The original documents are located in Box K29, folder "Rockefeller, David (3)" of the Arthur F. Burns Papers at the Gerald R. Ford Presidential Library.

THE CHASE MANHATTAN BANK
National Association

1 Chase Manhattan Plaza, New York, New York 10015

DAVID ROCKEFELLER *Chairman of the Board*

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
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OFFICE OF THE CHAIRMAN

November 29, 1972

Dear Arthur:

I thought you would be interested in the enclosed copy of the letter which we have sent to the Secretary of the Board.

Sincerely,

David

Dr. Arthur F. Burns
Chairman
Board of Governors of the
Federal Reserve System
20th St. & Constitution Avenue
Washington, D. C.

THE CHASE MANHATTAN BANK
National Association

1 Chase Manhattan Plaza, New York, New York 10015

DAVID ROCKEFELLER *Chairman of the Board*

February 24, 1972

Honorable Arthur F. Burns
Chairman, Board of Governors
Federal Reserve System
20th Street & Constitution Avenue
Washington, D. C.

Dear Arthur:

I was very sorry to learn that due to a conflict on the Hill you could not participate in the dinner this past Wednesday. I fully understand the situation.

I understand that my associate, Joseph V. Reed, and your Miss Mullady have worked out a date in April for the dinner and it is my understanding this will take place at ~~6:00~~ 1630 p.m. at the Knickerbocker Club. I will try to get the same group together and look forward to the dinner.

With kind regards and good wishes,

Sincerely,

David

april 18

THE CHASE MANHATTAN BANK
National Association

1 Chase Manhattan Plaza, New York, New York 10015

December 1, 1972

Secretary
Board of Governors of the
Federal Reserve System
Washington, D.C. 20551

Gentlemen:

This letter is in response to the statement entitled "Proposed Amendments to Regulations D and M" which was issued September 7, 1972 by the Board of Governors of the Federal Reserve System.

We view the proposed reduction of the reserve requirement from 20 percent to 10 percent as a significant improvement. For one thing, a lower reserve requirement will tend to increase U.S. banks' demand for Eurodollars and, thereby, encourage the dollar's continued use as the foremost international transaction currency. For another, at the present time a 10 percent reserve requirement appears perfectly adequate for purposes of monetary control. Finally, the proposed reduction would tend to lessen (although not eliminate) the competitively discriminatory aspect of the Eurodollar reserve requirement whereby Federal Reserve member banks are subject to a costly requirement while non-member banking organizations, including the rapidly expanding agencies and branches of foreign banks, remain completely unregulated. It is difficult to understand why foreign banks operating in the United States should be given a competitive edge over Federal Reserve member banks. Thus, while we strongly urge that all banking institutions doing business in the United States and employing Eurodollars be treated uniformly, we welcome and endorse the proposed reduction in reserve requirement to the more realistic 10 percent level.

At the same time, our endorsement does not extend to the proposed elimination of the so-called reserve-free base. We view this part of the proposal as discriminating against those banks, such as Chase Manhattan, which at considerable out-of-pocket expense and at the urging of the Federal Reserve have cooperated with the Government's balance-of-payments program.

Back in 1969 when the Eurodollar reserve requirement was imposed for the first time the choice was between a flat reserve requirement, as traditionally applied to domestic deposits, and an incremental reserve requirement. The Federal Reserve Board selected the latter, thus creating a reserve-free base equal to Eurodollar usage during a historical period. The most critical aspect of this measure was the provision of a whereby a bank's reserve-free base was to be lowered automatically as Eurodollar takings were reduced. The objective of this double-edged formulation -- i.e., an incremental reserve requirement to discourage any increase in Eurodollar takings and a base reduction to discourage any decrease in Eurodollar usage -- was to moderate dollar flows between the United States and other countries. The increase in the reserve ratio to 20 percent in 1970 was designed to give banks an added incentive to preserve their bases at substantial levels. And the 1971 amendment to Regulation M permitting U.S. banks to include within their reserve-free base certain Export-Import Bank and U.S. Treasury securities was clearly an additional incentive to maintain the base, as well as an acknowledgement on the part of the Federal Reserve that although preservation of the base involved a very high cost in terms of additional interest expense, it was very much in the national interest. In sum, the sequence of promulgation and application of the concept of a reserve-free Eurodollar base made it quite clear that the Federal Reserve desired the banks to maintain their bases at some cost to themselves, and the Board offered them important incentives to do so.

Aside from a basic desire to cooperate with the nation's balance-of-payments program, the one and only reason for maintaining any kind of base during 1971 -- when Eurodollar costs exceeded the cost of raising CD money by an average 75 basis points -- was the expectation of having available a reserve-free base in the future. From an individual bank's point of view, the value associated with the future availability of a reserve-free base was a matter of business judgment related to estimates of future interest rate trends and deposit requirements. There was never any assurance that a favorable interest rate differential would develop enabling banks to recoup in later years the give-up interest expense incurred during 1971. But the way in which the Eurodollar regulation was structured and the manner in which the policy subsequently was reaffirmed implied an assurance that the reserve-free base would remain available for a number of years into the future. Indeed, the Eurodollar regulation in effect during 1971 was logical and equitable only if there was an implicit assurance of the future availability of a reserve-free base.

The record shows that because of the high cost of preserving the base during 1971 most banks in order to protect current earnings gave up their respective bases, thus abandoning support of the balance-of-payments program and foregoing any possible benefits later. For these banks, the proposed elimination of the reserve-free base would have little practical effect. However, for those U.S. banks which persevered and in good faith maintained their bases at considerable cost, abrogation of the reserve-free base concept would unfairly nullify the earnings sacrifice incurred during 1971. Thus, the Chase Manhattan Bank incurred considerable cost in 1971 to maintain its reserve-free base in the belief that the Federal Reserve Board would continue the incentive offered long enough to justify the obviously heavy expense of preserving a base. There was no other justification f doing so. We could not believe then and cannot believe nc

Secretary
Board of Governors of the
Federal Reserve System
Washington, D.C. 20551

recognizing the cost incurred by the banks which continued to support the balance-of-payments program, intended to offer a meaningless incentive merely to entice banks into cooperation with the program. The record of the Chase Manhattan Bank speaks for itself:

The Bank's Eurodollar takings for domestic use were a little over $3 billion in September 1969 when the Eurodollar regulation was imposed. Within six months the Bank reduced its net takings to its original base of $2.25 billion and then held this amount through most of 1971. As the cost of preserving the base became truly oppressive in 1971, the Bank sought to lessen the cost of maintaining the base by (1) borrowing part of its total net takings through the vehicle of selling under repurchase agreements foreign obligor loans to its overseas branches and (2) purchasing the special Export-Import Bank and U.S. Treasury securities offered for inclusion within the reserve-free base. Nevertheless, the Bank maintained during 1971 the use of an average $777 million solely in order to preserve its base at the highest feasible level. This resulted in considerable additional interest expense amounting to millions of dollars. This large cost was incurred in the belief that the Federal Reserve System would support its Eurodollar regulation by continuing the concept of a reserve-free base. In fact, failure to do so, perhaps even the suggestion that the Board might now eliminate the opportunity to recover costs incurred in supporting the Board's program, can only raise doubts as to the success of similar programs in the future.

Based on the intent, design and application of the Eurodollar regulation first imposed in 1969 and reinforced in 1970 and 1971, and based on the substantial expense incurred in good faith by the Chase Manhattan Bank during 1971, we respectfully urge the Board of Governors to delete that portion of the "Proposed Amendments to Regulations D and M" which calls for the elimination of the reserve-free base. If, because of administrative expense and regulatory concerns, the Board nonetheless feels compelled to eliminate the reserve-free base, we respectfully ask that special consideration in the form of an extended grace period be accorded to those banks which have maintained reserve-free bases at great cost to themselves.

Thank you for your attention and concern.

Willard C. Butcher
President

from David Rockefeller

October 31, 1972

& BH 11/6

Comment on Regulations Concerning the Permitted Activities of Bank Holding Companies

In planning expansion under the Holding Company, banks have delineated a number of business fields in which they seek to expand. Their underlying philosophy in undertaking such expansion is to establish financially congeneric businesses which will enable the Holding Company to respond in a flexible manner to changes in existing markets and thereby be able to play an increasingly useful role in meeting the demands of society in the years ahead.

To accomplish this goal, businesses carried on under the Holding Company should be of <u>sufficient scale</u> to permit an allocation of financial resources and management talent to enable the Holding Company to provide the services needed in an effective and efficient manner. Secondly, the Bank Holding Company should be permitted to offer a <u>sufficient range</u> of services and facilities which would enable customers to enjoy both convenience and cost savings.

In attempting to apply the above criteria to specific business areas, it is apparent that the present interpretations of the Federal Reserve Board regarding "activities closely related to banking or managing or controlling banks" present a number of obstacles. This is illustrated below in a discussion of four fields in which Bank Holding Companies seek to be active: namely, Business Information, Insurance, Consulting and Real Estate Development.

Business Information

A BHC should be a leader in processing and packaging financial information. Its ability to build and make available to users significant banks of data on economic, commercial and financial matters will be of critical importance to customers in judging future risks and intelligently meeting future financial and production needs. Section 225.4 of Regulation Y of the Federal Reserve Board states that the Federal Reserve Board has determined that certain activities are closely related to banking, including acting as investment or financial adviser to the extent of furnishing general economic information and advice, general economic statistical forecasting services and industry studies (clause (5)(iv)) and providing bookkeeping or data processing services for the internal operations of the BHC and its subsidiaries and storing and processing other banking, financial or related economic data such as performing payroll, accounts receivable or payable, or billing services (clause (8)(ii)).

In a footnote to clause (5)(iv) the Board contrasted the services described with "management consulting" which the Board defined quite broadly to include provision of analysis or advice as to a firm's purchasing operations, production operations, marketing operations, planning operations, personnel operations, internal operations or research operations, all as more fully described in the footnote. In Interpretations paragraph 225.123 (g) the Board stated that data processing activities are intended to permit holding companies to process data for others of the kind banks have processed in conducting their internal operations and accommodating their customers, but are not intended to permit holding companies to engage in automated data processing activities by <u>developing programs</u> unless the data involved are financially oriented.

It is apparent that Regulation Y and the Board's Interpretations leave much room for argument concerning the permissible areas of activities. A great part of the data which a bank stores for use in its own commercial banking, portfolio, and investment management and advisory functions or for the accommodation of its customers is not solely financial but includes economic, statistical, marketing, product development, personnel and other factors which taken together are useful in arriving at credit judgments or investment evaluations. A reasonable interpretation would allow a BHC to bank this data and to program it in such manner that random access can be obtained to specific kinds of information for a multiplicity of uses. Hopefully, the interpretation will be that if the information is of the type that a BHC collects for its own use or for the use of its customers, then such information can be packaged in any form and made available to users for whatever purpose they may wish to acquire the information. We believe that such interpretation should not conflict with the prohibition against management consulting which, as defined by the Board, involves, as a basic ingredient, either analysis or furnishing of advice and is, therefore, to be distinguished from the furnishing of the data or information to be analyzed or on which advice is to be based.

Insurance

In order to offer effectively and economically loan services to consumers in the retail area, including mortgage lending, personal loans, etc., banks will be required to make available various types of insurance. Insurance is frequently an integral part of the loan package and, unless a lender can offer the total package, profitability, customer costs and convenience and ability to meet the competition of other retail lenders who can offer total packages will suffer. The Federal Reserve Board has defined insurance activities permissible in BHC lending operations. Interpretations paragraph 225.128. These include (1) insurance that supports the lending operation (such as credit life and credit accident and health insurance); insurance that protects the collateral in which the BHC has an interest; insurance that is part of an insurance package as a general practice, such as liability insurance sold in conjunction with an automobile loan or homeowner's insurance sold in conjunction with a mortgage to the lender; (2) renewal insurance sold as a convenience to a purchaser so long as the total premiums are not a significant portion of total insurance premiums; (3) insurance protecting collateral for purchased loans provided the security interests are purchased on a continuing basis; (4) insurance in connection with bank related services such as loss of securities or other valuables in safekeeping and in connection with mortgage servicing but the insurance on the mortgagor may not exceed the outstanding balance of the loan.

Although the Federal Reserve Board has determined that such activities are permissible for a BHC, it is to be noted that when several mortgage subsidiaries of Bank Holding Companies recently applied to provide such insurance as de novo activity the Board suspended the right to enter the field pending its decision on objections filed by the National Insurance Association and the decision is still pending.

Assuming the Board will permit BHCs to engage in insurance agency activities as prescribed in Regulation Y and the Board's interpretations, a number of issues remain:

1. Competitors of BHCs in mortgage lending and consumer finance offer insurance as a part of the loan package and it is believed that insurance commissions received have a significant bearing on their profitability and the cost of their services.

2. Customer convenience and protection suffer when only limited packages of insurance can be offered; for example, credit life insurance has a declining balance and may not be as advantageous to the young homeowner as straight life which remains in effect for the full amount after the mortgage is paid; as another example, life insurance payable to the estate of a homeowner may be more advantageous than credit life insurance payable to the mortgage lender.

3. As a matter of customer convenience and profitability to the lender, renewal insurance is a significant factor even though the loan has been repaid.

It seems to be clear that the insurance area requires additional consideration in order to accomplish: customer convenience and protection, cost saving, profitability and ability to compete without impairing the capacity of independent insurance agents and brokers to conduct their business.

Consulting

In order to play a constructive and dynamic role, BHCs must command expertise in areas in which it is socially and economically desirable for them to be active.

As noted above, the Board has ruled that "management consulting" is not within the scope of activities authorized to be conducted by BHCs and has defined the term very broadly. However, there are specialized areas which BHCs are particularly fitted to supply needed services and which do not involve the broad spectrum of the management consultants. Such specialized areas would include urban and new city development, cash management, financial planning and analysis for governmental units, businesses, charitable institutions and foundations, etc. It is believed that these specialized activities under the BHC should be permitted and that this could be accomplished in a manner that would not place BHCs in a position to exercise undue influence on customers of their bank affiliates.

Real Estate Development

In view of the financial role the banking industry must play in helping to satisfy the housing needs of the nation, BHCs through their mortgage banking affiliates should be permitted to take equity positions in real estate projects. Mortgage banking affiliates of BHCs are now more restricted than their competitors which are not to affiliated. Urban renewal and new city projects involve more than housing for medium and low income groups -- they involve inner cities and new cities with schools, churches, playgrounds and sufficient industrial, commercial and higher valued private properties to provide an adequate tax base. Since banks seek to serve the total population and range of commercial and business activity they have an incentive to innovate and to participate in community developments and business growth. BHCs should be permitted to play a more creative role in bringing to fruition socially desirable projects. Our Bank's experiences in lending in economically deprived areas of New York City demonstrate the need for leadership in the private sector and for direct participation in all phases of community development from equity participation to financial counseling of small businesses, new business enterprises and home purchasers.

Conclusion

In the principal business areas in which a BHC is permitted to operate, it should be able to offer all facilities and services necessary to enable it to meet the needs and convenience of its customers, to meet competition and to earn such return on its investment as will permit it to be a vital factor in its field. For example, in the real estate area, the development of new cities and inner cities and urban redevelopment required to meet present day population demands involve more than traditional bank type financing. A BHC, through its mortgage banking affiliates, should have the legal capacity to offer not only traditional financing and insurance agency services related thereto but also to participate in land acquisition and rehabilitation, municipal planning and building design, feasibility studies, financial planning, appraisal and counseling on civic development. Broadly based service capability in other areas determined to be closely related to banking is, also, necessary to promote viability and vigorous competition in meeting public needs.

SECOND FEDERAL RESERVE DISTRICT

from David Rockefeller

October 31, 1972

EBH 11/6

Comment on
Regulations Covering Processing Procedures Under the Bank Holding Company Act (the Act)

1. Procedures should be clarified so that the commencement of the 91-day period specified in §§ 3(b) and 4(c) of the Act for processing applications to acquire bank and nonbank subsidiaries can be determined by applicants.

Comment

Congress specified that the 91-day period begins on the date of submission to the Board of the complete record on the application. This indefinite wording has made the 91-day maximum period illusory. In order to accomplish the purpose of the Act and to insure that the Board's staff adheres to the Board's view on this matter, rules should be promulgated defining the commencement of the period.

2. The Federal Reserve banks should be granted greater discretionary authority to handle and dispose of applications under the Act.

Comment

In order to speed up the processing and determination of applications, it appears that more authority must be delegated to the Federal Reserve banks. At the present time the Federal Reserve banks have very limited delegated authority under Regulation Sec. 265.2(f)(19)-(24). Moreover, any action taken by a Federal Reserve bank is subject to review upon request of a member of the Board either on his own initiative or on the basis of a petition for review by any person claiming to be adverse. In effect, the delegated authority relates only to de novo activities and experience has shown that, even in this restricted area, the Board's staff, on occasion, has withdrawn authority from the Federal Reserve Bank to approve the application.

3. There should be clarification of the effect of the Board's determinations under § 4(c)(8) of the Act as set forth in § 225.4 of Regulation Y and the Board's Interpretations, on the one hand, and applications to engage in specific activities de novo, on the other.

Comment

Although the Board has determined, for example, that certain insurance activities are so closely related to banking or managing or controlling banks as to be a proper incident thereto and in Interpretations § 225.128 has further defined permissible insurance activities, nevertheless, authorizations to engage in insurance activities *de novo* of the type specified have been suspended. Apparently, such suspension occurs whenever an objection has been filed without, at least, any published determination by the Board that the adverse comments are substantive.

4. Processing by Staff

Comment

It appears that the staff of the Federal Reserve Board is not adequately manned to handle the volume of applications under the Act, which has resulted in extended delays. This suggests that in addition to delegation of authority to the Federal Reserve banks the Board's staff should be augmented both in legal and banking areas by experienced personnel.

THE CHASE MANHATTAN BANK
National Association

1 Chase Manhattan Plaza, New York, New York 10015

DAVID ROCKEFELLER *Chairman of the Board* August 17, 1972

Dear Arthur:

Immediately following the completion of this September's World Bank and International Monetary Fund meetings in Washington, D.C., Peggy and I will be holding a luncheon in honor of Ministers of Finance and Central Bank Governors of the member countries.

We very much hope that you and your wife will be able to attend this luncheon, which will be held at my family's estate at Pocantico Hills in Tarrytown, New York, on Sunday, October 1. Refreshments will be served at 12:00 noon, with luncheon to follow at 1:00 P.M.

Please let us know if you will be able to join us for this occasion.

Sincerely,

David

The Hon. Arthur S. Burns
Chairman
Board of Governors of the Federal
Reserve System
Washington, D.C. 20551

regretted 9/7/72 cm

May 18, 1972

Dear David:

I am most pleased to have your note and letter of May 3, 1972 sending along your reply to my request at the FAC meeting for reactions to the Hunt Commission recommendations. I assure you that both I and my colleagues will study carefully this informal expression of your bank's views.

My warm thanks to you for your thoughtful response.

Sincerely yours,

Arthur F. Burns

Mr. David Rockefeller
Chairman of the Board
The Chase Manhattan Bank
1 Chase Manhattan Plaza
New York, New York 10015

AFB:RCH:LG:cmn
#589

cc: Mrs. Mallardi (2)
Mr. Holland
Mr. Chase - file/date & original for memo to Board

THE CHASE MANHATTAN BANK

National Association

1 Chase Manhattan Plaza, New York, New York 10015

DAVID ROCKEFELLER *Chairman of the Board*

January 26, 1972

Dear Arthur:

I am delighted that arrangements have been worked out so that you can come to New York for dinner with the members of the Clearing House on Wednesday, February 23. May I suggest that we meet in the Library at the Knickerbocker Club, 2 East 62nd Street, at 6:30 p.m. I have asked the other members, as well as Messrs. Hayes and Sheehan; dress will be informal.

We are looking forward to seeing you.

With good wishes,

Sincerely,

David

Honorable Arthur F. Burns

Chairman, Board of Governors
Federal Reserve System
20th Street & Constitution Avenue
Washington, D. C.

April 18

JAN 18 1972

Dear David:

Thank you very much for your most gracious letter of December 23. I appreciate having your reaction to the international monetary realignment and I want to encourage you to communicate your views whenever the spirit moves you, even apart from your participation on the Federal Advisory Council.

I look forward to seeing you and your Council colleagues at the meeting early next month.

With all good wishes,

Sincerely yours,

(Signed) A. F. Burns

Arthur F. Burns

Mr. David Rockefeller
Chairman of the Board
The Chase Manhattan Bank
1 Chase Manhattan Plaza
New York, New York 10015

cc: Mrs. Mallardi

NB/gkr:1/14/72
X 26

Mrs. Mallardi

DEC 20 1971

Dear David:

We were pleased to learn of your selection by the Federal Reserve Bank of New York as a member of the Federal Advisory Council to represent the Second Federal Reserve District during 1972. On behalf of the Board of Governors I wish to welcome you into the official family of the Federal Reserve System and to express the hope that you will enjoy your new duties and associations.

The members of the Board are looking forward to seeing you at Council meetings and, of course, at any other time you can drop in to visit us. They join me in extending best wishes for the holiday season and for the New Year.

Sincerely yours,

(Signed) Arthur F. Burns

Arthur F. Burns

Mr. David Rockefeller
Chairman of the Board
The Chase Manhattan Bank
(National Association)
New York, New York

cc: Chairman Nickerson and President Hayes

JKS:jam

FROM THE DESK OF:

DAVID ROCKEFELLER

September 23, 1971

Dr. Arthur F. Burns

Arthur:

I thought you would be interested in the attached.

Best to you.

David

DR

September 23, 1971

The President
The White House
Washington, D. C.

Dear Mr. President:

On various occasions in the past, you have paid me the compliment of asking my opinion on economic issues of concern to the nation. You have been kind enough to suggest that you would be glad to hear from me in the event that I had observations which I felt it important to communicate to you. Recognizing the appalling pressures on your time, I have refrained as much as possible from taking advantage of your invitation.

At the present time, however, I do have some thoughts which I would very much like to convey to you if you could spare a few moments. I felt that your August 15 initiatives were timely, necessary and effective. They brought a new sense of hope and confidence, not only in this country, but around the world. As you fully recognize, however, the longer run benefits from your dramatic actions will depend in large part on interim steps which are taken or planned in the relatively near future.

Specifically, I have some grave concerns with respect to the evolving international monetary and trade picture. From talks I have had with numerous foreign and domestic bankers, businessmen and economists, I am fearful that in the absence of more positive and prompt initiatives on our part, there could be a crystalization of ideas and actions both at home and abroad which could be difficult to undo later and could be contrary to the best long run interests of the United States. I have some general thoughts on this subject which I would be happy to convey to you if you wish me to do so. Needless to say, I would make myself available to see you any time at your convenience.

With warm good wishes,

Sincerely,

David Rockefeller

552-3253

THE CHASE MANHATTAN BANK
National Association

1 Chase Manhattan Plaza, New York, New York 10015

August 25, 1971

DAVID ROCKEFELLER *Chairman of the Board*

Dear Arthur:

This is just a note to confirm the dinner set for Wednesday, September 15, with leading New York bankers to discuss the international monetary situation.

We plan to meet at 6:30 p.m., informal, at the Century Association, 7 West 43rd Street. I have asked the guests if they would be good enough to put together some of their thoughts beforehand on this problem. I trust it will prove to be an interesting evening.

Looking forward to seeing you on the 15th,

Sincerely,

David

Dr. Arthur F. Burns, Chairman
Board of Governors
Federal Reserve System
20th Street and Constitution Avenue
Washington, D. C.

Called
"no"
9/10/71
am

Address by David Rockefeller
Chairman of the Board
The Chase Manhattan Bank
Before the Bond Club
New York, April 15, 1971

NEW COMMUNITIES: A NEW AVENUE FOR SOCIAL-PURPOSE INVESTING

This is the second time I have been invited to address the Bond Club of New York -- a distinction that I note has been accorded in recent years to only one other speaker, my good friend John Lindsay.

I don't know what inferences the political writers may draw from this. Perhaps that our Mayor will shun both parties to become a banker!

Since this is a repeat performance, I might point out that in atomic research, the physicists have discerned two kinds of risks that also apply, in a sense, to luncheon speakers. When you invite someone for the first time, you take what the scientists call a "calculated risk." However, when you extend a second invitation, it is a "known risk."

So, apparently you are either prepared for -- or resigned to -- what will follow, and I find that very reassuring indeed!

I know of no group that, over the years, has been more receptive to new ideas or more willing to undertake formidable tasks of civic and social benefit than members of the Bond Club. In the

1950's, when there was concern over the exodus of business and financial houses from Wall Street to midtown Manhattan, firms represented by your membership joined with others to form what became the Downtown-Lower Manhattan Association. The efforts of this group helped immeasurably to turn the tide and bring about an orderly redevelopment of the financial district.

Some of you may recall that when I spoke here eight years ago, I discussed the subject of urban renewal. Today, I would like to go beyond the renewal of existing cities -- although this remains a compelling problem -- and talk about the need for a well-planned and soundly financed program of developing new towns and satellite cities.

In presuming to consider the future of our cities, I realize that I open myself to the charge of being a visionary, a dreamer, certainly an optimist in an era when urban pessimism is the fashion.

Yet I know I am speaking here today to optimists. When the Dow was at its low point a while back, I overheard one of your members being questioned about the possibility of another Great Depression.

"Depression?" he responded increduously. "We are in no danger of a Depression -- but we sure are having the worst boom in a good many years!"

To contemplate the immensity of the task we face in dealing with our growing population and our deteriorating core cities, it is necessary to recognize some of the basic elements that are exerting pressures on us.

Today, we have a population of some 206 million. That figure is expected to increase by 75 million during the next 30 years.

Not only is the population increasing but it is moving into the areas of great urban sprawl. Prior to 1946, 56% of the people lived in metropolitan areas. By 1970 it was 66%. And by the end of the century, it is expected to reach 78% of the total.

Briefly, this means that we are approaching a point where more than three-quarters of our population will live on 10% of the land area of the United States.

The result, as we can see so well, is haphazard growth in which social and economic ills tend to multiply, both within the cities and in the suburbs that fringe them. Right here in New York City, one out of eight persons lives in what are known as "old law" tenements -- buildings declared unfit in 1901.

In the Urban Growth and New Community Act of 1970, Congress issued a scathing indictment of our present development policies. If the established pattern continues, it said, the result will be inefficient and wasteful use of land resources which are of national and environmental importance. Further, it was contended, there will be destruction of irreplaceable natural and recreational resources and increasing pollution of air and water.

Continuing on our present path means diminishing opportunities for private industry to provide sorely needed housing -- failure to make the best economic use of the potential resources of the nation's small cities and towns -- further lessening of employment and business opportunities, particularly among the poor and disadvantaged -- greater increases in the distances between where people live and work, coupled with increased cost and decreased effectiveness of public and private facilities for urban transportation.

It was evident to the Congress that new community development has been held back by the difficulties of obtaining adequate financing at moderate cost, together with the problem of assembling sufficiently large sites and the timely, coordinated installation of infrastructure -- streets, sewers and other public facilities.

From this it is obvious there are two critical needs.

One is the rehabilitation and redevelopment of our urban areas, the core cities now bearing the brunt of population pressures. The second is the development of new communities that will put to use the undeveloped rural areas and siphon off some of the population now flowing into the urban centers.

This is not an "either-or" decision. Both must be done simultaneously.

Recognizing the enormity of the problem, the National Committee on Urban Growth Policy has recommended the creation of 100 new communities of 100,000 persons each, and ten additional cities of at least one million persons each. To implement the proposal, the Community Development Corporation has been established under the Housing and Urban Development Act of 1970 to handle some of the financing of new communities. Unfortunately, its resources are far from adequate.

To illustrate the immensity of the financing necessary, there are recent studies showing that the cost of land, planning and management, and infrastructure for a new community to handle 100,000 population could require $50 million. These start-up costs -- all, so to speak, before the first cellar hole is excavated -- are said to be as much as 20 times a developer's total assets. Interest payments alone on start-up financing of $50 million can come to $13,000 a day.

If we apply this $50 million estimate to the recommendations of the National Committee on Urban Growth Policy for 110 new communities, the start-up funds required would be at the very least a staggering $10 billion.

The facts we must face are that we are going to have tremendous population growth and we are going to have to pay for facilities for these new people. We can't escape it. However, by developing "new towns" before the full force of the avalanche is felt, we can effect the savings that usually result from advance planning and execution.

I find the "new town" concept exciting. There are about a dozen now underway but I have been particularly interested in Columbia, Maryland where our own bank participated in the financing. In this planned community, about half the 14,000 acres are set aside for residential purposes. A quarter of the land is open space for parks and recreation. Another quarter is for commercial and industrial use.

Columbia has several unusual features. Low and moderate-income multi-family dwellings are almost indistinguishable in design and character from higher-income units. There are specially designed individual routes for vehicles and pedestrians. A physician's visit costs $2.00 and there is psychiatric counseling under a city-wide, commercially-financed group health plan. Catholic and Jewish congregations have joined with 13 Protestant denominations to build facilities for shared use.

The enthusiasm generated among planners, developers and residents of Columbia indicates that the solution of the "people problem" through new communities is high on the agenda among Americans.

This was brought forcefully to my attention in more than 150 letters I received after mentioning "new towns" in a speech last February. There were many suggestions for implementation -- some quite novel.

One correspondent suggested that ghettos be cleared by purchasing trailers and moving families into them while deteriorated areas were razed and new housing constructed. Another thought new communities could consist of a cluster of buildings that were built 1,000 feet underground and two miles into the sky -- complete with everything from supermarkets to churches and recreation areas on platforms far above the ground.

There were letters from fashion groups and monorail builders; from students requesting material on which to construct theses and persons wishing to sell family farms and vast ranches. A number volunteered their services without pay, including an architect and a college president.

Dozens of letters praised the "new town" idea -- sincerely hopeful these would lead to a halt in core city deterioration and a new way of life.

To expedite urban rehabilitation and new communities on a scale that will satisfy our requirements, I believe we need a "package" approach -- a combination of government and private enterprise, each playing its separate role.

Government is needed for site acquisition, for revision of zoning and construction codes, for providing essential services and tax incentives. Private enterprise is needed to procure the vast development funds that are required to make "new towns" economically viable through innovative financing.

To meet these two requirements, I suggest the creation of two corporations of national scope. One, governmental, would handle acquisitions and assist in guidance in terms of national land-use planning. The second, private or quasi-public, would be organized to provide the predevelopment financing.

The government agency would acquire by purchase, trade, grant or otherwise, sites for new and satellite communities or core city regeneration including "new towns in town."

It should have limited powers of eminent domain but with built-in safeguards at state and federal levels fully insuring states' rights, and the welfare of people living within the proposed sites. Only with such protective devices could the program be acceptable and successful.

The financing arm of this partnership could be a new kind of non-profit or limited-profit bank, organized regionally in the same manner as the Federal Reserve system, to mobilize and channel the nation's private financial resources into this broad new community development program.

The bank would combine the functions of site approval, lending, underwriting and market promotion. Branches would be dispersed in a number of districts throughout the nation.

Its equity would be a reasonable sum paid in by commercial banks, perhaps apportioned on the basis of the individual bank's assets. There would be a modest dividend return, payable on the recommendation of the Board of Governors after all debt service requirements had been satisfied.

Additional capital would be obtained through the sale of debentures to insurance companies, pension funds, foundations, church funds and others. Yields would float with a selected bond index, say Moody's Aa industrials.

The important consideration is that the bank would provide a new avenue for a broad spectrum of investing groups to channel social-purpose funds into a national effort to implement urban growth on an organized basis rather than doing so entirely through piecemeal lending.

To some extent, the lending of social-purpose money has been primarily undertaken by the banking and insurance industries, with some coming from certain individual corporations or religious groups. But the sale of debentures by the bank would open the door for even more members of the financial community to share in a united effort and play a constructive role in improving our society.

Land development loans would be made to the builders of new communities for total land acquisition and development costs. Interest might be 2% above the prime rate on a floating basis. The loans could mature in 15 years and at least 50% of the cash flow generated by the developers through sales and leases would be utilized for debt service.

In the marketing area, the bank would seek advance commitments among major industrial and commercial concerns. This is the way it might work. A branch of the bank in a district where a new community was planned would report on the economic and political feasibility of the location. Various member banks would make preliminary inquiries among their industrial and commercial customers to determine whether they would consider expansion into the site under consideration.

Given encouraging reports, the bank would agree to underwrite the site acquisition on two conditions. One would be that its commitment be limited to five years. The second would be that the site must be delivered free of restrictions that would inhibit innovative development of a new community.

With underwriting terms met, the bank would then seek firm commitments for the lease of sites to those firms that had shown an interest during the earlier exploration. The bank would select a developer or a consortium of interests and work out the financing details.

Once the infrastructure was completed, financing would be handled through conventional sources. It is at this point that I feel there would be enhanced appeal to members of this audience.

When this club was founded, railroad bonds were important issues. But the transportation systems required both within the new community, and linking it to others, may well develop a new bond and a new breed of transportation bond men.

As the community is new, the transportation systems should be innovative. They might include elevated or underground monorails, air-cushion vehicles, computerized rapid transit, containerized passenger-freight vehicles or traveling belt shuttles. Because such methods of moving people are still to be perfected there are no statistics. Thus, new concepts of financing may be required.

Beyond this, would be the underwriting of debentures for utilities bringing power to the new communities; to corporations building plants and processes for environmental control on the commercial and industrial sites; and for other associated ventures requiring capital funds. I see new towns and satellite cities opening fresh vistas for the financial community, as exciting as the birth of a series of new communities.

With reasonable adjustments and modifications, site selection and financing would be equally applicable to a new community some distance from the present urban areas, to satellite communities on the metropolitan fringes or in the ghetto or other deteriorating areas within core cities.

Obviously many of the more intricate and innovative areas of financing can only be fully perfected when the government, and private or quasi-public, corporations are established and their respective functions and patterns of operation determined.

However, it is my conviction that we should move at once to meet head-on the crisis posed by the 75 million or more new Americans who will be with us by the end of this century. It is my further belief that the answer can only be provided by the cooperative efforts of government, to undertake the planning necessary, and the private sector to meet the needs for financing and actual development.

We need highly motivated men and women. They must shun half-measures because anything less than a total effort to relieve the "people pressure" and correct our national ills is a threat to our economic and social survival.

It is because I firmly believe this that I suggest each of you here today take a place in the ranks of those committed to wipe out our ghettos, renew our cities and establish new towns of hope. Dedicated to such a cause we can reshape the face of the nation.

20th Anniversary Dinner

NATIONAL COMMITTEE AGAINST DISCRIMINATION IN HOUSING, INC.
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February 23, 1971

Mr. Arthur F. Burns, Chairman
Board of Governors of the
Federal Reserve System
Washington, D.C. 20551

Dear Mr. Burns:

We especially hope that you, as a Member of the 20th Anniversary Dinner Committee for the National Committee Against Discrimination in Housing, can participate in the Anniversary celebration on Wednesday evening, March 31st, 1971 at the Plaza Hotel, New York City. Myrna Loy, Co-Chairman of NCDH's Advisory Council, will preside.

In addition to marking the completion of NCDH's second decade, the Anniversary Dinner will pay tribute to two outstanding Americans -- the late Walter P. Reuther and Dr. Frank S. Horne.

Walter Reuther, who was associated with NCDH from its early years, was devoted to the principles of democracy in housing. His tireless and unselfish efforts were to secure low- and moderate-income housing for all working men and women at prices they could afford to pay. We continue his name as Dinner Co-Chairman because of his contribution towards the achievement of these goals.

Dr. Frank S. Horne, national authority in the housing field, was an initiator of the Federal Government's FHA Race Relations Service, the first Executive Secretary of the New York City Commission on Human Rights, and more recently, Assistant Administrator for Equal Opportunity for New York City's Housing and Development Administration. Widely known as the "Dean of Open Housing", he was a founder of NCDH, Chairman of its Executive Committee for many years, and is now Honorary Chairman. Dr. Robert C. Weaver, former Secretary of the Department of Housing and Urban Development, will pay tribute to Dr. Horne for his long years of service to all Americans in the field of housing.

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American Federation of Teachers, AFL-CIO
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American Jewish Committee
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Young Women's Christian Association

At this mid-point of the 20th Century, we are deeply disturbed, as are millions of Americans, that we have yet to achieve an "open housing market" that will give every family equal access to decent housing in a community of their choice. Your sponsorship and presence at this Dinner will contribute immensely to the realization of our goals for democracy in housing.

We enclose a Reservation Form on which you can list the number of tickets and the names of your guests who will attend.

Sincerely,

Vernon E. Jordan, Jr.

Vernon E. Jordan, Jr. David Rockefeller

David Rockefeller

Dinner Co-Chairmen

elg

THE CHASE MANHATTAN BANK

National Association

1 Chase Manhattan Plaza, New York, New York 10015

DAVID ROCKEFELLER *Chairman of the Board*

December 4, 1970

Mr. Arthur F. Burns, Chairman
Federal Reserve Board
20th & Constitution Avenue
Washington, D.C. 20551

Dear Arthur:

Vernon Jordan of the United Negro College Fund and I are serving as co-chairmen of the 20th Anniversary Dinner of the National Committee Against Discrimination in Housing, to be held March 31, 1971, at the Plaza Hotel in New York.

Before his tragic death, Walter Reuther had agreed to join us as a co-chairman of the Dinner Committee, and at the request of his associates we are continuing his chairmanship as a tribute to him.

As you may know, NCDH is the only national civil rights organization devoted exclusively to open housing. It has worked for two decades to carry out programs aimed at achieving equal opportunity in this field.

Today, when providing adequate housing and eliminating discrimination are of utmost urgency, continued progress toward these goals depends more than ever on the strong support of concerned citizens like yourself.

For this reason, I am asking you to serve with us as a member of the NCDH 20th Anniversary Dinner Committee. This commitment will not make any demands on your time, but your endorsement of NCDH's goals will be of great help in our efforts to gain clear recognition of the immediate and critical need for equal housing opportunity.

For your convenience, a reply card and envelope are enclosed. I earnestly hope that you will join us in this important endeavor.

elg

With best regards,

Sincerely,

David

New Towns and Satellite Cities: A Proposal for Development and Financing

New Towns and Satellite Cities: A Proposal for Development and Financing

An Address by
David Rockefeller
Chairman of the Board
The Chase Manhattan Bank
Before Regional Plan Association
New York, February 16, 1971

I appreciate enormously the generous recognition that has been given this evening to the things I've tried to do toward improving this city that we all love so much, even though it causes us anxiety.

To be singled out for acclaim by the Regional Plan Association is a heartening tribute, indeed, and I am most grateful to you, Rusty Crawford, and all your fine associates.

I should warn you, though, that you may be establishing a dangerous precedent at these annual dinners. My brother Nelson was the speaker at last year's affair, and I myself have that honor tonight. I just wonder whether you are aware that there are three more Rockefeller brothers!

Actually, father was a strong supporter of this Association. At one time, he stipulated that funds he provided for land acquisition and an extension of the Palisades Interstate Park System, in the area north of the George Washington Bridge, be used in accordance with the First Regional Plan of 1929.

When Nelson originally ran for Governor, I suspect he had occasion to feel sorry that father was so self-effacing. He found to his dismay that the name most frequently associated with Palisades Park was Harriman!

Seeing David Frost here as Master-of-Ceremonies reminded me that my place on the program this evening had improved considerably over the last time we met. On that occasion, David invited me to appear on his TV show, and of course I was happy to accept. I didn't mind so much waiting in the wings while he interviewed two famous Hollywood actors—but I did think David carried the "upstaging" bit a little too far when he then brought on the Prime Minister of Sweden!

As Rusty Crawford can testify, it is particularly reassuring these days for a banker to hear anybody say nice things about him because, frankly, in these inflationary times, we have been getting far more brickbats than bouquets.

From time to time, I am asked what I think about inflation, and I've never been able to improve upon Milton Berle's definition. Inflation, he said, is when people's money won't buy what it did during the depression when they didn't have much of it anyway!

Bankers have been forcefully reminded of inflation's impact by several recent developments, including the soaring cost of building and outfitting new branches—and you know how many of those are opening up all the time. One survey showed recently that our Avenue of the Americas now has more banks than bars! Some people, I'm afraid, would not look upon that as a forward step in regional planning!

Friends and I were discussing urban planning recently while watching the television coverage of Apollo 14. One of the group raised the question why, since we can put men on the moon, we cannot solve our urban problems which are so much closer at hand.

"The explanation is simple," said another. "We know where the moon is!"

In reflecting on this comment, I couldn't help feeling that it pretty well summed up the difficulty we have in coming to grips with that tangled complex of problems we call "The Urban Crisis."

Multiplicity of Problems

As the Regional Plan Association found out early in its very useful life, the urban crisis is not just a single problem. Rather it is a kind of witches' brew, blended from all the major ills of our time—inadequate educational systems, hard-core unemployment, poverty in the midst of plenty, antiquated transportation, shameful housing, insufficient public facilities, and all the rest.

This evening I'd like to touch briefly on some of the problems we face—problems that have been starkly delineated in the Association's recent and comprehensive Second Regional Plan. Then I'd like to explore a concept of development and financing that seems to me to have application not only to our urban areas but also to the exciting development of "new towns" and "satellite cities."

I should tell you at the outset that I personally am not a devotee of the new fashion of urban pessimism. This is the dispirited and disillusioned cult that never ceases to predict an early and ignominious end to all our cities.

Such an attitude, in my judgment, does much less than justice to the thousands of dedicated civil servants, determined businessmen and concerned citizens who have opted for enterprise and ingenuity as their response to a troubled era. To me, it would be both impractical and unthinkable to surrender to frustration at a time when there is so much constructive work to be done.

I spoke earlier of how difficult it is for the average citizen to see the urban crisis in perspective. Perhaps it helps if we think of the United States as two broad geographical areas.

The Rural-Urban Picture

One is rural America, a region so huge that, if it were a separate country, it would rank in area as the world's ninth largest. Yet, at the same time, a region so low in income that, by itself, it would be the world's sixth largest underdeveloped nation.

This rural America contains the highest proportion of our poverty, the lowest average per capita income, the most inequitable distribution of educational opportunity, the bulk of our inadequate housing.

The second geographical element consists of six large urban-and-suburban sprawls: the Boston-Washington corridor down the Atlantic seaboard; from Buffalo along the Great Lakes beyond Chicago; the spill-out of Los Angeles engulfing over half the California Pacific; the Florida spread; the Atlanta-Piedmont crescent; and the Fort Worth-Dallas-Houston complex.

Statistics confirm the pattern that the nation's urban areas accommodate 70% of all Americans on about 10% of the land.

Thus, in our rural areas, we have more room than people—more than enough space to expand, and in addition a real need for the advantages that business and industry can provide.

On the other hand, we have the urban areas with far more people than room. In these areas, we have seen haphazard growth in which social ills tend to multiply.

Given these disparities, it is only natural to ask: Why don't we get people to move from congested metropolitan centers to sparsely settled rural areas?

In a regimented society that might be a good way to do it, but it is hardly the American way.

Though romantics may still dream of the glories of small-town life, thousands of Americans continue by preference to pour into our great urban regions to take advantage of the unparalleled opportunities they do, in fact, offer. To the country lover, it may seem surprising that nearly all the increase in our national population over the past decade, took place in metropolitan areas—in the central cities and especially in the suburbs.

In view of this trend and because of the huge investment we have in our existing cities, it is the height of folly to think—as some do—that we can ignore the refurbishing of our present metropolitan areas in favor of creating new cities away from the congested corridors. Realistically, we have no choice but to do both.

Today we have a population of some 206 million. Projections show that we are likely to add as many as 75 million more people by the end of this century—less than 30 years away. While this represents a lower rate of population growth for the United States than in the past—and is substantially lower than that of the developing nations—it still means that we must assimilate vast additional numbers of people in our country. In short, our urban problems will grow, not diminish, in the remaining decades of the 20th century.

Seldom does a day pass that we don't hear the question: "What's the solution?"

But I wonder if a more realistic query wouldn't be: "What's the best approach to these problems?"

Experiences I have had in relation to Morningside Heights, Lower Manhattan and urban activities of our own bank is recent years suggest that the right approach is all-important.

I might add, parenthetically, that this lesson on the proper approach was reinforced, at least in my own mind, when I tried to convince some of my associates, at our friendly little loan company, to decorate their offices with contemporary art. That's a job that definitely calls for the right approach!

At any rate, in approaching urban problems, it is absolutely vital to gain the cooperation of three elements: private business, government, and the local citizenry. Unless these three can reach a broad consensus, even the finest plan will become nothing more than a blueprint for failure.

I believe that the basic task of urban rehabilitation is one for private enterprise. But it must be a cooperative venture. Government must lend support through zoning, through supplying essential services, and through tax incentives. Furthermore, the goodwill of the local residents and their concurrence in the program is an indispensable ingredient.

The Job For Business

Clearly, the business and financial community has a growing stake in the economic health of our cities. Good zoning, traffic control, and adequate water supply are essential to the entire community but they also bear directly on the success of businesses located there. To attract and retain top talent, willing to live and work in our cities, business needs progressive community leadership that is alert to problems which exist and is prepared to do something about them.

Conversely, cities need the help of business if they are to expand job opportunities and generate an adequate tax base. During this decade of the Seventies, we must create jobs in the United States for about a million-and-a-half men and women who will be entering the labor force every year. Since most of these jobs must be in metropolitan areas where the population is concentrated, a basic function of any city must be to encourage and to support the business and commercial activities that provide its economic base.

It goes without saying that in performing its primary role of producing goods and services efficiently, business is accomplishing a vital function of great public importance. Beyond this, however, more and more businesses are coming to recognize that they have a responsibility to assume a larger share of the social burden as well, hand-in-hand with government. A notable recent example of business initiative, which went beyond the conventional role of a strictly profit-oriented project, was the case of nine commercial banks which are cooperating with the City in providing nearly $75 million for the construction of the Waterside housing development. This will accommodate some 1,500 low-and moderate-income families, on a novel six-acre platform over the East River.

This is just one example of the expanding corporate trend toward direct participation in community improvement that is becoming nationwide in scope. I am not suggesting, of course, that business single-handedly—without government assistance—can solve the problems of our cities. However, it can take—and is taking—a livelier interest and is playing a larger role. And I believe it will do even more as it becomes convinced that its efforts will receive encouragement and support from government and the community.

Exciting New Communities

One promising area for future collaboration between public and private sectors is in the exciting planning and development of "new towns" and "satellite cities."

I say exciting because this represents a dramatically new concept of urban building. Look at any of our present towns and cities and you can see unmistakable reflections of the way they were built piece by piece.

How much better it would be to have an overall concept of the community which can shape the development right from the outset. That, in essence, is the new town idea. An imaginative builder comes in with a comprehensive plan and works out the details in cooperation with local government.

The location of the community center is carefully selected. You don't have the situation many of us are familiar with today where one municipality waits for its neighbor to provide the shopping and community facilities for both. Housing is planned to meet the needs of all those who will be working in the community. You don't run into situations where one municipality drags its feet, hoping the next town will provide the low- and middle-income housing, while it accommodates only the well-to-do.

In recent years, there have been about a dozen communities started which can be classified as "new towns"—that is, politically new and independent units with a wide range of options for housing, employment, worship, education and recreation. Perhaps the outstanding example of a new town in this country is Columbia, Maryland, halfway between Baltimore and Washington. Because Chase Manhattan participated in its construction financing, I have followed this particular "new town" with special interest.

Columbia was started in 1963 and is expected to be completed in 1980. By that time the population—now about 10,000—should reach 110,000. Of its 14,000 acres, about half are for residential use. A quarter of the land is for open space, while another quarter is for commercial and industrial purposes.

A core community is surrounded by what ultimately will be a dozen tree-shaded villages. Each village has been subdivided into racially integrated neighborhoods of about 1,000 families, with homes in a variety of styles and prices, clustered around churches, shops and schools. There are transportation loops around the villages that connect with Columbia's central core. Industrial sites are situated on the outskirts but with easy access routes to residential and shopping areas. The city is designed to be a balanced community with recreational and social facilities to satisfy the human needs of urban living, in addition to the businesses which provide employment and the economic base.

Seeing Columbia evolve, one can readily understand the growing support for new towns which is springing up all across the country.

As an example, the National Committee on Urban Growth Policy has recommended the creation of 100 new communities the size of Columbia and, in addition, ten new cities of at least one million people each.

The Housing and Urban Development Act of 1970 set up a Community Development Corporation to handle the financing of new communities, and provided some of the funds to get them started. These steps are very much in the right direction, but the funding presently available is still far below the waterline of adequacy to get the job done.

A Specific Proposal

I have been giving considerable thought as to how the process of promoting new towns can be expedited. I have come to the conclusion that additional legislation will be required as well as added financial support. Specifically, it seems to me that two steps are needed.

One is a mechanism to help in acquiring land so that sufficiently large and contiguous tracts can be put together. In the case of Columbia, a few parcels could not be acquired and, in the end, the planners just had to design the city around them. If more parcels had been held out,

or if they had been in more critical locations, this could have undercut the whole project. The chanciness related to land acquisition is much too great as things now stand.

The other need is for new sources of financing to provide the enormous sums required before new towns get underway and begin collecting revenue on their own.

To take care of both these needs, I would suggest the creation of two corporations, nationwide in scope: one public, the other private or quasi-public.

To deal with the problem of land acquisition—and perhaps provide guidance in terms of national land-use planning—we need either a new federal agency or an existing agency supplied with special additional powers for planning and obtaining sites for new towns.

Such an agency might well require the power of eminent domain. But sufficient flexibility and safeguards should be built in so that the rights and desires of those already living in proposed sites would be protected, and so that there would be no improper infringement on states' rights. Whether it be an Executive branch mechanism or a creation of Congress should be a matter for sober reflection. But the plan would call for a federal agency with the ability to determine sites and projects in a manner consistent with the economic needs and goals of the communities involved as well as those of the nation. Thus, a single agency would handle land acquisition and site location.

The second agency, either private or quasi-public, would be organized on a non-profit basis to provide the predevelopment financing. Possibly a new kind of bank could be devised which would seek its capital from commercial banks, insurance companies, industry and other sources. To do so, the new bank would need to offer long-term debentures with a modest interest return that would make possible full development of a new town, and yet be sufficiently remunerative so as to assure a continuing flow of capital for other new towns. If the new communities are well conceived, there is every reason why the bulk of the capital could come from private sources.

Close Cooperation Essential

The two agencies would need to work in close cooperation—to see that the site locations of new towns met the public standards desired for national growth, and also to make sure that they would be attractive to residents and to industry.

Working together, these two agencies could create a whole series of new, independent communities, providing adequate housing at reasonable cost and bringing together both the white and blue-collar work force required for industrial expansion.

Core City Support

Aside from the building of new towns, the plan I have outlined could readily direct investment into existing core cities where our national growth policy determined that programs of redevelopment or rehabilitation were desirable.

Perhaps the greatest benefit would be the harnessing of private financing sources, which up to now have not been attracted by urban investment, and directing them into responsible urban developments that are not only profitable but that enhance the environment as well.

Obviously, the building of new towns is an expensive venture. One recent study estimates that a community the size of Columbia might cost as much as $50 million in predevelopment charges alone—in land acquisition, planning and management, and infrastructure such as streets and utilities.

These start-up costs are the very ones that the developer finds so burdensome under present conditions, and the ones that the proposed new financing agency would be designed to handle. As a new town project moves ahead, it can obtain funds in the conventional money market or—in the case of lower-income housing—from various government programs or the new National Corporation for Housing Partnerships. But the predevelopment costs are the big roadblock.

If we use this $50 million as a base figure, then the recommendation of the National Committee on Urban Growth Policy for 100 communities of Columbia's size, and ten of one million people each, could cost in the neighborhood of $10 billion.

Standing by itself, this is an imposing figure, indeed. Yet it is less than half of what we have already spent on the man-in-space program. And as great as the benefits from that program have been, I believe that the advantages of new town development—certainly in human terms—could be incalculably greater.

In conclusion, I would like to suggest that in tackling urban problems, we should keep five points in mind:

First, that because these problems are so closely interrelated, they call for the establishment of overall national goals and guidance.

Second, that federal and state assistance must be closely coordinated to stimulate responsible local action and serve the best long-run interests of the overall community.

Third, that the amount of state and local building and rebuilding required is so vast that it will make necessary the expenditure of a steadily increasing share of our total national income. Both private and public funds will be needed. Since states and municipalities are already straining their taxing powers, I believe the Federal government will have to bear a larger share than in the past. That is why I personally applaud President Nixon's proposal for what he calls "general revenue sharing." The idea of giving local governments greater flexibility in spending a larger portion of federal tax revenues on urban development is eminently sound and I would hope that the President's approach would eventually find the broadly-based support it deserves on Capitol Hill.

Fourth, that it is imperative for any new town or redevelopment project to include enough profitable activities, whether in housing, commercial development or industry to generate tax revenues sufficient to make the project viable with a minimum of public subsidy.

Fifth and finally, that the task of refurbishing our existing core cities and building new towns can best be accomplished if public and private efforts are creatively combined in such a way as to win the support of the community.

In shaping our cities of the future, we are limited only by the intensity of our concern, the reach of our inquiring minds, and the strength of our determination to provide a better life for all our citizens.

The Chase Manhattan Bank, NA
1 Chase Manhattan Plaza
New York, New York 10015

THE CHASE MANHATTAN BANK
National Association

1 Chase Manhattan Plaza, New York, New York 10015

DAVID ROCKEFELLER *Chairman of the Board*

January 29, 1971

Mr. Arthur F. Burns, Chairman
Board of Governors of the Federal
Reserve System
Washington, D.C. 20551

Dear Arthur:

I am delighted that you will be able to join as a member of the 20th Anniversary Dinner Committee for the National Committee Against Discrimination in Housing. Your support means a great deal to this undertaking.

Further details will be sent to you shortly regarding the arrangements and program for the Dinner.

With kind regards and much appreciation,

Sincerely,

David

30 Rockefeller Plaza
New York, N.Y. 10020

Room 5600 Circle 7-3700

November 4, 1970

Dear Arthur:

When we came up in the plane together the other day, I mentioned to you a telegram which George Hinman sent to the Vice President following some uncomplimentary comments the latter had made with regard to Senator Goodell. I enclose a copy of the telegram as I promised to do.

I greatly enjoyed having a chance to see something of you both at Hot Springs, and during the day we spent together in Washington and New York. I can assure you that it gives great comfort to many of us to know a man of your wisdom, character, and courage is at the helm in the Federal Reserve.

Sincerely,

David

David Rockefeller

Hon. Arthur F. Burns
Federal Reserve Board
20th Street & Constitution Avenue
Washington, D. C. 20551

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HONORABLE SPIRO T. AGNEW
THE WHITE HOUSE
WASHINGTON, D.C.

OCTOBER 8, 1970

REASONABLE MEN CAN AND DO DIFFER ON SENATOR GOODELL, BUT NO FAIRMINDED PERSON CAN DO ANYTHING BUT DEPLORE YOUR REFERENCES TO HIM TODAY IN NEW ORLEANS. THERE IS A LIMIT WHICH DECENT OPINION DRAWS TO VILIFICATION IN POLITICAL DEBATE. IT IS A MATTER OF THE DEEPEST REGRET TO ONE WHO IS BOUND TO OUR PARTY AND TO OUR NATIONAL ADMINISTRATION BY DEEP TIES OF FRIENDSHIP AND LOYALTY, TO HAVE OUR PROUD BANNER SO LIGHTLY DIPPED IN FILTH AGAINST ANOTHER REPUBLICAN WHOSE ONLY OFFENSE IS AN INDEPENDENT VIEW OF THE ISSUES OF LIFE AND DEATH IN OUR TIME.

GEORGE L. HINMAN
REPUBLICAN NATIONAL COMMITTEEMAN FOR NEW YORK

WU1206(R2-65)

October 23, 1970

Dear David:

I enjoyed our visit on the plane and at your home, and I am most appreciative of your thoughtfulness.

Please convey my regards to Mrs. Rockefeller. I like her Maine project and I hope it goes well.

Sincerely yours,

Arthur F. Burns

Mr. David Rockefeller, Chairman
The Chase Manhattan Bank, National Association
One Chase Manhattan Plaza
New York, New York 10015

AFB/jah