[GENERAL]
FG177
PR10
FI2
FG185

RICHARD H. WILMER
LLOYD N. CUTLER
JOHN H. PICKERING
MANUEL F. COHEN
HUGH R. H. SMITH
LOUIS F. OBERDORFER
J. ROGER WOLLENBERG
CHARLES C. GLOVER, III
MARSHALL HORNBLOWER
HENRY T. RATHBUN
REUBEN CLARK
SAMUEL J. LANAHAN
WILLIAM R. PERLIK
SAMUEL A. STERN
ARNOLD M. LERMAN
ROBERT P. STRANAHAN, JR.
MAX O. TRUITT, JR.
JOEL ROSENBLOOM
HOWARD P. WILLENS
ANDREW T. A. MACDONALD
ARTHUR Z. GARDINER, JR.
DANIEL K. MAYERS
TIMOTHY B. DYK

DAVID R. ANDERSON
TIMOTHY N. BLACK
JAMES S. CAMPBELL
RAYMOND C. CLEVENGER, III
LOUIS R. COHEN
DENNIS M. FLANNERY
ROBERT C. HACKER
ALLEN H. HARRISON, JR.
J. RODERICK HELLER, III
SALLY KATZEN
MICHAEL R. KLEIN
JAY F. LAPIN
FRANK W. LLOYD, III
DANIEL MARCUS
ARTHUR F. MATHEWS
DANIEL C. SCHWARTZ
DEANNE C. SIEMER
NORMAN M. SINEL
JOHN W. VARDAMAN, JR.
ROBERT A. WARDEN
STEPHEN A. WEISWASSER

WILMER, CUTLER & PICKERING
FARRAGUT BUILDING
900 17TH STREET, N. W.
WASHINGTON, D. C. 20006

EZEKIEL G. STODDARD
JOHN H. FERGUSON
COUNSEL

CABLE ADDRESS: WICRING

TELEPHONE 296-8800

May 1, 1970

Dear Pat:

Enclosed are the following:

a) An up-to-date list of subscribers to the National Housing Partnership, as of April 28, 1970. As you will see, we are doing better than expected with banks and insurance companies, but poorer than expected with the major industrial firms. We need to reach $37,500,000 by May 15. If we do not, we will need the permission of each subscriber to extend the time further and close out at a lower amount, with some risk of attrition from those who would rather get their money back.

b) The text of a possible telegram or letter from the President to Mr. Borch asking for Business Council advice on how to raise the additional amount.

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GENERAL
FI 5-7
FI 2

May 7, 1970

Dear Sam:

This is in further reply to your letter of March 24, 1970, to President Nixon. Because of the drastic increase in the demand for business loan funds, in the face of the need for fiscal restraint, the President has found it necessary to establish policies that will enable the Federal Government to assist in the financing of a greater number of projects across the nation without an increase in direct Federal assistance.

He shares your concern as to the commitment of the private sector in the growth and strengthening of the minority business sector of our economy. He has long recognized that only through the full participation of private financial sources is there any prospect that he will be able to significantly meet his own personal commitment to the achievement of economic parity for the minority business community. Through the Small Business Administration and the Office of Minority Enterprise in the Department of Commerce, the President has encouraged banks and other lending institutions to play a more active role in this effort. The results to date are encouraging. By stimulating private sector involvement in all of its lending programs, SBA has been able to respond to a far greater number of requests than would otherwise be possible.

The Administration's bill recently sent to Congress by the Administrator, SBA, Hilary Sandoval, Jr., will generate greater private sector participation. You may want to review this legislation which was recently introduced in the Senate (S. 3699).

Again, the President appreciates the benefit of your thoughts as he continues to fulfill his commitment to Minority Enterprise.

Sincerely,

Leonard Garment

Mr. Samuel E. Harris
1660 L Street NW.
Washington, D. C. 20036

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GENERAL
FI 2
FG 36-5
FG 267

May 13, 1970

Dear Mr. Chairman:

The President has asked me to respond to your letter of April 27, inquiring as to the Administration's position on legislation to regulate one-bank holding companies.

As is indicated in the enclosed testimony of the Under Secretary of the Treasury before the Senate Banking and Currency Committee on May 12, we continue to support the Administration bill -- S.1664 -- but are opposed to H.R. 6778 as it passed the House of Representatives.

Sincerely yours,

Peter M. Flanigan
Assistant to the
President

Honorable Wright Patman
House of Representatives
Washington, D. C. 20515

Enclosure

RECEIVED
MAY 19 1970
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THE UNDER SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

May 12, 1970

MEMORANDUM TO THE HONORABLE PETER M. FLANIGAN

Attached is a draft of a proposed reply for your signature to the Honorable Wright Patman in answer to his letter of April 27 addressed to the President, which you requested on May 8.

Charls E. Walker

Attachment

MAY 13 10 20 AM '70
RECEIVED

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May 12, 1970

DRAFT

Dear Mr. Chairman:

The President has asked me to respond to your letter of April 27, inquiring as to the Administration's position on legislation to regulate one-bank holding companies.

As is indicated in the enclosed testimony of the Under Secretary of the Treasury before the Senate Banking and Currency Committee on May 12, we continue to support the Administration bill -- S.1664 -- but are opposed to H.R. 6778 as it passed the House of Representatives.

Sincerely yours,

Peter M. Flanigan

Enclosure

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FYI-Copy of RN April 21 letter to Senator Sparkman is attached.

Dr. Walker

THE WHITE HOUSE
WASHINGTON

5/8/70
(Date)

TO: Dr. Walker

FROM: PETER FLANIGAN

ACTION: DUE DATE: _____

✓ Prepare reply for Mr. Flanigan's signature

_____ Direct reply

_____ Comments/recommendations

_____ Please handle

_____ Information

_____ File

REMARKS: Dear Mr. Chairman:

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WRIGHT PATMAN
FIRST DISTRICT
STATE OF TEXAS

WASHINGTON ADDRESS:
2328 RAYBURN HOUSE OFFICE BUILDING
20515

HOME ADDRESS:
P.O. BOX 1868, TEXARKANA, TEXAS
75501

Congress of the United States
House of Representatives
Washington, D.C. 20515

COMMITTEES:
BANKING AND CURRENCY, CHAIRMAN
JOINT ECONOMIC COMMITTEE, CHAIRMAN
JOINT COMMITTEE ON DEFENSE PRODUCTION, VICE CHAIRMAN
SMALL BUSINESS OF THE HOUSE

Texarkana, Texas
April 27, 1970

The President
The White House
Washington, D. C.

My Dear Mr. President:

As you know, we are entering a critical period in efforts to gain enactment of effective regulation of one-bank holding companies. I hope sincerely that we will continue to have firm support from your Administration for prompt and effective legislation before the adjournment of the 91st Congress.

However, I am deeply concerned by reports that have reached me in recent days. Your letter of April 21 to Senator John Sparkman has been widely reported in the press and the general interpretation has been that the letter represented a request for a delay in enactment of this legislation.

For example, the lead paragraph in a story written by Jan Nugent Pearce in the Washington Post of Wednesday, April 22, states:

> "The Senate Banking Committee decided yesterday to begin hearings on a bill to regulate one-bank holding companies, after rejecting a strong hint from President Nixon to delay action on the legislation until his yet-to-be-appointed commission on the nation's financial structure can make an interim report on the issue."

Your letter to Senator Sparkman says that the new Presidential Commission on Financial Structure and Regulation will not begin work until June 1. Your letter then suggests that the Commission could make available an "interim" report on one-bank holding companies in "two or three months."

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The letter, coming just as the Senate Banking and Currency Committee was scheduling hearings, appears to be a strong suggestion that the Congress delay action until it is too late to enact legislation this year, thus killing the House-passed holding company bill. In any event, the timetable suggested by your letter would place receipt of the "interim" Commission report near the very end of the 91st Congress.

Mr. President, I am very surprised that you have injected the new Commission into the holding company issue, particularly after I had received assurances from Dr. Paul McCracken, Chairman of the Council of Economic Advisors, and others that the Commission was not intended as a tactic to delay one-bank holding company legislation.

Only slightly more than a year ago, on March 24, 1969, you told the Congress:

> "Legislation in this area is important because there has been a disturbing trend in the past year toward erosion of the traditional separation of powers between the suppliers of money -- the banks -- and the users of money -- commerce and industry.
>
> "Left unchecked, the trend toward the combining of banking and business could lead to the formation of a relatively small number of power centers dominating the American economy. This must not be permitted to happen; it would be bad for banking, bad for business, and bad for borrowers and consumers.
>
> "To protect competition and the separation of economic powers, I strongly endorse the extension of Federal regulation to one-bank holding companies and urge the Congress to take prompt and appropriate action."

Again, I call your attention to your request for Congress to take "prompt and appropriate action." Mr. President, I trust this remains your sentiment and that your April 21 letter was not intended as a reversal of Administration desires for legislation.

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This matter is of vital importance to all citizens, and I hope sincerely that you will publicly re-urge prompt action on one-bank holding company legislation in the 91st Congress and that you will instruct your aides in the Treasury Department and elsewhere in the Administration to give full support, both publicly and privately, to your position.

Sincerely,

Wright Patman

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GENERAL
FI 2
LG

May 16, 1970

Dear Norbert:

I am delighted to hear from you and to see how well you and the Chicago City Bank and Trust Company are doing.

I would imagine that the Postmaster General is well aware of your work. But, in case he is not, I shall let him know.

With cordial regard,

Sincerely,

Bryce N. Harlow
Counsellor to the President

Mr. W. Norbert Engles
Chairman of the Board
Chicago City Bank and Trust Company
63rd Street at Halsted
Chicago, Illinois 60621

BNH:sr

bcc: Postmaster General Blount w/incoming

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Chicago City Bank and Trust Company

SIXTY-THIRD AT HALSTED

CHICAGO, ILLINOIS 60621

(312) 873-8800

W. NORBERT ENGLES
CHAIRMAN OF THE BOARD

MAY 7 - 1970

Hon. Bryce N. Harlow
Counsel to the President
The Whitehouse
Washington, D. C.

Dear Bryce:

I am enclosing an article that appeared in the April 30th, 1970 edition of the American Banker, which is self explanatory.

As you know, our Bank is located in the Englewood area of Chicago, which has a population of approximately 300,000 people, about 80% black.

I am enclosing a copy of a special report "The Challenge of our Inner City" which will give you some idea of our involvement in inner city problems.

We have made and serviced more home loans than any bank in the State of Illinois. 90% of these loans are made to minority groups. We have also made more business loans to minority groups than any Bank in the State of Illinois

In addition, we have been very active in making church loans. The majority of these to black people.

I certainly think we have earned the support of any government agency, including the Post Office, when it comes to receiving deposits.

I will appreciate any assistance you may be able to give us.

With warm personal regards,

Sincerely,

Norbert

P.S. I am certainly behind the President 100% in his efforts to end this war.

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GENERAL
FI3
FI2

June 1, 1970

Dear Mr. Devine:

Thank you for your May 21 letter to Mr. Kenneth DeLieu concerning an inquiry from Mr. Edward Durell about government policies in offering short-term securities.

We regret that you did not receive a response sooner, but we have been informed by officials of the Treasury Department that a letter was addressed to you on this subject on May 26. I hope that you received the necessary information to respond to Mr. Durell.

With regard,

Sincerely,

Richard K. Cook
Special Assistant to
the President

Honorable Samuel L. Devine
House of Representatives
Washington, D. C. 20515

bcc: James Smith, Sp. Asst. to Sec. Kennedy, FYI

WET:EF:pg

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C F GENERAL
FI3
FI2

June 4, 1970

Dear Mr. Becker: Norman N.

I have told my father of your very thoughtful letter of May 21st. He remembers you well and asks that I send his warm regards.

Needless to say, I was deeply distressed at the information contained in your letter. This was particularly so as no doubt, in all good faith, you bought securities which were particularly vulnerable. This must be the case as I see they dropped 60 per cent while the market itself went down 35 per cent.

The President on taking office was faced with an economy that was badly inflated. Total deficits of $40 billion in the preceeding three years had been financed with additional money, which resulted in a deep-rooted inflation. The only way to cure this inflation was to slowly dampen economic activity. This has been done with profits going down somewhat and economic activity remaining essentially flat. I'm sure you will agree that overall economic activity has not declined seriously. It is our conviction that business activity will turn up in the second half of this year. I don't think it would be appropriate for me to try to predict the stock market, and certainly not to predict that market for whatever securities you may own. However, I do believe the market has considerably overreacted to what is an essentially strong economy. If this belief is correct, the corrective action which started to take place in the last few days should be seen to a greater degree by the end of the year. Certainly from the point of view of you and your wife, I deeply hope this is true.

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Of particular concern to the President and to all of us in this Administration are responsible citizens like yourself who have made provisions for your later years. Nothing would be more tragic if, as a result of irresponsible government actions in the past, the inevitable current fallout should cause you harm. I assure you the President has this very much in mind.

With warm personal regards, I remain,

Sincerely yours,

Peter M. Flanigan
Assistant to the
President

Mr. Norman N. Becker
10500 Rockville Pike
Rockville, Maryland 20852

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GENERAL
FI 2

June 5, 1970

Dear Mr. Neff:

I appreciate your May 21 letter recommending no change in the legislation regulating one-bank holding companies.

Hearings before the Senate Committee on Banking and Currency on H.R. 6778 and other related bills were held on May 21-28, 1970. At the hearings the Administration urged that the Congress take prompt action to carry out the President's recommendations on one-bank holding companies.

Sincerely,

Bryce N. Harlow
Counsellor to the President

Mr. Tom J. Neff, President
Independent Insurance Service, Inc.
500 Medical Tower Building
Wheeling, West Virginia 26003

BNH:LA:sjs

(Treasury Department draft)

RECEIVED
JUN 5 1970
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OFFICE OF THE SECRETARY OF THE TREASURY
WASHINGTON

JUN 2 1970

MEMORANDUM TO: The Honorable
Bryce N. Harlow
Counselor to the President

FROM: Rex Beach
Director, Executive Secretariat

There is attached a suggested reply to the letter of Mr. Tom J. Neff, President, Independent Insurance Service, Inc., with reference to the one-bank holding company legislation. This is along the lines of hundreds of replies which the Treasury Department has sent to insurance agents.

Enclosures

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D R A F T

Dear Mr. Neff:

Thank you for your letter of May 21, 1970, in which you recommend that no change be made in the House-passed bill, H.R. 6778, regulating one-bank holding companies.

Hearings before the Senate Committee on Banking and Currency on H.R. 6778 and other related bills were held on May 21 - 28, 1970. At the hearings a number of Administration witnesses, including Under Secretary of the Treasury, Charls E. Walker, urged that prompt action be taken to enact legislation this year to carry out the President's recommendations on one-bank holding companies.

Sincerely yours,

Mr. Tom J. Neff, President
Independent Insurance Service, Inc.
500 Medical Tower Building
Wheeling, W.Va. 26003

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THE WHITE HOUSE

WASHINGTON

May 26, 1970

MEMORANDUM FOR: SECRETARY KENNEDY

FROM: BRYCE HARLOW BH

01481

Can your office suggest how I should respond to Mr. Tom J. Neff?

Enclosure

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Independent Insurance Service, Inc.

Insurance For Every Need

500 Medical Tower Building, Wheeling, W. Va. 26003

12th and Main Sts., Telephone: 232-6010

May 21, 1970

MAY 25 1970

Bryce N. Harlow
Counsellor to the President
The White House
Washington, D. C.

Dear Mr. Harlow:

Being in the insurance business, I have followed the one bank holding legislation with deep interest.

It is the opinion of our industry, and other industries, that the House version is sound, and we hope the Senate will receive it well, but some press releases leave me in doubt in this respect.

Might I point out the danger of changing this House bill - there are more insurance companies with greater assets and far flung interest through the grassroots than in the banking industry. If the Senate rejects the one bank holding law, what is going to prevent the insurance companies in arranging financial facilities through their service representatives and this could cause chaos.

Banking is one highly professionalized service that has made this Country sound. Any diversion of the present set-up would be most questionable, and if the insurance companies would offer financial services, as they have mutual funds service, this would be like David and Goliath, and woe the outcome.

Respectfully yours,

INDEPENDENT INSURANCE SERVICE, INC.

Tom J. Neff

Tom J. Neff, President

eh

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GENERAL
FI 2
FE 14-1

PRESIDENT
BORIS KOSTELANETZ
VICE-PRESIDENTS
THOMAS KIERNAN
HENRY N. ESS, III
WILBUR H. FRIEDMAN

SECRETARY
THOMAS KEOGH
TREASURER
RUTH LEWINSON
EXECUTIVE DIRECTOR
JULIUS ROLNITZKY

ASSISTANT TREASURER
PRISCILLA DARBON

NEW YORK COUNTY LAWYERS ASSOCIATION
DOMUS JURIS MCMVIII

14 VESEY STREET — FACING ST. PAUL'S
NEW YORK, N. Y. 10007

CORTLANDT 7-6646

June 9, 1970

Hon. Richard M. Nixon
President of the United States
Washington, D.C. 20500

My dear Sir:

Enclosed please find copy of report adopted by the Committee on Federal Legislation of the New York County Lawyers' Association concerning proposals to provide access for individuals for records concerning them.

Very truly yours,

VINCENT L. BRODERICK

Chairman

477 Madison Avenue
New York, N.Y. 10022

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JUN 15 1970
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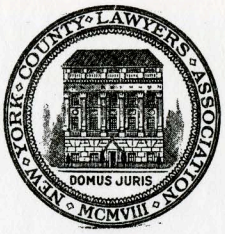
PRESIDENT
BORIS KOSTELANETZ
VICE-PRESIDENTS
THOMAS KIERNAN
HENRY N. ESS, III
WILBUR H. FRIEDMAN

SECRETARY
THOMAS KEOGH
TREASURER
RUTH LEWINSON
EXECUTIVE DIRECTOR
JULIUS ROLNITZKY

ASSISTANT TREASURER
PRISCILLA DARBON



14 VESEY STREET — FACING ST. PAUL'S
NEW YORK, N. Y. 10007

CORTLANDT 7-6646

June 9, 1970

Hon. Richard M. Nixon
President of the United States
Washington, D.C. 20500

My dear Sir:

Enclosed please find copy of report adopted by the Committee on Federal Legislation of the New York County Lawyers' Association concerning proposals for a National Development Bank.

Very truly yours,

VINCENT L. BRODERICK

Chairman

477 Madison Avenue
New York, N. Y. 10022

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June, 1970 Report No. F-3 H. R. 7886

NEW YORK COUNTY LAWYERS' ASSOCIATION
14 Vesey Street - New York, N. Y. 10007

COMMITTEE ON FEDERAL LEGISLATION

LEGISLATION CONCERNING ACCESS TO RECORDS CONCERNING INDIVIDUALS.

Introduction

Legislation has been introduced by Representative Koch on behalf of himself and several other Congressmen which would provide for access by individuals to records maintained by Government agencies concerning them. H. R. 7886, 91st Congress, 1st Session (1969). The Bill would require every agency maintaining records indexed according to an individual's name, containing information obtained from sources other than such person, to (1) notify him by mail of this, (2) refrain from disclosing the information to anyone else without permission, (3) maintain an accurate record of all persons inspecting such records, (4) permit the individual to make copies, and (5) permit the individual to supplement the information contained in the record with anything he deems pertinent. Exemptions are provided for records that are:

> "(1) specifically required by Executive order to be kept secret in the interest of the national security;
>
> "(2) investigatory files compiled for law enforcement purposes, except to the extent that such records have been maintained for a longer period than reasonably necessary to commence prosecution or other action or to the extent available by law to a party other than an agency; and
>
> "(3) inter- or intra-agency memorandums or letters which would not be available by law to a party other than an agency in litigation with the agency."

The objectives of the bill are salutary, but in our view the legislation requires substantial revision before it should be enacted.

The "Freedom of Information Act," 5 U.S.C. §552, does not apply to individual files "disclosure of which would constitute a clearly unwarranted invasion of personal privacy" or "investigatory files compiled for law enforcement purposes except to the extent available by law to a party other than an agency." 5 U.S.C. §552(b)(6), (7). The proposed bill is designed to deal with individual records not covered by the Freedom of Information Act.

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We agree that individuals should be able to see files concerning them except where there is a countervailing need. The exemptions contained in the pending bill, however, do not appear to be sufficient to cover all of the situations in which it would be harmful to disclose records to those mentioned in them.

Scope of Exemptions From Disclosure

The "national security" exemption is very narrow and, indeed, it would be undesirable to encourage the expansion of concepts applicable to national security matters in such fields as domestic investigations of crime.

The exemption for investigatory files compiled for law enforcement purposes is too narrow in several respects:

1. Files concerning litigation and the like which are not strictly investigatory files should not be covered by the disclosure requirements of the bill, and discovery in litigation should continue to be covered by the Federal Rules of Criminal Procedure and the Federal Rules of Civil Procedures as applicable. A new avenue for discovery by defendants in criminal cases, apart from the broad discovery provided by the expanded provisions of the Federal Rules, should not be unintentionally created. Compare United States v. Armantrout, 278 F. Supp. 517 (S.D.N.Y. 1968) aff'd after conviction, 411 F. 2d 60 (2d Cir. 1969); United States v. Manhattan Brush Co., 38 F. R. D. 4 (S.D.N.Y. 1965).

2. The restriction of the exemption to records not "maintained for a longer period than reasonably necessary to commence prosecution or other action," ignores a large category of records which relate to long-term investigations of equally long-term organized criminal activities, which should not be made available to those mentioned in them. Compare Messick, Syndicate Abroad (MacMillan 1969). An exemption for "organized crime" investigations would not solve the problem because of the difficulty of definition. Indeed, we have previously opposed separate provisions applying to organized crime where it cannot be precisely defined, because of the American distaste for crimes of status. Report on S. 30, 91st Cong. 1st Sess. (1969), 26 N.Y. County Bar Bulletin No. 4, p. 177 - 180 (1969). It would also be very difficult to determine what is a "longer period than reasonably necessary to commence prosecution or other action." In any litigation concerning such a question, the amount of discovery which would be required to determine the question would be far in excess of the information which would have to be revealed to comply with the original demand for production.

3. The restriction of the law enforcement exclusion which eliminates from the exclusion records "available by law to a party other than an agency" is taken from similar provisions in the Freedom of Information Act. Difficulties are encountered, however, in extending this to cases

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where individual records are concerned, which is not the case with the Freedom of Information Act. What documents may be obtained depends on a great many circumstances and cannot be determined clearly in advance, so that the answer can be applied to another, different set of circumstances. Compare United States v. Olin Mathieson Chemical Corp., 38 F. R. D. 18 (S.D.N.Y. 1963), aff'd after conviction, 368 F. 2d 525 (2d Cir. 1966) with United States v. Manhattan Brush Co., 38 F.R.D. 4 (S.D.N.Y. 1965).

The final exemption concerning memoranda or letters "which would not be available by law to a party other than an agency in litigation with the agency", is confusing. Perhaps the intent was to refer to "a party other than a party in litigation with the agency" (emphasis added).

The provision that:

> "(e) This section shall not be held or considered to permit the disclosure of the name of any person who has furnished information contained in any record subject to this section,"

while desirable, does not resolve the problem because in many cases the nature of the information points clearly to its source. And reprisals against witnesses, however important, are not the sole reason for confidentiality of e.g. criminal investigations. Frequently, evidence will be destroyed if it is known that an investigation is in progress. Cf. United States v. Solow, 138 F. Supp. 812 (S.D.N.Y. 1956).

We, therefore, recommend that the exclusions be expanded to apply to all files concerning law enforcement investigations or litigation, and to all situations involved in proceedings before the federal courts other than under the bill, as well as to other situations where the agency can establish to the satisfaction of the court that there is a convincing good faith need for confidentiality under the particular circumstances. We make this recommendation because the situations mentioned here may well be merely the "tip of an iceberg" as circumstances where the disclosures mandated by the bill as now drafted might be detrimental.

Restrictions on Use of Information

More serious, however, than the problems concerning what records should be made available to individuals, are the provisions restricting access to information covered by the bill without permission of the individual concerned. If the provisions of the bill were read literally in this respect, it would appear that no use whatever could be made of any information concerning any person, collected by any agency, which is not within the exemptions provided by the bill except with the specific consent of the person. Obtaining such consent in every instance would, obviously, be impractical even where the person would have no objection. Thus, the operation of such agencies as the Social Security Administration, Post Office Department (which maintains files concerning individuals dealing with, e.g., changes of address not all coming from the individual,)

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and hundreds of other agencies would be seriously disrupted.

Apart from this practical problem, there are many important uses of information which seem proper whether or not the person involved consents. The bill would create obstacles in such cases. For example, if the Social Security Administration conducts an investigation to determine whether a claimant is eligible for benefits and gets information from anybody but the applicant himself, the bill would seem to prevent use of the information in any respect. This is not a criminal investigation covered by an exemption and, therefore under the bill, the information could not be used. Likewise, if a businessman applies for a contract or an individual for a job, any inquiries made about the applicant would have to be disclosed to the applicant and could not be used without his permission. This, we believe, would create an impossible situation. Accordingly, we recommend deletion of provisions seeking to restrict use of information which are contained in the bill. We further regard the provisions for notifying by mail everyone concerning by whom any record is ever maintained as impractical.

Supplementing Records

The provisions permitting persons to supplement their records have intrinsic merit but would in our view be impractical under the bill as originally drafted. If the exemptions were expanded as we recommend above, and if it were made clear that the right to supplement records does not refer to alterations or additions on those records themselves, but merely the submission of additional information by the individual to be maintained with his files, the practical problems might be dealt with. The bill should also include some rule of reason permitting an agency to decline to accept large quantities of material or irrelevant bulky items; and it should be recognized in the legislation that the agency can only use its best efforts to keep such material properly filed.

CONCLUSION

This bill deals with a real problem. As drafted however, it goes too far, and we accordingly recommend its revision along the lines discussed above.

Respectfully submitted,

COMMITTEE ON FEDERAL LEGISLATION

Vincent L. Broderick, Chairman
Richard A. Givens, Secretary

Alan Appelbaum
Robert Beshar
Arthur Brooks
Alvin J. Burnett
Gideon Cashman
Arthur K. Garfinkel
Vito T. Giordano
Herman A. Gray
Robert M. Kaufman
Melvin Kimmel
Jerome J. Londin
J. Edward Meyer, III
Robert S. Persky
Henry Stone
Anita Streep
Herbert Tenzer
John E. Tobin
Stanley Wolder
Bruce McM. Wright
Boris Kostelanetz, Ex-Officio
Thomas Keogh, Ex-Officio

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June, 1970 Report No. F-4 H.R. 17495

NEW YORK COUNTY LAWYERS' ASSOCIATION
14 Vesey Street - New York, N. Y. 10007

COMMITTEE ON FEDERAL LEGISLATION

REPORT ON LEGISLATION TO CREATE A NATIONAL DEVELOPMENT BANK

Legislation has been introduced calling for the creation of a national development bank to finance construction of low and middle-income housing. The creation of such an institution would have many advantages and could help to implement recommendations which have been made by this Committee and other Bar groups. Title V, H.R. 17495, 91st Cong., 2d Sess. (1970) to establish such a bank was approved by the Housing Subcommittee of the House Committee on Banking & Currency but deleted by the full Committee. We believe that revision of the structure of the bank as proposed in Title V could obviate the grounds for objections raised to the proposal as originally framed and contribute to meeting its great objectives.

It requires no emphasis that the rebuilding of blighted areas is of critical importance today for many reasons, among them the need to create a decent environment for all, the need to reverse the flight from our inner cities, the need to provide new sources of jobs both within the building industry and for those previously outside the industry, and the need to provide new evidence of national commitment in the domestic field.

A development bank could have a strategic role in meeting these needs because of its power to make long-range commitments of financing for comprehensive rebuilding in blighted areas. With such commitments, leverage will exist to achieve the high objectives of "Operation Breakthrough" in modernizing building methods at low cost through mass production and with a gain rather than loss in job security, and the objectives of the 1968 housing law of construction of 2.6 million units per year.

A development bank can also finance rebuilding in all areas, including inner cities, suburbs and rural areas, and for persons of all backgrounds, thus establishing a program truly for the benefit of all and with a corresponding broad base of appeal.

Because of the powerful nature of this engine if fully used, it is critical that it be connected to a national rebuilding effort of sufficient scope which will overcome the defects of previous housing programs. The Housing and Urban Development Act of 1968 called for a 10-year program for rebuilding the nation's cities.[1] This approach was adopted because:

> "The goal of a decent home and suitable environment for every American family can best be achieved through a definite plan. . .for the effective utilization of available resources and capabilities. . .in both the public and private sector. . . over a. . .period of 10 years."[2]

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In 1968, this Committee called for long-range commitments in federal housing programs in order to achieve such ends. We said:

"In order for such a plan to be effective it must be based on firm commitments and long-term planning. A plan which cannot be counted on by those engaged in carrying it out would be ineffective.

"Long-range commitments under federal programs are not new. Under the federal highway program, contracts running many years into the future must be entered into in order that large scale highway construction can proceed in an effective and economical manner. United States Code, Title 23, Section 118(b) provides for such contracts running far beyond one year. Under the demonstration Cities and Metropolitan Development Act of 1966, funds appropriated are to remain available until expended.[3]

"In the case of housing today, as President Eisenhower said at the outset of our present federal highway program in 1954: 'Large-scale improvement is needed simply to remedy deficiencies not met in the past.'[4]

"Effective rebuilding in the central cities will benefit every group in our society. Residents of the central city will obviously suffer until it is achieved.

"If the central cities are not rebuilt, the suburbs will lose their suburban character. Increasing numbers will move to the suburbs merely to escape intolerable conditions in the inner cities unless the cental cities are made attractive for those who wish to live there. Blight, like rot on an apple in a barrel, is bound to spread. . . .

"In the absence of long-range funding, there is little job security in the building trades. Each construction project is separate and there is no assurance of continued employment when it is completed.

"Unemployment is often high and jobs sporadic. Employees in the building industry therefore use every means that they can to protect their jobs. As a result, it is more difficult than it otherwise would have to be for newcomers to enter the industry.

"Likewise, employees concerned for their jobs are obviously going to be reluctant to accept new technologies which might reduce work necessary for construction of buildings. This is reflected in union rules. It is also reflected in the great variety of local building codes.

"If long-range commitments were made for rebuilding entire parts of cities on a comprehensive basis, the following advantages could be achieved:

"1. On the basis of long-term contracts given to contractors, building contractors could be enabled or required to hire employees on a longer term basis.

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"If this were done and the program were sufficiently extensive to assure jobs for the labor force in the industry, the reasons for resistance to technological advance and to the bringing in of newcomers to the industry would be largely obviated. As part of such a program, Congress or the agency administering the program could require or expect that restrictions on building methods or on what work particular employees are permitted to do--primarily designed to protect jobs-- would be waived in return for the job benefits which the employees would receive.

"2. Transportation, education, shopping, entertainment and other facilities could be built into the housing as constructed, generating exciting diversity and replacing the drab and repetitious architecture of many existing projects.

"3. Based on continuation of present methods and the present way of doing things, prospects for advances in effective building technology are not bright.[5] But if institutional barriers were overcome, the opposite would be the case.

"The reduction in cost achieved through long-range planning and use of the most efficient technologies would permit lower rentals or purchase price payments for lower-income persons, with less and perhaps in some cases no direct subsidy.

"Assistance for low-income residents could be provided by means of a sliding scale of payments for residents based on income of the resident and the quality of the accommodations.

"This would eliminate unfortunate features of old-style public housing where there has been a fixed income ceiling. Residents' incentive to improve their earning power is stifled by such a ceiling. It promotes a high turnover, low morale and high crime rates. As part of such a program, persons in ghetto areas should be enabled to own their own homes where this would not otherwise be possible."[6]

This Committee's views were in accord with those of a group of civic leaders in the greater New York area known as the Community-Wide Panel which was formed to seek to bring together previously opposed views.[7] The Panel unanimously urged long-range commitments for rebuilding as a means of promoting job security, opening up use of the most modern technologies, and developing new job opportunities in the urban core.[8] The Panel's statement received the support of important segments of the building and construction industry and construction unions.[9] The views of this Committee were also commented upon favorably in an editorial in America magazine (8/17/68, p.93).

The Committee on Housing and Urban Development of the Community Service Society of New York has likewise endorsed the concept of working toward a sliding scale of payments by residents of publicly aided housing in lieu of fixed income ceilings. The Society urged abolition of income limits for those living in such housing and urged instead that those whose incomes go up be asked to pay an additional amount to help build more housing or reduce costs for less-well-off residents.

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Apart from Title V of H.R. 17495, introduced by Representative Wright Patman, Chairman of the House Committee on Banking and Currency, proposals for development banks have been offered by others including Senator Jacob K. Javits, Senator Sparkman and Representative Pepper. S. 409, 91st Cong., 1st Sess. (1969) and H.R. 5549, 91st Cong., 1st Sess. (1969), the Sparkman and Pepper bills, create a development bank for financing state and local investments in public facilities but do not apply to housing. We believe that the framework of S. 409 and H.R. 5549 could be expanded to include long-range commitments for financing of rebuilding with minor changes. Title V of H.R. 17495 represents a step forward in applying the development bank concept to housing. We recommend revision of Title V of H.R. 17495 as originally drafted in the following respects:

(1) The provisions for compulsory purchase of bank obligations by private foundations, pension funds and the like should be deleted because of their discriminatory character and disruption of the operations of such foundations and funds, and because these provisions inevitably generate unnecessary hostility to the otherwise unexceptionable purposes of the bill.

(2) Structuring the authority of the bank in terms of housing for specified income groups tends to perpetuate the evil of income ceilings and income limitations previously referred to by this Committee and others. We agree that no subsidy is needed by upper-income residents; they should be permitted to remain in rebuilt housing but required to contribute to the cost of further new construction. Only by elimination of invidious income limitations can rebuilt housing ultimately help to provide decent neighborhoods with dignity for all rather than perpetuation of blight with all of its evil consequences.

(3) It is vital in our view that the powerful engine of a development bank be connected to a long-range rebuilding program. To continue the use of existing outdated methods would only make it more difficult and costly to overcome those methods in the future when truly modern twentieth century building procedures must be developed, adopted, and made available for the benefit of all. Such a long-range program should include proper provisions as recommended by the President's Commission on Urban Problems (Douglas Commission)[10] and others for overcoming technological and jurisdictional restrictions in return for job security, preemption of local building codes when necessary, and a new approach to outdated tax systems as applied to rebuilt housing.

In our view, a national program based on long-range commitments is necessary in order for national action to be effective. One means of arranging long-range commitments would be through the creation of a national development bank to finance at low interest rates construction under a national program of the type recommended here, using the most modern methods.

In the absence of long-range commitments providing expanded jobs and job security for employees, they will necessarily resist the deletion of code requirements which protect existing jobs. In our view it would not be politically or industrially feasible to seek to remove existing job protections while putting nothing in their place. On the other hand, under a program of long-range commitments, employees could be hired for substantial periods of time and the size of the program could also assure high employment in the industry. At the same time, such a program would open up new job opportunities in the industry in the urban core.

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Under these circumstances, federal preemption[11] of restrictive provisions of local building codes on federally sponsored projects would not threaten the job security of employees. If long-range commitments providing job security were initiated, it might also be possible to obtain waiver of some union rules in exchange for the availability of additional jobs. As part of a long-range program, other improvements such as use of a sliding scale of payments, mentioned earlier, and new emphasis on social services in publicly aided housing could be made.

Such housing need not be "public housing" in the old sense. Just as it could be constructed entirely by private enterprise it could be sold to residents or to private operators who agreed to the necessary conditions to effectuate the purposes of the program.

The chief advantage of a new approach is of course the speeding of construction and reduction of costs. Without this, "urban renewal" often forces out the very people it is theoretically designed to benefit. To achieve the objective, however, more than revision of building codes and even long-range commitments is needed. In addition to this, a truly effective research program into the possibilities of mass produced housing components which might form an "alphabet" that could be used to create the most widely differing kinds of construction is important.[12]

Further, attention to our real estate and property tax structure is needed. At present, we tax improvements on real estate--such as housing--whereas there is no tax on other forms of "personal" property in which one may invest. This encourages land to be held vacant or with dilapidated housing to keep taxes down, and encourages land speculation with such properties. By not taxing the value of the land itself to the full extent of the real estate tax burden, we also encourage land speculation with the result that prices in urban areas are often prohibitive for low-cost housing.[13]

Similarly, where condemnation of sites is needed, it should be authorized on a federal basis to prevent delay or spiraling of costs due to piecemeal condemnations which increase the compensation due on neighboring properties.[14] New building systems permitting use of air rights and retention of desirable structures in communities should be encouraged, and maximum participation by residents of communities in decisions about rebuilding of their own areas is indispensable.

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CONCLUSION

The successes of man's ventures to the moon have established that there is no limit to what can be done if the will, determination and commitment are present. Long-range decisions are required. The vehicle of a development bank provides a means of making those decisions. It is indispensable to the future that we do so.

Respectfully submitted,

COMMITTEE ON FEDERAL LEGISLATION

Vincent L. Broderick, Chairman
Richard A. Givens, Secretary

Alan Appelbaum
Robert Beshar
Arthur Brooks
Alvin J. Burnett
Gideon Cashman
Arthur K. Garfinkel
Vito T. Giordano
Herman A. Gray
Robert M. Kaufman
Melvin Kimmel
Jerome J. Londin
J. Edward Meyer, III
Robert S. Persky
Henry Stone
Anita Streep
Herbert Tenzer
John E. Tobin
Stanley Wolder
Bruce McM. Wright
Boris Kostelanetz, Ex-Officio
Thomas Keogh, Ex-Officio

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FOOTNOTES

1. Public Law 90-448, Title XVI (1968).

2. S. Rep. No. 1123, 90th Cong., 2d Sess. 119 (1968).

3. 80 Stat. 1259-60, 1264 (1966).

4. 1954 Public Papers of the Presidents par. 102, p. 460.

5. See Schlefer, Industrialization of Housing: Today's Potential (Library of Congress, Legislative Reference Service 1967); compare NLRB v. National Woodwork Mfrs. Ass'n, 386 U.S. 612 (1967) (union rule prohibiting use of prefabricated doors).

6. Bulletin of the Committee on Federal Legislation, New York State Bar Association 16-19 (January 1969), 115 Cong. Rec. No. 33, pp. S2015, S2018 (daily ed. 2/25/69). Footnotes from this report have been renumbered.

   See also "Urban Highways," Hearings before the Subcommittee on Roads, Committee on Public Works, United States Senate, 90th Cong., 2d Sess. (1968), Part 2, pp. 208-220, 374-379 (May 1, 7, 1968) (testimony of Hon. Charles B. Rangel and Vincent L. Broderick).

7. Among the supporters of the Panel's proposals were citizens from widely differing segments of the community, including Monsignor Harry J. Byrne of the Archdiocese of New York; Rev. Lawrence E. Beebe of the Unitarian Church of All Souls; then City Councilman Edward I. Koch; Vincent L. Broderick; author Ralph Ellison; Harold Baer, Jr., former Executive Director of New York City's Civilian Complaint Review Board; Joseph Overton, President of the Negro Labor Committee; former Assistant U.S. Attorney Moses L. Kove; Assemblyman Charles B. Rangel of Manhattan.

8. Compare "Job Security in the Building Industry--and High Quality Low Rent Housing," 18 Labor Law Journal 468 (Commerce Clearing House, August 1967).

9. Endorsement was received from Peter J. Brennan, President of the Building and Construction Trades Council of New York, and from the Board of Governors of the Building Trades Employers Association of New York City.

10. Report of the National Commission on Urban Problems (1968).

11. E.g., Mayo v. United States, 319 U.S. 441 (1943); Johnson v. Maryland, 254 U.S. 51 (1920).

12. In such research, ways to provide a better environment with greater diversity as well as ways to reduce cost can be considered. See Symposium, "What Kind of City Do We Want?" Nation's Cities, April 1967; Hechinger, "Rescue Operation for the Urban School," N.Y. Times, July 16, 1967, p. E7; Symposium on Children in High Houses and Crowded Streets and the Need for Early Planning, in

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"Children in a Rapidly Changing World," World Organization for Early Childhood Education, Xth Assembly 26-37 (1964). Concerning measures to see to it that employees benefit and do not lose where new methods are introduced, compare Franklin D. Roosevelt, State of the Union Message, January 3, 1938; "For economic and social reasons our. . . .interest. . . .lies. . . .in regularizing the work of the individual worker more greatly throughout the year--in other words, in thinking more in terms of the worker's pay for a period of a whole year rather than in terms of his remuneration by the hour or by the day." 3 State of the Union Messages of the Presidents 2840-2841 (Chelsea House 1966). See Raskin, "Pay By the Hour, the Week, The Year, For Life?" N.Y. Times Magazine, September 4, 1966, p. 6; Jones, "Guaranteed Pay Proposed by United States," N.Y. Times, June 27, 1966, p. 35, col. 1; Fanning, "The Challenge of Automation in the Light of the Natural Law," 11 Labor L.J. 875 (Oct. 1960); Hummers, "Protection of Employees Affected by Railroad Consolidations," 15 Labor L.J. 736 (Nov. 1964); Gomberg, "The Work Rules and Work Practices Problem," 12 Labor L.J. 643 (July 1961).

13. This problem is pointed out in the Report of the President's National Commission on Urban Problems; see Prentice, "Method of Taxing Unused Land Is Scandalous," Commercial & Financial Chronicle, August 22, 1968; Stewart, "To Save Our Cities," 55 A.B.A.J. 157 (Feb. 1969).

14. United States v. Reynolds, 90 S. Ct. 803 (2/24/70); United States v. Miller, 317 U.S. 369 (1943).

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APPENDIX - Report No. F-4

FINDINGS OF HOUSING STUDIES

Studies of today's housing dilemma seem in agreement concerning major reasons for our failure to break the building bottleneck;

1. Existing urban renewal and other construction provides housing too expensive for former residents of rebuilt neighborhoods to live there.

> . . .The primary objection to urban renewal by neighborhood residents is that they cannot find alternative housing because they can't pay for more expensive housing than that in which they now live. In a study. . .we found that 70 percent of the families displaced by urban renewal and code enforcement ended up paying significantly higher rents.1/

2. Existing public housing with income limits on continued occupancy insures segregation of the poor, and in most cases minorities.

As pointed out by the Committee on Legislation of the Federal Bar Council, such ceilings are one of the many "unfortunate features of old-style public housing. Residents' incentive to improve their earning power is stifled by such a ceiling. It promotes high turnover, low morale and high crime rates."2/

3. Unemployment and job insecurity are a major drag on the building industry.

1/ Hearing before the National Commission on Urban Problems 355 (Gov't Printing Office 1968); see also Weaver, The Urban Complex, ch. II, III, VI (Anchor ed. 1966).

2/ National Housing Goals, Hearings before the Subcommittee on Housing, Committee on Banking and Currency, House of Representatives, 91st Cong., 1st Sess. 596 (1969); see also Community Service Society of New York, Report of the Committee on Housing and Urban Development (1968); New York State Bar Association, Bulletin of the Committee on Federal Legislation 18 (January 1969), 115 Congressional Record No. 33, S2015, S2018 (daily ed. 2/25/69).

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> From the worker's perspective, unemployment rates in this industry have been twice as high as in other industries. Problems of seasonal employment are intense. . .
>
> On an annual basis, unemployment in construction has almost doubled other fields.3/

Employees face:

> Wide fluctuations in productivity, year to year, season to season; high rate of unemployment; fairly high hourly wages, relatively lower annual incomes; highly competitive employers; highly competitive craft unions; jumping from employer to employer and from place to place; weather a constant source of uncertainty. . .4/

4. New methods and industrialized building could reduce costs and speed rebuilding.

> The conclusions from an investigation of the cost of housing built in the United States by conventional methods and a comparison of the major cost factors in the United States with European industrialized system building. . .indicates potential savings ranging between 23 and 27 percent if building systems were utilized in the United States.5/

Mass production need not, however, mean monotony. An "alphabet" of building materials could be created to construct many types of buildings from basic units, just as there are myriad options on automobiles.

3/ Building the American City: Roport of the National Commission on Urban Problems (Gov't. Printing Office 1968), H. Doc. No. 91-34, 91st Cong., 1st Sess., (1968), hereinafter referred to as Douglas Commission, p. 472. See also Givens, Job Security in the Building Industry -- and High Quality Low-Rent Housing, CCH Labor Law Journal, August 1967, p. 469, n.2.

4/ Douglas Commission 472.

5/ Douglas Commission 448. See also Schlefer, Industrialization of Housing: Today's Potential (Library of Congress, Legislative Reference Service 1967); New York State Bar Association, Bulletin of the Committee on Federal Legislation 18 (January 1969), 115 Cong. Rec. No. 33, S2015, S2018 (daily ed. 2/25/69).

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5. Work rules established to try to limit job insecurity tend to raise building costs and block new methods.

Thus in a situation which reached the Supreme Court a rule provided:

> No member. . .will handle material coming from a mill where cutting out and fitting has been done.6/

According to the National Commission on Urban Problems:

> The work rules practiced at the local level and incorporated in agreements between management and labor that impede the use of technological innovations appear to fall chiefly into the following categories:
>
> > Onsite rules, requiring certain work to be done on the premises and prohibiting or limiting the use of prefabricated products;
> >
> > restrictions against the use of certain tools and devices;
> >
> > requirements for excessive manpower on the job, including what appear to be irrational limits on the variety of work certain categories of workers may perform.7/

6. Building codes, zoning rules and other local ordinances tend to block mass production of housing.

> Costs. . .can be cut if large-scale or industrialized production is combined with the most progressive existing products or techniques. To do this, we must. . .remove the barriers to large-scale distribution brought on by restrictive building codes and practices, subdivision regulations, and zoning ordinances.8/

6/ NLRB v. National Woodwork Manufacturers Association, 386 U.S. 612 (1967).

7/ Douglas Commission 467.

8/ Douglas Commission 16.

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In fairness it must be said that there are extenuating circumstances, notably the nature of employment in the construction industry. Unlike auto workers or butchers or postal clerks, many building craftsmen have no permanent employer. They are engaged through a union hiring hall for a specific job, and when that job is finished, they must wait until another contractor is able and willing to hire them.

Furthermore, their employment is not only casual; it is also seasonal. Despite the progress the industry has made in countering adverse weather conditions, construction jobs are more plentiful in summer than in winter, and even in the favorable months they may be interrupted, sometimes for days, by inclement weather.

Finally, the building industry is more sensitive than most to general economic conditions. It is a typically boom-bust industry.

All these elements help to explain three policies characteristic of building trades unions.

One is the practice of insisting on high hourly wage rates, the only means by which mechanics can assure themselves of a good annual wage. Another is the tendency to resist technological changes that reduce employment opportunities, at least in the short run. A third -- and this especially concerns us here -- is the pattern of restricting entry into the industry by rigid controls of apprenticeship programs. (Associated with that pattern is the practice of favoring relatives of members over others in selecting apprentices.)

Is there some way, one naturally wonders, of so modifying the character of the industry that unions would find it easier to adopt more reasonable wage and membership policies, and to accept technological change?

The Committee on Federal Legislation of the New York County Lawyers' Association thinks there is. In the Senate Report on the Housing and Urban Development Act of 1968, it finds a promising recognition of the need for a long-range program if the goal of "a decent home and a suitable living environment for every American family" is to be reached. But, it insists, not any kind of long-range program will do. To be effective it must be based on "firm commitments and long-term financing." It should be one, that is, that enables builders to enter into contracts extending over many years, with every assurance that the money will always be there.

Such a program, the committee argues, if undertaken on a big enough scale, could destroy the fear of unemployment in the industry. Once that is accomplished, unions would find it very hard to rationalize not only inflated hourly wages and

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opposition to technological change, but also restrictions on membership. In return for job security, which contractors would now be able to offer their union employees, they could reasonably be expected to follow practices that prevail in industry generally.11/

8. Short-range commitments raise housing costs and delay results.

. . .Any kind of construction requires, after its authorization, a considerable time before labor can be employed in which to make engineering, architectural and legal preparations.12/

Housing takes time to build. It requires continuity of action and money. It has suffered too many times in the past from both (1) the lack of sufficient funds to make commitments into the future large enough to meet the goals which Congress and the President have approved, and (2) wide variations in the amount of funds provided from one year into the next.13/

9. Local property tax systems imposing heavy burdens on improvements rather than on land itself discourage new building.

Our studies have shown that in relation to market value, land tends to be assessed at a lower percentage than are buildings and improvements. Housing therefore bears a larger proportionate share of the local tax burden than does land. To assess both at market value would therefore not only be more just, but by diminishing the relative burden borne by improvements, should lead to a greater investment in them and would encourage more construction in housing. . .14/

11/ America magazine, 8/17/68, p. 93 (editorial).

12/ Herbert Hoover, State of the Union Message, 1930.

13/ Douglas Commission 183.

14/ Douglas Commission 18. See also Impact of the Property Tax: Its Economic Implications for Urban Problems (Committee Print, Joint Economic Committee 1968); Netzer, Economics of the Property Tax (Brookings Institution 1966); Prentice, Method of Taxing Unused Land is Scandalous, Commercial & Financial Chronicle, 8/22/66; Symposium, What Kind of City do we Want, Nation's Cities 25 (April 1967).

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> . . .it must be obvious to anyone that heavy taxes on improvements are bound to discourage, inhibit and often prevent improvements. . .and it must be obvious. . .that. . . taxes on the location cannot discourage. . .improvements [but] put pressure on the owners to put their sites to better use. . .15/

On the basis of these facts, recommendations have been made for new steps in an effort to find ways to benefit all groups involved in the problem through liberating the potential of modern technology. The basic tool for this purpose suggested in several recent reports has been long-term commitments in housing programs. As Daniel P. Moynihan has stated, "Somehow a greater regularity of effective demand must be provided the housing industry, and its level of production must be increased."16/

15/ Symposium, Financing our Urban Needs, Nation's Cities 36 (March 1969).

16/ Moynihan, Toward A National Urban Policy, The Public Interest, No. 17, p. 14 (Fall 1969).

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GENERAL
FI 8
FI 2

June 17, 1970

Dear Sam:

Thank you for your June 8 letter enclosing a copy of Mr. Gordon B. Carson's letter commenting that the small investor receives between 4 and 5 percent interest on his money while the large investor receives between 7 and 9 percent. I will be pleased to ask that you receive information which will be helpful in responding to Mr. Carson.

With cordial regard,

Sincerely,

Bill

William E. Timmons
Assistant to the President

Honorable Samuel L. Devine
House of Representatives
Washington, D.C.

bcc: w/inc to James Smith, Sp. Asst. to Sec. Kennedy for further DIRECT reply to the Congressman (with a copy to Bill Timmons, Attn: CCO)

WET:EF:jas

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GENERAL
FG 36-5
FI 2

June 26, 1970

Dear Mr. Wimmer:

On behalf of Ron Ziegler, I want to thank you for the copy of your testimony before the Senate Banking and Currency Committee.

It was thoughtful of you to make this document available to him.

Sincerely,

J. Bruce Whelihan
Staff Assistant

Mr. Edward Wimmer
116-120 East Second Street
Covington, Kentucky 41011

JBW/skb

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BROUGHT FORWARD

GENERAL
FI 2 — 7/2/70
Previously filed — Date

NAME Rogers C.B. Morton

ORGANIZATION re Mr George Heinze III

GENERAL
Same — 7/14/70
New File Symbol — Date

FINAL ACTION Reply to Mr. Heinze from Treasury

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GENERAL

FI2

July 8, 1970

Dear Mr. Hahn:

Rogers Morton, Chairman of the Republican National Committee, asked me to reply to your letter respecting one-bank holding company legislation.

First, let me assure you that the President has not tabled the one-bank holding company bill. You may recall that he introduced this legislation in 1969, and the Administration has continued to support its original bill which is currently before the Senate Committee on Banking and Currency. We have made it clear that we would like to have our bill passed at the earliest practicable date.

The Administration does not support the bill that was eventually passed by the House of Representatives. We believe that it is far too restrictive. The Senate Banking and Currency Committee is now in executive session drafting its own legislation to make sure that one-bank holding companies are prevented from entering nonbanking and nonfinancial businesses. I believe a bill will be reported out of the Senate Committee in the near future, and if the Senate approves their own version, the final legislation will have to be hammered out in conference.

We have supported sound and constructive one-bank holding company legislation since this Administration took office 17 months ago. We believe it is more important to take the necessary time to get good legislation rather than to pass quickly poor legislation. You may be sure that this very important matter will continue to have a high priority in the Administration's program.

Sincerely,

Bryce N. Harlow
Counsellor to the President

Mr. George A. Hahn, Jr.
Hahn Agency, Inc.
141 West Jackson Boulevard
Chicago, Illinois 60604

RECEIVED
JUL 11 1970
CENTRAL FILES

BNH:Treasury:sr

bcc: Rogers Morton sent

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THE UNDER SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

JUL - 7 1970

MEMORANDUM TO THE HONORABLE BRYCE HARLOW
COUNSELLOR TO THE PRESIDENT

Attached is a draft for your signature in response to Mr. George Hahn's inquiry about the one-bank holding company legislation.

Charls E. Walker

Attachment

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Dear Mr. Hahn:

Rogers Morton of the Republican National Committee forwarded your letter on the question of one-bank holding company legislation to me for reply.

First, I want to make it perfectly clear that the President has not tabled the one-bank holding company bill. You will recall that he introduced this legislation in 1969 and that the Administration continued to support its original bill before the Senate Banking and Currency Committee, which has been holding hearings on this legislation.

We have made it clear that we would like to have our bill passed at the earliest practicable date.

The Administration does not support the bill that was passed by the House of Representatives. We believe that bill is far too restrictive. The Senate Banking and Currency Committee is now in executive session drafting its own legislation to make sure that one-bank holding companies are prevented from entering nonbanking and nonfinancial businesses. I believe a bill will be reported out of the Senate Committee in the near future. If the Senate approves the bill that differs from the House version, the final legislation will have to be hammered out in a conference.

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We have supported sound and constructive one-bank holding company legislation since this Administration took office 17 months ago. We believe that it is more important to take the time necessary to get good legislation than to pass poor legislation quickly.

Thank you for sharing your views with us on this very important matter.

Sincerely yours,

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MEMORANDUM

THE WHITE HOUSE

WASHINGTON

June 25, 1970

01744

TO: Charls E. Walker
Under Secretary of the Treasury

FROM: Bryce Harlow

Would you prepare a draft response for my signature to the attached letter from Mr. George Hahn which was forwarded by Rogers Morton.

Many thanks.

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Republican
National
Committee.

Rogers C. B. Morton, Chairman.

JUN 19 1970

June 17, 1970

Mr. Bryce Harlow
Counselor to the President
The White House
Washington, D. C.

Dear Bryce:

Please note the enclosed copy of a letter I received from Mr. George Hahn of Chicago, Illinois relative to the "One Bank Holding Bill".

I do hope it may be possible for you to reply directly to Mr. Hahn's letter and forward a copy of your correspondence to my attention. Needless to say I am most appreciative of your fine spirit of cooperation.

Yours sincerely,

Rogers C. B. Morton

RCBM/ge
Encl.

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HAHN AGENCY, INC.

Insurance Counsellors

GEORGE A. HAHN, SR.
GEORGE A. HAHN, JR.
WILLIAM J. HAHN

141 WEST JACKSON BOULEVARD
CHICAGO, ILLINOIS 60604

TELEPHONE
(312) HARRISON 7-4675

MAY 1 1970

April 28, 1970

Mr. Rogers C. B. Morton
Republican National Committee
1625 Eye Street N W
Washington DC 20006

Dear Mr. Morton,

Mr. Milbank and yourself have been forwarding to me renewal donation slips. I do not intend to forward any monies to the Republican National Committee until the President and your staff answers the various inquiries which I have made in the past. I have asked the President on several occasions why he has tabled the Onebank Holding Bill. In addition, I am far from enthralled with Mr. Percy's actions. Perhaps if you and the committee can give me some assureance that a voice may be heard from the wilderness, it would be appreciated.

With kindest regards, I am

Yours very truly,

George A. Hahn, Jr.

GAHjr/mc

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GENERAL
FI 2
CF

THE UNDER SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

July 14, 1970

Dear Mr. Heinze:

I have been asked to respond to your inquiry concerning the impact of the one-bank holding company legislation on businesses owning banks. Specific reference was made to Sperry & Hutchinson, which owns the State National Bank of Connecticut.

The legislation which passed the House last year was extremely harsh and therefore unacceptable to the Administration. However, a bill now being adopted by the Senate Banking and Currency Committee ameliorates a number of the features of the House-passed bill. The prospects of sound but fair legislation are now greatly improved.

As applied specifically to S&H, an amendment was adopted by the Senate Committee which would exempt companies with banks whose net worth did not exceed $50 million. I am informed that the State National qualifies for this exemption.

When queried, the Treasury told the Committee that adoption of this specific amendment, although differing from our original proposal, would not defeat the basic purpose of the legislation.

Please do not hesitate to contact me if you have other questions on this matter.

Sincerely yours,

Charls E. Walker

Charls E. Walker

Mr. George Heinze, III
1133 - 15th Street, N. W.
Room 508
Washington, D. C. 20005

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OWR

(1)

GENERAL
FI 2

July 2, 1970

Dear Congressman:

Thanks very much for your letter of June 19 in which you indicated that Mr. George Heinze III was very concerned about the one bank holding legislation. I have passed your letter along to Peter Flanigan and have asked him to reply to Mr. Heinze relative to this legislation.

Best personal regards.

Yours sincerely,

John D. Ehrlichman
Assistant to the President
for Domestic Affairs

Rogers C. B. Morton, Chairman
Republican National Committee
1625 Eye Street, N.W.
Washington D. C. 20006

TRH:KOM:kom

RECEIVED
JUL 7 1970
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July 2, 1970

FOR PETER FLANIGAN

Attached is a letter from Rog Morton in which he has asked John to contact George Heinze III, presently Chairman of our Republican Finance Committee in Maryland, and outline the Administration's position on the one-bank holding company legislation. John has asked that I forward this to you and request that you contact Mr. Heinze and outline our policy in the form which you deem most appropriate.

Many thanks.

Tod R. Hullin

Attachment

June 19 letter from
Chairman Morton
Republican National Committee
1625 Eye St., NW
DC 20006

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JUN 24 1970

Republican
National
Committee.

Rogers C. B. Morton, Chairman.

June 19, 1970

Mr. John Ehrlichman
Assistant to the President
for Domestic Affairs
The White House
Washington, D. C.

Dear John:

I recently received a letter from Mr. George Heinze III, presently Chairman of our Republican Finance Committee in Maryland, in which he advised that the Beinecke family, principal stock holders in the Sperry & Hutchinson Company, have expressed to him their concern relative to the Nixon Administration's "one bank holding legislation".

I advised George I would bring the Beinecke family's concern relative to the measure to the attention of the President. Mr. Heinze's address is 1133 15th Street, Washington, D. C. I would very much appreciate your communicating directly with George expressing the Administration's position on this legislation.

Yours sincerely,

Rogers C. B. Morton

RCBM/ge

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cc/tm

GENERAL
FI2
FG12-4

(2)

THE WHITE HOUSE OFFICE

REFERRAL

To: Secretary Kennedy Date: July 15, 1970

ACTION REQUESTED

_____ Draft reply for:
_____ President's signature.
_____ Undersigned's signature.

_____ Memorandum for use as enclosure to reply.

__X__ Direct reply.
__X__ Furnish information copy.

_____ Suitable acknowledgment or other appropriate handling.
_____ Furnish copy of reply, if any.

_____ For your information.

_____ For comment.

NOTE

Prompt action is essential.

If more than 48 hours' delay is encountered, please telephone the undersigned immediately, Code 1450.

Basic correspondence should be returned when draft reply, memorandum, or comment is requested.

REMARKS:

Description:

__X__ Letter: _____ Telegram: Other:

To: John D. Ehrlichman, Assistant to the President
From: Guido Di Giulio, 1323 Westwood Ave., Columbus, Ohio 43212
Date: July 7, 1970
Subject: Powers of a National Bank & no responses to his letters to Mr. William Camp, Comptroller of the Currency.

By direction of the President:

John D. Ehrlichman (by Tod R. Hullin)

kom - 2

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(White House File Copy)

DOTreas

JUL 9 1970

Columbus, Ohio
July 7, 1970

Mr. John D. Ehrlichman
Special Assistant
to the President
The White House
Washington, D.C.

Dear Mr. Ehrlichman:

I take the liberty to enclose herewith, for your appropriate consideration, the copies of two letters sent by me to Mr. William Camp, the Comptroller of the Currency, on dates of May 27 and June 11, 1970 and, until now, unanswered.

In the United States of XXth Century, with Mr. Richard M. Nixon President, the Comptroller of the Currency is in a position to give a constructive answer to the questions raised in my letters about the powers of a national bank, and to express his opinion on the situation I have outlined.

President Nixon wrote:

"The best way to meet a crisis is to anticipate it and avoid it. Those who ignore impeding crisis are condemned to live through it." ("Journal" magazine April 1969, page 89).

The subject of my complaint is not outside of your jurisdiction, as a special assistant to the President in domestic affairs; therefore, I ask you to request Mr. Camp to give me an answer, as a significant reaffirmation of the importance of Treaties existence about the full protection and security accorded by the U. S. Government to " Foreign owned properties" within the United States territory and, particularly, to those deposited with national banks, under its supervision.

Accept, Mr. Ehrlichman, with my thanks, my best regards.

Sincerely,

Guido Di Giulio

Guido Di Giulio
1323 Westwood Ave
Columbus, Ohio 43212

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Columbus, Chio
June 11, 1970

CERTIFIED MAIL

Mr. Wm B. Camp
Comptroller of the Currency
Treasury Department
Washington, D.C. 20220

Dear Mr. Camp:

On June 2, 1970 I sent you a Certified letter related to a delicate subject, the power of a national bank to not obey, practically, international Treaties provisions by acting to the detriment of its alien depositor property 's rights, This could lead to misunderstandings of United States bank's safe deposit department fundamental values and operations and, however, may create the wrong impression among individuals, corporations and Governments of other countries, about the current U. S. policy, chiefly responsible in this area....

Trusting to receive from you an immediate and responsive reply to my letter, with my best regards, I am

Sincerely,

Guido Di Giulio

Guido Di Giulio
1323 Westwood Avenue
Columbus, Chio 43212

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

No. 387965

SENT TO
Mr Wm. B. Camp
STREET AND NO.
Treasury Depart.
P.O., STATE AND ZIP CODE
Washington D C

POSTMARK OR DATE
COLUMBUS, OHIO STATE STREET STA.
JUN 11 1970
USPO

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RETURN RECEIPT SERVICES
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POD Form 3800
July 1969

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* GPO : 1969 O—358-312

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Columbus, Ohio
June 2, 1970

Mr. Wm B. Camp
Comptroller of the Currency
Treasury Department
Washington, D.C. 20220

Dear Mr. Camp :

I have the honor to ask your opinion on whether the powers of a National Bank, private enterprise but, in some aspects a public body because subject, by law, to the U. S. Government supervision, include or not the legal authority:

1. To operate the bank's safe deposit department in an unsafe manner, because of lack of safety technical equipment in accordance to the nature of the deposited item and in doing so, as direct agent of injury, to damage it, with reasonable certainty, during its time deposit, against the interest of the depositor, if we consider that in operating a deposit department, the bank must have regard for the public interest and that the purpose of the license to operate it, is a depositor's security, for the benefit of the depositors and not for their unwanted damages;

2. To fail to inform, in advance, the depositor, of possible dangerous and untoward consequences in using bank's deposit department, so that he might make rational and informed depositing decision, as evidenced by receipt signed by the bank, contained material omission of this information considered essential by any reasonable depositor, and by failing to notify the depositor, by certified mail, about the bank's deposit safety related defects and about hazards its use may harbor for his items;

3. To use material, sent to the depositor in which, in requesting the rent for his storage, contrarily to the truth, was written that bank's deposit department was completely safe for his valuables;

4. To infringe the right of the depositor - and essential right - to withdraw, on demand, his item, in the same physical condition it was at the time of its deposit or, in absence of such restitution, that implied a deprivation - of the rights of the depositor to have moral or financial benefit from legitimate disposition of it, to receive, as a remedy, and in its substitution the prompt payment of just and effective compensation, approximately equal to the current market value of his item;

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5. To make its own determination on National policy in failing to assure, in accordance with the technology of this era, easily available in the United States and other countries, the full protection and security to Foreign owned property placed in the immediate custody with the bank, required by International law and by International Treaties to which the United States is a partand that, after their Congress's ratification, are the supreme laws of the land;

6. In particular, to allow a dangerous condition to exist in the bank's safe deposit department while allowing Foreign owned property to be deposited with the bank, with practical effect to damage it, a fact that proves of itself that bank's safe deposit department was wrong;

7. To limit alien depositor's rights that would otherwise be protected by International Treatie's provisions, that were adopted to surround the property of Nationals, corporations and Associations of either high contracting party within the territories of the other high contracting party, with stable guarantees;

8. To fail to satisfy in full and promptly, alien depositor's legitimate claims and in doing so to hamper the alien depositor to use, in substitution of his damaged item, its correspondant capital, if would be sold at current prices, for normal purposes;

9. To interfere in the relationship between a Foreign citizen and his property and the Federal Government in the application of an International Treaty in force, to which the Federal Government must to insure promnt and faithful compliance, and to reduce or to annul, irresponsibly, its practical value, in trying that innocent victim and owner of the damaged item, go uncompensated, or in trying - agqinst the spirit and letter's Treaty provisions - to delay, almost indefinitely, through the American Courts, with irrelevant pretexts or false allegations, the paymentof just and effective compensation, in substitution of the damaged item, owned by a Foreign citizen and deposited by him with the bank, supposed safe with U. S. Government supervision;

10. To involve the International responsibility of the United States, in relation to its Treaty obligations, in dispute or, juridically, in unilateral violation of an International Treaty in force, or in a method that gives rise to question of the elementary protection expected in a National bank of a civilized nation;

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11. To provoke, on the grounds of an uncompensated damage to Foreign owned property deposited with a National bank, that the Government of other Nation, concerned with the substance of such fact, may invoke Treaty's provisions, as a legal basis to submit the dispute to an International Court of Justice, and in doing so to increase the difficulties of the Federal Government in its conduct of Foreign and trade policy;

12. To downgrade the protection and security - as it is generally understood - of Foreign deposits with U. S. National banks and in doing so to determine a potential danger to all alien depositors with U. S. National banks, who are looking for security and not for adventurism;

13. To constitute a precedent for Foreign Governments, if they wish to reconsider the level of protection accorded United States works, interests and property, in a number of other Countries.

The highest level of efficiency and security of a National Bank's storage department, must be regarded by the Federal Government, with the solvency and the liquidity, one of the essential elements of bank's operations.

Security of Foreign deposits with a U. S. National Bank - subject to U. S. Government supervision - and the certainty of the prompt payment of just and effective compensation resulting from the destruction or damage of Foreign owned property caused by improper bank's storage, is of such vital importance in the world trade, that neither the United States nor other Nations, could be support a state of uncertainty and instability about them, that would be impossible to appreciate in its practical effect.

Recently, Doctor Arthur Burn, special assistant to the President in domestic affairs and, now, the new chairman of the Federal Reserve System, wrote:

"I do not think the bank's are the only ones in the society to consider; there are other people, its customers as well whose interest must be taken into account."

Considering that U. S. Constitution assures liberty of expression in a matter of public interest, hoping to have the benefit of your experience and your valuable opinion in such bank's activities, accept, Mr. Camp, with my thanks for your reply, the assurances of my highest consideration.

y,

L. Di Giulio

Giulio

twood Ave

, Ohio 43212

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

No. 390847

SENT TO Mr. Wm. B. Camp

STREET AND NO. Treasury Dept

P.O., STATE AND ZIP CODE Wash DC 2022

POSTMARK OR DATE

FIFTEENTH STREET STA. WASH. D.C. JUN 25 1970 COLUMBUS, OHIO USPO

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POD Form 3800 July 1969

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GENERAL
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WILLIAM A. PARTON & CO.
ESTABLISHED 1936

1341 MERIDIAN AVENUE
SAN JOSE, CALIFORNIA 95125
BUSINESS (408) 266-5731
RESIDENCE (408) 377-7245

July 20, 1970

Mr. John D. Ehrlichman
Assistant to the President
White House
Washington, D. C.

Dear John:

A few days after I had written to you on July 15th, I received a Newsletter from our State Association in San Francisco regarding the Bank Holding Company Bill. A copy of this Newsletter is enclosed and I have encircled the part that pertains to the action of the Senate Banking and Currency Committee. Naturally I was not aware of this action or I would not have written to you as I know you are a very busy person and are not anxious to get more correspondence then is necessary. Should you have any comments, however, in this matter I would appreciate hearing from you.

Very truly yours

William A. Parton

WAP:n
enc.

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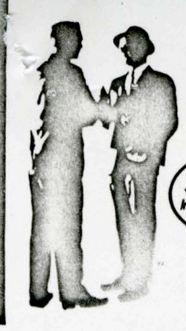

YOUR Insurance Independent AGENT SERVES YOU FIRST

Newsletter

PLEASE ROUTE TO:

INFORMATION FOR THE MEMBERS OF THE INDEPENDENT INSURANCE AGENTS ASSOCIATION OF CALIFORNIA / 465 CALIFORNIA STREET, SAN FRANCISCO, CALIFORNIA 94104

July 14, 1970 NUMBER 184

YEA -- BARGER Every member who has suffered the frustration of unethical competition from S&L's during recent years should take a degree of encouragement from Insurance Commissioner Barger's Bulletin #70-7 of July 1, 1970 on "Unlawful Solicitation of Insurance". A key sentence reads: "Any licensed agent, broker, or insurer who aids a savings and loan association or bank in the solicitation of insurance or who has knowledge of and stands to benefit by such solicitation likewise is acting in violation of the law." The interesting corallary is the situation in which an unlicensed S&L assists a licensed entity in soliciting and transacting and whether such collaboration constitutes a violation. Commissioner Barger and his staff have given your problem considerable thought, and we ask your continued cooperation in forwarding to the State Office information that will help evaluate whether certain "interested parties" are complying with the closing statement of the Commissioner's Bulletin: "I strongly urge that all licensees of this Department immediately take whatever steps are necessary to comply with the spirit of this Bulletin."

BOO -- FHLB John Neville, NAIA General Counsel, has given us the details on an interesting US District Court case in the District of Columbia in which a decision was rendered in favor of a shareholder in an S&L who brought suit against the directors and the S&L for operating an insurance agency and placing insurance for their own profit on property of borrowers of the S&L. While that decision is encouraging, it is disappointing to see that the Federal Home Loan Bank Board, as a result, and over the objections of NAIA attorneys, on July 2 issued new regulations which would permit S&L's to invest in "service corporations" which in turn could engage in a variety of activities possibly including operation of insurance agencies. These developments point up the fact IIAAC problems with S&L holding companies closely parallel the one bank holding company issue.

******

SENATE BANKING COMMITTEE BUCKLES The bill voted out by the Senate Banking & Currency Committee last week was surprising only in how far it went in being friendly to large banks. Producers expected something milder but not outright pablum. The grandfather date was moved forward to March 24, 1969, and the limitations on types of insurance activity were removed. To their credit some Senators have vowed to advocate strengthening amendments on the floor, and of course the final round will be the deliberations of the House-Senate Conference Committee which will have the awesome responsibility of trying to reconcile the two measures and come up with a reasonable consensus.

******

RATES INFLATE PFRB has announced rate increases for rental dwellings (1 to 4 units) effective July 15, estimated to average no more than $3-$5 per year more (for "average" $14,000 value) in areas of good fire protection; also recommending deductible be $100 in order to avoid a rate increase for all dwellings. Simultaneously, commercial fire business increases, averaging 10.8%, and also with a recommended $100 all-perils deductible, but with the provision the deductible can be returned to $50 by payment of additional premium. The civil disorder charge is being eliminated and made a part of the basic rate. Twenty-one commercial categories of risks will be adjusted, virtually all going up. Mercantile risks will be from 11% to 25% higher and apartments over 4 units will go up 38%.

******

FLOOD INSURANCE So far Los Angeles Co., Fresno Co., Russian River Section of Sonoma Co., So. San Francisco and, reportedly, Ventura Co. have qualified for flood insurance to be written by the National Flood Insurers Association, with Fireman's Fund the servicing company. Offices at P.O. Box 3136, San Francisco 94102, and P.O. Box 2323, Los Angeles 90054, have the necessary applications, etc. Basically, dwellings up to 4 units and small businesses are eligible for coverage up to $17,500 and $30,000 respectively. Of particular interest is the definition of flood as a general and temporary condition of partial or complete inundation of normally dry areas, including overflow of inland and tidal waters, or unusual and/or rapid runoff of surface waters from any source, including inundation from mud slides which are caused by accumulation of water on or under the ground.

******

IMPAC Creation of an Insurance Men's Political Action Committee was the highlight of the June Board meeting in Fresno. Each member will receive a letter outlining the purpose and scope of this important step. Participation by members will be voluntary and the committee will act on a non-partisan basis to assist candidates.

# # #

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GENERAL
FI2

July 22, 1970

Dear Bill:

Many thanks for your letter of the 15th.
It's good to hear from you.

Our staff man involved with the bank
holding company legislation is Peter Flanigan,
Assistant to the President.

Best personal regards.

Yours sincerely,

John D. Ehrlichman
Assistant to the President
for Domestic Affairs

Mr. William A. Parton
1341 Meridian Avenue
San Jose, California 95125

JDE:JLH:jlh

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Ack
4

JUL 20 1970

WILLIAM A. PARTON & CO.
ESTABLISHED 1936

1341 MERIDIAN AVENUE
SAN JOSE, CALIFORNIA 95125
BUSINESS (408) 266-5731
RESIDENCE (408) 377-7245

July 15, 1970

Mr. John D. Ehrlichman
Assistant to the President
White House
Washington, D. C.

Dear John:

As you would imagine I am extremely interested in the matter pertaining to bank holding company legislation. Naturally I was quite pleased with H.R. 6778 that passed the House last Fall.

Presently the Senate Banking and Currency Committee are working on their version of this type of legislation, but I understand are delaying action until the Administration has presented its recommendations.

To whom should I write to register my position on this very vital legislation? Can you be of assistance?

Most Sincerely

Bill

William A. Parton

WAP:n

YOUR Independent Insurance AGENT SERVES YOU FIRST

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GENERAL
ME3/E
FI2

THE WHITE HOUSE OFFICE

REFERRAL

To: Mr. Cal Brumley
Special Assistant
Department of Treasury

Date: July 21, 1970

ACTION REQUESTED

_____ Draft reply for:
_____ President's signature.
_____ Undersigned's signature.

_____ Memorandum for use as enclosure to reply.

On behalf of the President.

X Direct reply.

X Furnish information copy.

_____ Suitable acknowledgment or other appropriate handling.

_____ Furnish copy of reply, if any.

_____ For your information.

_____ For comment.

NOTE

Prompt action is essential.

If more than 48 hours' delay is encountered, please telephone the undersigned immediately, Code 1450.

Basic correspondence should be returned when draft reply, memorandum, or comment is requested.

REMARKS:

For reply on behalf of the President by the Secretary. Thank you.

Description:

_____ Letter: X Telegram: Other:

To: Undersigned
From: Robert Coughlin, Publisher, The Albany Ledger, Albany, Missouri
Date: 7/20/70
Subject: Requests message for August 1 one hundredth anniversary of the Gentry County Bank -- to be sent AS SOON AS POSSIBLE for printing in The Albany Ledger. Took to message room 6 p.m.

By direction of the President:

Eliska Hasek
Staff Assistant

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July 27, 1970

GENERAL
FI 2
BE4/real estate
FI 5
ND21

Dear Mr. Downie: Leonard

Thank you for your letter of July 1. It is valuable to us to have a first-hand report on current conditions in the real estate business in the Northwest. I asked the Department of Commerce to review your land bank proposal relative to the current and projected economic forecasts.

Their report indicates that the worst of the credit stringency is past. The money supply and other monetary aggregates have been expanding at a moderate rate since early in the year after 6 or 8 months of little change. Most interest rates have declined at least slightly in recent months and the bond markets have a distinctly better tone. In addition, the flow of funds into the savings institutions has greatly improved.

They are confident that all of this means an increased flow of funds into the mortgage markets and other real estate activities in the months ahead. Lenders will, of course, continue to be selective and interest rates may remain high but an enlarged flow of funds will be of great help to the real estate business. Thus, they believe that the current situation and outlook is such that a land bank is not needed.

Undoubtedly, real estate people will be more cautious in their future financing arrangements in view of the unsettled conditions of recent months. But this is all to the good.

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Your suggestion about civilian job training as an alternative to military service raises the question of universal national service (military and non-military) versus a volunteer armed force. Our current thinking favors the latter approach although we have also considered the former very carefully. We may be able to abolish the draft and shift to an all-volunteer military service sooner than most people expect. It is interesting to note that an all-volunteer force is considered a radical change when in fact it is a return to the system that this country always used prior to 1940 except in periods of national emergency.

Sincerely yours,

Tod R. Hullin
Administrative Assistant to
John D. Ehrlichman

Mr. Leonard Downie
1618 Fourth Avenue
Seattle, Washington 98101

TRH:Paul T. O'Day, Executive Assistant to the Secretary, Department of Commerce:jlh

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THE SECRETARY OF COMMERCE
Washington, D.C. 20230

JUL 22 1970

JUL 21 1970

MEMORANDUM FOR: Tod R. Hullin
Administrative Assistant to John D. Ehrlichman

FROM: Paul T. O'Day P.T.O'D.
Executive Assistant to the Secretary

SUBJECT: Letter to you concerning Creation of a "Land Bank" or other Realty Relief Plans

Attached is a suggested reply to Mr. Leonard Downie of Seattle, Washington in response to his letter of July 1 to you.

Attachment

Reproduced at the Richard Nixon Presidential Library and Museum

Mr. Leonard Downie
1618 Fourth Avenue
Seattle, Washington 98101

Dear Mr. Downie:

Thank you for your letter of July 1. It is valuable to us to have a first-hand report on current conditions in the real estate business in the Northwest.

I think that the worst of the credit stringency is past. The money supply and other monetary aggregates have been expanding at a moderate rate since early in the year after 6 or 8 months of little change. Most interest rates have declined at least slightly in recent months and the bond markets have a distinctly better tone. In addition, the flow of funds into the savings institutions has greatly improved.

I am confident that all of this means an increased flow of funds into the mortgage markets and other real estate activities in the months ahead. Lenders will, of course, continue to be selective and interest rates may remain high but an enlarged flow of funds will be of great help to the real estate business. Thus, I believe that the current situation and outlook is such that a land bank is not needed.

Undoubtedly real estate people will be more cautious in their future financing arrangements in view of the unsettled conditions of recent months. But this is all to the good.

Reproduced at the Richard Nixon Presidential Library and Museum

Your interesting suggestion about civilian job training as an alternative to military service raises the question of universal national service (military and non-military) versus a volunteer armed forces. Our current thinking favors the latter approach although we have also considered the former very carefully. We may be able to abolish the draft and shift to an all-volunteer military service sooner than most people expect. It is interesting to note that an all-volunteer force is considered a radical change when in fact it is a return to the system that this country always used prior to 1940 except in periods of national emergency.

Sincerely,

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THE WHITE HOUSE OFFICE

REFERRAL

To: Secretary Maurice Stans **Date:** July 14, 1970

ACTION REQUESTED

_X_ Draft reply for:
_____ President's signature.
_X_ Undersigned's signature.

_____ Memorandum for use as enclosure to reply.

_____ Direct reply.
_____ Furnish information copy.

_____ Suitable acknowledgment or other appropriate handling.
_____ Furnish copy of reply, if any.

_____ For your information.

_____ For comment.

NOTE

Prompt action is essential.

If more than 48 hours' delay is encountered, please telephone the undersigned immediately, Code 1450.

Basic correspondence should be returned when draft reply, memorandum, or comment is requested.

REMARKS:

Description:

_X_ Letter: _____ Telegram: Other:

To: Mr. Tod R. Hullin, Administrative Assistant to John D. Ehrlichman
From: Leonard Downie, 1618 Fourth Avenue, Seattle, Washington 98101
Date: July 1, 1970
Subject: Creation of a "Land Bank" or other Realty Relief Plans

---

By direction of the President:

Tod R. Hullin
Administrative Assistant to
John D. Ehrlichman

108182

kom

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(Copy to remain with correspondence)

JUL 6 1970

CRAFTMASTER, INC.

AREA 206, 682-8343

1618 FOURTH AVENUE • SEATTLE, WASHINGTON 98101

APPRAISAL ANALYSTS

LEONARD DOWNIE, M.A.I., A.S.R.E.C.
President

Consultant and Financing Services for Real Estate and Construction Projects

July 1, 1970

Mr. Tod R. Hullin
Administrative Assistant
to John Ehrlichman
The White House
Washington, D.C. 20500

Dear Tod: RE: CREATION OF A "LAND BANK"
OR OTHER REALTY RELIEF PLANS

You and all others in the Presidential Cabinet Family are extremely busy and I hesitate to send any more ideas through because they, apparently, prove of little value and are delegated to some agency who is too busy to bother with any more outside creative plans.

At your earliest opportunity I would like to have you pass the word along to John Ehrlichman that we, in the real estate profession, need some relief because we are really and truly hurting in the Northwest, a fact he must already know. I have written to Don Dahlgren and Jerry Hillis asking their advice and counsel and their help in solving this very urgent cash problem, but they were unable to tell me any agency or medium that might temporarily or permanently relieve our position. My problem is typical of most small businessmen - it's cash vs assets!

We have been unable to qualify as housing prime contractors and yet we have some great ideas on conversions for the elderly or a new retirement center for the elderly, but we are not in position to put out a lot of cash to buy properties for possible development. We own acreage and improved properties, but need some money and we need it soon. I have an idea that might work, but I am sincerely doubtful as to its ability to fit into your current tight program.

LAND BANK

There is now a Federal Farm Land Bank where farmers can pledge their land or their crop. Why can't we have an acreage or real estate Land Bank? We bought acreage several years ago and have it paid for and

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thought that land would return capital, overhead and profit through subdivision or later development, or through increased valuations as a result of greater urban development. We now find ourselves drained of cash and land poor without workable cash to meet contract payments, overhead expenses, or for development of the land.

Would it be feasible to have a Land Bank created which could issue a certificate in trade for 100 acres or other real estate units at two-thirds of its fair value? These certificates would be good at the bank to borrow against for a year or two years maximum, but at the end of that period if the loan were not paid, then the certificates would be cashed out and the bank loan paid off and the borrower either have the right to immediate redemption or forfeit the property completely.

The situation is very critical in my opinion and if you limited the amount of loans per individual or limited the land that could be acquired for certification, you could distribute this capital investment throughout the whole country. It could be an oldtime H.O.L.C. (and I was in Washington, D. C. for five years with that great agency). Just like H.O.L.C. or F.H.A. the Land Bank could be self liquidated at no cost to the Government and yet serve many small home owners and real estate investors who are now frozen and need funds.

If conditions get better, as we hope they will, then the land owners will have an opportunity to liquidate the loan and hold onto the property. If, however, and this is very important, the owner is unable to meet the loan and thus forfeits his property, he may do so without credit stigma or without foreclosure or without any personal or corporate liability. He would, in effect, have sold his property at two-thirds of its rightful value, but he would have been relieved of some immediate cash problems that faced him during these troubled days.

I am quite positive, in our own position, that we will come out of this situation in a year or so and I am positive that our other properties will liquidate or sell on low down payments over a period of time, and that I can save these properties that I would pledge. I do not want to borrow at a bank and get farther into debt with personal liability and have them foreclose at a time when I am unable to meet that heavy obligation. That is why I suggest exchange for a negotiable certificate, without personal liability, but also protect the Government or the Land Bank investment group and make sure they would have at least one-third real value for interest or later potential profit.

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Does this plan have any merit and can it fit into your picture at any place? We all need help - and soon!

WORK & TRAINING PROGRAM FOR DRAFTEES

This letter is getting too long, but would you mind if I put in just one more idea that we have locally talked about many times to help relieve the draft situation for those young men who do not want to go into the fighting war? That applies to a large group of them. Why not give them an opportunity to select either:
(1) The branch of the Armed Services which they desire; or
(2) Give them a business, industrial training or farming position or job during a three year period instead of a two year war duty?

I do not mean to make this just an old "CCC" program where 90% put in time doing nothing. I think something like the Youth Corps (now reported doing an excellent job in foreign countries), or some other localjob which needs attention,would be an excellent opportunity to keep these young men and women occupied while at the same time they would have discipline and training, housing, and wartime pay just as though they were in the Army.

There must be some way we can stop this increasing violence and argument against the Government and against society which has been caused to a great degree by the fear of going into the war to kill a fellow warrior.

Sincerely yours,

CRAFTMASTER, INC.

Leonard Downie
LD:bm

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hg

THE WHITE HOUSE OFFICE

REFERRAL

GENERAL
FI 3
FI 2

(3)

To: Mr. Paul Volcker
Under Secretary
Department of Treasury

Date: August 11, 1970

ACTION REQUESTED

_____ Draft reply for:
_____ President's signature.
_____ Undersigned's signature.

_____ Memorandum for use as enclosure to reply.

__x__ Direct reply.
_____ Furnish information copy.

_____ Suitable acknowledgment or other appropriate handling.
_____ Furnish copy of reply, if any.

_____ For your information.

_____ For comment.

NOTE

Prompt action is essential.

If more than 48 hours' delay is encountered, please telephone the undersigned immediately, Code 1450.

Basic correspondence should be returned when draft reply, memorandum, or comment is requested.

REMARKS:

+ Plantation First National Bank

Description:

__x__ Letter: _____ Telegram: Other:

To: The President
From: Richard S. Riggins, PO Box 8308, Ft. Lauderdale, Florida 33310
Date: July 23, 1970
Subject: Difficulties in identifying the payee of U.S. Savings Bonds

By direction of the President:

RECEIVED
AUG 18 1970
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GENERAL
FI 9
FG 1
PR 9
FI 2
FI 5
JANEWAY, Eliot
United Auto Workers

August 14, 1970

Dear Mr. Cole:

This is to acknowledge your letter of August 3 containing your comments regarding the Administration's monetary policies and enclosing graphs and copies of correspondence with others on the subject.

We appreciate your putting your thoughts into writing, as we suggested, and your letter and enclosures are being passed along to those here working on these matters.

With best wishes,

Sincerely,

Hugh W. Sloan, Jr.
Staff Assistant
to the President

Mr. Robert M. Cole
135 South LaSalle Street
Chicago, Illinois 60603

HWS:HCD:mec

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AUG 17 1970
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Lg

GENERAL
FG 2

August 17, 1970

Dear Bud: x Mellon National Bank & Trust Co.

Thanks for your letter enclosing an article by John A. Mayer. As you requested, I shall be pleased to get it in the hands of the Commission on Financial Structure and Regulations.

With warm regard,

Sincerely,

William E. Timmons
Assistant to the President

Mrs O.E. Anderson

Honorable Clarence J. Brown
House of Representatives
Washington, D. C. 20515

~~cc: Honorable Clarence J. Brown~~

WET:EF:mtm

bcc: w/inc to the Commission on Financial Structure and Regulations -- for appropriate consideration.

RECEIVED
AUG 19 1970
CENTRAL FILES

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CLARENCE J. BROWN
7TH DISTRICT, OHIO

URBANA, OHIO

COMMITTEES:
GOVERNMENT OPERATIONS
INTERSTATE AND FOREIGN COMMERCE
JOINT ECONOMIC

Congress of the United States
House of Representatives
Washington, D.C. 20515

WASHINGTON OFFICE:
212 CANNON HOUSE OFFICE BUILDING
AREA CODE: 202 225-4324

DISTRICT OFFICES:
ROOM 220
U.S. POST OFFICE BUILDING
150 NORTH LIMESTONE STREET
SPRINGFIELD, OHIO 45501
AREA CODE: 513 325-0474

L.S.Y. BUILDING, THIRD FLOOR
196 SOUTH MAIN STREET
MARION, OHIO 43302
AREA CODE: 614 383-4343

August 12, 1970

EF

AUG 14 1970

Mr. William E. Timmons
Assistant to the President for
Congressional Relations
The White House
Washington, D.C.

Dear Bill:

Enclosed is a copy of an article by John A. Mayer, Chairman of the Mellon National Bank and Trust Company of Pittsburgh, which was sent to me by a friend, Mr. O. E. Anderson, with the Ohio Bankers Association. I have advised Mr. Anderson that I am forwarding it to Mr. Reed O. Hunt, Chairman of the President's Study Commission on Financial Structure and Institutions, for the Commission's information.

I would greatly appreciate your assistance in seeing that this article reaches the proper office.

With best wishes, I am

Sincerely yours,

Clarence J. Brown, M. C.
Seventh Ohio District

JP

Enclosure

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The Business of Banking: Stagnation or Evolution in the 1970's

John A. Mayer

As we enter a new decade we are undergoing a sweeping reexamination of existing institutions in many fields. In this setting it is not unnatural that the organization of the private financial system has come under critical review. Commercial banking occupies a key place in this reexamination. In short, a "Great Debate" is about to open on the appropriate powers of various financial institutions. Presumably this could lead to sweeping proposals for change, designed to produce a more effective financial system.

Prelude to the "Great Debate"

Early in the 1960's we experienced an important advance in sloughing off some of the encrusted overlay of smothering restrictions on bank functions. Credit for this advance was due in large measure to the former Comptroller of the Currency James J. Saxon and his staff. Mainly through a more liberal interpretation of the phrases "business of banking" and "incidental powers" in the National Banking Act, national banks were permitted to expand their services to customers in significant ways. Under this pressure many states undertook a modernization of laws and regulations affecting state-chartered banks.

Allowing broad discretion to banks in offering new financial services has been highly beneficial to the economy, according to the present Comptroller of the Currency, William B. Camp, who has continued the liberal policies of his predecessor. As he stated it: "A revitalized banking industry, released from long-standing fetishes, has enormously expanded the range and depth of its financial services to the public. . . ."[1]

Consider just a few of the ways in which bankers, partly in response to an improved regulatory climate, devised better ways to serve the public in the past ten years: credit cards, mortgage banking, equipment leasing, expanded term loans, data processing services related to banking and finance, improved cash collection and disbursement systems for corporations, negotiable certificates of deposit, and a variety of improved savings plans for individuals.

By the late 1960's, however, it became evident that a reaction was setting in to this reborn spirit of enterprise and innovation. Much of it came from actual or potential competitors of banks. But some of it, I am sorry to say, came from within the banking industry.

Undoubtedly the flag around which the anti-competitive forces rallied last year was the fear of one-bank holding companies. Despite certain legitimate concerns over possible abuses by such companies, it is obvious that many of those who called for statutory controls were competitors of banks, interested mainly in blocking or at least limiting the expansion of banks into related financial fields.

The issues

Following widespread debate in the closing months of 1968, various bills were introduced early in 1969 to regulate one-bank holding companies. One of these, sponsored by Senator Proxmire, called for a major study of the functions and structure of the banking industry prior to final action on one-bank holding companies; meanwhile his bill would have provided a temporary freeze on further nonbanking acquisitions of such companies.

According to Senator Proxmire, a final solution to

[1] Remarks of William B. Camp, Comptroller of the Currency, before the National Bank Division of the American Bankers Association, Chicago, Illinois, September 30, 1968; reprinted in *Annual Report of the Comptroller of the Currency*, 1968, pp. 254 ff.

Mr. Mayer is chairman, Mellon National Bank and Trust Company, Pittsburgh.

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the problem of restrictions on nonbanking activities should not be reached until there is a solution to the restrictions on banking activities. He called for a study of such subjects as bank entry, branching, investment powers, payment of interest on deposits, reserve requirements, merger policies, and the possible consolidation of Federal banking agencies.

In Senator Proxmire's words: "I am convinced that if we are to have a dynamic and competitive banking industry responsive to our present economy and our needs in the 1970's and 1980's, we must remove some of the shackles on banking which prevent banks from competing in their own field if banking is to permit the entry of new people with new ideas."[2]

The inquiry proposed by Senator Proxmire would indeed get into nearly every important and controversial field of bank functions, structure, and supervision. If it were followed by bills to change significantly the provisions on any one such subject, let alone all of them together, the scope of the subsequent legislative battles boggles the mind.

But some such inquiry will surely be made, for President Nixon announced in his *Economic Report* in January that he would appoint a commission to study the U. S. financial structure and make recommendations for needed changes. The need for this study was summarized in the report of the Council of Economic Advisers which accompanied that of the President.[3] After listing the general purposes of Federal regulation of financial markets, the Council noted that the inflexibility of regulations designed for an earlier era can stifle innovations. Among the examples cited were restrictions on branch banking and on bank efforts to meet demands for new services, and the problems created by interest-rate ceilings on time deposits and mortgages. As stated by the Council: "The problem is to make certain that 'fairness' in setting rates does not put an umbrella over inefficiency, and that 'soundness' in financial institutions does not become a pretext for impeding competition and innovation."

Thus, the curtain is about to rise on the "Great Debate"—a debate on the appropriate powers, structure, and supervision of banks and other financial institutions. And I predict that banks' performance will be measured and tested against the ultimate yardstick: How well do they serve the economy and the national interest?

Both banks and the economy have paid a stiff price for statutes and regulations which limit freedom of entry into and expansion within the banking system, inhibit competition, and smother banks with restrictions on innovations. So bankers, I believe, would be well advised in the years ahead to support measures to return more banking decisions to the market place and remove them from government regulation. The informed judgments of knowledgeable and forward-looking bankers, if given sufficient scope to operate, will create not only a more profitable industry but one which will contribute in a vital way to future economic growth and development.

There was commendable progress in this direction in the 1960's, but I find it significant that even in 1970 great cause for concern is found by a scholar and former Federal official with the impressive credentials of Professor Henry C. Wallich of Yale. He claims that banking, with its 3 Federal and 50 state supervisory authorities, is the most over-regulated industry in the economy. He recently observed that public regulation of business has a long history of coddling regulated industries to death, and that if banks cannot break out of this pattern, they may suffer the fate imposed on the railroads by the Interstate Commerce Commission.[4]

While legislators no doubt bear ultimate responsibility for the matter, in many cases they have yielded to pleas for such legislation from some elements of the banking industry, as in the case of branch banking restrictions, and from other financial businesses, as in the case of restrictions on mutual funds and underwriting of municipal revenue bonds.

The tendency of competitors to attempt restrictions on competition is not limited to the banking industry, to the United States, or even to the present era. As part of his massive analysis of emerging capitalism in 18th century England, Adam Smith observed that: "People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices."[5]

If Adam Smith were able to revise his classic work today, he would probably conclude that the conspiracy against the public now takes the form of demands for legislation to restrict competition and thus raise prices; that these demands are cleverly disguised as being somehow in the public interest; and that legislators succumb to them more often than not. I call this Smith-Mayer Law—and it may even replace Parkinson!

[2] *Congressional Record—Senate*, February 18, 1969, pp. 1696 ff.

[3] *Annual Report of the Council of Economic Advisers*, January, 1970, pp. 101-4.

[4] Henry C. Wallich, "Banks Need More Freedom to Compete," *Fortune*, March, 1970, pp. 114 ff.

[5] Adam Smith, *The Wealth of Nations*, 1776. (New York: Modern Library Edition, Random House, 1937, p. 128.)

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With regard to broad economic problems created by the present restrictions on the functions and structure of banking, it is significant that the views I have just summarized disclose similar misgivings on the part of high administration officials, a key Democratic senator on the Banking Committee, and a respected professor of banking and finance. The central theme was that limitations which are no longer warranted now pose a threat to effective competition, to innovation, and to a financial system which can make a maximum contribution to economic progress.

Guidelines for the Presidential Commission

It would obviously be presumptuous to attempt definitive answers to the wide range of questions now scheduled for intensive study and review by a Presidential Commission. But it may not be too impertinent of me to urge on the Commission certain principles to guide their analysis of problems and their search for viable solutions.

In that spirit, I suggest two basic guidelines to the Presidential Commission as to the appropriate powers and structure of banks and other financial institutions. They are based on decades of proven experience in banking and in other areas of the economy, both here and abroad, as best calculated to maximize the contributions of the banking and financial system to a vigorous economy.

> **Guideline No. 1**—*for financial institutions as a whole, there should be a strong presumption in favor of freedom to compete, both in financial function and in geographic area, unless there is strong and convincing evidence that constraints are fully justified on basic economic grounds or other major considerations of public policy, including antitrust matters.*

My own hunch is that many present restrictions would fail to pass that test in 1970, whatever their justification and origin in earlier years. In fact, many such restrictions were first designed, or at least now have the effect, of protecting competitors, not fostering competition.

> **Guideline No. 2**—*for commercial banks in particular, there should be a strong presumption in favor of freedom to offer any service that is financial in nature or functionally related to banking or finance, unless there is strong and convincing evidence that constraints are fully justified on grounds of protecting the solvency and liquidity of the institutions.*

My own hunch is that an objective and penetrating study would disclose that many present restrictions on banks would fail to pass this test. Banks, of course, have a special role in the economy, in that their liabilities in the form of demand deposits constitute the bulk of the money supply and that their check-clearing operations are the principal vehicle of the country's payments mechanism. For that reason, the permissible degree of risk-assumption in bank lending, investing, and provision of services is perhaps more limited than for other financial institutions.

Operating within that constraint, however, I do not see any *a priori* justification for proscribing certain financial services from which the public and various governmental bodies would benefit, whether it be mutual funds, underwriting of revenue bonds, offering of time deposits without interest-rate ceilings, or other such services now prohibited.

I would like to emphasize that the above guidelines would clearly limit banks to the financial field and would respect what many observers believe should be a clear dividing line between banking on one hand and commerce and industry on the other. Even within the financial field, there may be sound reasons of public policy to limit the area of bank services. But if such constraints are imposed, they should be based on such considerations and not on the pleas of certain groups to be protected from competition.

Thus, the big job that lies ahead is to clarify the statutory powers of banks and to remove unwarranted restrictions which, especially as a result of court decisions, are beyond the power of supervisory agencies to deal with through more liberal interpretations of law. Recent decisions by the Supreme Court, involving suits against certain banks and the Comptroller of the Currency by data processing firms and travel agents, underscore the urgency of the task. These decisions, which gave legal standing to sue to nonbank firms alleging competitive damage from banks, will undoubtedly lead to much litigation on the question of whether certain activities of banks are properly incidental to the business of banking, even when they have been approved by the bank regulatory agencies.

There might be some concern that the permissive guidelines which I am recommending could lead to undue concentration of economic power in banks or to unfair competition with other businesses. The remedy, if one is necessary, lies in antitrust laws of general application.

As these laws are developed by interpretation, and possibly by amendment, they will be fully as operative against banks as against other types of enterprise. Thus,

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those who fear competition from banks should look to such antitrust laws and not try to lure Congress into enacting special legislation designed for the protection of competitors of banks, and not the protection of the public.

Functions of banks

If the underlying rationale is accepted, the guideline which I have proposed for the appropriate functions of commercial banks would lead to broad statutory powers to engage in financial services or services functionally related to banking and finance, subject to the overview of the banking agencies in safeguarding the solvency and liquidity of banks.

There may be some who will be disappointed in not being presented with a precise "laundry list" of appropriate functions of banks, as well as those not appropriate, which would be good for all time. I don't have such a list—nor does anyone else.

In my judgment it would be a fatal error to attempt to develop a permanent definitive list, especially by statute. The virtual certainty of rapid economic and technological change would quickly obsolesce any such list, no matter how carefully conceived. As a consequence, banks would continuously be hampered in their efforts to meet the growing and changing needs of the economy and their customers.

This point was made strongly by the American Bankers Association in a policy statement opposing H.R. 6778, the one-bank holding company bill which passed the House of Representatives last November.[6] This bill, purportedly aimed at extending Federal regulation to such holding companies, actually went much further—in that it attempted to redefine the business of banking. This was done by setting forth a list of activities prohibited or severely limited to bank holding companies, combined with a strong statement of legislative intent that such restrictions should be applicable to all banks, whether or not members of holding companies. As noted by the ABA in this connection:

> We are convinced that the rapidly changing economic environment in which banks operate makes it unrealistic and even dangerous to attempt to define such limits by statute. It requires only a few seconds thought to realize what would have happened had government attempted to define banking in terms of, say, 1860. . . . (or) even as late as 1960. . . . What is functionally or properly related to the business of banking can only be determined in the light of existing circumstances and in reasonable anticipation of future demands on the industry. . . . Responsibility for determining the scope of bank operations has been placed in the hands of those bank regulatory agencies charged with safeguarding the public interest. . . . To abandon this principle would be a serious mistake. . . .

This would be true even if a "laundry list" were developed after calm and dispassionate consideration—which was certainly *not* true of H.R. 6778. A relatively reasonable bill, which had been carefully considered by the House Banking Committee and passed by a substantial bipartisan majority, was suddenly rewritten on the floor of the House in a highly charged atmosphere and converted into an extremely restrictive measure.

This was no doubt a brilliant lobbying coup, engineered by a combination of interests intent on eliminating competition from banks. This combination, supported by certain members of Congress, included insurance agents, investment houses, promoters of mutual funds, data processing firms, equipment leasing companies, accounting firms, and travel agents.

This may have been good politics. But is it good public policy?

Banking system structure

The guideline which I have suggested on the structure of banking is that freedom to compete in any geographic area should be limited only by basic considerations of what is good for the economy and for bank customers. If ever adopted, this principle would surely lead to a basic overhaul of branching restrictions —which may be one of the most vexing problems faced by the Presidential Commission.

But in a rational system, the optimum structure of banking must surely depend on banking functions. There is little purpose served by enlarging the functions of banking, with a view toward promoting a vigorous and dynamic economy, if limitations on geographic areas of operation of banks preclude many parts of the country from receiving the full benefits of vigorous banking competition.

Aside from the abstract principle of states' rights, it is difficult to see any economic rationale in the present system in which some states permit statewide branching, others only limited branching, and still others none at all. Moreover, various studies of comparative performance of banks in those different categories of states tend to support the conclusion that customers are better served, in terms of the cost and availability of bank credit and other bank services, through an expansion in branching.

[6] "Statement of Policy on H.R. 6778," adopted by the Federal Legislative Committee of the American Bankers Association, February 5, 1970.

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As noted by K. A. Randall, whose term as chairman of the Federal Deposit Insurance Corporation only recently expired, the present structure of banking is highly inefficient, especially in the Midwest, where unit banking predominates.[7]

The Commission would be well advised to give close scrutiny to this problem. Among other things, it would be pertinent to raise the question of whether it makes any sense, from a public policy standpoint, for the Federal government to continue its historic practice of deferring to the states on branching matters for those institutions which are federally chartered.

If a change in this Federal practice should eventually be decided on by the Congress, it would be important to delay the effective date for a sufficient period to allow the states to enact similar changes in branching laws, with a view to maintaining a viable dual banking system.

Particularly as we advance further into the electronic age and the provision of more specialized and technical financial services, economies of scale and the requirements for more experts will make themselves felt increasingly in the banking business. This will tend to raise the minimum size of banks which can provide full-service facilities and will constitute a powerful force toward a need by the public for greater branching.

In any event, the Commission will no doubt wish to give careful scrutiny to any state where branching is less than statewide.

Banking in the 70's

As the 1970's unfold, I believe that the economy will be subject to intense pressure on resources, as alternative proposals for using manpower, material, and plant capacity make themselves felt. Consider some of the announced goals: antipoverty programs, restoration of inner cities, control of environmental pollution, housing needs, space programs, and defense needs in the age of super missiles. As a result, I anticipate a chronic shortage of capital and hence a vital need for an effective system of financial institutions to mobilize savings and loanable funds to finance these programs.

Moreover, the only way in which we can reach ambitious social goals to improve the quality of life, while still satisfying the rising trend of private consumption, is to have a healthy and vigorous economy. This in turn requires adequate credit for industry and commerce—including small- and medium-size businesses, which often have few if any alternatives for credit other than the commercial banking system.

In addition, banks will be called upon for a rising volume of financing for consumers—especially homes and durable goods—while still trying to fill their role as the principal source of credit to state and local governments. And to the extent that ambitious programs of the Federal government involve deficit financing from time to time, banks will no doubt be called on for funds.

In short, demands for bank credit in the 1970's promise to be intense, while there is every reason to believe that the most useful role of banks would be to continue to evolve along the lines of supermarkets for credit and financial services in the economy.

In this economic environment, what are likely to be the principal problems of the banking industry with regard to sources of funds? Let me summarize two leading candidates:

- *First, the future growth of demand deposits is uncertain.* This has to do with far more than the probable course of monetary policy, which may have to be aimed at restraining inflation in most of the coming decade, with a consequent slow growth of the money supply even under "normal" conditions.

Even more important are the implications of the probable evolution toward an electronic payments mechanism. If we should reach the stage of computer-to-computer money transfers, the velocity of circulation of demand deposits could take a quantum jump. From the standpoint of monetary policy, this might point toward a leveling off or even a decline in the money supply, with a view to avoiding inflationary pressures. At a minimum, it suggests that the money supply (mainly demand deposits) would grow more slowly than the economy.

As if this weren't enough, it is by no means certain that commercial banks will continue as the sole holders of demand deposits. Mutual savings banks have been trying hard to enter the field and the same is true of savings and loan associations.

The latter now have support of the major study authorized by Congress in 1966 and conducted at the request of the Federal Home Loan Bank Board by the Wharton School of the University of Pennsylvania. This study, conducted under the direction of Professor Irwin Friend and published last fall, recommended limited powers for savings and loan associations to accept demand deposits. These and other recommendations in the Friend Report will no doubt get serious attention by the forthcoming Presidential Commission on financial institutions.

Whether or not mutual thrift institutions should be given broader lending and investing power, as well as power to accept demand deposits, will no doubt

[7] As reported in *American Banker*, February 29, 1970, p. 1.

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be hotly debated in the period ahead. Given the credit needs of housing, it may be preferable, in the national interest, to continue the specialization of such institutions in the mortgage field, which has been the justification for their tax and regulatory advantages. Wider use of variable-rate mortgages, as recently recommended by a committee of the U.S. Savings and Loan League, might make this specialization in mortgage credit more feasible. But if the Congress should ever decide to grant broader powers to mutual thrift institutions, then it is crucial that they be required to operate under the same general limitations as commercial banks, with regard to tax and regulatory treatment.

• *Second, the future growth of time deposits is also uncertain.* The unpredictable course of demand deposits at commercial banks in the decade ahead underscores the vital necessity of having a dependable source of time deposit growth. But the threat of Regulation Q ceilings hangs over our heads like the sword of Damocles.

As evidenced by the disintermediation to which banks and other depository institutions were subject both in 1966 and in the past year, the time is long overdue for a major reevaluation of interest-rate regulations on deposits. This, in my opinion, should be at the top of the agenda of the Presidential Commission.

Above all, interest-rate ceilings on time deposits simply have not achieved the important national goals for which they have recently been used. As noted by the January *Report of the Council of Economic Advisers*:

> "These ceilings have not provided a satisfactory answer to the financial needs of housing, while they have prevented the free and efficient movement of funds through financial markets."[8]

Moreover, a searching review of the historical background and development of Regulation Q ceilings on time deposits, published in 1968 by Professors Charles F. Haywood and Charles M. Linke, found that the alleged need for such controls to prevent financial crises and to preserve sound banking simply didn't exist. They concluded that such ceilings should be eliminated. In the authors' words:

> When stripped of the folklore that has grown up around it, the relevant rationale of deposit interest regulation in 1933 was price fixing, which was somewhat in vogue at the time as an anti-depression measure. . . . Introduced as one of a number of changes aimed at shoring up a failing banking system in 1933, the regulation of interest rates on savings and time deposits was essentially an expedient action. Its apparent rational was fallacious, and its implications as a control device were not well understood. Thirty-five years later these implications can be seen somewhat more clearly, and they spell out the need for repeal.[9]

I earnestly recommend this study to the Presidential Commission. I am convinced that if commercial banks are not permitted to compete freely as an intermediary for both deposit and nondeposit funds, they will face a bleak future—as will the numerous sectors of the economy that depend on banks for financing.

[8] *Annual Report of the Council of Economic Advisers, op. cit.*, p. 104.

[9] Charles F. Haywood and Charles M. Linke, *The Regulation of Deposit Interest Rates;* A Study Prepared for the Association of Reserve City Bankers, Chicago, Illinois, 1968, pp. 2, 3, 10.

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LOUIS T. JONES, PH.D.
8642 CALIFORNIA AVE.
WHITTIER, CALIFORNIA 90605

GENERAL
FE 2)
IN

Whittier, California
August 18, '70.

WOODS, ROSE M.
Imag. Rec'd.

Dear friend Rose Mary Woods:

Just a word this morning: no reply needed. Of course we understand aboyt the WUHS flag.

Yesterday I dropped in for a brief chat with Mr. Davis, Mgr. of Wells-Fargo Bank, Los Angeles. I asked how the Nixon national fiscal policy was working out from a banking point of view. His response was this. "Dick's policy is sound. When baks, like ours, have more demand for money than we have money to lend, there can be no depression. It took guts for Dick to take his stand, but he was right."

One more. Dick's stand on the Indian problem, too, is right. My mail brings this conviction from all parts of North America. I want him to know this. I'm in touch with many Indian leaders of standing: So Say the Indians!

We think of you often, Rose Mary, and continuously hold you and our friends The Nixons up before the Great Spirit for spiritual insight and strength amidst your many duties.

Most cordially,

Louis T. Jones

Louis T. & Pearl Jones

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GENERAL

August 24, 1970

BE4/Securities

FI2

Dear Mr. Allen:

The President has asked me to respond to your letter of July 27 concerning the securities industry. Of course much of the recent difficulty in the securities industry can be traced to the broader economic situation.

A large part of the recent trouble is attributable to a general economic retrenchment which was necessary to wring the inflationary pressure out of an economy which had been overheated for six years. During the Johnson years, the Federal Government increased the national debt by approximately $50 billion. This excess demand could not help but inflate the economy, and, had it continued unchecked, could have wrought major damage. Recent data indicates that the period of retrenchment is almost over and that we are about to begin a new period of stable prosperity and economic growth.

The "investor insurance plans" do not, in my opinion, pose the threat to the industry which you portray. As you may know, the aim of the plan is a modest one. It does not insure the investor against improvident investments; it only insures against losses arising out of the failure of his brokerage house. Since almost all brokerage houses are reputable and financially sound, the cost of this insurance will be quite low and few, if any investors, will be deterred by the slight increase in cost. On the contrary, they should welcome the protection against a risk which should not affect investment decisions.

As to the proposed Mutual Fund legislation, the majority of the industry appears to favor the changes. The Investment Company Institute, which purports to speak for 92% of the industry, proposed much of the important language in the legislation and the National

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Association of Securities Dealers, not the SEC, will set the ~~sales charges. At present NASD performs (an identical function)~~ quite satisfactorily with respect to sales charges on securities transactions in the over-the-counter market.

Thank you very much for taking the time to express your views on these important matters.

With best regards,

Sincerely yours,

Peter M. Flanigan
Assistant to the
President

Mr. Vince Allen
Vice President
Financial Service Corporation
of America
3141 Northwest 63rd Street
Oklahoma City, Oklahoma 73116

PMF:jj

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GENERAL
FI 5-1
FI 2

August 28, 1970

Dear George: Goodling

This will supplement information previously given you by Bill Casselman in my office concerning the Administration's position relative to the private electric bank and 2% REA direct loan financing.

As you know, the National Rural Electric Co-operative Association (NRECA) membership has established a private bank (National Rural Utilities Cooperative Finance Corporation--"CFC") for the purpose of providing supplemental financing to the 2% REA direct loan program. The bank is tobbe capitalized entirely by its member borrowers. The bank was chartered this Spring in the District of Columbia. As of August 19, 1970, 760 REA electrification borrowers have purchased a $1,000 membership in the bank. The bankooffered capital certificates for purchase by the members on July 1, with a closing deadline for such purposes of October 1, 1970; about $5.4 million in capital certificates have been purchased by members through August 14, 1970.

The Administration has indicated full support of the CFC by virtue of: 1). recognitiion of the bank in the President's 1971 budget; 2). indication of full support in response to scores of letters to the President regarding the REA programs; and 3). overt action by the Administrator of REA to assist in the development of the CFC to the extent possible.

Bank officials anticipate bank lending totalling $40 million to borrowing members during FY 1971. REA plans to review loan applications forthe bank and will likely require that approximately 70% of REA electrification 2% direct loan applicants obtain at least a portion of their loan financing from the private bank or from other private credit sources at market rates. The remaining, rougly 30% of the 919 active REA electric borrowers will probably be eligible for 100% direct loan financing by REA at 2% interest. These borrowers would continue to receive all of their financing at 2% interest because of their less favorable financial status and resultant of lack of ability to pay substantially higher interest rates.

-more-

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GENERAL

WE10-4

FI2

September 4, 1970

Dear Senator Hart:

Thank you for your September 2 letter to the President, bringing to his attention the service offered by Mr. Robert W. Sherwood, President of the National Bank of Hastings, in handling free of charge the bank draft depository for Barry County Food Stamp Program. I will be pleased to bring your letter to the President's attention at the earliest opportunity.

With cordial regard,

Sincerely,

William E. Timmons
Assistant to the President

Honorable Philip A. Hart
United States Senate
Washington, D.C. 20510

bcc: w/incoming to Dept. of Agriculture (Wm. Galbraith) for your information and appropriate handling

WET:EF:VO:vo

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GENERAL

FI 2

SEPTEMBER 9, 1970

FOR PETER FLANIGAN

RE: ONE-BANK HOLDING COMPANIES

John Ehrlichman has asked that I forward the attached to you and request that you acknowledge in his behalf.

Many thanks.

Tod R. Hullin

Attachment

September 4 letter from
Robert W. Barker
Wilkinson, Cragun & Barker
1616 H Street, N. W.
Washington, D. C. 20006

re H.R.6778 - Bank Holding Company Legislation:
Administration Position on Senate Floor Action,
September 15-16, 1970

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cc: Ehrlichman (3)

SEP 14 1970

McClaughry Associates, Inc.
URBAN AFFAIRS - ECONOMIC DEVELOPMENT - GOVERNMENT RELATIONS

2100 M STREET, N.W.
WASHINGTON, D.C. 20037
PHONE (202) 293-3366

GENERAL
FI 2

September 12, 1970

TO: SAM WYLY
ALLEN STEELMAN

FROM: John McClaughry

RE: Minority Bank Deposit programs

I have long been in favor of an expanded effort to place deposit funds into minority-owned financial institutions, and in fact wrote the first piece of legislation enacted by Congress so to require. After hearing Sam Beard's presentation yesterday, however, I would offer these caveats:

1. If the purpose of the program is to stimulate minority economic development, then the depositary institutions must be held accountable for their use of their assets toward that end. Otherwise, there is no reason for a minority bank not to arbitrage its new deposits by buying Federal Treasury notes, instead of making higher risk loans in the community. The performance guidelines should be formulated and made known to the participating banks in advance of their receipt of deposits. Otherwise, every bank manager will wonder how far he can go with low risk investments without forfeiting his bank's eligibility to receive deposits under the program.

2. If only minority banks are included, the effect, ironically, might well be to retard minority economic development. This is because the banks most able to undertake a high risk minority loan are not usually the marginal minority banks, but the Chase and the C&S, for instance. If minority economic development is the primary goal -- as opposed to strengthening minority banks -- then funds should be deposited in any institution which is promoting minority economic development.

3. Making the National Bankers League (black) a co-monitor of the program involves it in a potential conflict of interest situation. There are only 29 minority banks, and their officers are in many cases the leaders of the NBL. They will in effect be in a position of regulating themselves. If Dr. Irons, NBL's executive director, agrees to divert deposits from a bank which is not meeting performance standards, the afflicted bank may have some recourse and leverage by threatening Dr. Irons job. This could be intolerable.

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4. There is nothing in this plan for depositor corporations or institutions. Most corporations have a very sophisticated plan for managing deposit cash, to take advantage of earnings opportunities. The President will be asking them to disrupt this system to serve a public purpose, at no benefit to them. While there is nothing inherently wrong in this, it is once again asking private profit-motivated business to forego earnings for a public purpose. It would be better if a profit incentive could be developed to accomplish the same purpose.

5. The project is open to criticism in the minority community if the bank happens to be very closely held, and very conservative in its lending policies. Then it can validly be charged that the Nixon program is only enriching a few "black capitalists" and ignoring the real needs of the black community, just as his OMBE program is focussing on making a few affluent entrepreneurs without speaking to the broader, more serious needs of the community.

6. Inexplicably, there is no attention paid to minority owned Savings and Loan associations, which are more numerous than black banks. In view of the housing capital squeeze, it could be argued that S&Ls should have a parallel program of their own, at the very least. The President may have difficulty explaining why this is not being done.

I wish to reemphasize that I am very much in agreement with the aims of this deposit program. I offer the foregoing thoughts merely to point out areas of possible criticism, so that modifications may be made to spare the President any embarrassment and criticism.

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Ehrlichman Copy
for reference

EXPANDED OWNERSHIP

A Project of the Sabre Foundation

August, 1970

Sabre Foundation, Inc.
Box 1014
Fond du Lac, Wis. 54935

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"In order to have human rights, people need property rights -- and never has this been more true than in the case of the Negro today. In order to enjoy the human rights that ought to be his, he has to acquire the property rights on which to build. What do I mean by property? Many things, but essentially, the economic power that comes from economic power. Rights are never secure unless protected, and the best protection for a person's rights are those he can erect himself."

Richard M. Nixon, "Bridges to Human Dignity", April 25, 1968

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EXPANDED OWNERSHIP

Throughout the history of the American Republic, statesmen and philosophers have placed great emphasis on the importance of a widespread distribution of property ownership. This emphasis is exhibited not only in their utterances, but in a succession of laws reaching from Virginia's abolition of primogeniture and entail, through the Preemption Act, the Homestead Act, the Massachusetts Savings Bank Act of 1877, the Federal Land Bank Act and its successors, the National Housing Act of 1934, the Small Business Act and the Special Impact programs of the Office of Economic Opportunity.

Expanding ownership is not an end in itself, but a means of achieving certain socially desirable ends. These include:

1. Individual Motivation - The opportunity to own property will inspire an individual to employ his best efforts and achieve his maximum potential; and the ownership of property will lead to feelings of self respect, personal dignity, independence, etc.

2. Respect for Law and Order - Ownership of property breeds respect for the law that protects the rights

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of property; those who own tend not to destroy.

3. Responsible Democracy - Those who own property, and are thus subject to governmental taxation and confiscation of property, are most likely to be active responsible citizens, resisting demogogic appeals for a political redistribution of wealth.

4. Economic Improvement - Expanding the ownership of property means that the benefits of property ownership, i.e., income, capital appreciation, collateral, etc., will be available to more people, including especially those of presently low incomes.

5. Economic Education - In acquiring property ownership an individual comes to understand the workings of the American free enterprise system, and how it can be used to improve his lot.

It is the possibility of bringing about significant progress toward the attainment of these ends that justifies adoption of an Expanded Ownership policy as a national goal and priority. The goal of an Expanded Ownership program would be to afford every American family of working age a realistic opportunity to become the owner of some form of property - a home, business, stock, real estate, etc.

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The purpose of this proposal is to set forth a plan for the sound development of an Expanded Ownership program as an instrument of national policy. Such a program would necessarily include the following objectives:

1. The formulation of a sound historical and philosophical base for the concept of expanded ownership, consistent with national principles.

2. The compilation of research data on the facts of ownership concentration and dispersion, historically and presently, including special attention to broader distributions of property ownership on the nation's economy, price levels, investment patterns, etc.

3. The development of empirical data for evidence of the value of expanded ownership to support long range program initiatives.

5. The analysis of Federal programs, laws, and regulations to identify those assisting expanded ownership, and assess their effectiveness.

6. The development of new Federal programs, laws or regulations to more fully implement the theme.

7. The development of methods for educating opinion leaders and the general public in the concepts

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and desirability of expanded ownership, to create a favorable climate of opinion for national action.

The work program to be undertaken to achieve these objectives contains these basic elements:

1. Strategy Development

Product: Basic strategy document, indicating all necessary inputs and outputs, with time frames and preliminary allocation of staff time.

a) Assessment of existing sources of information on subjects relevant to expanded ownership theme and amount and nature of information available from each.

b) Specification of additional information required.

c) Identification of possible sources of additional information.

d) Location of additional sources of support for information collection, analysis and synthesis, report and materials preparation, etc.

e) Preparation of appropriate directives for White House use to obtain full utilization of Federal Government resources.

f) Coordination of effort with other relevant bodies, i.e., National Advisory Council on Minority Enterprise, National Housing and Development Law Center, Center for Community Economic Development, Institute for the Study of Economic Systems, etc.

g) Establishment of effective liaison with appropriate officers of the Federal Government.

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2. Historical Base

Product:

a) An annotated collection of the views of American statesmen, philosophers, leaders, and organizations, relevant to the concept of property ownership through American history; as, for example, Daniel Webster's 1820 speech to the Massachusetts convention and Herbert Hoover's 1933 address to the National Conference on Homebuilding and Home Ownership.

b) A summary of noteworthy legislative and related actions of the past and recent present which contributed to expanded ownership; as, for example, the abolition of primogeniture, the Homestead Act, and the Home Owners Loan Corporation.

c) An annotated compilation of important reference works, addresses, platforms, etc., relevant to the theme of expanded ownership

3. Economic Research and Analysis

Product:

a) A report on the historical trends and present distribution of property ownership in the United States, with special attention to minority groups.

b) A report analyzing the effect various possible distributions of ownership might have on selected economic variables (GNP, price levels, investment patterns, financial institutions, etc.)

4. Behavioral Research

Product:

a) A report and analysis of empirical data on the value of expanded ownership on life style, achievement motivation, attitude toward property, attitude toward government, sense of personal worth, self-reliance, children's school dropout rate, job stability, etc., to provide empirical support for concept and to identify possible limitations.

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5. Attitude Research

Product:

a) Report setting forth attitude toward rhetoric and substance of expanded ownership concepts among various economic, racial and ideological groups, based on opinion survey, selected opinion leader interviews, and content analysis.

6. Program Analysis

Product:

a) A report analyzing and evaluating present Federal programs, laws, policies, and regulations with an impact on expanded ownership.

b) Report discussing and analyzing certain foreign programs with an expanded ownership effect, with relevance to possible American adaptations.

7. Program Development

Product:

a) A report recommending specific program modifications and innovations at Federal level, including draft legislation where appropriate.

8. Education

Product:

a) Concise statement of rationale for expanded ownership; illustrations; importance; feasibility; action needed.

b) Popular articles developing the theme in magazines like FORTUNE, Readers Digest, National Review, Ebony, Harpers, Harvard Business Review, etc.

c) Syndicated columns, features, editorials.

d) Academic papers, discussions, conferences, etc.

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Coordination

The completion of this work program is crucially dependent on maximizing the utility of certain other programs and information resources dealing with the same subject matter. Among the most prominent of these are:

A. The National Advisory Council on Minority Business Enterprise has let two parallel contracts for development of expanded participation devices for minority business ownership.

B. The Center for Community Economic Development in Cambridge, Massachusette (an OEO grantee) has done extensive work in the legal aspects of expanded ownership mechanisms for poor people.

D. The Institute for the Study of Economic Systems, in Washington, has published considerable material on the use of profit sharing trusts as a means for expanding capital ownership to employees.

E. The Profit Sharing Research Foundation of Evanston, Illinois has performed valuable analysis in the field of employee profit sharing.

F. The President's Commission on Financial Institutions, chaired by Reed O. Hunt of San Francisco, is preparing

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to examine the inter-relationships of thrift and financial institutions.

In addition, many Federal agencies, universities, trade associations, and other organizations have performed work or have work under way which is relevant to the work program described above. A major portion of Part 1 of the work program will be to devise methods for maximizing the use of this material, thereby achieving maximum efficiency in attaining the overall objective of this program.

White House Coordination

Assistant to the President John D. Ehrlichman, in his letter to Sabre Foundation President Thomas E. Petri of August 5, 1970, has stated that "The President has asked Leonard Garment, his Special Consultant, to serve as the Administration contact for this effort." The close working relationship that Sabre's project director John McClaughry has had with Mr. Garment for over two years ensures maximum coordination with White House operations and full support from the various research and information resources within the Federal government.

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Project Organization and Management

The Expanded Ownership project will be conducted for the Sabre Foundation by McClaughry Associates, Inc. of Washington, D.C. This consulting firm, specializing in housing and economic development, was founded by John McClaughry shortly following his service as Special Assistant to Mr. Nixon for Community Affairs during the 1968 Presidential campaign and transition period.

The project will be under the personal direction of Mr. McClaughry and will claim 3/4 of his time. Mr. McClaughry's interest and background in expanded ownership are extensive.

As Special Assistant for Housing and Urban Affairs to Senator Charles Percy of Illinois in 1967, Mr. McClaughry had the principal staff responsibility for researching, developing, drafting and promoting the Percy-Widnall home ownership legislation in the 90th Congress. He was also the principal draftsman of the Community Self Determination Act of 1968, a comprehensive plan for broadly based community corporations to expand the ownership of lower income families in depressed urban and rural areas. A complete rewrite of this legislation, named the Community Corporation Act of 1970, will shortly be introduced in the Congress.

Mr. McClaughry was instrumental in the development of the expanded ownership theme contained in Richard Nixon's "Bridges to Human Dignity" addresses of April and May, 1968, and is presently a consultant to the National Advisory Council on Minority Enterprise.

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Mr. McClaughry is a graduate of Miami University (Ohio) with an A.B. in physics and mathematics; and holds an M.S. degree from Columbia in nuclear engineering and an M.A. degree for the University of California (Berkeley) in political science. He represents the 26th District in the Vermont House of Representatives.

A major portion of the work on the project will be performed by Mr. Samuel A. Sherer. Mr. Sherer received his undergraduate degree from Oberlin College, where he was a member of Phi Beta Kappa and received high honors in government. He is a 1970 graduate of the Harvard Law School, where he headed the Legislative Research Bureau. Mr. Sherer will also receive a Master's of City Planning degree in August, 1970, from Massachusetts Institute of Technology. During his professional studies he has specialized in urban economics and legal studies, land use planning, taxation, housing and real estate development, and legislative analysis and drafting.

Miss Cynthia C. Kappus will assist the project as research and information specialist. Miss Kappus is a graduate

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of the University of Toronto in economics, and served for two years as Legislative Research Assistant to Senator Charles H. Percy of Illinois. Miss Kappus has been in charge of the research and informational services for McClaughry Associates since its inception in January, 1969.

It is anticipated that the project will also involve a number of additional young people who will undertake specific project assignments on a temporary basis under Mr. McClaughry's direction. Senior consultants with particular expertise will also be employed as required.

Time Schedule

It is proposed that the expanded ownership project be undertaken over the period September 1 , 1970 to March 1, 1971, with the possibility of extension beyond that time if later developments so warrant.

Cost

The Sabre Foundation and McClaughry Associates have agreed upon a budget of $82,200 for the work program previously outlined. This amount is broken down as follows:

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Personnel costs (McClaughry 3/4 time, Sherer full time, Kappus 1/2 time), including employee fringe benefits, overhead and fee	$ 61,500
Consultants (senior specialists and young people), including general and administrative expenses	10,200
Subcontracts (to minority research organizations and others)	6,000
Expenses (travel, telephone, books, postage, miscellaneous)	4,500
Total	82,200

In addition, the Sabre Foundation's general and administrative overhead, computed at 20%, will amount to $16,440. The overall cost of the project thus becomes $98,640.

Fifty thousand dollars of this amount has already been raised, with White House assistance, from a friend of the President. It is now required to match this initial contribution with a like amount, as specified by the initial donor.

The Sabre Foundation has been certified as an organization contributions to which are tax deductible under sections 170, 2055, 2106 and 2522 of the Internal Revenue Code. (November 28, 1969, District Director of Internal Revenue, District of Manhattan.) The Foundation itself is a nonprofit, nonpartisan educational organization incorporated under the New York Membership Corporation Law on September 4, 1969.

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APPENDIX A

RESUMES

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JOHN McCLAUGHRY

Mr. McClaughry was Special Assistant to Richard M. Nixon for Community Affairs during the 1968 Presidential campaign and transition period. He has had broad experience in program research and design, legislative analysis, public relations, housing and community development, urban development, Federal agency and Congressional liaison, journalism, and conference organization.

While a Congressional staff member, he had primary responsibility for developing and promoting two major pieces of domestic legislation -- the Prouty-Curtis Human Investment Act (tax credits for job training), and the Percy-Widnall home ownership legislation, which became the cornerstone of the Housing and Urban Development Act of 1968. During his tenure as a Fellow of the Institute of Politics at Harvard's John F. Kennedy School of Government, he supervised the development and drafting of the Community Self Determination Act on behalf of the Congress of Racial Equality (CORE). He provided major input to Mr. Nixon's campaign speeches on urban affairs, and was active in the post-election minority group recruiting effort for the President-elect.

Mr. McClaughry was Director of Research and Press Secretary in the 1964 Republican Senatorial campaign of Mrs. Elly Peterson in Michigan. In 1966 he was Director of Research for Charles H. Percy in his successful campaign for election to the U.S. Senate. He then served as Speical Assistant for Housing and Urban Affairs for Senator Percy.

Mr. McClaughry has been a frequent speaker and participant in conferences on inner city economic development and the role of business in urban and rural affairs. He is a contributor to Black Economic Development, published by the American Assembly, and was a discussion leader for the New England Assembly on Black Economic Development.

Mr. McClaughry is a Phi Beta Kappa graduate with honors from Miami University (Ohio) in mathematics and physics. He received an M.S. degree from Columbia University in nuclear engineering and an M.A. degree from the University of California at Berkeley in political science.

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SAMUEL SHERER

Samuel Sherer is a lawyer specializing in urban legal studies and advanced tax policies. He has authored articles in the Harvard Journal on Legislation on these subjects. He has also served as an associate of University Consultants, Inc., a firm consulting on the problems of the cities and of higher education.

Mr. Sherer, 26, a magna cum laude graduate of Oberlin College, holds a J.D. degree with distinction from the Harvard Law School. He expects to receive a masters degree from the Massachusetts Institute of Technology in urban studies and planning. In 1969 he received a HUD Urban Studies Fellowship, emphasizing low income housing, urban models, and urban economies.

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CYNTHIA C. KAPPUS

STAFF RESEARCH SPECIALIST

Miss Kappus, an economist, specializes in informational research and data collection, cataloging and retrieval. She supervises the information bank for McClaughry Associates and is responsible for basic data assembly for the firm's research projects.

Prior to joining the firm, Miss Kappus was a Legislative Research Assistant for a U.S. Senator for two years. Included in her responsibilities were legislative briefing for floor debate and votes, articulation of the Senator's views in response to constituent mail, collection and organization of reference materials, and liaison with State and local officials on pending legislative matters in the fields of education, Social Security, welfare, poverty and urban housing.

Prior to the above assignment, Miss Kappus served for two years with the Peace Corps as a Volunteer. She was assigned to the Economic Research Institute of the University of the Andes in Merida, Venezuela where she participated in a regional product accounts study and compiled a statistical abstract of Venezuela's Andean Region.

Miss Kappus graduated in economics from the University of Toronto. She is fluent in Spanish.

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APPENDIX B

POSSIBLE EXPANDED OWNERSHIP PROGRAMS

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POSSIBLE EXPANDED OWNERSHIP PROGRAMS

1. EQUITY MUTUAL FUND to reinvest in securities of business enterprises operated by minority groups or other poor people.

2. MUTUAL INVESTMENT ASSOCIATION, a new financial institution to permit middle income families to acquire securities ownership through a reinforced mutual savings bank device.

3. SECOND INCOME TRUSTS to permit employees (and others) to acquire the ownership of stock in large corporate enterprises.

4. COOPERATIVE LAND BANK to facilitate acquisition of land ownership by poor rural families, particularly in the south.

5. TURNKEY TAX INCENTIVES to encourage large corporations to spinoff income producing facilities to community corporations.

6. INNER CITY INVESTMENT INCENTIVES to encourage mutually beneficial real estate development in inner city areas.

7. COMMUNICATIONS OWNERSHIP MECHANISMS to enable low or middle income families to gain an equity interest in cable television and similar systems.

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9. CAPITAL DIFFUSION INSURANCE CORPORATION to insure the purchase of stock by low and middle income persons and encourage more broadly held public corporations.

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APPENDIX C

Letter from John D. Ehrlichman, Assistant to the President, to Thomas E. Petri, President, Sabre Foundation.

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THE WHITE HOUSE

WASHINGTON

August 5, 1970

Dear Mr. Petri:

As you know, the President has previously indicated his personal interest in and support of the Open Presidency Task Forces, sponsored by the Sabre Foundation.

We understand that the Foundation now plans to include in addition to its initial topics the subject of expanded ownership -- opening new opportunities for all Americans to acquire the ownership of some form of property. The President has long had an active interest in this concept, recently expressed in his 1970 State of the Union Message where he called for "new opportunities for expanded ownership."

I am very glad to see that the Sabre Foundation's Open Presidency program now plans to undertake work in this important area. You can be assured that the members of this Administration will cooperate with the work of the task force in this area and will give careful consideration to its final report. The President has asked Leonard Garment, his Special Consultant, to serve as the Administration contact for this effort, and looks forward to seeing the results of the Foundation's initiative.

Sincerely,

John D. Ehrlichman

John D. Ehrlichman
Assistant to the President
for Domestic Affairs

Thomas E. Petri, President
Sabre Foundation, Inc.
Box 1014
Fond du Lac, Wisconsin 54935

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FACT SHEET

THE SABRE FOUNDATION, INC.

The Sabre Foundation was created as a non-profit corporation under the Membership Corporation Law of New York on September 4, 1969. Its broad purposes are to provide financial assistance for charitable, religious, scientific, literary or educational purposes. In particular, the Foundation seeks to involve young people in assessing the performance of government programs and in developing recommendations for public policy.A major part of this effort will be the creation of "Open Presidency" task forces in the areas of population policy, the volunteer army, voluntary service at home and abroad, and drug education.. The Foundation is also undertaking a project on Expanded Ownership -- creating opportunities for all Americans to acquire the ownership of property.

In a letter to J. Lee Auspitz, a former White House staff assistant instrumental in the establishment of the Sabre Foundation, President Nixon wrote his "warmest endorsement and best wishes to the young people who will participate in this project. I look forward to hearing of the results of the task forces report over the next year." In a similar vein, Presidential Assistant John D. Ehrlichman wrote Sabre President Thomas E. Petri on August 5, 1970, that "I am very glad to see that the Sabre Foundation's Open Presidency program now plans to undertake work in this important area (of Expanded Ownership). You can be assured that the members of this Administration will cooperate with the work of the task force..."

The Sabre Foundation has been held by the District Director of Internal Revenue, District of Manhattan, to be a tax exempt organization to which contributions are deductible under the INternal Revenue Code. (Letter, November 28, 1969).

The President of the Sabre Foundation is former White House staff assistant Thomas E. Petri, presently with the Colwin Law Offices in Fond du Lac, Wisconsin. Peter J. Wallison of Royal, Koegel and Wells, New York, is a Director and Counsel. Mark Petri is also a Director. The Foundation is presently in the process of adding additional directors.

The Sabre Foundation, Inc.
Box 1014
Fond du Lac, Wisconsin 54935
Thomas E. Petri, President
Phone: 414 921 5770

August, 1970

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GENERAL

SP2-3-52
FI2

September 17, 1970

Dear Congressman Patman:

Bill Timmons has sent to me your long and most interesting letter concerning the President's message "A Call for Cooperation." I write simply to point out -- what easily could be missed -- that the President indeed did refer to the legislation concerning one-bank holding companies. This was on page 34 of the printed version and wasn't so lengthy a treatment as the subject deserved, but it assuredly was not overlooked.

Sincerely,

Daniel P. Moynihan
Counsellor to the President

Honorable Wright Patman
U. S. House of Representatives
Washington, D. C. 20515

Enclosure - Cy of pamphlet "A Call for Cooperation", Sep 70

DPM/crm

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GENERAL
FI2
FI8
FG124
HUNT, RUSSELL F.

NRN

House of Representatives, U.S.

MEMORANDUM SEP 18 1970

Mr. Bryce Harlow:

The attached refers to a subject in which you are interested, and is, therefore, referred for your information.

Yours very truly

Happy Camp

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SEP 22 1970
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THE FIRST NATIONAL BANK AND TRUST COMPANY OF TULSA
BOX 1 • TULSA • OKLAHOMA • 74102

RUSSELL F. HUNT
VICE CHAIRMAN OF THE BOARD

AUG 21 1970

August 18, 1970

Congressman Happy Camp
New House Office Building
Washington, D. C. 20515

Dear Happy:

It was good to see you at the PGA Golf Tournament.

I want to call your attention to a recent announcement by the Home Loan Bank Board that on September 14, 1970, federally chartered savings and loans may offer interest bearing checking accounts. The travesty of the permissive position allowed to savings and loans by the State of Oklahoma and Washington over the highly restricted activities of commercial banks is well known.

Today the savings and loans have branches at the discretion of the Home Loan Bank Board without restrictions by the State, while we of the banking business are restricted to a non-branch banking by State law. I am sure you know that for many years the savings and loans have been strong independent organizations with very little Federal or State control and particularly no position as a tax payer, while we in the commercial banks have had the unfair situation of restrictive controls and heavy taxation. This entry of savings and loans into the checking account field without the burden of our tax and control structure, and our absolute restrictions against paying interest on demand deposit accounts, will surely threaten the entire deposit structure of commercial banks.

For some time, savings and loans have been making a tremendous effort, particularly in Washington, to enter the commercial and retail loan fields through open end mortgage loans and the small loan business, and now this latest attempt to take very unfair advantage of the banking field in general. The original premise of the Home Loan Bank was to preserve and save and make possible the ownership of property (homes). More and more, as they have gathered strength through their subsidized position, they have attempted to invade the commercial banking area and are rapidly attempting to depart from the premise of specialized savings and loan institutions.

Enclosed is a newspaper article, published on Friday, August 14, in Tulsa. Please note the last paragraph, which is the crux of the matter and would be disastrous for commercial banks in the United States.

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I hope you will please bring this matter to the attention of the persons of influence in Washington, particularly the President, who may be of influence in preserving fine, sound, impartial government in this country.

Sincerely,

Russ

Vice Chairman

RFH:et
Enclosure

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(3)

THE WHITE HOUSE OFFICE

REFERRAL

GENERAL
FE 8
FE 2

To: The Secretary of the Treasury Date: September 19, 1970

ACTION REQUESTED

_____ Draft reply for:
_____ President's signature.
_____ Undersigned's signature.

_____ Memorandum for use as enclosure to reply.

_____ Direct reply.
_____ Furnish information copy.

__X__ Suitable acknowledgment or other appropriate handling.
_____ Furnish copy of reply, if any.

_____ For your information.

_____ For comment.

NOTE

Prompt action is essential.

If more than 48 hours' delay is encountered, please telephone the undersigned immediately, Code 1450.

Basic correspondence should be returned when draft reply, memorandum, or comment is requested.

REMARKS:

Description:

_____ Letter: __X__ Telegram; Other:

To: The President
From: Mr. I. A. Long, President, Southwest Bank of St. Louis, St. Louis, Mo.
Date: 9/9/70
Subject: Announces Southwest Bank of St. Louis has reduced its prime rate from 8% to 7-1/2% -- second reduction in prime rate this year.

By direction of the President:

RECEIVED
SEP 21 1970
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rba - 2

Noble M. Melencamp
Staff Assistant
to the President

(White House File Copy)

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GENERAL

FI 3
FI 2
FG 13

September 21, 1970

Dear Ross:

Thank you for your letter of September 8 regarding the issuance of Treasury notes. I appreciate your letting me know your reaction on this matter and can understand your concern.

I will certainly look into it and pass on your recommendation of a $10,000 minimum for Treasury notes as well as Treasury bills.

Warmest regards.

Sincerely,

Robert H. Finch
Counsellor to the President

Mr. Ross H. Blakely
Coast and Southern Federal
Savings and Loan Association
855 South Hill Street
Los Angeles, California 90014

x California file

BB:bkl

RECEIVED
SEP 23 1970
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GENERAL
FI 8
FI 2
FG 124

(3)

FEDERAL HOME LOAN BANK BOARD

Memo

From Office of the Chairman

To Mr. Noble Melencamp *Date* September 21, 1970

Subject telegram from L. Anton W. Martinek
re: conflict of interest regulations

Our reply to you was mailed Friday.

The attached should have been included.

Joyce Ridgway, Secretary
Office of the Chairman

Attachments

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GENERAL (5)
FI9
FI2
FG12

September 28, 1970

Dear Mr. Martin:

The President has asked me to reply to your letter of August 21 in which you state your position on the Treasury's offering of notes in denominations of $1,000. I understand that you sent a similar letter to Secretary Kennedy, and that Mr. Geng replied on behalf of the Secretary on September 1.

I certainly understand your concern over the loss of savings funds as a result of this form of government financing, but regret that I am unable to add to Mr. Geng's reply by way of explanation for the Treasury's decision to maintain the $1,000 denomination on Treasury Notes.

Thank you very much for taking the time to give us the benefit of your organization's views on this important subject.

Sincerely,

Peter M. Flanigan
Assistant to the
President

Mr. C. Virgil Martin
Chairman of the Board
First Federal Savings & Loan Association
of Chicago
One South Dearborn Street
Chicago, Illinois 60603

PMF:hc

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GENERAL (1)
IT64-13
HU2
FI2

October 6, 1970

Dear Mr. Henry:

The President has asked me to thank you for your letter of late July concerning the UN International Year, and to apologize for the delay in responding. There was an avalanche of mail into the White House at that time and we are behind in answering it.

The Secretary-General of the UN also asked the United States Government what our plans were for the observance of this special Year. At this time, the best official response I can make to your letter is to send you a copy of the United States' response to the Secretary-General, and it is attached. I also enclose a copy of Rita Hauser's statement on this subject before the U.N. Commission on Human Rights.

I would add to these official papers, the assurance that the President is personally supporting efforts to achieve the objectives of the UN Resolution. His visit to New Orleans a few months ago to give personal support to the peaceful accomplishment of school desegregation is the best of the current examples I could cite of Mr. Nixon's own commitment to the spirit of the UN Resolution. Just last week, with White House endorsement, the Departments of Commerce and Treasury announced a government/private business undertaking to put deposit funds into black banks so as to cause a 33 1/3% increase in the money in these banks.

There are dozens of other examples like this, perhaps not well publicized, to show that the President and this Administration believe in deed, not just words, when it comes to moving toward the elimination of racism in America.

Sincerely,

Leonard Garment

Mr. Hayward Henry, Jr.
Black Unitarian Universalist Caucus
110 Arlington Street
Boston, Massachusetts 02116

LG:BHP:jr

Enclosures

RECEIVED
OCT 7 1970
CENTRAL FILES

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GENERAL
FI8
FI2

October 9, 1970

Dear Mr. Chairman:

This will acknowledge and thank you for your October 8 letter to the President commenting on reported earnings by various financial institutions. You may be assured your letter will be brought to the President's early attention.

With cordial regard,

Sincerely,

William E. Timmons
Assistant to the President

Honorable Wright Patman
Chairman
Committee on Banking and Currency
House of Representatives
Washington, D.C. 20515

BCC: w/incoming to Dr. McCracken for DRAFT REPLY
(President's signature if appropriate)

WET:EF:VO:vo

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EXECUTIVE

FI2

THE WHITE HOUSE OFFICE

REFERRAL

To: ED GANNON
Department of the Treasury

Date: October 12, 1970

ACTION REQUESTED

_____ Draft reply for:
_____ President's signature.
_____ Undersigned's signature.

_____ Memorandum for use as enclosure to reply.

__X__ Direct reply.
_____ Furnish information copy.

_____ Suitable acknowledgment or other appropriate handling.
_____ Furnish copy of reply, if any.

_____ For your information.

_____ For comment.

NOTE

Prompt action is essential.

If more than 48 hours' delay is encountered, please telephone the undersigned immediately, Code 1450.

Basic correspondence should be returned when draft reply, memorandum, or comment is requested.

REMARKS:

Description:

__X__ Letter: _____ Telegram: Other:

To: JOHN EHRLICHMAN
From: ROBERT W. BARKER
Date: Sept. 4, 1970
Subject: One Bank Holding Company Legislation

By direction of the President:

Jonathan C. Rose for
Peter M. Flanigan
Assistant to the President

RECEIVED
OCT 21 1970
CENTRAL FILES

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(White House File Copy)

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

SEPTEMBER 9, 1970

FOR PETER FLANIGAN

RE: ONE-BANK HOLDING COMPANIES

John Ehrlichman has asked that I forward the attached to you and request that you acknowledge in his behalf.

Many thanks.

Tod R. Hullin

Attachment

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WILKINSON, CRAGUN & BARKER

LAW OFFICES

ERNEST L. WILKINSON
JOHN W. CRAGUN (1906-1969)
GLEN A. WILKINSON
ROBERT W. BARKER
CHARLES A. HOBBS
ANGELO A. IADAROLA
PAUL S. QUINN
THEODORE BARON
LEON T. KNAUER
RICHARD A. BAENEN
JERRY C. STRAUS
HERBERT E. MARKS
PIERRE J. LaFORCE

FRANCES L. HORN
GORDON C. COFFMAN
HUGH J. YARRINGTON
CHARLES H. GIBBS, JR.
R. ANTHONY ROGERS

1616 H STREET, N.W.
WASHINGTON, D. C. 20006

NATIONAL 8-4400

CABLE ADDRESS
"WILCBAR"

ROSEL H. HYDE
DONALD C. GORMLEY
Counsel

September 4, 1970

MEMORANDUM

TO: JOHN EHRLICHMAN, Assistant to the President on Domestic Affairs

FROM: ROBERT W. BARKER

Re: H. R. 6778--Bank Holding Company Legislation: Administration Position on Senate Floor Action, September 15-16, 1970

This memorandum will supplement my memorandum to you of January 24, 1970, a copy of which is attached. It deals with a matter of great importance to a large number of small businessmen of the kind who have traditionally supported the Administration.

H. R. 6778, a bill to amend the Bank Holding Company Act of 1956, has been reported by the Senate Banking and Currency Committee. It is on the Senate Calendar and is scheduled to be considered by the Senate on September 15. Attached is a copy of the Bill as reported and Senate Report 91-1084.

As reported by the Committee, the Bill contains several important provisions that are in direct conflict with the legislative objectives of the Administration as set forth in S. 1664.

Specifically, H. R. 6778, as reported, would:

(a) Move the grandfather date from June 30, 1968, to March 24, 1969 (H. R. 6778, Section 103(1); S. 1664, Section 2(4)(d)).

(b) Add a provision exempting from the Act conglomerate bank holding companies (H. R. 6778, Section 103(7)).

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It is anticipated that an attempt will be made when the Senate takes up the Bill to water down or kill the provision against banks using tying arrangements (H. R. 6778, Section 104) which was sponsored by Senator Brooke. There was an anti-tying arrangement provision in the Administration Bill (S. 1664, Section 3), somewhat more limited in scope than Senator Brooke's amendment, which has the support of the Antitrust Division of the Department of Justice.

The Administration is on record:

(1) Favoring a June 30, 1968, grandfather date [See S. 1664 and Statement of Undersecretary Walker, Senate Hearings, p. 10];

(2) Opposing the exemption of conglomerates [See Statement of Undersecretary Walker, Senate Hearings, p. 7];

(3) Favoring anti-tying provisions [See letter, Assistant Attorney General McLaren, Sen. Rept. 91-1084, pp. 47-48].

It is understood that certain interests are trying to get the Treasury Department to agree to the later (March, 1970) grandfather date, to accept the conglomerate exemption and support the emasculation of the Brooke anti-tying provision. This despite the fact that the Bill as reported is already regarded by small businessmen affected as clearly catering to big banking interests.

As counsel for the travel agency and data processing industries, which in this fight are representative of hundreds of thousands of independent businesses similarly situated, we hope that the President would restate his forceful support for strong legislation to prevent cartelization of the economy and to reduce unfair competition from banks. This would require endorsement of the Brooke anti-tying provision and support for amendments to push the grandfather clause back to a date no later than June 30, 1968, and eliminating the conglomerate exemption.

The Administration is on record on these important issues. Friends of the Administration would be greatly

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concerned with any failure by the Administration to maintain its previous strong stand in favor of strict regulation of bank holding companies. Any change from this position could be misunderstood. [See Article, The Washington Post, August 9, 1970, pp. E1-E2; also see Editorial, Business Week, July 18, 1970, p. 102].

- 0 -

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August 9, 1970
pp. E1-E2

JULY 23, 1970

Calendar No.

91st CONGRESS
2d SESSION

H. R. 6778

[Report No. 91-]

IN THE SENATE OF THE UNITED STATES

NOVEMBER 6, 1969

Read twice and referred to the Committee on Banking and Currency

JULY , 1970

Reported by Mr. ----------, with an amendment

[Strike out all after the enacting clause and insert the part printed in italic]

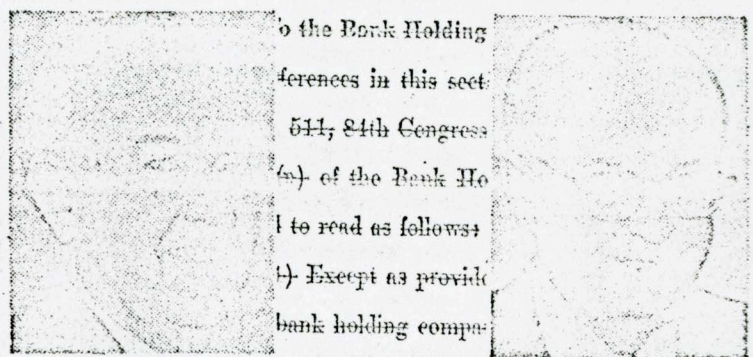
AN ACT

To amend the Bank Holding Company Act of 1956, and for other purposes.

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

~~o the Bank Holding~~
~~ferences in this sect~~
~~511, 84th Congress~~
~~a)~~ ~~of the Bank Ho~~
~~l to read as follows:~~
~~) Except as provid~~
~~bank holding compa~~

J. 47-891——1



Banking chairmen Senator John Sparkman, left, and Representative Wright Patman—amid a working version of the legislation now in Senate committee.

One-Bank Bill Fails To Hit 80% of Target

By Jan Nugent Pearce
Washington Post Staff Writer

Banking legislation—like banking—is something the public leaves gratefully to the experts, secure in the knowledge that something mysterious, complicated and consummately boring is underway. It may be necessary, but

News Analysis

almost certainly nothing to be concerned about.

No hordes of "consumer advocates" storm the hearing rooms where banking bills are written. TV cameras seldom intrude. Occasionally, a gaggle of unwary tourists may light fleetingly—

Usually, an enraptured throng lobbyists—many of them former ployees of the legislators—keeps nearly solitary vigil over the circuito legislative process.

In this atmosphere of good fello ship, the Senate Banking committ convened last month to draft legis tion to bring one-bank holding co panies under federal regulation. T panel brought forth a measure wh covers about 19 per cent of them.

The remaining 81 per cent, wh would remain unregulated, repres a dazzling catholicity of interes Among them are banks controlled

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THE WASHINGTON POST

August 9, 1970

One-Bank Bill Misses Its Mark

ONE-BANK, From E1

some of the nation's biggest conglomerate firms (26), labor unions (5) and "small business"—the latter category exempting another 873 institutions whose deposits range downward from about $30 million.

The figures are admittedly approximate. The Federal Reserve Board counts 1,116 one-bank holding companies, but admits there may be more.

Committee staffers frankly concede there are other specific exemptions in the measure, making exact computations impossible.

Traditionally, U.S. law has fostered separation of banking and commerce, fearing any combination of the two could create overwhelming concentrations of economic power. Thus, banks have been stringently limited in the kinds of business they may carry on.

But one-bank holding companies, whose operations are not regulated, were free to roam far afield from traditional banking business. The Federal Reserve Board tried unsuccessfully for years to get Congress to plug the loophole.

When the nation's biggest banks began a band-wagon rush to convert to the one-bank format, even Congress got interested. By the end of last year one-bank holding companies held about 43 per cent of the country's total bank deposits and operated virtual financial department stores. They were engaged in dozens of businesses, including data processing, travel agencies, insurance and equipment leasing. A few even operated manufacturing and retailing subsidiaries.

The prospect of legislation from this Congress touched off a classic lobbying confrontation between the banks and the industries who feared their competition. Financial editors may have been fascinated by the issue but the public, predictably was not.

Last November the House passed a bill specifically forbidding one-bank holding companies to enter certain businesses. A coalition of data processors and insurance and travel agents mounted a strong offensive which carried the day.

But the banks made a successful comeback in the Senate committee, which ignored the entire issue for a lengthy interval. An even stronger showing was made by conglomerate companies which had acquired one bank and wanted to retain it. The opposition forces were in disarray, and most of the items on the shopping lists of the conglomerates and the banks showed up in the committee's bill.

Sen. Harrison Williams (D-N.J.), up for re-election this year, sponsored a 'grab-bag' amendment that exempted at least 899 companies—including some controlled by the nation's biggest conglomerates.

No record vote was taken on the measure—only three record votes were taken during the whole proceedings, in fact. The Fed and the Justice Department both opposed it. The attitude of the Treasury Department was more ambivalent—as indeed it had been throughout the whole measure's legislative history.

Treasury had drafted a measure of its own, but both committees virtually ignored it. Persistent rumors circulated—always denied by Treasury officials—that the Department would settle for a lot less than it admitted publicly.

Last Wednesday, for example, Treasury and Justice Department officials huddled with White House staffers about provisions in the Senate bill which would prohibit banks from tying conditioning loans to borrowers to other services.

The Justice Department allegedly wants to keep the provision, while the Treasury Department would like it limited to one-bank holding companies.

In addition, the Senate bill would allow any other company that acquires a bank before the measure is enacted to avail itself of the exemption from divestiture.

But the Senate Committee would require existing one-bank holding companies to spin off operations deemed not to be functionally related that were acquired after March 24, 1969. The House cut-off date is May 9, 1956, while the administration favored June 20, 1968.

The bill will probably not reach the Senate floor before September. If it passes, the issue will move to a Senate-House conference headed by two men with distinctly different attitudes toward bank regulation.

House Banking committee chairman Wright Patman (D-Tex.) is a longtime foe of big banking, while Senate committee chief John Sparkman (D-Ala.) has traditionally taken a more lenient view.

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Too much talent to waste on window dressing

If President Nixon's new National Commission on Productivity turns out to be a farce, as the cynics predict, it will not be for lack of a distinguished membership. With five Cabinet-level government officials, six top executives, six big labor leaders, and six distinguished public members, the commission's array of prestige, power, and talent is almost dazzling.

It remains to be seen whether this impressive group will be an effective instrument in the anti-inflation program or just a highly exclusive luncheon club. Much will depend on the first of its rotating chairmen (yet to be designated) and the ground rules that he establishes for the commission's activities.

But if the commission takes its responsibilities seriously, it will find that there is a vitally important job for it to do. In fact, there are two jobs, one short-term and one long-term.

In the immediate future, the commission should use all of its prestige and power to help bring the price-wage leapfrog game to an end. It should avoid committing itself to specific figures or guidelines, but it should not hesitate to spotlight industries or economic sectors where unstabilizing wage and price increases are threatening. It should respond to the "inflation alerts" forwarded to it by the Council of Economic Advisers with firm recommendations for action by government, industry, and labor. Behind the scenes, it should use its influence with both business and labor to head off unnecessary price increases and outsize wage settlements.

In other words, the commission must give the nation some guidance both publicly and privately in the fight to stop inflation. And by pointing the way, it can help the economy get around the turn from inflation to stable growth.

For the longer term, the commission—as its name implies—should concentrate on the great problem of productivity. For it is only by improving productivity that the U. S. can get back on the track of steady growth with rising wages and relatively stable prices. This, incidentally, is also the only way that U. S. industry can stay competitive in world markets. The balance of trade and the strength of the dollar are all part of the problem of increasing efficiency.

Productivity is a knotty problem, as any student of economics will testify. To grapple with it, the commission will need an adequate staff and money to pay for extensive research. While some work can be farmed out to other agencies, such as the CEA, the commission should not depend on others to run its intellectual errands. It should insist on prompt recruitment of a first-class staff of its own. The subject is too important to be dealt with in terms of part-time research and hand-me-down thinking.

All this adds up to a formidable assignment for the commission. Some of the 23 members, all busy with their own work, may be tempted to duck it and let the commission perform nothing more than a ceremonial function. This is what many of Washington's seasoned bureaucrats expect them to do.

But there is reason to hope that the commission will surprise the bureaucrats. The importance of the commission's work is obvious, and it would be a bitter joke on the nation if it turned out that 23 of its most distinguished leaders were assembling in Washington just to play charades.

Keeping the bankers in banking

Regulation of one-bank holding companies has been one of the hardest-fought issues in a session of Congress that has produced some spectacular fights. Late last year, bank-hating Representative Wright Patman, chairman of the House Banking & Currency Committee, caught the industry's lobbyists asleep and rammed through a bill that was tough to the point of viciousness. Last week, when the Senate Banking Committee produced its rewritten version of the bill, the lobbyists obviously were wide awake. The Banking Committee's idea of regulation is so lenient that it comes close to being no regulation at all.

The principal virtue of the Senate bill is that it would not try to rewrite history by making banks divest themselves of all the nonbank businesses they have acquired in recent years. The effective date would be Mar. 24, 1969, the day the Nixon Administration first sent one-bank holding company legislation to Congress. The House bill, by contrast, would roll the date back to 1956.

The Senate bill, however, leaves far too much latitude in the kinds of businesses one-bank holding companies could enter. It would let them go into anything "functionally related" to banking, with the governors of the Federal Reserve Board deciding just what that meant.

The Senate bill, moreover, would allow many of the manufacturers, retailers, and conglomerate corporations that own a bank to ignore all rules and keep making acquisitions as before. This provision, sponsored by Senator Harrison Williams (D-N. J.) has already come under attack from Richard W. McLaren, chief of the Justice Dept.'s Antitrust Div.

The job for the Senate, when the bill comes to the floor, clearly will be to nail up the loopholes and produce a bill designed to keep banks in the business of banking. The argument that bankers, the custodians of other people's money, should be bankers and not travel agents or insurance salesmen gains force with each day that passes. In a time of falling business and tight credit, a bank should have its assets concentrating on the banking business, not spread all over the map. If the legislation does not establish that point

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JERRY C. STRAUS
HERBERT E. MARKS

DONALD C. GORMLEY, *Counsel*

FRANCES L. HORN
PIERRE J. LAFORCE
GORDON C. COFFMAN
RICHARD A. ZIMMERMAN
HUGH J. YARRINGTON
KENNETH F. TWOROGER
DOUGLAS W. MORRISON

1616 H STREET, N. W.
WASHINGTON, D. C. 20006

NATIONAL 8-4400

CABLE ADDRESS
"WILCBAR"

January 24, 1970

MEMORANDUM

TO: John Ehrlichman, Assistant to the President on Domestic Affairs

FROM: Robert W. Barker

Re: Bank Holding Company Legislation - President's Economic Report

On March 24, 1969, the President, in a message to the Congress, called for legislation to regulate one bank holding companies. His message said in part:

> "Left unchecked, the trend toward combining of banking and business could lead to the formation of a relatively small number of power centers dominating the American economy. This must not be permitted to happen; it would be bad for banking, bad for business, and bad for borrowers and customers."

The House Committee on Banking and Currency, after extensive hearings on various proposals to amend the Bank Holding Company Act of 1956, passed on November 5, 1969, a bill, H.R. 6778, which, among other things, eliminated the loophole enjoyed by one-bank holding companies under the 1956 legislation. (One-bank holding companies are not now subject to the same restrictions and regulations as two-bank holding

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establish certain criteria which determined the activities in which bank holding companies could engage. This afforded a degree of protection for hundreds of thousands of small businesses, (H.Rept. 91-387, p. 24), which found themselves in dramatically uneven competition with bank holding companies. The bill was passed with strong bipartisan and overwhelming support.

A leader in the effort to give H.R. 6778 more safeguards for small businesses was Congressman Ben Blackburn of Georgia. The specific industries immediately affected are travel agency, insurance, data processing and equipment leasing, together with the accountancy profession. The vote on final passage of the bill in the House was 351 to 24.

H.R. 6778 has been referred to the Senate Committee on Banking and Currency. It was to have been tentatively scheduled for hearings by the Committee, along with several other proposals to amend the Bank Holding Company Act of 1956, during the latter part of February or the first of March.

There is some clear indication that very recently an effort is being made by those within the banking community who favor no restriction on the activities of the bank holding companies to kill any legislation by having all hearings deferred furing this session of Congress, and in lieu thereof,

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establishing a Presidential commission to study the overall problems of the supervision by and the interrelationship of Federal agencies dealing with financial institutions. (See Wall Street Journal, Friday, January 22, 1970, p. 4).

While it is undoubtedly in the public interest to have a Presidential commission or some other appropriate body review and evaluate the supervision by the federal government of the financial institutions, this should not be done at the expense of killing this much-needed legislation -- which the President himself advocated last March, was overwhelmingly adopted by the House of Representatives and has the support of a large section of the business community throughout the United States.

While certain industries and professions are most immediately concerned with the rapid encroachment of banking interests into their industries, the principle of cartelization and concentration of economic power affect all independent business and our economy in general. The rapid and massive development of one bank holding companies is fully documented and the need for some form of regulation is conceded by almost everyone, including the Treasury Department. Thus, there is a need for action now -- because one bank holding companies are completely unregulated. The need for the commission study and the need for the proposed legislation are two separate things. One should not be conditioned on the other.

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Therefore, it is our hope, as a spokesman for the travel agency industry and the data processing industry (several thousand small businesses), that the President will not endorse this course of action nor advocate such in his economic message. Rather, we strongly urge that he restate his forceful endorsement of the current need for this type of legislation and, perhaps at the same time, advocate the establishment of a Presidential commission and other appropriate body, to review separate and apart from this legislation, the overall question of federal supervision of financial institutions.

We would also strongly urge that any such commission include one or more representatives of small business enterprises which are affected by bank competition, or the potential therefor, and which are also bank customers seeking loans.

We could provide the names of one or more highly qualified officials of travel agencies or data processing businesses for your consideration.

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Calendar No. 1094

91ST CONGRESS
2D SESSION

H. R. 6778

[Report No. 91–1084]

IN THE SENATE OF THE UNITED STATES

NOVEMBER 6, 1969

Read twice and referred to the Committee on Banking and Currency

AUGUST 10, 1970

Reported by Mr. SPARKMAN, with an amendment

[Strike out all after the enacting clause and insert the part printed in italic]

AN ACT

To amend the Bank Holding Company Act of 1956, and for other purposes.

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

~~§ 1. Amendments to the Bank Holding Company Act~~

~~(a) Section references in this section refer to the sections of Public Law 511, 84th Congress, as amended.~~

~~(b) Section 2(a) of the Bank Holding Company Act of 1956 is amended to read as follows:~~

~~"SEC. 2. (a)(1) Except as provided in paragraph (5) of this subsection, 'bank holding company' means any com-~~

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Calendar No. 1094

91ST CONGRESS
2d Session

SENATE

REPORT
No. 91-1084

BANK HOLDING COMPANY ACT AMENDMENTS OF 1970

REPORT

OF THE

COMMITTEE ON BANKING AND CURRENCY UNITED STATES SENATE

TO ACCOMPANY

H.R. 6778

TOGETHER WITH

SUPPLEMENTARY AND INDIVIDUAL VIEWS

AUGUST 10, 1970.—Ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1970

48-659

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THE WHITE HOUSE

WASHINGTON

February 25, 1970

EXECUTIVE

FI 2
FG 267
FG 6-3
FG 39-9

MEMORANDUM FOR PETER FLANIGAN

FROM: Tom Cole

SUBJECT: One bank holding company legislation

At the direction of John Ehrlichman I met with Robert Barker, a lobbyist lawyer representing interests pressing for passage of the subject legislation.

Barker advised that he met recently with Senator Bennett who told him there wouldn't be any hearings on one bank holding company legislation because the Administration did not want any such hearings, until the Commission referred to in the Economic Message has completed its report. (Barker formerly served as Administrative Assistant to Senator Bennett.)

We are of course opposed to the bill as it passed the House, but our Administration has continually assured proponents of said bill that we were not using the Commission referred to in the Economic Message as a means of delaying legislation. (See attached excerpts, taken from the recent Joint Economic hearings, i.e., testimony of Dr. Burns, Dr. McCracken, and Secretary Kennedy.)

I have previously expressed my reservations about the way we were proceeding on this matter, feeling quite certain a Senator or two would put the blame on the Administration for the fact that

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probably
/no hearings would be held this year.

It is my suggestion that our position be clarified, but without any further, direct involvement on the part of the President. (I reiterate my position expressed in a previous memo, copy attached, that I feel <u>any</u> response by the President to the Sparkman/Bennett letter could be construed as giving some support to those advocating a <u>delay</u> in the hearings.)

I therefore again suggest that Secretary Kennedy respond to the Sparkman/Bennett letter clarifying the Administration's position in relation to one bank holding company legislation, saying something like:

(1) The Commission study was not specifically designed to delay such hearings, and

(2) Conceding that the House passed bill poses serious problems for us,

(3) Possibly, that we anticipate one of the first things the Commission will look at is the one bank holding company situation so the Senate Banking and Currency Committee could have, expeditiously, thoughts of the Commission in relation thereto. (Some of the proponents of one bank holding company legislation feel the Commission study might drag on for several years.)

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February 17, 1970

MEMORANDUM FOR PETER FLANIGAN

FROM: Tom Cole

SUBJECT: One bank holding company legislation; Charls Walker's draft Presidential response to the Sparkman/Bennett letter.

At your request, I talked this date with Charls Walker on the above referred to subject.

Walker advised that he made a commitment to Senators Sparkman and Bennett for a letter from the President; and that he, Walker, would be put in a bad light if such commitment were not fulfilled.

Walker reminded me that he met with us in your office a short time ago, and at that time discussed the then proposed Sparkman/Bennett letter to the President, and his (Walker's) proposed response thereto by the President. Although as I recall you were in general concurrence with the approach and drafts of the letters as outlined by Walker, I do not believe that concurrence should be binding upon us.

Walker says that Senators Sparkman and Bennett have agreed to take most of the heat on this matter, i.e., delay of Committee hearings on one bank holding company legislation, pending the Commission study as referred to in the President's Economic Message, but the proposed letter from the President, which Walker says is

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noncommital in nature, is desired by Sparkman and Bennett. I would point out, however, that Senators Sparkman and Bennett are already strongly opposed to the House-passed version of the one bank holding company bill, and as a result are already most desirous of delaying such Committee hearings; a letter from the President will not, I believe, alter those two Senators' position on that bill nor their corresponding efforts to delay hearings.

After giving additional consideration to this matter, I believe that any letter from the President in relation to the Commission or one bank holding company legislation could be viewed as giving support to efforts to delay passage of such legislation. Although we definitely do not want the House-passed version of the bill, we do want to avoid making it appear the President is responsible for said delay.

Therefore, I concur with Bill Timmons in part, i.e., that a Presidential response to the Sparkman/Bennett letter is unnecessary. I do feel, in light of Walker's commitment, however, that written contact, in dddition to Timmons' letter, should be made with Senators Sparkman and Bennett, and therefore suggest that Secretary Kennedy respond to the Sparkman/Bennett letter. Secretary Kennedy can say, "I assure you of the President's interest and concern; he has asked that I respond in some detail to your letter," and so forth.

To get Walker off the hook, he could advise Senators Sparkman and Bennett that this entire matter was further reviewed at the

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White House and a decision reached that it would be more appropriate for Secretary Kennedy, and not the President, to respond to the Sparkman/Bennett letter. If Walker feels it would help him in his relations with Sparkman and Bennett, we could so advise Senators Sparkman and Bennett. (I know both Senators and their top staff people.)

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Mr. McCracken

and sustainable economic growth with a dollar in whose future purchasing power we can have more confidence.

That is the end of my statement, Mr. Chairman.

Chairman Patman. It is my understanding that this statement represents the view of the three members of the Board?

Mr. McCracken. That is correct.

Chairman Patman. Yes, sir. We will proceed to question you, sir. You may designate other members of the Council to answer if you desire.

Mr. McCracken. Thank you.

Chairman Patman. And we will ask the members to observe the ten-minute rule of time when we go around the first time.

Mr. McCracken, last year there was quite a bit of activity about a problem that has been with us for a long time. I refer to one bank holding company loophole in the Bank Holding Company Act of 1906.

Among many other government officials including the Treasury Department, the Department of Justice, the Federal Reserve Board and others, you are aware, are you not, of the President's Message of March 24, 1969 calling for prompt legislative action on this matter? You are aware of that, are you not?

Mr. McCracken. Yes.

Chairman Patman. And I assume that you were in agreement with the Administration's call for this immediate legislative action?

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Mr. McCracken. Yes, sir.

Chairman Patman. Now then, we have passed a bill in the House which I consider a good bill. The house voted for it overwhelmingly and out of 435 members there were only 24 members who cast votes against it, so it was almost unanimous. Now it is pending in the other body. Are you in favor of action being taken according to procedures that are set out in the two Houses, without unusual delay, or would you like to have delay in the Bank Holding Company bill?

Mr. McCracken. No, Mr. Chairman. I would support action according to the duly constituted procedures which you have indicated.

Chairman Patman. The fact that the Administration asked for a study of financial institutions does not deter you in that determination for action now, and you do not see in that any implication of delay that is contemplated by the Administration?

Mr. McCracken. No. May I comment on that, Mr. Chairman?

Chairman Patman. Yes, sir.

Mr. McCracken. I am glad you raised this question, because I want to make it very clear that the President's proposal or the President's decision to constitute a commission to study our financial structure is concerned with very broad and very fundamental matters.

I think there is a rather substantial measure of agreement that we have a good many problems in this area that are urgently

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needing dispassionate and careful attention. This was not certainly intended as anything to head off this specific area. It was far broader than that.

Chairman Patman. May I invite your attention to the fact, my dear sir, and members of your Council, that I considered it very necessary for something to be done at an early date as quickly as possible, something like a Reconstruction Finance Corporation, such as we had for 22 years, that served a good purpose, refinanced all the municipal bonds when the schools were closed, opening the school houses again. They have not had any trouble like that since. They made loans for deserving projects where money was not available locally. The banks were given an opportunity to finance anything that was contemplated or applications filed for financing by the Reconstruction Finance Corporation.

They were given the first chance if they wanted to finance it at reasonable interest rates. The Reconstruction Finance Corporation would not entertain the application, so everyone seemed to be treated all right, fairly, and it served a great purpose.

Right now you have mentioned many things here that cause inflation and cause prices to increase, but interest rates is just one that is causing more price increases I think, and people will generally agree, than all of the rest of these.

We have debts now aggregating, public and private, about

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it in preparing our work. So if you will give consideration to that, Dr. Burns, and also see if you can furnish us a report soon after the first of the year in the future, it would be very much appreciated, sir.

Mr. Burns. I would be more than glad to do that.

What you just told me I did not know. And my offhand opinion is that you ought to have that report earlier in the year so that we can consider it together with the Economic Report.

Chairman Patman. When the Congress first commenced using it it was out about July or August. And by the Report being late it was impossible for Congress to up anything concerning the Report. That is a whole year. It would be the next year. So I think that should be considered, Dr. Burns.

Dr. Burns, during the last year there has been quite a bit of activity concerning the one-bank holding company problem among many government officials, including the Treasury Department, the Department of Justice, your predecessor at the Federal Reserve Board, and others. I am sure you are aware of the President's Message of March 24, 1969 calling for prompt legislative action on this matter.

In addition, I was very pleased to note that you stated just last December before the Senate Banking Committee that you considered this a matter of top priority. Do you still feel that the Congress should plug the one-bank loophole as soon as

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possible, preferably during this Congress, Dr. Burns?

Mr. Burns. If you would be good enough, Mr. Chairman, to repeat the last sentence --

Chairman Patman. Yes, sir, I would be very glad to.

Mr. Burns. I did not hear the last few words of that.

Chairman Patman. Do you still feel that -- I will start back two sentences.

In addition, I am very pleased to note that you stated just last December before the Senate Banking Committee that you considered this a matter of top priority. Do you still feel that Congress should plug the one-bank loophole as soon as possible, preferably during this Congress?

Mr. Burns. Yes, I very much do. My answer is an unambiguous yes.

Chairman Patman. Since the President's call for prompt legislation in this area the formation of one-bank holding companies and the non-bank acquisition of one-bank holding companies have continued unabated. There have been more than 100 such transactions over the last year. In the light of this, do you see any reason why the Congress should not heed the President's request and act on the holding company legislation before the end of the 91st Congress?

Mr. Burns. I would like to see the Congress act on this legislation, yes.

Chairman Patman. Thank you, sir.

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Secretary Kennedy

market. Whether it should be done just through the Home Loan Bank System or through something else is another question.

Senator Sparkman. I was going to ask you the same question on the Home Loan Bank Board.

Secretary Kennedy. I am sure in one case it should be done. Whether it would help or not I am not sure yet.

Senator Sparkman. That is what I was going to ask.

Secretary Kennedy. I would like to discuss that with you in more detail some time, because I know your interest, and I have a tremendous interest in it.

Senator Sparkman. I am for either or both myself, because I think it ought to be established.

Secretary Kennedy. Yes, I do too.

Senator Sparkman. Another question that Chairman Patman has asked each one of our witnesses before today -- I understand he did not ask it today, but I want to ask it because I am concerned too -- and that is the question on the One-Bank Holding Act. Both Chairman McCracken and Chairman Burns said that they were in favor of early action on the One-Bank Holding Act, in accordance with the statement that has previously been made by President Nixon. And the answer was in the affirmative. Do you have a position on that?

Secretary Kennedy. I have a very strong position on this, Senator. We recommended earlier -- in fact before becoming Secretary of the Treasury I felt action was needed in this

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field, and I talked to the Treasury and to the Federal Reserve about appropriate and reasonable action to have it well defined as to what should take place. And we came up in the new Administration with a recommendation, and followed through on it I am not in favor of the legislation passed by the House. I think it is not good legislation, and it should be changed. I think that it is not what we recommended, it is not what Chairman Patman himself recommended, and not what the committee itself reported out. And I think it takes away from the banks a number of traditional and effective services that are necessary and desirable in the kind of economic climate we have today and have had for years.

Some of the services they have for many, many years, going back before our lifetimes are taken out because of that.

Now, we do have a recommendation for a Presidential commission to study broad aspects of many fields here. And I think there is a great need for this, because we need to study the flow of savings and the savings institutions, the questions of fixed rates, and what that has done to hurt us in some of these fields that are so important to us, easy housing, for example. We need to look at the competitive factors. So this would be a broad study.

The President, I would be in hopes, would have this commission appointed promptly. And I should think one area that they could look at could very well be their competitive

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factors.

I know Senator Proxmire has a bill on this as well. And I know that we have strong views on it. I would like to see that study.

I think that they can move promptly, and that legislation can be forthcoming even if it goes through that commission. If the Senate wants to move separately on it, we will be prepared. But I should think that what we want in the end is very good legislation.

Now, with respect to what is happening in the interim, we have watched very closely to see whether there have been any instances where banks have moved into fields that would be prohibited by the House bill as it now is passed. We have seen none. We actually have seen cases of where commitments were made before legislation was started, where they have ended with the transaction because of possible pending legislation.

So I think there is an effective control awaiting action by the Congress of the United States in their field.

Senator Sparkman. I assure you I am very much in favor of that study. How soon will that commission be set up, do you know?

Secretary Kennedy. I should hope within the next few weeks, two or three weeks at least. We will move promptly on this one, because it is timely and there are many areas

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that we should be taking a look at that might be helpful, and get some early answers as part of the problem rather than delaying to the end.

Senator Sparkman. There is one other thing that I feel I can assure you of, and I know Senator Proxmire will join me in it, that when we do take up Bank Holding Act legislation before the Senate Banking and Currency Committee we will go thoroughly into all of the facets and give it our own individual attention. And we are not wedded to any particular version, although I introduced -- I believe I introduced a Treasury bill, the Administration bill, and Senator Proxmire introduced one. And we may have others, I am not sure. But we will go into all facets of it.

Secretary Kennedy. It deserves that kind of consideration.

Senator Sparkman. I would like to ask you just one more question. Recently President Nixon had a conference with representatives, officials of the National Association of Home Builders. I believe they came here from the convention that they were holding in Houston, Texas, and had a meeting with him. They came out of that meeting and went away quite reassured, quite optimistic. And in fact I believe he gave out a statement at that time that said that he was going to see to it -- I am not quoting him word for word, -- he was going to see to it that the housing situation did improve. And I believe he indicated that he was going to see that more credit

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fyi

WILKINSON, CRAGUN & BARKER

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1616 H STREET, N. W.
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NATIONAL 8-4400

CABLE ADDRESS
"WILCBAR"

February 4, 1970

GENERAL
FI 2

Mr. John D. Ehrlichman
Assistant to the President
for Domestic Affairs
The White House
Washington, D.C. 20500

Dear John:

I want to express appreciation to you for arranging the appointment for my partners and me to meet with Tom Cole.

We met with Tom yesterday and discussed with him the implication of the pending Bank Holding Company legislation and the need for that legislation without delay for the study of all financial institutions.

With respect to the study, we suggested to Tom that someone who is conversant with the practical problems of the small businesses affected, including the travel agents and computer industry, be appointed to the Commission. We would be glad to come up with a name of a qualified person, should you desire.

Sincerely yours,

WILKINSON, CRAGUN & BARKER

By: Robert W. Barker

cc: Mr. Tom Cole

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GENERAL
FI 2

JANUARY 29, 1970

FOR TOM COLE

RE: ONE BANK HOLDING COMPANIES

Mr. Bob Barker, General Counsel for the Inaugural Committee last year, is most anxious to have someone in the White House listen to his story regarding one-bank holding companies. Mr. Ehrlichman and Mr. Flanigan have deferred to you.

Would you please call Mr. Barker and indicate that you are calling on behalf of Mr. Ehrlichman regarding this subject?

Many thanks.

Tod R. Hullin

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GENERAL

FI 2

FG 6-11-1/Flanigan, Peter M.

January 27, 1970

Dear Bob:

Thanks very much for your memo of January 24th regarding bank holding company legislation. I most appreciate having your thoughts and have asked Peter Flanigan to follow up on this issue.

Best personal regards.

Yours sincerely,

John D. Ehrlichman
Assistant to the President
for Domestic Affairs

Mr. Robert W. Barker
1616 H Street, N. W.
Washington, D. C. 20006

JDE:TRH:jlh

bcc: Peter Flanigan (with incoming)

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Response to Ehrlichman comments

WILKINSON, CRAGUN & BARKER

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1616 H STREET, N. W.
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NATIONAL 8-4400

CABLE ADDRESS
"WILCBAR"

January 24, 1970

MEMORANDUM

TO: John Ehrlichman, Assistant to the President on Domestic Affairs

FROM: Robert W. Barker

Re: Bank Holding Company Legislation - President's Economic Report

On March 24, 1969, the President, in a message to the Congress, called for legislation to regulate one bank holding companies. His message said in part:

> "Left unchecked, the trend toward combining of banking and business could lead to the formation of a relatively small number of power centers dominating the American economy. This must not be permitted to happen; it would be bad for banking, bad for business, and bad for borrowers and customers."

The House Committee on Banking and Currency, after extensive hearings on various proposals to amend the Bank Holding Company Act of 1956, passed on November 5, 1969, a bill, H.R. 6778, which, among other things, eliminated the loophole enjoyed by one-bank holding companies under the 1956 legislation. (One-bank holding companies are not now subject to the same restrictions and regulations as two-bank holding companies). In addition to closing the loophole, the bill

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establish certain criteria which determined the activities in which bank holding companies could engage. This afforded a degree of protection for hundreds of thousands of small businesses, (H.Rept. 91-387, p. 24), which found themselves in dramatically uneven competition with bank holding companies. The bill was passed with strong bipartisan and overwhelming support.

A leader in the effort to give H.R. 6778 more safequards for small businesses was Congressman Ben Blackburn of Georgia. The specific industries immediately affected are travel agency, insurance, data processing and equipment leasing, together with the accountancy profession. The vote on final passage of the bill in the House was 351 to 24.

H.R. 6778 has been referred to the Senate Committee on Banking and Currency. It was to have been tentatively scheduled for hearings by the Committee, along with several other proposals to amend the Bank Holding Company Act of 1956, during the latter part of February or the first of March.

There is some clear indication that very recently an effort is being made by those within the banking community who favor no restriction on the activities of the bank holding companies to kill any legislation by having all hearings deferred furing this session of Congress, and in lieu thereof,

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establishing a Presidential commission to study the overall problems of the supervision by and the interrelationship of Federal agencies dealing with financial institutions. (See Wall Street Journal, Friday, January 22, 1970, p. 4).

While it is undoubtedly in the public interest to have a Presidential commission or some other appropriate body review and evaluate the supervision by the federal government of the financial institutions, this should not be done at the expense of killing this much-needed legislation -- which the President himself advocated last March, was overwhelmingly adopted by the House of Representatives and has the support of a large section of the business community throughout the United States.

While certain industries and professions are most immediately concerned with the rapid encroachment of banking interests into their industries, the principle of cartelization and concentration of economic power affect all independent business and our economy in general. The rapid and massive development of one bank holding companies is fully documented and the need for some form of regulation is conceded by almost everyone, including the Treasury Department. Thus, there is a need for action now -- because one bank holding companies are completely unregulated. The need for the commission study and the need for the proposed legislation are two separate things. One should not be conditioned on the other.

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Therefore, it is our hope, as a spokesman for the travel agency industry and the data processing industry (several thousand small businesses), that the President will not endorse this course of action nor advocate such in his economic message. Rather, we strongly urge that he restate his forceful endorsement of the current need for this type of legislation and, perhaps at the same time, advocate the establishment of a Presidential commission and other appropriate body, to review separate and apart from this legislation, the overall question of federal supervision of financial institutions.

We would also strongly urge that any such commission include one or more representatives of small business enterprises which are affected by bank competition, or the potential therefor, and which are also bank customers seeking loans.

We could provide the names of one or more highly qualified officials of travel agencies or data processing businesses for your consideration.

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October 26, 1970

GENERAL
FI 2
FG 112

Hon. Henry Kearns
President and Chairman
Export-Import Bank of the
United States
Washington, D. C.

Dear Henry:

Many thanks for forwarding me a copy of the Dick Barovick letter on the Bank. I found it most interesting and appreciate your keeping me informed.

With warm regards,

Sincerely,

Peter M. Flanigan
Assistant to the
President

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EXPORT-IMPORT BANK OF THE UNITED STATES
WASHINGTON, D. C. 20571

PRESIDENT AND CHAIRMAN

thanks

October 19, 1970

Dear Peter,

I don't know whether you are acquainted with Dick Barovick who writes for the "Journal of Commerce" and free lances. He has given me permission to forward you a copy of the attached letter.

I think that he has truly captured the spirit, intention and development of Eximbank and thought perhaps you would like to see it.

Sincerely yours,

Henry Kearns

Attachment

The Honorable
Peter M. Flanigan
Assistant to the President
The White House, West Wing
Washington, D. C. 20500

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RICHARD L. BAROVICK

3275 ARCADIA PLACE, N.W. • WASHINGTON, D.C. 20015 • (202) 966-8409

October 13, 1970

Mr. Peter Hornbostel
Shea and Gardner
734 - 15th Street, N. W.
Washington, D. C. 20005

Dear Mr. Hornbostel:

It was good talking with you about the article you are preparing for The Columbia Journal of World Business on "The New Look at Eximbank." It couldn't come out at a better time. Eximbank has been very thoroughly restructured over the past year and a half, and the subject of export financing has become a critical one for international business.

As I mentioned, I will be happy to assist you in any way I can on your article---with suggestions, research, and writing. I think you'll want to interview several Bank officials, including President Henry Kearns, and these meetings can be arranged by Miss Rosemary Mazon, director of public affairs.

I have talked with Dick Greenebaum at the Journal about a companion piece by Mr. Kearns to appear jointly with your article, and he likes the idea. We ought to coordinate closely to keep overlap to a minimum, though I am sure the two articles will complement and enhance one another. I would like to suggest that your piece focus on the changes in Eximbank structure, style, and, above all, program, while Mr. Kearns' piece focuses on the reasons behind the changes at Eximbank. He would analyze the changing world of international export financing, the heightened competitiveness of doing business in today's world markets, and analyze current worldwide practices.

But, let's go into that after you've returned from Mexico City. In the meantime, I am enclosing here the Bank's 1969-1970 fiscal year annual report and its latest brochure summarizing the current array of programs.

May I suggest a number of points I'm sure you'll want to make in your article? These would include the following:

1. The spirit and style of Eximbank have been thoroughly revised. The Bank now is implementing a key mission in the U. S. export expansion program, utilizing its resources to achieve a maximum increase in U. S. sales of goods and services overseas. The key words, in my opinion, are "active" rather than "passive." The Bank now vigorously seeks expanded relations with exporters, bankers, foreign buyers,

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and foreign governments to encourage and support U. S. sales rather than wait for business to come its way. It has become more innovative, prefers to try new programs and financing techniques. I think continuity with the past, however, is also worth stressing. The Bank has simply combined or blended its long-established authority in new, effective ways that are designed to make American exporters competitive in today's world marketplace. The revisions are a creative response to the altered international competitive situation.

Again indicative of the new outlook at Eximbank is its preoccupation with the future. Eximbank is now "future oriented." In the annual report, for example, you will find projections of Bank volume over the next five years. All programs are now closely geared to the evolving needs of U. S. exporters and bankers. There is a heightened awareness of the need to test each program in the light of the export expansion mission. Indicative of the new style at Eximbank is the encouragement at all levels of the organization to use telex rather than mail to communicate. The staff at all levels now travels continuously, both in the U. S. and abroad. A statistical measure of this would graphically demonstrate the new look. Eximbank in the past was somewhat introverted. Today it is outward-looking. Its public affairs program is generating continuing news, relations with the press have been greatly strengthened, the public affairs department travels to overseas trade fairs (in Mexico, for example) as well as to U. S. business shows (the Machine Tool Builders in Chicago).

2. The organization chart has been revamped, and some new people brought on board, to carry out the mission. You'll find a useful chart in the annual report. Part of the organizational changes were designed to achieve a better distribution of workload. The old area divisions, for example, have been replaced with functional ones. Overseas representatives have now been added in Europe and the Far East to expand contacts with buyers, bankers, and governments. Staff functions have been added to maintain continuing liaison with trade associations and with Commerce Department export promotion activities such as trade fairs, trade centers, and trade missions.

3. Programs, again, are innovations on earlier activities and authority. For example, the Bank has long guaranteed export credits of U. S. commercial banks. Now, however, it is using this guaranty authority in a growing number of ways. For example, it guarantees credits by overseas banks, it guarantees leases covering U. S. goods exported, and it guarantees construction equipment transported overseas by U. S. construction firms against political risks preventing reimport. The details can be found in the enclosed printed materials.

The aims of the new programs are several. First, they are intended to maximize the impact of available resources. For example, in all cases now the Bank lends directly only in conjunction with private credits. This enables the Bank's own funds to obtain the most mileage, and permits U. S. exporters to offer competitive rates. The Bank's 6 percent rate combined with U. S. commercial bank rates helps bring down the effective rates to levels that are competitive with those provided by other major trading nations. In addition, Eximbank takes the later maturities on these combined credits to make the deal more attractive to the private

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financial institutions. Another example: by guaranteeing loans of overseas banks too, Eximbank attracts more funds into U. S. exports. Another example: its cooperative financing program helps generate interest by overseas banks in financing U. S. sales. Again, its relending credit program enlists the active promotional support of foreign financial organizations. On the other hand, its discount program makes a critical difference that permits more U. S. banks to extend specific export credits. In short, the joint or team effort is at the heart of Eximbank's innovations.

A second aim is to broaden overseas markets for U. S. products by revising methods for financing purchases by small and medium-sized firms abroad. The relending program is a good example. Eximbank credits are reloaned to small and medium-sized firms, such as manufacturers, retailers, distributors, farmers, co-ops. The idea is to get new buyers into the market for American goods. Once they are in, the cooperative financing program should take over on a more normal commercial basis. Broadening the base of American exporters, enlisting the interest of small and medium-sized U. S. firms, is also part of this approach. Through relending, leasing, discount loans, smaller U. S. firms now benefit extensively from Eximbank operations.

A third aim of the new programs is to establish solid longer-term working relations with financial institutions at home and abroad. Eximbank has assumed more of a catalyst role for itself, helping to smoothe the way for commercial banks to do more in financing U. S. exports. The number of banks participating in the programs is climbing fast. In fiscal 1970, for example, as many as 83 U. S. commercial banks obtained Eximbank discount loans. To put that in perspective, of the 14,000 U. S. banks, only 130 are sufficiently involved in export finance to maintain international departments. Eximbank is now teaming up with most of them. Relations with banks abroad have been enlarged through the financial guarantee program, (eight overseas banks got them in fiscal 1970), through the cooperative financing program, and through relending. Eximbank's overseas representatives are in continuing touch with bankers.

Aside from the aims of the new or revised programs, however, you might want to focus on some of the tools now being utilized:

* Market research now plays a key role. Eximbank is cooperating closely with industry trade associations and with the U. S. Commerce Department to pinpoint those product areas where good growth opportunities lie.

* Specific industries and products are now getting help especially designed for them. Eximbank programs, for example, are now tailored to the particular needs of such American industries as aircraft, nuclear generating, engineering and construction, machine tools, food processing machinery, and computers---to just name a few.

* Speed in processing loan applications is probably the most important tool of all, and is highly reflective of the new look at Eximbank. I think you'll want to dwell at length on the development of the new precommitment procedure. This gives U. S. suppliers and foreign buyers and governments very rapid assurance of Eximbank support for projects. Eximbank will process applications on an advance commitment basis within two weeks. This greatly strengthens the hand of U. S. exporters, but

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it also is of great help to foreign buyers and governments who want to know as early as possible in their development planning what sources of financing they can count on.

Mr. Hornbostel, this is just a rough sketch of some of the points I personally think are worth your attention. The details, again, are in the enclosed printed materials.

Please give me a call when you get back, and let's get together for a long look at some of these topics.

Yours sincerely,

Richard L. Barovick

Enclosures

C.C. Henry Kearns
Rosemary Mazon

RLB/rjl

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GENERAL
FI 2

October 26, 1970

Mr. David Rockefeller, Chairman
The Chase Manhattan Bank
One Chase Manhattan Plaza
New York, New York 10015

Dear David:

Many thanks for your letter of October 14 in rebuttal to Congressman Patman's complaint. I read it with interest and appreciated hearing the other side of the story.

With warm regards,

Sincerely yours,

Peter M. Flanigan
Assistant to the
President

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OCT 28 1970
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Thank you

THE CHASE MANHATTAN BANK
National Association

1 Chase Manhattan Plaza, New York, New York 10015

DAVID ROCKEFELLER *Chairman of the Board*

October 14, 1970

The Honorable Peter M. Flanigan
Assistant to the President
The White House
Washington, D. C.

Dear Pete:

I have seen a newspaper story in which Congressman Patman has complained to the White House about "unconscionable" bank profits, citing Chase Manhattan as a case in point.

In view of this, I thought you might like to have some background on our recent earnings performance.

The fact is that our total 1969 earnings ran behind our 1968 figures. Our earnings for the first half of 1970 ran behind the comparable six-month period of 1969.

In the third quarter of 1970, several unusual conditions contributed to higher earnings than had been anticipated.

For one thing, in connection with loan losses, we recorded certain Federal tax benefits not previously considered to be available in 1970.

For another, we enjoyed the first advantages of a cost-reduction program initiated last spring.

For still another, we benefitted as did other large banks by changing money market conditions during the period. Such changes are always likely to result in temporary distortions, either on the "up" or the "down" side. So one quarter's earnings cannot be seized upon as a valid indicator of an earnings trend.

In addition to these factors, we realized an unusual gain of some $3 million from the sales of securities. This was in sharp contrast with a $1 1/2 million loss taken in the comparable 1969 quarter.

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All these factors added up to an inflated earnings picture for the third quarter. Income before securities gains or losses -- the usual way of measuring bank results -- was up 37% over a year ago. Net income for the same period amounted to an increase of 57%, the figure Mr. Patman mentioned.

A more balanced picture of our performance would be our nine-month figures for 1970 in which income before securities gains was up 9% over 1969.

The current issue of BANK STOCK QUARTERLY, published by M. A. Schapiro & Co., Inc., a leading bank stock analyst, puts the matter in sharp perspective:

> "Chase Manhattan's net operating earnings after actual net loan charge-offs increased from $2.60 a share in 1964 to $3.61 in 1969, a growth rate of 6.8 per cent compounded annually. More realistically, however, when computed on a bottom line basis, net income after net gains or losses realized on sales of securities increased from $2.37 a share to $2.94, or at a rate of 4.4 per cent compounded annually over the five-year period."

After a year and a half of earnings drought, it is an unusual posture for me to be "apologizing" for having a good quarter. But because of the vehemence of Mr. Patman's comments, I thought you would like to have the facts.

With kind regards,

Sincerely,

David

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GENERAL

PP
FI2

October 27, 1970

Dear Mrs. Holland:

On President Nixon's behalf, I wish to acknowledge your letter and to thank you for your interest in telling us about the new account campaign in your bank. Your courtesy is appreciated.

With the President's best wishes,

Sincerely,

Noble M. Melencamp
Staff Assistant
to the President

Mrs. Sophie J. Holland
Bookkeeping Department
National Savings & Trust Company
15th and New York Avenue, NW.
Washington, D.C. 20005

AQ:hc

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GENERAL
UTI-1
FI 4
FI 2

(2)

November 9, 1970 NAT'L. EDUCATIONAL TV.

Dear Al:

Herewith another example of NET activity that is clearly inappropriate for a government supported organization. Would you do me the favor of letting me know the extent to which NET has been supported by CPB in 1970 and the amount of the budgeted support for 1971.

I am directing this inquiry to you in that I think it comes better from you to the board and the management of the corporation than from the White House. Therefore, I'd appreciate you treating this inquiry in that light.

Sincerely yours,

Peter M. Flanigan
Assistant to the
President

Mr. Albert L. Cole
Director
The Reader's Digest
Pleasantville, New York 10570

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GENERAL
PQ2
FI2
PR13-2/Napa

SENT
NOV 23 1970
BY MEMO

Board of Supervisors
County of Napa
P. O. Box 880
Court House - Napa, Calif. 94558

70-147

FILED
NOV 17 1970
C. S. SHERMAN, CLERK
BY [signature]
DEPUTY CLERK

RESOLUTION BY THE BOARD OF SUPERVISORS
OF THE COUNTY OF NAPA, STATE OF CALIFORNIA
RE COMMEMORATIVE STAMP HONORING A. P. GIANNINI

WHEREAS, A. P. Giannini having founded and successfully operated a bank expressly to serve "the little fellow", and;

WHEREAS, he established that bank in San Francisco, California in the year 1904, as the Bank of Italy, later changing its name to Bank of America NT & SA, and under his leadership it grew to the world's largest privately owned bank and an international institution; and

WHEREAS, banking policies and principles he introduced have immeasurably contributed to the economic development and prosperity of California, the Nation, and profoundly benefitted international trade and the economy of foreign countries; and

WHEREAS, being devoted to public service, much of the financial reward earned by A. P. Giannini was used for endowing educational foundations and donating funds to academic institutions and charities; and

WHEREAS, A. P. Giannini, a California born son of Italian immigrants, illustrates dramatically the opportunities open to all in our democratic society and American free enterprise system; and

WHEREAS, there is pending a proposal that the United States Post Office issue a commemorative stamp in honor of A. P. Giannini:

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NOW, THEREFORE, BE IT RESOLVED that the Board of Supervisors of Napa County, California do hereby respectfully request that the United States Post Office Department in this, the centennial year of the birth of A. P. Giannini, issue an A. P. Giannini Commemorative

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GENERAL
GENERAL
FI 5-6-1
ST 9
ES
FI 2

November 24, 1970

Dear Mr. Stern: VICTOR GURY

It was a real pleasure to talk with you on the phone recently about the student loan program in Florida. The problems that you relate are the source of considerable concern and effort here in the Administration. We recognize that qualified students are not readily able to obtain loans. I have discussed this problem with Jerry Donaway of our Dividion of Student Financial Aid. The letter he sent to you summarizes the facts in the situation very well. I would put emphasis on the steps that he relates that his office has taken to stimulate the participation of the lending institutions in Florida in the student loan activity. An additional suggestion that I have for yourself and others is that you deal with savings and loan associations and credit unions as well as commercial banks. As I understand it, Florida, for example, has forty savings and loan associations and ninety-one credit unions which are signed up for participation in this program, as well as the two hundred and twenty-five banks.

So much for the facts as they are today. Your real concern, as I understand it, is for tomorrow. It seems apparent that the problem today is one of liquidity. There is a need for legislation to create a secondary market for those student loans which will free the private capital to be reinvested in the student loan program. The Administration has one such proposal before Congress as part of the Higher Education Opportunity Act. We are working for passage of this Act, or for some acceptable alternative. Of course the efforts of Mr. Donaway and his people in increasing participation of lending institutions will, we hope, continue to expand the program significantly.

I was most pleased with the letter from Mr. L. Douglas Turner of the University's of FLA. Student Financial Aid Department. His thoughts have been circulated here and have received good attention. It certainly looks to me that your counsel from Mr. Turner should be solid.

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C File

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GENERAL
BE5-3
FI2

GROUP FOUR

California Bankers Association

COMPRISING BANKS IN THE FOLLOWING COUNTIES
IMPERIAL - ORANGE - RIVERSIDE - SAN BERNARDINO
SAN DIEGO

November 25, 1970

Mr. James C. Keogh
Special Assistant to the President
Writing and Research Staff
Washington, D. C.

Dear Jim:

On November 7, 1970 California Bankers Association Group IV held its fall meeting at the Newporter Inn in Newport Beach. Mr. Herbert Stein did an outstanding job of analyzing the present economic situation and the effect of current inflationary controls.

I am most grateful to you for making it possible for him to be with us.

Sincerely,

D. B. Walter
President

jh

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GENERAL

FI5
FI2

November 30, 1970

Dear Nick:

Sometime ago I indicated to you the growing importance of federally assisted borrowings which are outside the budget. These rose from 13% of private credit flows in fiscal '69 to an estimated 70% in the current fiscal years and will be well over 20% in fiscal '71. These borrowings are financed largely in the securities market and compete with other entries into that market. The issuers include the Ex-Im Bank, Farmers Home Administration, Banks for Cooperatives, Federal Land Banks, Federal Intermediate Credit Banks, Federal Housing Administration, FNMA, Federal Home Loan Banks, student and academic facility loans, college housing loans, and VA guaranteed loans.

You have evidenced some interest in this information, so here it is. Also attached is a copy of a speech by Murray Weidenbaum covering this same subject.

With warm personal regards,

Sincerely yours,

Peter M. Flanigan
Assistant to the
President

Mr. Nicholas F. Brady
46 William Street
New York, New York 10005

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Dg/9E

GENERAL (2)

FG 2
PL 3/5

December 7, 1970

Dear Norman:

While I don't believe that everything is as dire as you describe it, I do appreciate the candidness of your letter of November 19.

The Administration is aware of the problems of the brokerage firms, I can assure you, and is making every effort to come to terms with the situation. Of course, it is also necessary to have the working support of the large firms, which I understand we do have.

With regard to your comments on the election results, I share your disappointment about George Murphy's defeat and agree with you that there are some lessons here. However, I do not bead the results across the country as being a "rather severe defeat," and I thought that you might like to read the enclosed which will put the results into historical perspective.

Perhaps after reading all of the above, you will just chalk me off as an impossible optimist. In any event, I do hope this finds you well.

With every good wish,

Sincerely,

Herb

Herbert G. Klein
Director of Communications
for the Executive Branch

Mr. Norman C. Roberts
J. S. Love & Company, Inc.
Suite 2030, Union Bank Building
San Diego, California 92101

Enclosures: Finch election analysis; President's NAM speech 12/4/70

HGK:WP:mdm 12/7/70

/

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GENERAL
FI2
PR16-1
FG6-11-1/KLEIN, HERBERT G.

(2)

December 14, 1970

Dear Mr. Smith:

Thank you for your letter of November 25.

I appreciate your thoughtfulness in letting me know of your reaction to "Banks and the Poor". Not having seen the show myself, I would hesitate to comment substantively on it. Your approach of writing those who would be in a position to have input into the policies of the station is usually an effective one.

With best wishes,

Sincerely,

Herbert G. Klein
Director of Communications
for the Executive Branch

Mr. Edward D. Smith
The First National Bank of Atlanta
Post Office Box 4148
Atlanta, Georgia 30302

HK:WP:ghf

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THE FIRST NATIONAL BANK OF ATLANTA

POST OFFICE BOX 4148

ATLANTA, GEORGIA 30302

November 25, 1970

CHAIRMAN OF THE BOARD

Hon. Herbert G. Klein
Director of Communications
for the Executive Branch
The White House Office
1600 Pennsylvania Avenue
Washington, D. C. 20500

Dear Mr. Klein:

Knowing of your interest in television broadcasting, I thought you might be particularly interested in having a copy of the enclosed letter.

I wrote a similar letter to Dr. Benjamin E. Mays, President of the Board of Education of the City of Atlanta, as the same program was run on WETV (Channel 30), which is controlled by the Atlanta Board of Education.

Very truly yours,

Edward D. Smith

EDS:fp
Encl.

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THE FIRST NATIONAL BANK OF ATLANTA
POST OFFICE BOX 4148
ATLANTA, GEORGIA 30302

November 17, 1970

CHAIRMAN OF THE BOARD

Dr. George L. Simpson, Jr.
Chancellor
State University System
244 Washington Street, S.W.
Atlanta, Georgia 30303

Dear George:

On Friday night, November 13, at 8:00 WGTV (Channel 8) showed a program entitled, "Banks and the Poor." If you haven't seen this program, I think you should take the time to do so and give it some right thoughtful consideration. I have a tape of the program, in case you don't have access to it.

I was appalled and shocked that a station which is owned and operated by the University of Georgia would put on this sort of program, which was billed as a documentary and purported to be a recitation of the way banks operate.

In the first place, the people who made the film have not the slightest idea of what a bank is, because they continually referred to the abuses of savings and loan associations, referring to them as banks. In addition to this, and as a direct attack on banks, isolated instances were seized upon to make it appear that banks purposely preyed upon the poor, refusing to do business with them, forcing them into the hands of "loan sharks," foreclosing on their property at the slightest provocation, and were responsible and directly accountable for the slum housing conditions of the poor. All in all, it was as inflammatory and as irresponsible a performance as I have ever been exposed to.

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TO Dr. George L. Simpson, Jr. November 17, 1970

People look at the educational channels of television for education and are apt to believe what is portrayed to be fact. Most people do not realize, on programs of this character, they are being subjected to propaganda through educational television. I can assure you this presentation of banks was propaganda in its worst and most violent form. I am very disappointed that the University of Georgia would be a party to such a performance.

Best regards,

Edward D. Smith
Chairman of the Board

EDS:fhp

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