

Mr. Richard Nixon
President Elect
450 Park Avenue
New York, New York

CONFIRMATION COPY TO BE A

X HONORABLE EVERETT DIRKENSON

UNITED STATES SENATE

THE VETERANS OF FOREIGN WARS, DEPARTMENT OF ILLINOIS
STRONGLY SUPPORT AND SOLICIT YOUR ENDORSEMENT FOR
THE REAPPOINTMENT OF MR WILLIAM J DRIVER /S ADMINISTRATOR
OF THE VETERANS ADMINISTRATION RESPECTFULLY

DF DEC 20 330P

MIN NL PDF 7 EXTRA

666-8668

WASHDC

DEC 27 1968

PATRICK DE MAURO
DEPT. SERVICE OFFICER

VETERANS OF FOREIGN
WARS STATE OF ILL.

4-CFN FURN
VETERANS OF FOREIGN WARS
2030 W TAYLOR ST

VETERANS OF FOREIGN WARS
2030 W TAYLOR ST

WD 550 (25-67)

SS



REPUBLICAN NATIONAL FINANCE COMMITTEE

1625 EYE STREET NORTHWEST • WASHINGTON, D. C. 20006 • National 8-6800

MAURICE H. STANS
CHAIRMAN

HERBERT W. KALMBACH
W. DON BREWER
JEREMIAH MILBANK, JR.
EXECUTIVE VICE CHAIRMEN

DANIEL W. HOFGREN
JACK A. GLEASON
ASSISTANTS TO CHAIRMAN

C. LANGHORNE WASHBURN
FINANCE DIRECTOR

HUGH W. SLOAN, JR.
ASSISTANT FINANCE DIRECTOR

J. WILLIAM MIDDENDORF, II
TREASURER

RAYMOND T. UNDERWOOD, JR.
COMPTROLLER

COURTNEY BURTON
GENERAL LUCIUS D. CLAY

RALPH CORDINER

J. CLIFFORD FOLGER

F. PEAVEY HEFFELFINGER

JAMES S. KEMPER

SPENCER T. OLIN

CHARLES S. THOMAS

SINCLAIR WEEKS

HONORARY CO-CHAIRMEN

*file
Condolence
letter*

December 20, 1968

Dear Rose:

The attached is self evident, and I feel very badly about this because I literally forced this fine old man to chair the \$1,000 dinner in Kansas when everyone else let me down. He has always been a fine loyal Republican, having chaired Booster meetings for many previous years in Kansas. At 84, he had remarried only a year ago.

Would you be kind enough to see that Mrs. Wallingford gets a note from the boss as this would, I am sure, be a great comfort to her under the circumstances.

All my staff is sick even though I wrote them a memorandum advising that it was not authorized to catch Hong Kong flu and it would not be acknowledged if contacted.

With best wishes to you and a happy Christmas Season.

Cordially,

[Signature]
C. Langhorne Washburn

Miss Rosemary Wood
Office of the President-Elect
The Pierre Hotel
5th Avenue at 61st Street
New York, New York 10021

December 20, 1968

Dear Mrs. Wallingford:

I have just received a copy of your letter to Mr. Stans. We are more than distressed to hear of the loss of your very wonderful husband, Sam.

People have been writing each other for all time about such sad circumstances but there is nothing one can say except to acknowledge. This is an experience we have in common with all of mankind.

I know through my own personal experience that a tangible loss is a stunning blow but it doesn't take long to realize that all a person is remains with one always and increasing in meaning as time goes by. In this regard you have been left a very wonderful and rich heritage of everything that is Sam Wallingford.

I will personally be discussing your letter with Mr. Stans today and, in the meantime, please accept my best wishes to you in these trying days.

Most Sincerely,

C. Langhorne Washburn

Mrs. S. P. Wallingford
Sam P. Wallingford, Inc.
304 Colorado-Derby Building
Wichita, Kansas 67202

*Not Critical
File
H/S*

Duncan MacMillan
1225 West Chase Ave.
Chicago, Ill. 60626

R. Sargent Schriver, U.N.?

For what Reason? O.E.O.?

Jeff Fort of the Blackstone Rangers will
certainly miss him.

Duncan MacMillan

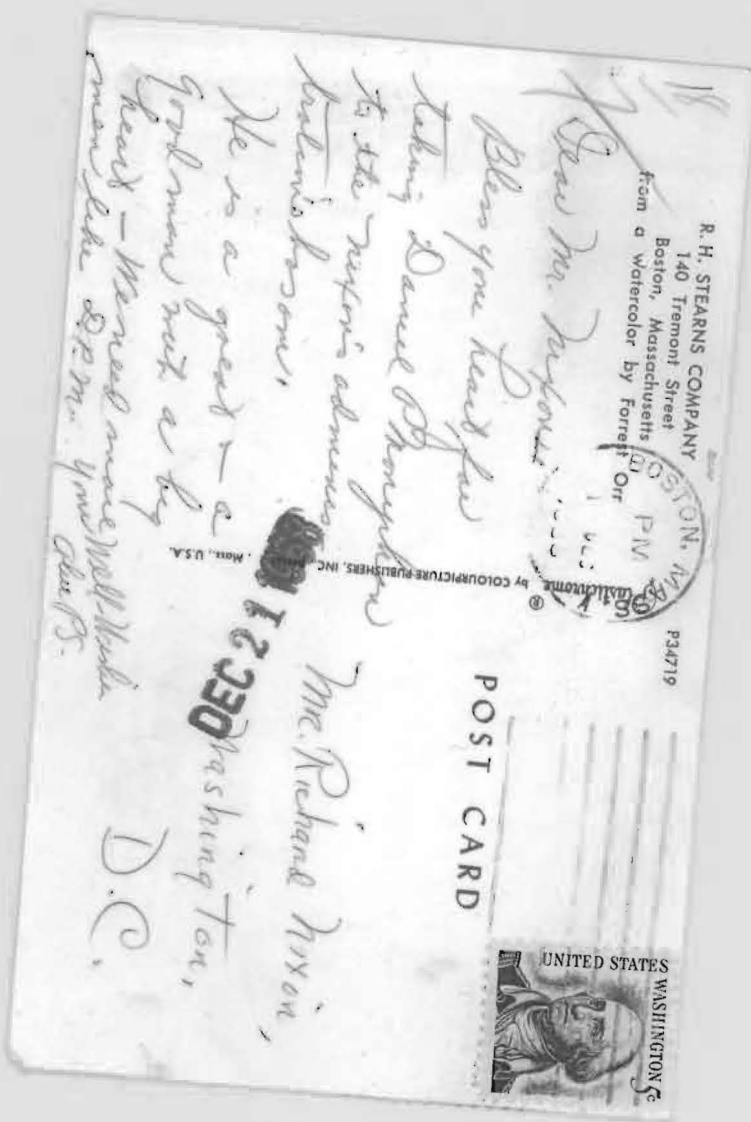
DEC 21 1963

*Mr. President
SEEMS PRETTY
TRICKY?*

Behind The Scenes



"Here's another peaceful fellow who posed
for me. Note the olive branch."





President Elect Richard Millhous Nixon
Waldorf Astoria Hotel
New York City, N.Y.



George Karp
1625 Rendall Place
Los Angeles, Calif. 90026



PRESIDENT NIXON
WHITE HOUSE
WASHINGTON D.C.



DEC 21 1968

mar
S. E. COPPOLA, Mech. Engr.
281 EAST 37th STREET
Brooklyn 3, N. Y. — IN 2-3885

December 23, 1968

Hotel Pierre
Fifth Ave. & 61st Street
New York, N. Y.

Att: Miss Rose Mary Woods
Sec. for Mr. Richard M. Nixon

Please send a copy of my background information
to Mr. Robert Finch, Sec. of the Health, Education, and
Welfare Department with Mr. Nixon's recommendation.

With my background I believe that I can help
Mr. Finch carry out his programs.

Very truly yours,

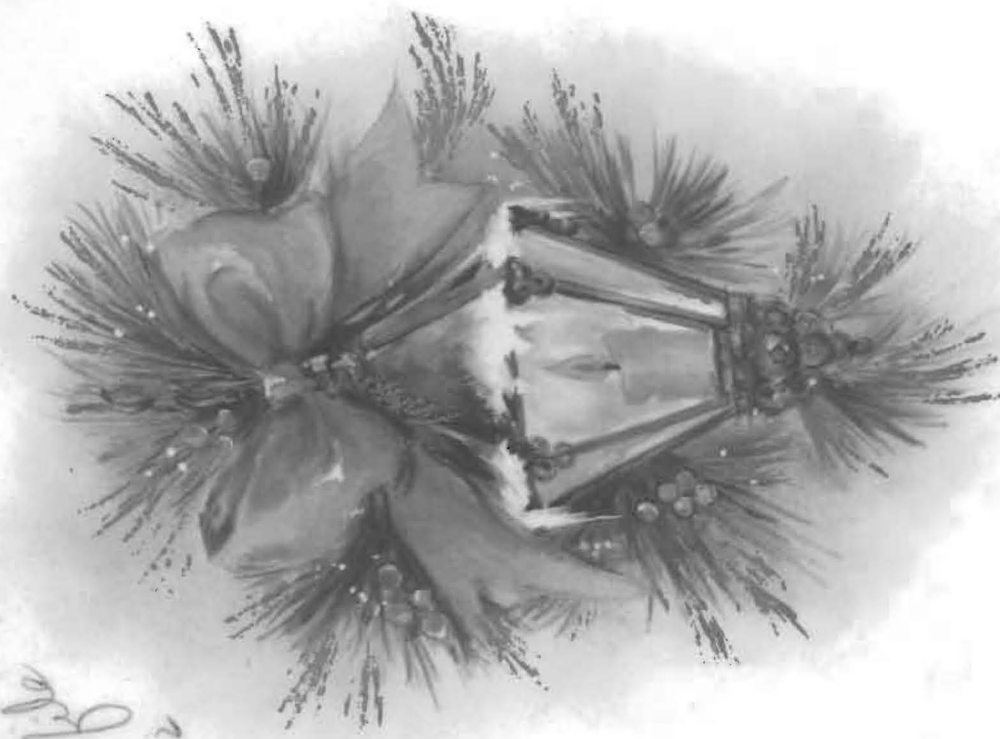
S. E. Coppola, M. E.
S. E. Coppola, M. E.

Christmas Greetings

12

File

1952



Dec 23

TO THE NIXONS

It wouldn't seem like

Christmas

If we didn't get

in touch ...

JAN 2 1969



*"Christmas would not be Christmas but
for the interchange of good wishes"*

CHARLES DICKENS

MERRY CHRISTMAS
HAPPY NEW YEAR

LOVE & PEACE

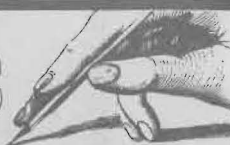
ALBERT & JULIA

VILLENEUVE

PERFECTURED
RIGHT WRIST
VERY BADLY
DEC 9

other

AVOID VERBAL ORDERS



DATE 12/23/68

TIME _____ A. M.
P. M.

TO President Lyndon Johnson SUBJECT North Korea

Mr President: Are you going to be the only president
in history to allow an unarmed US ship to be pirated and
not returned. Go in there and destroy that ship right
under their noses.

CC-Pres. Elect Nixon



T. Bath

T. Bath
319 W Kennedy St
Syracuse, New York

P.S. Why are you allowing our prestige to become so low
in the world?

local 158

DEC 31 1968

UNITED ELECTRICAL, RADIO AND MACHINE WORKERS OF AMERICA



JERROLD BLDG., 15th & LEHIGH AVE.
PHILADELPHIA, PENNA. 19132
POplar 5-2441



December 23, 1968

TO: President Lyndon B. Johnson
The White House
Washington, D. C.

FROM: Members of Local 158 U.E., Jerrold Electronics
Corp., 15th & Lehigh Avenue, Philadelphia, Pa.

Dear President Johnson:

After all your efforts for full employment, the Federal Communications Commission, in one foolish decision, has caused hundreds of layoffs at our plant, and several thousand more layoffs will follow if the Federal Communications Commission's ruling is not changed. This ruling gives unfair advantage to the giant broadcasting corporations, such as N.B.C., C.B.S., and A.B.C., at the expense of working people.

We ask that there be no limit put on the construction of CATV systems. This is what we understand as the free enterprise system. Let the people choose whichever system they think best, CATV or the major broadcasting systems.

We urge you to use your great office to change the ruling of the Federal Communications Commission by executive order.

Most Sincerely,

Paul Verdi
Signature

944 E. Passyunk Ave.
Address
Phila Pa.
City and State

18

DEC 27 1968

2

THE OHIO STATE UNIVERSITY

COLLEGE OF EDUCATION
1945 NORTH HIGH STREET
COLUMBUS, OHIO 43210

ack

LM

LUVERN L. CUNNINGHAM, Dean

December 23, 1968

Mr. Richard M. Nixon
President-Elect
810 Fifth Avenue
New York, New York

Dear Mr. Nixon:

Having read in the New York Times of your interest in Woodrow Wilson, I have taken the liberty to send you a copy of a reprint of an article recently published. Much of this article deals with Wilson's theories of administration (See pp. 44-45.).

I have a brief volume being prepared on Wilson's administrative theories and practices concerning higher education administration. However, since much of what he wrote dealt with general administration, I thought you might want to review this volume when published.

If you or one of your staff would like a copy, please write to the following person:

Dr. William McBride
Director of Publications
The Ohio State University
Arps Hall
1945 North High Street
Columbus, Ohio 43210

I have enclosed a copy of the table of contents. Best wishes for success in every way as President of the United States.

Sincerely yours,

Richard J. Frankie

Richard J. Frankie
Assistant Professor
of Education

RJF/afh

Enclosure

Woodrow Wilson: Educational Administrative
Theories and Practices

CONTENTS

Preface	Page ii
Chapter I. WOODROW WILSON'S EDUCATIONAL IDEAS	1
Chapter II. WOODROW WILSON AND ADMINISTRATIVE THEORY	7
The Process of Administration	
Authority and Responsibility	
Administration and Public Opinion	
The Interaction of Politics and Administration	
Leadership and Organization	
Chapter III. WOODROW WILSON'S ADMINISTRATION AT PRINCETON (1902-1910)	35
Election to the Presidency	
Plan for Princeton	
Administration of Finance	
Academic and Administrative Reorganization	
Revision of the Methods of Instruction	
The Quadrangle Plan	
The Graduate School Preferences	
Conclusions	127
Bibliography	138

Richard J. Frankie

Woodrow Wilson: Educational Innovator

This article is an analysis of selected administrative theories and practices of Woodrow Wilson in the field of education. In this complex field, Wilson stands out as an early pioneer and a major educational innovator. Mr. Frankie is Assistant Professor of Education at the Ohio State University, Columbus, Ohio.

Great reformers do not, indeed, observe times and circumstances. Theirs is not a service of opportunity. They have no thought for occasion, no capacity for compromise. They are early vehicles of the Spirit of the Age. They are born of the very times that oppose them.¹

These words of Woodrow Wilson serve well as an introduction to this study of the educational administration of the man—as reformer, as innovator, opposed in his time, but above all a “vehicle of the Spirit of his Age.” This review encompasses a re-appraisal of Woodrow Wilson’s contributions to educational administration in terms of responsibilities and challenges facing educational administrators in higher education in the mid-1960’s.

More particularly, the study is an analysis of selected administrative theories and practices of Woodrow Wilson relating to higher education, focusing upon the years he served as president of Princeton University, 1902-1910. Surprisingly, Wilson came to his post as university president with not one day of administrative experience. He had not even been a chairman of a department, let alone a dean or vice-president.

If we focus on his career in higher education, both as student and as professor-administrator, we must label him as Ordway Tead might describe, a “big-idea” man. “Educational Innovator” would be apt in higher education circles today.

Wilson could not be described as an “original” thinker. He was not a creative man in and of himself. He was a borrower, a reflector, an expediter and an innovator. As he stated, he wrote history books,

Reprinted from Fall 1968 issue of Educational Administration Quarterly

biographies and essays to learn history and to learn about people. He thought of himself as a man with common opinions but uncommon ability. "I receive the opinions of my day, I do not conceive them."²

Why was Wilson picked as president when so many senior professors and ministers were available? It must be recalled that Wilson was the first lay president of Princeton. One reason was political. No love was lost between Wilson's predecessor, Francis Landey Patton and Dean Andrew Fleming West, a leading candidate. Other reasons were that Wilson was an outstanding public speaker, a well-published scholar and academician, and he also appealed to the student body and the alumni. He had for several years been voted the most popular professor on the Princeton campus and the highest paid member, too. But the major reason was that Wilson had a plan! As the principal speaker at the Princeton Sesquicentennial celebration in 1896, Wilson had impressed the faculty, trustees, alumni, students and the many publics at-large with his ideas for Princeton.

When the time for administrative change comes, it sometimes comes very fast. (Note Clark Kerr's abrupt dismissal as President of the University of California after eight years.) This was the case at Princeton, June 9, 1902, the day that President Francis Landey Patton made his surprise announcement of his resignation. The trustees wasted no time in search procedures. President Patton recommended Woodrow Wilson as his successor and the Board of Trustees, present for the commencement exercises that week, unanimously voted Wilson into office.

One trustee wrote to Wilson:

I never saw so many men of many minds unite so promptly, without debate, without hesitation at the mere mention of a name. When the ballot was taken, I thought there might be one or two blanks, but every man had promptly cast his ballot without consultation, and when the vote was announced, we agreed that it was the act of Providence.³

Wilson had long regarded the administrative situation at Princeton as in need of improvement. Indeed, the trustees were also aware of the urgent needs in the matter of university reform, and were eager for the more progressive approach to administration which they knew Wilson could offer. Indeed, he had some hand in the administrative affairs of the university previous to the election. In March, 1902, he had been selected as a member of an executive committee made up of three members of the faculty and two trustees. This committee was proposed

to control the university and the president (Patton) was not included in the membership. The three members of the faculty, Wilson, Fine and Brackett, were in the process of drawing up a confidential report as to the functioning of the proposed committee, when President Patton resigned.⁴ The previous year had witnessed the formation of a committee headed by Professor William Magie to investigate the scholastic condition of the college. A year of faculty debate had followed with nothing resolved.

Wilson's status and role when he was elected president gave him significant additional power and authority to attack these same problem areas, and see that something was accomplished. Thus, as Burton Clark stated, "Authority is conditioned by status,"⁵ and Wilson, in his new status and role, was able to put into practice his theories of positive executive leadership, which he could not as fully implement as a member of the faculty.

However, in his later years his status was to change drastically, for even while still serving as President of the University, he suffered great loss of esteem, and thus, a great loss of authority. Here, then, is an illustration of an aspect of administration: authority is determined by personal esteem as much as by formal position.

Five years before this decline in Wilson's power, Wilson's predecessor, President Patton, underwent the same loss of power and prestige. Ray Stannard Baker stated that there "lay deep the feeling that amongst those who knew and loved Princeton that the institution had ceased making progress under the leadership of President Patton."⁶ Under Patton, the zone of indifference within which the faculty was willing to accept decisions made by him was at a breaking point. The limitations of his authority having been reached, the pressure for change had reached the stage of "open revolt" as Baker described it.⁷ Herbert A. Simon, in his description of the limitations of authority, stated, "the leader, or the superior, is merely a bus driver whose passengers will leave him unless he takes them in the direction they wish to go. They leave him only minor discretion as to the road to be followed."⁸ In this case, President Patton joined the "passengers" and recommended to the Princeton Board of Trustees that Wilson be appointed the "driver."

Wilson was not unprepared for the task facing him, since years prior to his assumption of the presidency he had started to outline the objectives of a university when he said in 1894, "Education is a matter of service to the nation, rather than the mere intellectual adornment of the individual."

Two years later, in 1896, in the address he delivered at the Princeton Sesquicentennial Celebration, he enlarged that concept more fully. The university must know and understand its true purpose; it must have unity and aim. His ideal university was described as follows:

I have had sight of the perfect place of learning in my thought: a free place, and a various, where no man could be and not know with how great a destiny knowledge had come into the world—itsself a little world; but not perplexed, living with a singleness of aim not known without; the home of sagacious men, hard headed and with a will to know, debaters of the world's questions everyday and used to the rough ways of democracy; and yet a place removed—calm Science seated there, recluse, ascetic, like a nun; not knowing that the world passes, not caring, if the truth but came in answer to her prayer; and Literature, walking within her open doors, in quiet chambers, with men of olden time, storied walls about her, and calm voices infinitely sweet; here . . . you may withdraw and use your youth for pleasure; these windows open straight upon the street, where many stand and talk, intent upon the world of men and business. A place where ideals are kept in the heart in an air they can breathe; but no fool's paradise. A place where to hear the truth about the past and hold debates about the affairs of the present, with knowledge and without passion; like the world in having all men's life at heart, a place for men and all that concern them; but unlike the world in its self-possession, its thorough way of talk, its care to know more than the moment brings to light; slow to take excitement, its air pure and wholesome with a breath of faith; every eye within it bright in the clear day and quick to look toward heaven for the confirmation of its hope.⁹

What were the administrative theories and ideas that Wilson had developed in earlier years? How did he introduce them in his administration as president of Princeton to achieve his "ideal university"?

Some of Wilson's earliest thinking about administration is found in an essay published in 1887 called "The Study of Administration."¹⁰ The focus of the essay was the study of administration in relationship to government. However, the essay has value for the ideas it contained that describe essential characteristics of educational administration as a subfield today of public administration.

Wilson anticipated the complexity of organizing administration under democratic forms which characterize legal bodies that are responsible for institutions of higher education today. The essay is also significant for the description of vexatious arrangements necessary for the proper exercise of administrative discretion to insure at one and the same time initiative, responsibility, and control.

Particularly concerning the role of administration and the path it needed to follow Wilson wrote:

Our own politics must be the touch stone for all theories. The principles upon which to base a science of administration for America must be principles which have democratic policy very much at heart. And, to suit American habit, all general theories must, as theories, keep moderately in the background, not in open argument only, but even in our own minds, lest opinions satisfactory only to the standards of the library should be dogmatically used, as if they must be quite as satisfactory to the standards of practical politics as well. Doctrinaire devices must be postponed to tested practices. In a word, steady, practical statesmanship must come first, closet doctrine second.¹¹ Wilson stated that "The principle upon which I most wish to insist is, that administration must be at all points sensitive to public opinion."¹²

Wilson asked, "What part shall public opinion take in the conduct of administration?" He wrote, "The right answer seems to be, that public opinion shall play the part of authoritative critic."¹³

Elaborating on the importance of public opinion, Wilson stated:

The very fact that we have realized popular rule in its fullness has made the task of organizing that rule so much more difficult. In order to make any advance at all we must instruct and persuade a multitudinous monarch called public opinion, a much less feasible undertaking than to influence a single monarch called a king.¹⁴

The very essence of Wilson's approach to administration was that it was to be grounded in democratic principles, accumulated over the centuries. People could be depended upon to have differing opinions. Wilson wrote:

They can agree upon nothing simple; advance must be made through compromise, by a compounding of differences, by a trimming of plans and a suppression of too straight forward principles. There will be a succession of resolves running through a course of years, a dropping fire of commands running through a whole gamut of modifications.¹⁵

As Wilson predicted, the faculty as a collegium at Princeton, was to exhibit some of these qualities. Always interested in reforms, Wilson early realized that public opinion was a many faceted phenomena. He was not only concerned with persons, "but preconceived opinions, i.e. prejudices which are not to be reasoned with because they are not the children of reason."¹⁶

That the public the reformer faced was not one public but many is shown in Wilson's description:

To know the public mind of this country, one must know the mind, not of Americans of the older stocks only, but also of Irishmen, of Germans, of Negroes. In order to get a footing for new doctrine, one must influence minds cast in every mould of race, minds inhabiting every bias of environment, warped by the histories of a score of different nations, warmed or chilled, closed or expanded by almost every climate of the globe.¹⁷

To Wilson, the essence of democratic administration in a democratic society rested firmly on foundations of knowing as well as educating complex publics holding divergent opinions. Open discussion, debate and ultimate compromise were pivotal points in his basic theory.

In establishing his administrative structure at Princeton, Wilson preserved his idea that "The principles on which to base a science of administration for America must be principles which have democratic policy very much at heart."¹⁸ Wilson's creation of divisions and departments represented an attempt to place theory into practice, "to supply the best possible life to a federal organization."¹⁹ A federal type administration was to give life with:

A like strength and an equally assured healthfulness, keeping each (department) unquestionably its own master and yet making all interdependent and cooperative, combining independence with mutual helpfulness.²⁰

Drawing from the American system of government, the principle of federalism, he wrote, "governments are joined with governments for the pursuit of common purpose, in honoring equality and honorable subordination."²¹

The departments were created and department heads appointed with this central theory supporting the heart of the plan. The formal leaders of the structure were all peers in subordinate, but equally honorable positions of trust and authority. The method was aimed to combine practicable, "openness and vigor in the administration . . . with ready docility to all serious, well sustained public criticism."²² Wilson wrote, "Ideals are difficult to maintain without constant recurrence to constituents."²³

Wilson's theory of democratic administration was broad and grew out of his understanding of democratic, scientific and personal ends which were implicit for the fulfillment of a democratic society. His theory was executed in the revisions he initiated concerning the curriculum, the academic and administrative structure and the methods of instruction. All were designed to facilitate communication, full, free exchange of

ideas. To Wilson, communication was not only to serve him as a leader reinforcing the university's aims and objectives to his colleagues but to serve to implicate and involve the total membership of the group in serving the purposes Wilson always held.

The primary aim of the administration was to serve the purposes of the university. Wilson's theory of positive, executive leadership was to give the responsibility of being a key initiator to the president of the university. Communication was to aid in knowing what and when to initiate. The responsibility demanded he fulfill the roles of catalyst and synthesizer.

As an astute student of administration, Wilson never vacated the leadership phases of his tasks. To Wilson, the leader's job was always to supply drive, vitality and creativeness.

Ordway Tead, expressed this phase of leadership in democratic administration very aptly. He wrote:

Someone has to symbolize the Big Idea and personalize the Main Drive. Someone rescues the individuals involved from too great self-interest and self-centeredness. We all tacitly ask to be saved from our little selves into our large selves and loyalties. "He redeemeth our life from destruction," is the deeper achievement of the leader. Self-transcendence and self-fulfillment are reconciled where the leadership role has done its finest work.²⁴

Wilson's steadfast theory was that administration as leadership would enhance agreement and cooperation where authority and responsibility were clearly defined and explicitly shared. It was the sharing aspect that was pivotal to fulfillment of democratic administration. In democratic administration the practical question of shared to what degree must be answered.

To Wilson, the power to issue decisions concerning major questions of policy affecting the university was to be unitary. Wilson stated it was the leader's responsibility "to act, to lead, to construct." These responsibilities rested with the president. The decisions, however, were to be arrived at through associated effort. This aspect, in essence, was what Wilson interpreted democratic administration to mean. He always strived to provide democratic conditions. Wilson wrote:

Educated men are the State's organs of *Criticism*, which . . . must be framed with a sense of what is practicable, which involves knowledge of, and a real liking for, the established means of political action: the spirit of slow cooperative progress from step to step.²⁵

To Wilson, Princeton was a miniature democratic society within the democratic political society that was the United States. Wilson repeatedly stated, education was minor statesmanship; the college a little state. Give your prime minister wide powers; do not restrict his initiative with feeble checks and balances; do not hamper him with committees. The remedy for failure was simple: "If you do not like your prime minister, change him."

Another aspect of the field of administration, which Wilson described, and which seems as current today as when Wilson wrote, was the area of authority and responsibility. Clinton Rossiter writing in *The American Presidency* wrote, "The President, and I mean any President, no matter how happily he may wallow in the details of administration has more trouble playing this role (Chief Executive) successfully than any of the others. It is, in fact, the major area of presidential activity in which his powers are simply not equal to his responsibilities."²⁶

Wilson wrote:

To be efficient it (administration) must discover the simplest arrangements by which responsibility can be unmistakably fixed upon officials; the best way of dividing authority without hampering it, and responsibility without obscuring it. If administrative study can discover the best principles upon which to base such distribution, it will have done constitutional study an invaluable service. Montesquieu did not, I am convinced, say the last word on this head.²⁷

Wilson further stated:

Trust is Strength in all relations in life; and, as it is the office of the administrative reformer to create conditions of trustfulness, so it is the office of the administrative organizer to fit administration with conditions of clear-cut responsibility which shall insure trustworthiness. And let me say that large powers and unhampered discretion seem to me the indispensable conditions of responsibility. . . . There is no danger in power, if only it be not irresponsible.²⁸

In an overall appraisal, Wilson wrote that the greater the freedom of discretion, the greater the power, the less likely an individual is to abuse it. Wilson thought the individual would become more nerved and sobered and elevated by responsibility. The less the power given, "the more obscure and unnoticed, the more readily could that person relapse in remissiveness."²⁹

To Wilson, the key aspects were knowledge by broad constituencies, strength in trust and public opinion playing the part of "authoritative critic." In summation, Wilson said, "The cook must be trusted with

large discretion as to the management of the fires and the ovens.”³⁰

To Wilson, the most basic aspect of administration was organization—of people, of methods, of services. To him an organization was a vital organism, not a machine. Organization was a part of an administrative system which he perceived of as an organic whole, subject to change, yet based on fundamental principles which gave to the institution a continuity and stability while allowing for flexibility. Wilson stated, “Organization and methods need improvement only less than their personnel.” To him, the object of administrative study was to discover how to do things “with the utmost possible efficiency and at the least possible cost, either of money or energy. On both these points there is obviously much need of light among us; and only careful study can supply that light.”³¹ In keeping with his idea of systematic planning, Wilson clearly foresaw the need of the introduction of divisions and departments as sub-units. If administration was organization, as Wilson stated, a system that would be both workable and feasible was to include the incorporation of a multi—or federal structure of organization.

The multi-structured organization was to operate as a vehicle for Wilson’s “theory of devolution.” The delegation of authority and responsibility was his pivotal thesis.

When Wilson inherited the office of President of the University, it was literally a one-man office. The president had no assistants, not even a secretary. The faculty, to the man, dealt directly with the president, whether concerned with contracts, textbook selection, curriculum, or whatever problems occurred.

The formal organizational structure Wilson envisioned for Princeton was to serve to promote the major purposes Wilson thought were Princeton’s goals. In his first report to the Princeton Board of Trustees, Wilson put forth his ideas on the University’s responsibility for research:

A true university is a place for research as well as for instruction. It cannot keep alive without research; it cannot serve the country properly if it does not do its part in widening the boundaries of knowledge and making ideas a power among men.³²

With the additional mission of research, Wilson added to the traditional objectives of the institution of higher education to act as a storehouse of knowledge and transmitter of that knowledge to accepting the responsibility of creating new knowledge. The addition of this added mission of research further substantiated Wilson’s motives for reorganizing the administrative structure.

Although on the surface Wilson's organizational structure appeared rigidly hierarchical and bureaucratic, in operation it resembled more closely the characteristics of Weber's collegial form of organization.³³ Particularly in regard to the organization of the faculty in the university collegiality, as discussed by Weber, is a variation of bureaucratic organization. Some students of American higher education believe the structure of these institutions, the locus of decision making, and the interrelationships among faculty, administrators, students and alumni are of a different order from those found in bureaucratic organizations. John D. Millett takes this position in his book *The Academic Community*.³⁴ The conceptual term which seems best to fit the college and university organization these students describe is, as Millett has used it, community. Weber held the system of bureaucracy in its ideal form to be the most efficient system of organization that could be devised. The aspect of collegiality that Weber described explains the university structure which is a different sort from that characteristic of bureaucracy. Instead of a rigid hierarchy of status and authority, the university tends to be what is roughly, in formal status, a "company of equals." Collegiality seems to be for Weber a device for limiting the authority of a monocratic "chief." The heart of the organization is a group of equals. If the heart of an institution of higher education is the collective faculty and its fundamental function teaching, scholarship and research, and the faculty as a collegium is entirely and exclusively engaged in the university enterprise, then the analysis of the faculty as organization appears legitimate. The bureaucracies of business affairs and personnel services, etc., are ancillary. The latter do not do the work of the university; they only perform services that make it easier for the faculty to perform their functions; the collegial organization tends to permit a non-bureaucratic approach.

The relationship of the faculty to the university tends to be different from those of most members of organizations to their organizations. Their place is the most interesting aspect from the point of view of theoretical analysis.

The characteristics of the collegial organization are at best suggestive and certainly are not definitive. It is important to note that Weber would hold that collegiality cannot be inclusive, but that bureaucracy is the only rational end in so far as the administration of any organization is concerned.

In a collegial organization, G. Lester Anderson identified the following characteristics:

1. The locus of decision is not in *one person*, nor can *one person* be held responsible.
2. The collegium is superordinate; administrators are subordinate.
3. Administrators are amateurs, not experts.
4. Administrators are drawn from the collegium, hold office for limited periods, and return to it.
5. Administrators are expected to perform, even while they are administrators, their usual roles as members of the collegium.
6. The collegium not only makes policy but can sit and operate as an administrative body.
7. The collegium holds itself judicial as well as legislative (policy) and executive (administrative) functions.
8. Subordinate organization is loose, and not highly structured.
9. Power of individuals in the collegium is normative, not legal. It stems from seniority or superior performance. It is personal not official.³⁵

Although all these characteristics do not coincide exactly with the organization Wilson advanced as president of Princeton, many do.

The idea that the administrators are drawn from the collegium, and are not professionally trained administrators but amateurs seems appropriate to Wilson. He himself was drawn from the faculty, and had no previous administrative experience. In addition, Wilson perceived of himself as a faculty member, taught classes all during his presidency, attended departmental meetings of the Department of History, Politics, and Economics, presided over by the departmental chairman, Professor Winthrop Daniels and later Professor Harry Garfield, son of President James Garfield. Professor Edward S. Corwin, one of the original 50 preceptors added to the faculty in 1905, wrote:

One of the things that contributed greatly in these early days of the preceptorial system to the interest in life of preceptors of the tripod Department of History, Politics, and Economics, despite the heavy teaching burden, was the fact that Mr. Wilson was a colleague.³⁶

Although university policies were officially passed by action of the university Board of Trustees, in reality these decisions were made after "common counsel" of the faculty collegium. Power of the individuals in the collegium was not legal, but personal and normative. In a sense then, the collegium had judicial as well as executive functions, and tended to make policy and operate as an administrative body.

It was Wilson's intention to have a relatively loose hierarchial structure. The purpose of this faculty organization was service—service to the collegium of which they were a part. It was designed to facilitate two-way communication and involve all members, giving them a voice

in the decision-making process. All faculty members were colleagues; each had one vote. The administrative burdens were to be shared. As Wilson had stated, he thought of himself as the prime minister, not as a monocratic chief or authority, but simply as *primus inter pares*. His colleagues were fellow legislators and executors, all cooperating to fulfill the educational goals and objectives of Princeton University.

As a prime minister in the collegium, Wilson was compelled to consult before acting. Acts or decisions made without consultation and approval were subject to the all-pervasive "veto," characteristic of collegial organization. Failure to secure prior consent could destroy the collegium, and hence the "leader." As Wilson stated, "Education was minor statesmanship, the college a little state."

In retrospect, the early years of Wilson's administration saw him remain within the boundaries of the characteristics of collegial organization. The successes were group successes. Coordination, and cooperation, and communication among the company of equals were at the zenith. The Quad Plan and Graduate School controversies represent tragic setbacks in Wilson's career as president of Princeton. Both setbacks represented clear-cut "vetoes," not initially by the Board of Trustees, the legal, official policy-making body of the university, but by the collegium from whom Wilson had divorced himself. As Anderson characterized; the locus of decision is not in *one* person, nor can *one* person be held responsible. The collegium is superordinate; administrators are subordinate. In addition, administrators are drawn from the collegium, hold office for limited periods, and return to it. President Patton, Wilson's predecessor, had returned as head of the Princeton Theological Seminary. Wilson chose to receive the public call to be a candidate for political office.

In summary, the collegial organization was probably the most appropriate organization for the group that made up the faculty at Princeton University at the turn of the century. This organization coincided with Wilson's theory of executive, positive leadership and gave him the opportunity to serve the body as the prime minister. All prime ministers and ministries in cabinet-parliamentary organizations throughout the world, hold power, eventually are challenged, and succumb to new ministries and new prime ministers. The same fate rested with Woodrow Wilson.

At best, the analysis and description of collegial organization are suggestive. They are by no means intended to be definitive. However, the description does shed light on the practices growing out of Wilson's

theory of organization. As has been stated, on the surface Wilson's structure of divisions and departments appears hierarchical and bureaucratic. In substance, this structure served to facilitate consultation and cooperation among the members of the collegium.

Although the contributions of Woodrow Wilson in the field of educational administration may seem obvious, the implications of his policies are subtle, and at the same time pervasive. It is difficult to measure scientifically the significance of such contributions today, for not only are we dealing in conceptualizations and in abstractions, but also in the interrelationships and coordination of Wilson's theories with the ideas of other men, at other times, under other circumstances.

The acquisition and application of knowledge is a cumulative process. To say, for example, that to Woodrow Wilson we owe the initial impetus for the democratization of higher education in twentieth century America, would be a gross over-simplification of a complex, and again, immeasurable phenomenon. And so, in determining Wilson's place in the development of educational administration in the United States, one must make a broad interpretation of his influence and contribution.

Certainly basic to this analysis is the fact that Wilson early recognized the need for an administrative structure based on logical principles. He stressed the need for adjustment of executive functions and improved methods of administrative organization and action. Wilson did not see the science of administration as an absolute science with invariable laws, but rather as a body of knowledge and information to be developed by experience and observation. Although in his earliest writings he alluded to "universal principles" in administration, no records indicate that he ever reduced them to writing.

To achieve the proper perspectives we must also take into consideration the fact that Woodrow Wilson's presidency of Princeton University occurred at a point in the history of higher education in America where past traditions and time-honored practices were being challenged, nowhere more directly and intelligently than at Princeton University.

Wilson, following the precedent begun by Charles W. Eliot at Harvard, had become the first lay president of Princeton. He proceeded to make the office one that influenced the development of administration, defined and strengthened its organization, and in short, contributed to the professionalism of the duties and functions of a university administrator. Never again in the twentieth century would a major college or university be a one-man office.

If Wilson's focus was on the intellectual aspect of higher education,

his most critical administrative departures dealt with the broadening and democratizing of American institutions of higher education. At the turn of the century Princeton and Harvard and other private universities were educating a select segment of the population of the United States to be an elite. If Wilson oriented the service of this educated elite toward service to society and the nation, he also must be credited with attempting to democratize the members within this elite group. In this, he played a decisive role in the advancement of democracy within one segment of higher education and falls close to the position taken in higher education spheres by Thomas Jefferson a century earlier. If Ezra Cornell, Andrew White, John Van Hise, and John Folwell and others were concerned with broadening the scope of higher education, it was Wilson who concentrated attention on strengthening the traditional liberal arts. However, he led all educational administrators in his examination of the role and functions of extracurricular activities. To Wilson, the "side shows" were never to overtake the importance of the "action in the main tent."

Although Wilson did not succeed in abolishing the upper-class clubs at Princeton, it is to be noted that the general plan for his quads was introduced at Harvard University as "houses" in 1932, and the first Yale "colleges" were started the following year.³⁷ In addition, the University of Michigan Law Quadrangle and system of dormitory quadrangles was patterned basically along Wilson's plan for social coordination.³⁸

That his vision of what Princeton might have become was not realized was not entirely his fault for his policies were in the main far ahead of his time. From the first he bent his energies toward widening the scope of Princeton's offerings, securing adequate equipment and buildings for research and scholarships, enlarging the faculty, and introducing the preceptorial method of instruction. First, he submitted one major educational reform at a time to any group possessing resources that could affect decisions. Second, Wilson sought to undertake basic policy changes in a logical order. When he assumed the presidency of Princeton he set up an order of priorities of the greatest needs and attempted to fulfill these goals.

Third, it was Wilson's policy to set his own timetable for presenting changes or reforms rather than leaving it to factions within the faculty or the trustees or to the inclinations of individuals in positions of authority. This strategy, Wilson felt, permitted him to pick the best arena of action and to work out solutions to particular problems in relation to larger strategy. For example, once having received commitment for

more money, Wilson advanced the plan for reorganization of studies, then he presented the plan for the study of new methods (the tutorial system). One seemed to logically follow the other. When Wilson sent out the call for additional new faculty, Baker stated, "A spirit of new faith and of high endeavor took hold of the entire situation. . . . Many of the teachers rewrote their lectures to bring them up to the measure of the new spirit, and the faculty began to come together to discuss the vital problems of the University as never before."³⁹

Fourth, it was Wilson's approach not to single out any one department or division of the university to be the continual "whipping boy" of administrative attack. It was Wilson's assumption that the "higher-minded" people, even among the affected interest, would be in agreement with his proposals and support them. Wilson's apparent belief in predestination is reflected in the calm assurance and inevitability with which he viewed his plans.

He sought to strengthen weak departments; first history, then economics, and then biology. His unified budget facilitated implementing these improvements. Fifth, it was Wilson's idea to never approach a reform or change in a vindictive, punitive, or personal way, but to approach it naturally, as it arose from basic consideration of philosophy and of university policy.

Finally, Wilson's most talented gift was his leadership technique of playing the role of the "philosopher-king" when presenting a new plan. It was always his goal to justify a proposal by its consistency with and fundamental contribution to the strengthening of Princeton spirit and tradition.

Thus we can see that during the first five years of Wilson's university presidency his administrative successes followed a pattern. This pattern involved incorporating practices that followed closely his basic administrative ideas and theories. Success was achieved by seeking and obtaining "common counsel" in the decision-making process. The collegial form of organizational structure enhanced communication of ideas and information, and facilitated consultation and cooperation among all members of the collegium. The organization approached maximum achievement largely because it facilitated the fusion of formal and informal organization.

The creation of divisions and departments maximized Wilson's idea of delegating authority with responsibility. And by initiating a unified budget, he was able to allocate financial resources to strengthen all the departments as needs and requirements dictated.

His positive executive leadership provided energy and direction and imaginative planning to short and long-range goals for Princeton. His contributions in the field of student personnel administration raised standards and were implemented by the cooperation and effort of the total collegium.

Both the curriculum revision and the new method of instruction (preceptorial method) were successfully initiated through the faculty and administration acting as a unity. Again, Wilson had succeeded in fusing formal and informal organization. No summary of Wilson's administration would be complete without analysis of his administrative failures. The last years of his presidency of Princeton represented a period of stress, storm and administrative failure. Wilson's major failures involved the rejection of his quadrangle plan and graduate school plan. The failures followed the adoption of a pattern by Wilson almost directly contrary to that successfully followed in earlier years. The spirit of compromise in the decision-making process earlier exemplified by Wilson was abandoned. Controversy split faculty, trustees, and students, and the schism divided the earlier unity developed by Wilson and his administration. Foremost in the pattern of failure was the breakdown of the fusion of the formal and informal organizations. Wilson's ideals took precedent over his well thought-out theories of administration. In the process he alienated not only faculty and trustees holding powerful resources of influence, but also divided powerful alumni and students. A modicum of "common counsel," reduced the flow of communication and information and cooperation was impaired. His theory of devolution of authority and responsibility was reduced to a minimum, and decisions were made arbitrarily without heed to advice from key leaders in the faculty, alumni or trustees. Foremost was his failure to synthesize criticisms and objections of these powerful forces involved.

Also significant was his personal feuding with key personalities involved which negated the human relations which was instrumental in developing unity in early years of Wilson's administration.

Overall, his most salient divergencies in administration rested on errors of judgment, rather than from basic departures from his theories of administration. His most crucial failure as an administrator was caused by his resistance to compromise on two major educational issues during the latter period of his administration. Thus, it can be readily seen that the general area of human relations was his pitfall. It was one area about which he never wrote, and one that took on much greater importance only as the field of administration came to be intensively

studied in later years by public administrators and leaders in the field of higher educational administration.

The organization he built, both internally and externally, clearly indicates the degree of concern he held for facilitating the decision-making process. That he attempted to bring together both informal and formal organization to enhance communication and information dissemination was shown not only by his actions, but by his voluminous outpouring of correspondence.

In keeping with his democratic theory of administration Wilson attempted to make the collegial form of organization a viable form of university administration. So long as he was consistent, he was successful—inconsistency brought failure. He stressed division of specializations, but he enhanced collaboration and interdependence among the divisions and departments he established. The development of interdisciplinary honors programs indicated the success this organizational form permitted. Authority with correspondent responsibility was Wilson's basic theory, and he practiced it in his administration.

Pivotal to Wilson's role as university president was his role as planner. As central planner, Wilson emphasized coordination among the various segments of the university, not only in the use of resources, but in the process of decision making. Wilson in his day was his own director of institutional research. He not only clarified the objectives and purposes of the institution, but led the renewal of obsolescent segments of the institution. He clearly foresaw the resources needed in personnel, facilities, programs and finances, and attempted to obtain them. He was not successful in accomplishing all his innovations, but in the period under consideration, Princeton could be called a university in transition.

However, America itself, was evolving in every facet of its culture. The turn of the century represented a dynamic era of industrial, scientific, political, social, and educational change. Wilson stands out as a major leader and pre-eminently as a long-range planner, when in retrospect his responses to his own *era* are recorded. What is most significant is that his ideas and contributions concerning leadership, decision making, organization, and communications in the field of administration mark him as truly a man of vision, who merits review and appraisal by educational leaders serving as administrators at all levels of education throughout the country.

Notes

1. T. H. Vail Motter (ed.), *Woodrow Wilson, Leader of Men* (Princeton, New Jersey: Princeton University Press, 1952), p. 50.
2. Woodrow Wilson Diary, dated December 28, 1889. (Middletown, Conn.: Wilson Collection; Library of Congress, Washington, D. C.)
3. Letter from S. Bayard Dod to Wilson, June 25, 1902. Wilson Collection, Library of Congress, Washington, D. C.
4. Ray Stannard Baker, *Woodrow Wilson Life and Letters: Princeton 1890-1910*, II (New York: Doubleday, Page and Co., 1927), p. 133.
5. Burton R. Clark, "Faculty Organization and Authority," in Terry F. Lunsford (ed.), *The Study of Academic Administration* (Boulder, Colorado: Western Interstate Commission for Higher Education, 1963).
6. Baker, II, *op. cit.*, p. 133.
7. Baker, II, *op. cit.*, p. 132.
8. Herbert A. Simon, *Administrative Behavior* (New York: Macmillan Co., 1957).
9. Woodrow Wilson, "Princeton in the Nation's Service." Wilson Collection, Library of Congress, Washington, D. C. Also published in *Forum*, XXII, p. 284-285.
10. Woodrow Wilson, "The Study of Administration," *Annals of American Government*, Washington, D. C.: Public Affairs Press, 1955. First published in *Political Science Quarterly* (June, 1887), pp. 197-222.
11. *Ibid.*, p. 22.
12. *Ibid.*, p. 19.
13. *Ibid.*, p. 17.
14. *Ibid.*, p. 11.
15. *Ibid.*, p. 11.
16. *Ibid.*, p. 12.
17. *Ibid.*, p. 13.
18. *Ibid.*, p. 23.
19. *Ibid.*, p. 23.
20. *Ibid.*, p. 23.
21. *Ibid.*, p. 23.
22. *Ibid.*, p. 23.
23. From notes written on Vandalia and Pennsylvania Lines Stationery dated 21, November 1901, by Woodrow Wilson in Wilson Collection, Library of Congress, Washington, D. C.
24. Ordway Tead, *Democratic Administration* (New York: Association Press, 1945), pp. 69-70.
25. From Wilson's personal notes for a speech entitled "The College Man in Politics" delivered to Philadelphia Society, May 18, 1897. (Wilson Collection, Library of Congress, Washington, D. C.)
26. Clinton Rossiter, *The American Presidency* (New York: Harcourt, Brace and Co.), pp. 6-7.
27. Wilson, *loc. cit.*, p. 16.
28. *Ibid.*, p. 16.
29. *Ibid.*, p. 17.

30. *Ibid.*, p. 17.
31. *Ibid.*, p. 3
32. President's Report, Princeton University, 1902.
33. A. M. Henderson and Talcott Parsons (eds.), *Max Weber: The Theory of Social and Economic Organization* (Glencoe, Illinois: Free Press, 1947), p. 56 F.L.
34. John D. Millett, *Academic Community: An Essay On Organization* (New York: McGraw Hill Book Co., 1962).
35. G. Lester Anderson, "The Organizational Character of American Colleges and Universities," in Terry F. Lunsford (ed.), *The Study of Academic Administration* (Boulder, Colorado: Western Interstate Commission for Higher Education, 1963), pp. 12-13.
36. Edward S. Corwin, "Departmental Colleague," in William Starr Myers (ed.), *Woodrow Wilson, Some Princeton Memoirs* (Princeton, N. J.: Princeton University Press, 1946), p. 26.
37. John S. Brubacher and Willis Rudy, *Higher Education in Transition: An American History, 1636-1956* (New York: Harper and Bros., 1958), pp. 325-327.
38. Confirmed in an interview with John S. Brubacher at Ann Arbor, Michigan, January 27, 1966.
39. Baker, II, *Loc cit.*, pp. 149-150 (as taken from correspondence from Professor Genge M. Hesper and Ray Stannard Baker).

570
File

Remane Hoover & Hershey
DEC 27 1968

ALLAN MARIN & ASSOCIATES, INC.

Advertising

624 SOUTH MICHIGAN AVENUE • CHICAGO, ILLINOIS 60605 • TELEPHONE 341-1616

December 23, 1968

c/H 2a

Honorable Richard M. Nixon
Washington, D. C. 20510

Dear Sir:

I am very disappointed that you have decided to retain Mr. Edgar J. Hoover in his present position as Head of the FBI.

I feel that Mr. Hoover has long since served his usefulness, that he is an old man, and that he does not understand the complicated problems of today's world. Further, based upon my careful study of Mr. Hoover's public utterances over a great many years, I doubt his veracity. Lastly, I picture myself in an organization where there is no room at the top - because the top is immovable. A frightening situation.

In any event, now that Mr. Hoover is secure, I am wondering what you are planning to do about that senile fool, General Hershey. Hopefully you will not disappoint me again.

Very truly yours,



ALLAN MARIN & ASSOCIATES, INC.

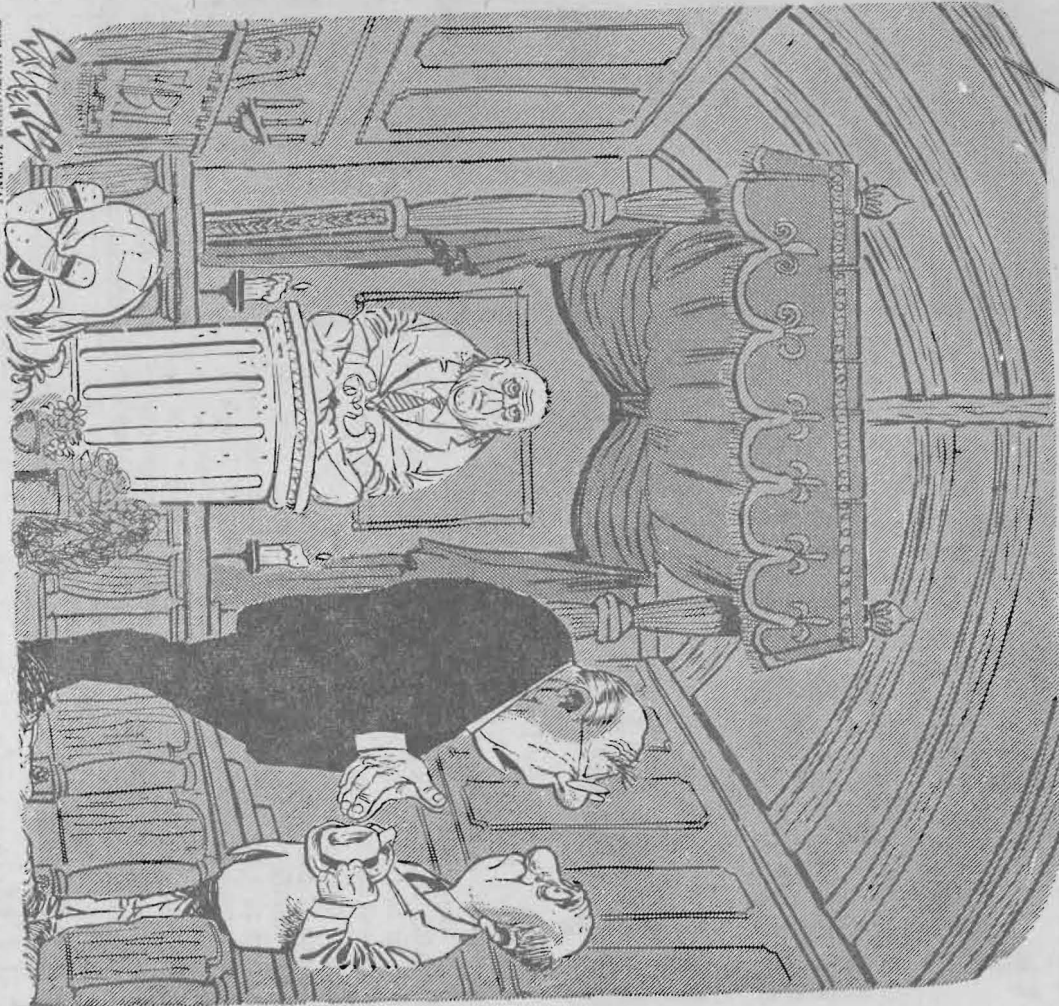
Leonard Marin:LP



"I gave him your message, Mr. Nixon, and he mood appreciatively."

Sat., Dec. 21, 1968

19



THE MILWAUKEE JOURNAL

All rights reserved 1968

Published by the Journal Company

"Remove J. Edgar Hoover? Would one lower the Washington Monument? Or dismantle the Statue of Liberty?"

The untouchable J. Edgar

A man who believes that "justice is merely incidental to law and order"—J. Edgar Hoover—has been designated by President-elect Nixon to carry on as chief of the police branch of the Justice Department. The decision could only have been dictated by sentimentality or a sense of political expediency, and either way it is regrettable.

In his declining years Hoover has behaved more and more like a one-man police state, unbudgingly favoring the harsh instrumentalities of law and

order over the subtler considerations of individual justice and dignity. Yet such has been Hoover's clout that he was able personally to stall ratification of the Soviet-American consular treaty, frustrating all the patient efforts to calm international tensions.

A man is needed to run the FBI who understands that there can be no security for any without justice for all. We trust that Hoover will be replaced by such a man before he has grown much older.

file

LOUIS PATRICK GRAY III
FINDLAY WAY
STONINGTON, CONNECTICUT 06378

December 23rd at 9:30 PM

Dear Rose Mary,

The original and three copies of the enclosed letter and back-up material have been sent along to Bob Haldeman.

I am forwarding a set along to you for your information and possible submission to the Boss if you deem it prudent to place it before him.

His letter of July 11, 1968 to the Industry President was drafted by me and cleared through John Mitchell; so also was the telegram.

I know that the Boss is interested in this program for obvious reasons; it also has a tie in with the programs of HEW and HUD which are so important to us today.

This is a legislative package that can be very meaningful at the outset to the Nixon Administration, and it does not cost the Government dollars.

Best wishes, warm regards and affection

Sincerely,

Pat

P.S. Have a good Christmas with your family & a rest. P.

LAW OFFICES

SUISMAN, SHAPIRO, WOOL, BRENNAN & GRAY

CHARLES SUISMAN
MAX M. SHAPIRO
LOUIS C. WOOL
JAMES F. BRENNAN, JR.
LOUIS PATRICK GRAY, III

325 STATE STREET
NEW LONDON, CONNECTICUT 06320

TELEPHONE 442-4416
AREA CODE 203

S. JOEL SUISMAN
MARILYNNE G. WOOL
DALE P. FAULKNER
THOMAS B. WILSON
ANDREW BRAND

December 23, 1968

IN REPLY REFER TO:

OUR FILE #

Mr. H. R. Haldeman
Office of the President-Elect
450 Park Avenue
New York, New York 10022

Dear Bob:

As a follow-up to my recent letter, I am enclosing a brief summation of the position of the Small Business Investment Company Industry. This is submitted to acquaint you with the record of the Industry and the nature of the problems confronting the Industry.

The summation ties in with the President-Elect's letter to the Industry President dated July 11, 1968, a copy of which was forwarded to you with my recent letter. You will recall that you referred that letter to Messrs. Greenspan and Anderson of the Staff.

In the summation I have included the legislative package proposed by the Industry. In keeping with the expression of interest contained in the President-Elect's letter to the Industry President, I have recommended that the appropriate members of the Staff meet with Industry representatives at the earliest opportunity in order to hammer out a legislative package to be forwarded to the Congress by the Nixon Administration as soon as practicable after January 20, 1968.

This is a program that is sound, makes money for the Federal Government (the taxpayer), can have a direct impact in developing minority businesses, and is loaded with favorable political mileage in that it also impacts directly upon the economic health and development of small businesses throughout the Nation.

Mr. H. R. Haldeman
Page Two
December 23, 1968

Here is an opportunity for the Nixon Administration to run with the ball and establish at long last a viable partnership between the Federal Government and private capital envisioned by the Eisenhower Administration and the Congress in the legislation which created the Industry in 1958.

I am sending along three extra copies of this letter and the summation for your internal distribution purposes.

With my best wishes and warm respect,

Sincerely,

A handwritten signature in dark ink, appearing to read "L. P. Gray, III", written over the word "Sincerely,".

L. P. Gray, III

LPG:wd
Enclosures

Prepared By: L. P. Gray, III
12-23-68

THE SMALL BUSINESS INVESTMENT COMPANY INDUSTRY

PROBLEM:

The President-Elect is on record favoring a positive and aggressive approach to the problems facing the small businessmen and the Small Business Investment Companies of the United States. THEREFORE, a Nixon Administration legislative package ought to be presented to The Congress of the United States as early as may be practicable after January 20, 1968.

SOURCE:

Refer to the letter of The President-Elect dated July 11, 1968, and addressed to Mr. Elliott Davis, President, National Association of Small Business Investment Companies; and to the telegram of The President-Elect and also addressed to Mr. Davis. (Copies attached as Exhibit A.)

INDUSTRY ORIGIN:

The Small Business Investment Company Industry was created by the Small Business Investment Act of 1958 and observed its 10th anniversary on August 21, 1968.

WHAT IS AN SBIC?

(a) A corporation established by private individuals with private capital and licensed by the Federal Government to do business as a Small Business Investment Company in accordance with the Act and the Regulations issued thereunder.

(b) Prior to the enactment of the Small Business Investment Act of 1958, the Federal Reserve Board established that the Small businessman was not getting the financing that he required in order to compete and maintain his position in the Nation's growing economy.

(c) The intent of the Eisenhower Administration and the Congress was to provide the small businessman with the venture capital financing required via the private sector of the economy with a minimum of government funds.

(d) The SBIC's constitute the first national grass-roots system of equity and debt financing for small businessmen in the Nation's history. Small businessmen, for the first time, have a recognizable place to go for the "hard-to-find" kind of money which is provided big business by the traditional national money market.

WHAT HAS THE SBIC INDUSTRY ACCOMPLISHED?

(a) Leveraged government loans of \$250 Million to SBIC's into a total investment of \$3 Billion in small businesses.

(1) \$1.3 Billion in SBIC investments, making it possible for small businesses to borrow an additional \$1.7 Billion from banks and other lenders.

(b) The \$1.3 Billion SBIC investment represents over 30,000 financing transactions to small businesses.

(1) This financing was in the form of loans, capital stock purchases, and convertible debentures.

(2) Average equity position of the SBIC's in the small business concerns financed is estimated to be 15 to 20% on the basis of the original investment.

(3) Interest rates on debt financings have averaged about 8% with equity rights and about 9% without equity rights.

(c) Created jobs and created them cheaply. Each \$100,000.00 of SBIC financing is now resulting in more than 20 new employees being hired by the small business concern receiving SBIC financing - or one new job for every \$5,000.00 SBIC investment. The SBIC's cost for creating new jobs is lower than that of any other program in the Federal arsenal.

(d) Helped small companies to grow and to grow much faster than the national averages - an extremely important consideration if small companies are not to lose ground to big companies in our expanding economy. The small business concerns aided by SBIC financing:

- (1) Have increased employment - 2,022 small business concerns have increased employment by 41,219 jobs, or 53.5% since original SBIC financing.
- (2) Have increased assets - assets of 2,164 small business concerns have grown \$525 Million, or 50% with SBIC financing.
- (3) Have increased gross revenues - gross revenues of 1,884 small business concerns have jumped more than \$500 Million, or 49.1% with SBIC financing.
- (4) Have increased profits - profits of 1,859 small business concerns have climbed \$13 Million, or 56.2% with SBIC financing.

WHAT HAS BEEN THE COST TO THE FEDERAL GOVERNMENT?

- (a) Annual cost to Government - \$6.5 Million.
- (b) Additional Income generated by SBIC program - \$12.5 Million.
- (c) Interest income to Government - \$1.2 Million.
- (d) Total profit to Government - \$7.2 Million.
- (e) The Small Business Administration has concluded that the SBIC program is clearly a very efficient and beneficial means of aiding economic growth.

WHAT IS THE INTERNAL CONDITION OF THE SBIC INDUSTRY?

POSITIVE FACTORS

- (a) Return on invested capital reached 6% in Fiscal 1968, up from 2.4% in Fiscal 1967, and 2.5% in Fiscal 1966; a break-through appears to have been achieved.
- (b) Unrealized appreciation on SBIC investments jumped to \$141 Million from the year earlier \$109 Million.

(c) Profitability came solely from realized gains on investments, rather than from interest and other income.

(1) 441 reporting SBIC's had income from operations of \$12.7 Million.

(2) They offset this by reserving \$13.7 Million for losses and \$1.3 Million for income taxes.

(3) This results in a net deficit of \$2.3 Million from operations.

(d) Smaller SBIC's (capital under \$300,000.00) made a profit for the first time ever - a profit of 1.1% on their capital.

(e) SBIC industry chalked up a positive retained earnings figure for first time since 1961.

ADVERSE FACTORS

(a) Private capital in SBIC's dropped for fourth straight year and is now at its lowest level since September, 1961.

(1) Private capital on 3-31-68 was \$343 Million.

(2) Private capital on 3-31-67 was \$392 Million.

(3) Highpoint occurred on 9-30-64 when private capital in all SBIC's added up to \$465 Million.

(b) Fiscal 1968 least active year for SBIC's since SBA began compiling data for Fiscal Year ending 3-31-63.

(1) For FY ending 3-31-68, SBIC's disbursed \$143 Million.

(2) For FY ending 3-31-67, SBIC's disbursed \$164 Million

(3) For FY ending 3-31-66, SBIC's disbursed \$221 Million

(4) For FY ending 3-31-65, SBIC's disbursed \$187 Million

(5) For FY ending 3-31-64, SBIC's disbursed \$220 Million

(c) Number of reporting SBIC's lowest since 9-30-61, illustrating dramatically the attrition in the industry during the past 4 years.

- (1) Latest SBA tabulations indicate that there were 441 reporting SBIC's on 3-31-68; high point for the industry was 9-30-64 when 664 SBIC's filed reports.
- (2) A steady decline since then brought the number of reporting SBIC's down to 548 on 3-31-67.
- (3) Present indications are that further departures will decrease the number of active and reporting SBIC's through the end of FY 1969.
- (4) License surrenders and mergers are likely to be higher than numbers of new licensees for the remainder of present Fiscal Year.

(d) SBA's money cupboard is bare - no dollars are available for lending to SBIC's; outlook for immediate improvement is dim. No dollars have been disbursed on SBIC loan applications since July 1, 1968. Loan applications to SBA from SBIC's are approximately \$20 Million. SBA has not been able to raise dollars from institutional lenders under its 100% guarantee program. Tightening money market has thwarted SBA's efforts as no long term money shows up at 6.5% --- even with the Federal guarantee.

WHAT DOES THE INDUSTRY PROPOSE?

A legislative program as follows:

1. The establishment of a Small Business Capital Bank.
2. Amendments to the Internal Revenue Code of 1954 to:
 - A. Provide a statutory reserve of at least 10% against losses on all SBIC financing instruments, equity as well as debts;
 - B. Clarify the personal holding company surtax exemption;
 - C. Extend the "pass-through" privilege to all SBIC's, public and private alike;

D. Liberalize the diversification requirements for SBIC's electing to be taxed as regulated investment companies;

E. Permit the accumulation of SBIC earnings and profits tax free provided they are utilized for additional loans and investments;

F. Permit SBIC's to be shareholders in Subchapter S Corporations; and

G. Extend Section 1243 to permit an election to treat a loss on any SBIC financing instrument as an ordinary loss rather than a capital loss.

1958 to: 3. Amendments to the Small Business Investment Act of

A. Begin "third-dollar" financing with the first dollar of private investment;

B. Authorize SBA to give a 90% guarantee on loans and investments made by SBIC's in certain public policy areas such as those to ghetto businessmen, to combat air pollution and to stimulate urban rapid transit;

C. Authorize SBIC's to establish special discretionary portfolios up to one-third of their assets for loans to or investments in eligible small business concerns without regard to SBA regulations relating to: (1) overline loans and investments, (2) minimum period of financing and maximum amortization, and (3) Purchases of outstanding securities privately or on the open market;

D. Permit SBIC's to require proprietary interests in unincorporated small business concerns;

E. Provide that the Associate Administrator for Investment of SBA be appointed by the President, subject to Senate confirmation, to serve a five-year term, and that the acts of such Associate Administrator be subject only to review by a three-man Board to consist of the Administrator of SBA and two other full-time Board members to be appointed by the President, subject to Senate confirmation, and to serve staggered six-year terms as members of the Investment Division Board;

F. Provide appeal to the Investment Division Board on action of the Investment Division rejecting an SBIC funds application or calling outstanding loans; and

G. Authorize SBIC's to issue debt instruments that will qualify as capital for purposes of borrowing from SBA and for determining loan limits.

4. Amendments to the Federal securities laws to:

A. Grant appropriate exemptions for SBIC's from the Investment Act of 1940; and

B. Permit SBIC's to sell portfolio securities in publicly-owned companies without registration under the Securities Act of 1933 where such securities or predecessor securities are held for three years or more.

RECOMMENDATION:

Although the SBIC Industry proposes to carry its own legislative program to the Congress, I strongly recommend that the Nixon Administration designate Staff members to meet with Industry leaders just as soon as possible to hammer out a legislative package acceptable to the Nixon Administration and to the Industry.

Regardless of the Positive Factors cited herein, the Adverse Factors are such that private capital continues to leave the SBIC program in ever increasing amounts. The program has demonstrated its capability and ought not to be abandoned and left to fend for itself before the Congress.

The partnership envisioned by the Eisenhower Administration and the Congress in 1958 has never been fully realized. Now is the time to build that partnership on the Industry's proven record of service to the small businessmen of the United States.

September 26, 1968

Dear NASBIC Member:

Richard Nixon gives wholehearted support for SBIC capital bank in a telegram to NASBIC president Elliott Davis. The GOP nominee for President praised the industry's "record of assistance to small business" and noted that the industry requires "the infusion of more private capital...."

The full text of Mr. Nixon's wire follows:

"Warm congratulations to you and to your colleagues on the occasion of the 10th anniversary of your industry. Your record of assistance to small business concerns is noteworthy, and you have made a solid contribution to the development of individual enterprise and the creation of employment opportunities. The infusion of more private capital is required to assist you in building upon your successful record to date. To attract private capital so that you may assist the many small business concerns now in need, you may be assured that a Nixon Administration will explore with your industry and consider carefully the concept of meaningful Government guarantees rather than placing reliance on Government funds as a source of additional dollars. I continue to share your interest in and enthusiasm for the establishment of a Small Business Capital Bank. Sincerely, Richard Nixon"

Prospects for SBIC tax bill get dinner and dinner as the days pass without any action on Capitol Hill. Senate Finance Committee hasn't scheduled any hearing on the bill yet, despite promises made to Senator Sparkman two weeks ago (see News, 9/11/68). House Ways and Means Committee has indicated it will not meet again this year.

Only hope lies in quick Senate hearing and vote to add our bill to a measure already passed by the House and in getting House agreement to accept the Senate amendment. We can't be optimistic about that prospect at this time, although --

NASBIC officials met with top Treasury officials on Sept. 24 with hope that Treasury would support SBIC measure. Under Secretary Barr and Assistant Secretary Surrey held to Department's position that primary responsibility for SBIC tax bill lies with SBA. They say Treasury will remain neutral and take no position for or against the proposal.

New SBIC with 18 branch offices in 13 States has been licensed by SBA. Equilease Capital Corporation will have its main office in New York and will begin operations with \$500,000 in private capital. It is a wholly-owned subsidiary of Equilease Corp., probably the largest small equipment leasing company in the U. S..

Equilease twins are part of complex making up Eltra Corp., a diversified firm, listed on the New York Stock Exchange. Eltra ranked #210 on Fortune's 1968 list of 500 largest industrials. Chief officers of Equilease Capital will be: President George A. Halmos, Executive Vice President Norbert S. Weissberg.

STATEMENTS ON SMALL BUSINESS

BY

PRESIDENTIAL CANDIDATES

* * *

Hubert H. Humphrey

Richard M. Nixon

Nelson A. Rockefeller

* * *

National Association of Small Business Investment Companies

537 Washington Building
Washington, D.C. 20005

July 22, 1968

N

NIXON FOR PRESIDENT COMMITTEE,
P. O. BOX 1968, TIMES SQUARE STATION,
NEW YORK, NEW YORK 10036
PHONE (212) 661-6400

July 11, 1968

Mr. Elliott Davis
President
NASBIC
537 Washington Building
Washington, D. C. 20005

Dear Mr. Davis:

I want you to know how much I appreciate your thoughtful letter of May 28, 1968 affording me an opportunity to set forth some of my views on national policies needed to secure for small business an expanding share of the national economic output.

This is a vital issue of great interest to millions of American small businessmen who are engaged in the struggle to survive and grow despite the increasing concentration of economic power occurring now in our society.

The issue is also of great interest to many more Americans who desire to become small businessmen, to savor ownership, to participate in our free enterprise system, and to participate in the profits which are the great motive power of our fantastically productive economy.

In order to secure for the small businessman an expanding share of the national economic output, we do require now the creative interaction of the public and private sectors, of government and people, dedicated to the exploration of new and imaginative means of activating the real resources of America.

Government at all levels will have to join a true partnership with private enterprise in meeting the challenge, if the small businessmen of America are to experience a reversal of the downtrend in growth which they face today.

July 11, 1968

Government money - the tax dollars of its citizens - cannot alone provide the response to the challenge. Government can help to provide the incentives, the policies, and the broad general framework within which private enterprise will meet the challenge. This is the proper role of government. Actually doing the job is not - because private industry can do it better.

Too often America appears to be the champion of the status quo rather than what we are - the boldest architects of change and progress civilization has ever known.

During the years of the Eisenhower Administration a first step was made to harness the Federal Government and private enterprise in a partnership to assist the small businessman to obtain equity capital, long term debt, and management assistance. This first step resulted in the enactment of the Small Business Investment Act of 1958 by the Congress of the United States. A serious gap in the Nation's financial arsenal was filled, and another segment of the myth of the status quo was channeled into oblivion.

Thus began a pioneering program. Prior to 1958 there had not existed an institutionalized source of venture capital for the small businessmen of America. There is none today, except for the Small Business Investment Companies formed by private individuals, funded with private capital, and licensed by the Federal Government to do business in accordance with the terms and provisions of the Act.

The history of the operations under the Act, and the financial reports of the Small Business Investment Companies, reveal that every dollar of Federal funds committed to the program attracted almost two dollars of private capital.

After a growing period of almost ten years, the Small Business Investment Company Industry is coming of age and is proving to be a much needed form of financial institution. Reports from 1,381 small business firms assisted by Small Business Investment Companies indicate that they have increased their employment by 11,800 jobs since they received their original financings from these Companies.

I am well aware that the SBIC Industry has made available to more than 25,000 small business firms more than \$1.2 billion in financings to assist the growth and development of these firms. I am also well aware that the leaders of the SBIC Industry and private commentators and Industry analysts believe that the program must be improved substantially if the SBIC Industry is to survive.

Despite the proven success of the SBIC Industry in carrying out the purpose of the Congress of the United States in enacting the legislation which gave birth to the Industry, many of the largest companies in the Industry are dropping out of the program. Nearly \$200 million dollars in private capital have left the Industry since the Act became effective in 1958.

The Small Business Investment Act Amendments of 1967 were enacted to meet some of the problems faced by the SBIC Industry and the Small Business Administration of the United States in developing a viable partnership to assist the small businessmen of the United States. These amendments resulted from legislative proposals sent to the Congress by the Executive Branch - the first positive proposals sent to the Congress since the legislation creating the Industry was enacted.

Nevertheless, in spite of a proven record of success and remedial legislation enacted last year, Companies are leaving the SBIC Industry and taking with them hundreds of millions of dollars of venture capital. For reasons valid to them, the managers of these Companies, seasoned in the high risk arena of venture capital financing, are moving the bulk of their assets from under the umbrella of the Act. While some plan to continue to operate SBIC's as subsidiaries, others do not plan to reorganize themselves in this manner.

I am convinced that the Industry is at the most crucial period it has ever encountered in its short life-span.

July 11, 1968

Obviously, many Agencies of the Federal Government and many Federal policies have a considerable impact upon the operations of the SBIC Industry. The complexities inherent in a strong, centralized Federal Government increase the magnitude of the challenge to implement that which I believe Congress intended - a true partnership between the Federal Government and the SBIC Industry.

It appears to me that the SBIC Industry has not been able to meet the most fundamental test of any Industry; it has not been profitable enough, or achieved enough stability, to:

- (a) Maintain within the Industry the private capital originally committed;
- (b) Attract much needed additional private capital;
- (c) Encourage the formation and licensing of significant numbers of new SBIC's, even though many areas of the Nation are not adequately served by SBIC's.

In keeping with my views expressed in the earlier paragraphs of this letter, the Federal Government has the responsibility to provide a climate within which the partnership contemplated by the Congress may survive and thrive. I do not envision, nor do I recommend to your consideration, a policy which would provide unlimited Federal Funds. Further, I do not believe that the managers of SBIC's expect, or desire, an unlimited availability of Federal Funds to sustain a partnership consisting of the Federal Government and proven managers in the private sector dedicated to closing the small business equity gap.

You do have the right to expect - and the Federal Government has the duty to provide - the long range policies designed to enhance the orderly and seasoned growth of an Industry created to operate in a risk arena not attractive to the financial institutions existing prior to the debut of your Industry; nor is this high risk arena attractive to them today.

I believe it to be the responsibility - and the duty - of the Small Business Administration, the Treasury Department, the Bureau of the Budget, and the

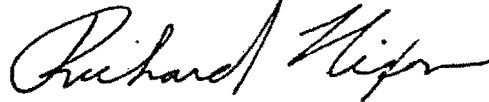
July 11, 1968

Securities and Exchange Commission to give continuous and serious thought to ways and means designed to simplify the SBIC program and legislative package, to make the SBIC program more profitable, and more productive.

The small business existing, and those developing, must have ready access to a stable, long range equity money market. In this connection, I believe that careful consideration must be given to the establishment of a "Small Business Capital Bank"; such an institution, of course, to be studied and planned by the responsible leaders of your Industry, the responsible leaders of our other existing financial institutions, and the responsible Governmental Agencies and Departments acting in concert, and cooperating to further strengthen our economy by assisting those who are most in need of assistance.

Your Industry and the small businessmen of the United States may be assured that the Executive Branch of a Nixon Administration will approach these problems jointly, and with each of you, to attain the long range objectives required. Such an approach will rest upon the principles I set forth in the opening paragraphs of this letter.

Sincerely,

A handwritten signature in dark ink, appearing to read "Richard Nixon", with a stylized, cursive script.

Richard M. Nixon