependent not only upon their inherent workability, but upon the manner in which the laws are administered. As President I will provide direction in this regard.

It is not hard to understand why private business shows so little enthusiasm for becoming involved in many of our urban programs. The time consuming delays, red tape and bureaucratic entanglements that have been more the rule than the exception must be eliminated. Administrators must be knowledgeable about and communicative with the industry they are responsible for dealing with. They must be aware of the technological in's and out's of the housing industry and be familiar with the problems encountered in the field. Past obsession with theory and concepts must give way to an emphasis upon production, practicalities and expeditiousness. I will direct an immediate self-appraisal by the Department of Housing and Urban Development in order to see how these burdensome hurdles can be overcome. I have pointed out my interest in enlisting the skills and resources of private industry in the field of low-income housing production. In line with the need to make the production of such housing more attractive to the builder and investor, I feel that we should consider centralizing the responsibility for the administering of all low-income housing programs. This is an area that is much in need of streamlining.

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 indorsement as your president.

Q. 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.

Q. There has been a great deal of attention paid lately to the question of whether there is some technological breakthrough that will dramatically reduce the cost of housing, or whether this could be accomplished by some major reorganization of the industry. What are your views?

(Continued on next page.)

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 practices 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.

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.

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.

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 cooperative 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 marketable skill by the time he graduates. Such an expanded program should include job categories related to the housing industry, and allow conjunctive work-and-learn "trainee" job opportunities. I have proposed a national computer job bank to bring men and jobs together.

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 living in ghetto areas who are currently receiving welfare "handouts" and thereby placing those who are willing to learn and work in the status of employed, productive, taxpaying citizens.

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.

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.

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 my administration would encourage and sustain efforts in this area.

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 Federally 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 Federally 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.

RN NY

JGT WASH
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 HAD ANY-THING 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 OPERAT-ING 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.

PARPGRAPH 7

IT WOULD SEEM TO ME THE REPUBLICAN NOMINEE COULD FIND SOME OTHER LABET 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 BECMOE 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

Chuck: Adams Comments, as indicated. Call me at EX3-3366 if you would find discussion useful. This is a great paper. Tom Adams

6 Roosevelt [illegible]
B. Harlow

DRAFT STATEMENT ON 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 ~~public~~ individual 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 ~~over-burdened our Nation's stock exchanges, and raised questions about the~~ been accompanied by an increasingly large impact of institutional investors on the market and on our economy. ~~and~~ This development and other changes in securities markets is a reminder that the effectiveness of existing law in providing full and adequate protection for the investor must be constantly reviewed.

(unfair, not really true)

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. ~~banks, savings~~

(Being specific here raises ~~the~~ such ugly problems as bank underwriting, banks entering the mutual fund area, "parity of regulation" for S+L's, insurance Co's. etc. The candidate need not directly open up this area.

~~institutions, insurance companies, mutual funds and pension plans~~. 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 initiation ~~[illegible]~~ of that study ~~was initiated, however~~, the Justice Department and the SEC advanced certain proposals ~~designed to revise the basic character of the securities market,~~ involving basic ~~drastic~~ changes in the stock exchange rate structure If fully implemented - these proposals would drastically ~~and~~ alter~~ing~~ the economic relationships of brokerage firms, institutional investors and individual investors. Tragically, ~~those hurt most by these rash proposals were the~~ small broker dealers, who are ~~the~~ small independent businessman, would suffer the most under these proposals.

The administration further has 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.

3 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 securities markets ~~more~~ have enabled millions of Americans to participate in the great economic growth in our ~~over, the orderly growth of the industry and its ability to~~ Country. ~~they have provided~~ The market has provided a climate which encourages underwriters ~~attract new investment provides the flow of equity capital~~ and investors to make new investments and provide the capital essential to our Nation's economic well-being and expansion.

1 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"~~ This has been the order of the day since the Securities Acts of the 30's ~~was~~ were 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.~~ Economy.

Statement By Richard M Nixon
~~Approved~~ -
~~G Greenspan~~
~~B. Harlow~~
450 Park ave
New York City
Sept 25, 1968

~~DRAFT STATEMENT ON~~ 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 ~~public~~ Individual 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 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 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 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~~ could be initiated, however, the Justice Department and the SEC advanced proposals designed to ~~revise~~ 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 ~~hurt~~ who would suffer most ~~by these rash proposals~~ ~~were~~ are the small broker dealers, the small independent businessman.

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.

~~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; ~~more-over,~~ To The Nation, 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 ofmy 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.

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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.~~ Economy.

758-8460

John Havre
Chairman, Board of Governors
Investment Company Institute

425-6410

Lucy (98)

Securities Statement -

Insert (A) - Rather than attempt to dominate the Securities markets, the Federal Govt should seek to encourage self regulation, which ~~the free & healthy operation of the market place~~ has ~~worked~~ ~~been~~ operated so successfully in this industry over the years. Free and healthy ~~market~~ operation of the market is of ~~critical~~ utmost importance to the investor; moreover, ~~the attraction of new investment and~~ the orderly growth of the industry and its ability to attract new investment provides the flow of ~~essential~~ equity capital ~~needed for~~ essential to our Nation's Economic ~~expansion~~ wellbeing and expansion.

Current

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.~~ Democracy.

The fantastic growth of our securities industry and the dramatic increase in ~~ever-increasing~~ public participation has ~~created new problems and questions~~ — ~~such as the~~ overburdened ~~condition of~~ our Nation's stock exchanges, and raised questions about ~~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. new challenges

The reaction of this administration to these ~~issues~~, 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 ~~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~~ 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~~ SEC study which would involve some of these issues. Even before the study was initiated, however, the Justic 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

Tragically, ~~the losers~~ those hurt most by these rash proposals were the small ~~[illegible]~~ ~~[illegible]~~, broker dealer, the small independent businessman.

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 ~~somehow~~ 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.

insert (A) →

~~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