

The original documents are located in Box D34, folder “International Council, Morgan Guaranty Trust Company, San Francisco, CA, February 8, 1973” of the Ford Congressional Papers: Press Secretary and Speech File at the Gerald R. Ford Presidential Library.

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MEMO TO MR. FORD FROM MR. MILTICH RE: SAN FRANCISCO TALK

You will be speaking to the "International Council" of the Morgan Guaranty Trust Company, a group of businessmen and people retired from public service who are called upon by Morgan Guaranty Trust for advice with regard to its international business.

You will speak at 10 a.m. Thursday, Feb. 8, at the Fairmont Hotel, S.F. Your subject will be: "The New U.S. Congress"--its composition and balance of power and what the prospects are for legislative accomplishments.

They would like you to spea for about a half hour on an off-the-cuff, off-the-record basis (no press will be present)--and then answer questions for about a half hour.

I have put together some material which I think will be helpful to you. I think the remarks I prepared for La. State...on the fiscal responsibility confrontation between the President and the Democratic-controlled Congress...would be apropos, along with some comment on the accretion of power by Speaker Albert.

--Paul



nominal % change = exchange rate change of a foreign currency vis-a-vis the US dollar only.

effective % change = net result to a particular country or currency of an exchange-rate realignment in which all major currencies change. Net result is obtained by weighting, according to bilateral trade, exchange rate changes.

For example, in package A or B the German mark would revalue 7.89% vis-a-vis the US dollar, but remain unchanged vis-a-vis France, Belgium, Holland etc, its main trade partners. It would, in fact, devalue vis-a-vis the Yen (10%). As a result, a realignment of exchange rates indicated in package A or B, would yield rather small effective changes for most European currencies.

In my view, these changes would be acceptable to the world, but it requires action by the US + Japan.

Two hypothetical exchange rate realignments assuming U.S. initiative.
 Package **A** assumes increase in U.S. gold price to \$41 per ounce or 7.89%
 dollar devaluation and package **B** an increase to \$42 or 10.53% devaluation.

	<u>Nominal</u>	<u>Effective</u>	<u>Nominal</u>	<u>Effective</u>
	<u>% change</u>	<u>change</u>	<u>% change</u>	<u>change</u>
U.S.	-	-4.73	-	-6.29
Canada	-	-.90	-	-1.59
Japan	+17.89	+14.95	+20.53	+16.37
U.K.	-7.89(240.0)	-12.88	-4.06(250.0)	-10.20
Germany	+7.89	+2.94	+10.53	+3.61
France	+7.89	+3.07	+8.00	+.89
Italy	-	-5.45	+3.00	-4.13
Belgium	+7.89	+2.06	+10.53	+2.71
Netherlands	+7.89	+2.47	+10.53	+2.82
Switzerland	+7.89	+3.20	+10.53	+3.59
Austria	+7.89	+2.76	+10.53	+2.84
Denmark	+5.00	+2.15	+7.00	+1.78
Norway	+5.00	+1.73	+7.00	+1.44
Sweden	+5.00	+1.66	+7.00	+1.35
Australia	+7.89	+3.88	+10.53	+4.30

In addition to the U.S. action, Japan is assumed to revalue the yen 10% in terms of SDRs. Furthermore, the Canadian dollar would continue to float. If the Canadian dollar floats from 100 to 101, this would add 24 basis points to the effective dollar depreciation, etc.

At Smithsonian effective dollar depreciation was 10.35% in which was included the effect of the floating of the Canadian dollar for 92 1/2 on June 1970 to 100.34 on Dec. 18, 1971. On the other hand, even fewer LDCs could be expected to follow a U.S. action now than in 1971.

* It was 12% vis-a-vis group of Ten minus Canada
 10.35% " " " plus Canada
 7-7 1/2% " " world as a whole.

February 5, 1973

(over)

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK

INTERNATIONAL COUNCIL

PROGRAM

NINTH MEETING

SAN FRANCISCO, CALIF.

FEBRUARY 8th & 9th, 1973



MEMBERS OF THE COUNCIL

- | | |
|---|---|
| THE RT. HONORABLE LORD SHAWCROSS
Chairman
London, England | *THE RT. HON. SIR ROBERT G. MENZIES
Melbourne, Australia |
| THOMAS S. GATES
Vice Chairman
New York, New York | JOHN M. MEYER, JR.
New York, New York |
| STEPHEN D. BECHTEL
Senior Director
Bechtel Corporation
San Francisco, California | MAERSK Mc-KINNEY MOLLER
A. P. Moller
Copenhagen, Denmark |
| HARRY O. BERCHER
Director
International Harvester Company
Chicago, Illinois | JOHN H. MOORE
President
Brascan Limited
Toronto, Canada |
| CHARLES E. BOHLEN
Washington, D.C. | AKIO MORITA
President
Sony Corporation
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| FRED J. BORCH
Former Chairman
General Electric Company
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Corning Glass International
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| JORGE BORN
Chairman and President
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Buenos Aires, Argentina | DONALD S. PERKINS
Chairman
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| DR. GIORGIO CAPPON
General Manager
Istituto Mobiliare Italiano
Rome, Italy | POL PROVOST
Chairman and President
N.V. Houtindustrie de Coene & Co.
Kortrijk, Belgium |
| BERT S. CROSS
Chairman of the Finance Committee
Minnesota Mining & Manufacturing Company
St. Paul, Minnesota | GEORGE RUSSELL
Director
General Motors Corporation
Detroit, Michigan |
| *PROF. DR. KURT HANSEN
Chairman
Farbenfabriken Bayer AG
Bayerwerk, Germany | *WILLIAM S. SNEATH
President
Union Carbide Corporation
New York, New York |
| EDWARD R. KANE
Senior Vice President
E. I. du Pont de Nemours & Company
Wilmington, Delaware | JUAN T. TRIPPE
Honorary Chairman
Pan American World Airways, Inc.
New York, New York |
| VASCO T. LEITAO da CUNHA
Rio de Janeiro, Brazil | WILLIAM S. VAUGHN
Director
Eastman Kodak Company
Rochester, New York |
| HOBART LEWIS
President and Editor-in-Chief
The Reader's Digest Association Inc.
Pleasantville, New York | DR. ALBERTO J. VOLLMER
Central El Palmar S.A.
Caracas, Venezuela |
| ROGER L. R. MARTIN
President
Compagnie de Saint-Gobain-Pont-a-Mousson
Paris, France | |

*Not attending this meeting.

REPRESENTING MORGAN GUARANTY

- | | |
|--|---|
| ELLMORE C. PATTERSON
Chairman of the Board | WALTER H. PAGE
President |
| DeWITT PETERKIN, JR.
Vice Chairman of the Board | LEWIS T. PRESTON
Executive Vice President |
| BORIS S. BERKOVITCH
Senior Vice President and Secretary | GUY E. NOYES
Senior Vice President and Economist |
| ALFRED H. VON KLEMPERER
Senior Vice President | DENNIS WEATHERSTONE
Senior Vice President |
| GEORGE E. AUSTIN
Vice President | RIMMER de VRIES
Vice President |
- From Morgan Guaranty International Bank of San Francisco:
RICHARD C. STARRATT
Vice President and General Manager

ARRANGEMENTS

MRS. CHRISTINE S. DAVIN

Program

THURSDAY

FEBRUARY 8th - Morning

AT THE FAIRMONT HOTEL

- 8:15 Breakfast - CIRQUE ROOM
- 9:30 Assembly - FRENCH ROOM
- 9:45 Opening Remarks by the Chairman.....THE RT. HON. LORD SHAWCROSS
Welcoming Remarks by MGT Chairman.....ELLMORE C. PATTERSON
- 10:00 The New U.S. Congress.....THE HONORABLE GERALD R. FORD
Minority Leader, House of Representatives
- 11:15 Briefing Session on U.S. and
International Financial Markets.....GUY E. NOYES
DENNIS WEATHERSTONE
RIMMER de VRIES
- 12:15 Morgan Guaranty's International Business
and Plans for the Future.....LEWIS T. PRESTON
- 12:30 Lunch - PACIFIC UNION CLUB

FEBRUARY 8th - Afternoon

AT THE FAIRMONT HOTEL - FRENCH ROOM

- 2:30 The Corporate Board of Directors
- How to organize and select members; responsibilities,
duties and liabilities of members.
Its powers and relationship to management.
- Introductions.....THE RT. HON. LORD SHAWCROSS
BORIS S. BERKOVITCH
- Presentations by.....DR. GIORGIO CAPPON
JOHN H. MOORE
AKIO MORITA
DONALD S. PERKINS
- 4:30 Adjournment
- 6-7 INFORMAL COCKTAIL PARTY FOR MEMBERS AND WIVES
at office of Morgan Guaranty International Bank of San Francisco,
400 Montgomery Street.

FRIDAY

FEBRUARY 9th – Morning

AT THE FAIRMONT HOTEL – FRENCH ROOM

- 9:30 Assembly
- 9:45 The Stockholm Conference on the Environment –
follow up and present **situation**.....**BERT S. CROSS**
- 10:45 The Energy Problem
- Financial and Balance of Payments
Aspects.....**EMILIO G. COLLADO**
Executive Vice President, Exxon Corporation
- International Political **Aspects**.....**JAMES E. AKINS**
Director, Office of Fuels and Energy,
U.S. Department of State
- Factors involved in a National
Energy Policy.....**DR. THOMAS O. PAINE**
Vice President and Group Executive,
General Electric Company
- Introduction to **Discussion**.....**STEPHEN D. BECHTEL**
- 12:30 Lunch – THE FAIRMONT HOTEL – CIRQUE ROOM

FEBRUARY 9th – Afternoon

AT THE FAIRMONT HOTEL – FRENCH ROOM

- 2:00 Finish up Energy Session
- 4:00 Summing up and Closing Remarks.....**THE RT. HON. LORD SHAWCROSS**
- 4:15 Adjournment
- 6:30 **RECEPTION AND DINNER FOR MEMBERS, WIVES AND GUESTS**
(Black tie)
at **Bohemian Club, The Red & Owl Rooms, 624 Taylor Street.**



MORGAN GUARANTY TRUST COMPANY

OF NEW YORK

23 WALL STREET, NEW YORK, N.Y. 10015

New York

THOMAS S. GATES

October 24, 1972

The Hon. Gerald Ford
Congress of the United States
Office of the Minority Leader
House of Representatives
Washington, D.C. 20515

Dear Gerry:

I would like to invite you to join a meeting of our bank's International Council in San Francisco on Thursday, February 8, 1973. As part of a two-day meeting we would like to have a session on that morning to discuss the balance of power, prospects for legislative accomplishments, etc., in the new Congress. I wonder whether you could speak to us on this subject for, say, thirty minutes to be followed by a question and answer period of similar duration. These are entirely informal off-the-record meetings with no press in attendance.

We established our International Council, of which I am now the Vice Chairman, a few years ago. We were seeking a group of businessmen and people retired from public service on whom we can call for advice on our international business. You will find a list of its members on the inside of the back cover of our enclosed Annual Report. The Council meets formally about once every nine months during which we have a two-day program with subjects which are of interest and instructive for both our members and ourselves. Enclosed is a copy of our last program which will indicate to you the nature of these meetings. The political session in which you are asked to participate is a traditional and very popular one. In the past we have always had members of the press as the speaker.

On the afternoon of February 8th we will have a meeting to discuss the duties, responsibilities and organization of



-2-

The Hon. Gerald Ford

October 24, 1972

Boards of Directors and most of Friday will be taken up with a discussion of the Energy problem. You are, of course, cordially invited to attend all of the formal sessions and the social occasions if they are of interest to you.

Perhaps the timing will be a bad one for you. If it is not, we would be greatly honored by having you with us. I could not think of a better way of giving our domestic and foreign members and ourselves the feel of the political situation in the U.S. Ellmore Patterson joins me in this invitation and we would both be most grateful for your participation in our meeting.

Sincerely,

Tom Patterson

Enclosures

Henry -

This a terrific and very top group - small and off the record. I am confident you would enjoy it. Can I have a date to discuss it with you - after the election?

BP.



MORGAN GUARANTY TRUST COMPANY
OF NEW YORK
23 WALL STREET, NEW YORK, N. Y. 10015

New York

THOMAS S. GATES

January 4, 1973

The Honorable Gerald R. Ford
Congress of the United States
Office of the Minority Leader
House of Representatives
Washington, D.C. 20515

Dear Jerry:

Unfortunately, I was not able to get to Washington as I had intended to talk to you further about the meeting of our International Council in San Francisco on February 8th. Therefore, this note. Our program has now been finalized and a copy is attached. Also enclosed is a questionnaire which we have sent to the Council members and speakers on the social events during the two days. We would love to have you and Betty to any or all of them at your pleasure. Please return the questionnaire in the self-addressed envelope. Could you let us know if you want us to make any arrangements for your transportation and housing?

You will see from the questionnaire that in addition to the formal dinner on Friday some of us also intend to get together informally on Thursday evening. The members of the Council and speakers, with wives, who would like to spend the evening together will have an opportunity to do so through three or four small gatherings which some of us will host in local restaurants.

As to your part in the formal program you will notice that you are scheduled to start us off in the morning of Thursday, February 8th. This would be a session concerned with the composition and balance of power of the new Congress and what the prospects are for the legislative accomplishments. We always have a session on the domestic political situation at these meetings. In the past we have usually had a prominent journalist

The Honorable Gerald R. Ford

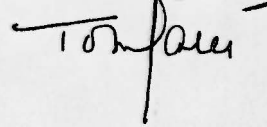
January 4, 1973

such as Jim Reston as the speaker. This is an entirely informal, off-the-record session and there is no press in attendance.

You will hear from us further during the next few weeks. If there are any questions in the meantime, please give me a ring, or I could call on you in Washington.

With best wishes.

Sincerely,



Enclosures



INTERNATIONAL COUNCIL - SAN FRANCISCO MEETING

February 8th and 9th, 1973

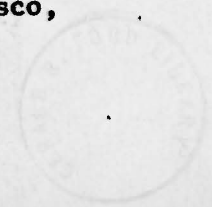
THURSDAY

FEBRUARY 8th - Morning
AT THE FAIRMONT HOTEL

- 8:15 Breakfast - Cirque Room
- 9:30 Assembly - French Room
- 9:45 Opening Remarks by the ChairmanThe Rt. Hon. Lord Shawcross
- Welcoming Remarks by MGT Chairman Ellmore C. Patterson
- ~~10:00 The New U.S. Congress The Honorable Gerald R. Ford~~
~~Minority Leader, House of Representatives~~
- 11:15 Briefing Session on U.S. and
International Financial Markets Guy E. Noyes
Dennis Weatherstone
Rimmer de Vries
- 12:15 Morgan Guaranty's International Business
and Plans for the Future Lewis T. Preston
- 12:30 Lunch - Pacific Union Club

FEBRUARY 8th - Afternoon
AT THE FAIRMONT HOTEL - FRENCH ROOM

- 2:30 The Corporate Board of Directors
 - How to organize and select members; responsibilities,
duties and liabilities of members
 - Its powers and relationship to management
 - Introduction The Rt. Hon. Lord Shawcross
Boris S. Berkovitch
 - Five members of the Council representing
different types of companies in different
countries will speak briefly about the
practice followed in their own companies.
- 4:30 Adjournment
- 6-7 INFORMAL COCKTAIL PARTY FOR MEMBERS AND WIVES
at office of Morgan Guaranty International Bank of San Francisco,
400 Montgomery Street.



FRIDAY

FEBRUARY 9th - Morning

AT THE FAIRMONT HOTEL - FRENCH ROOM

9:30 Assembly

9:45 The Stockholm Conference on the Environment -
follow up and present situation Bert S. Cross

10:45 The Energy Problem

Financial and Balance of Payments
Aspects Emilio G. Collado
Executive Vice President, Exxon Corporation

International Political Aspects James E. Akins
Director, Office of Fuels and Energy,
U.S. Department of State

Factors involved in a National
Energy Policy Dr. Thomas O. Paine
Vice President and Group Executive,
Power Generation Business Group,
General Electric Company

Introduction to Discussion Stephen D. Bechtel

12:30 Lunch - The Fairmont Hotel - Cirque Room

FEBRUARY 9th - Afternoon

AT THE FAIRMONT HOTEL - FRENCH ROOM

2:00 Finish up Energy Session

4:00 Summing up and Closing Remarks The Rt. Hon. Lord Shawcross

4:15 Adjournment

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~~7:30~~ DINNER FOR MEMBERS AND WIVES - (Black tie)
at Bohemian Club, The Red & Owl Rooms,
624 Taylor Street

Social Program, Breakfasts, Luncheons, etc., for
International Council Meeting, February, 1973

Common Breakfast for Council Members

Thursday morning at the Fairmont Hotel - no wives.

Thursday Evening

Council members with wives are invited to drop in for a drink at the new offices of Morgan Guaranty International Bank of San Francisco.

No organized plans for dinner but for those who would like to spend the evening in each other's company, with wives, Messrs. Patterson, Page, Gates, Shawcross and Peterkin will host separate informal dinners at a variety of typical San Francisco restaurants.

Friday Dinner

Bohemian Club with wives - BLACK TIE - Guests will include some of Morgan Guaranty's business, banking and other friends from the San Francisco Bay Area.

Mrs. Bechtel's Lunch

Mrs. Bechtel will ask member wives to join her for lunch on Thursday.

1-12-73
1-12-80

January 12, 1973

Honorable Thomas S. Gates
Morgan Guaranty Trust Company
23 Wall Street, Ne
New York, New York 10015

Dear Tom:

Thank you for your letter of January 4th with which you enclosed the copy of the program for your International Council. I have completed the questionnaire and have sent it on to Mr. Alfred H. Von Klemperer as you requested.

I am planning to arrive on the evening of February 7th but as yet do not know the exact arrival time. I will therefore need overnight accommodations for February 7th and 8th. Would very much appreciate your making the arrangements for me.

It certainly appears to be a great program and I am eagerly looking forward to participating.

Thank you again and warmest personal regards.

Sincerely,

Gerald R. Ford, M. C.

GRF:1



The 93rd Congress will almost certainly see a renewal of the tug-of-war between the President and the Democratic majority over excessive Federal spending.

Apart from that, there is much major legislation hanging over from the 92nd Congress which will get early attention in the new Congress.

These subjects include a major overhaul of the Nation's welfare program, reorganization of cabinet departments, a comprehensive national health insurance program, banning of all busing beyond the school nearest a pupil's home, pension reform, a new omnibus housing program, and creation of a new consumer protection agency.

There no doubt will also be a rematch of the fight over diverting highway trust fund money to finance mass transit.

Less certain is the possibility that the President will seek the power to head off national emergency strikes in transportation.

There may be tax reform action in 1973 but I do not foresee a tax increase. As for tax reform, I am opposed to wholesale repeal of so-called tax loopholes, with some of them to be put back on the books. I cannot conceive of wiping out deductions for interest on home mortgage loans or for charitable contributions. I therefore feel the better approach to tax reform is to consider the various provisions of the tax code without the sledgehammer approach of broad-scale repeal.

I look for a productive first session. Considering the size of the President's election win, it seems to me the Congress will have to be responsive to some extent even though controlled by the opposition party.

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1/26/73

Spending
Supplants War
As Key Issue
BY REP. GERALD R. FORD

Congress is described in the press as having convened Jan. 3 in a defiant mood, with Vietnam and Presidential impoundment of appropriated funds as the sore points.

The Vietnam peace agreement has erased the war as a source of friction between the President and the Congress. The residue of resentment that remains revolves about the issue of Federal spending and claims that the President has been taking over the powers of the Congress.

If you analyze closely what has happened in the Congress, you are forced to conclude that the President has not seized any powers--Congress has abdicated them.

There has been an erosion of congressional power, particularly the power of the purse.

Why is this true? It is so because Congress has failed to exercise its responsibility for making the hard spending decisions necessary to maintain at least a semblance of Federal fiscal sanity.

I am not being partisan in making this charge. Consider these words spoken by Senate Democratic Leader Mike Mansfield at a caucus of Democratic senators on Jan. 3, 1973:

"The fault lies not in the Executive Branch but in ourselves, in the Congress. We cannot insist upon the power to control expenditures and then fail to do so. If we do not do the job, if we continue to abdicate our Constitutional responsibility, the powers of the Government will have to be recast so that it can be done elsewhere."

The question being posed is whether Congress is willing to change its archaic budget-handling procedures to make itself a modern institution which deserves to have the power of the purse.

This fiscal year the Federal deficit is expected to be \$25 billion--and then only because the President is holding Federal outlays to \$250 billion. Our national debt is now approximately \$444 billion, and the interest on that debt is \$23.1 billion a year.

It would not be necessary for the President to impound funds if the Congress were more responsible in its handling of the taxpayer's dollars.

In the closing hours of the last session, the Congress created a Joint Committee to recommend procedures for improving Congressional control over the budget. That committee will submit an interim report to the Congress on Feb. 15.

The committee's task is to formulate answers to weighty questions concerning the Federal budget. How do we divide an overall figure among the various major priorities and programs. Who will exercise a degree of control over expenditures proposed in

legislation?

If the Joint Committee on the Budget can come up with satisfactory answers to these questions, it may be the Congress will resolve the crisis over governmental powers which the Congress itself has precipitated.

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...every of stock prices had been chiefly due to foreign speculators.

"The speculators can still

purchase West German currency but all they can do with it is deposit it in banks that pay them no interest."

Copyr. 1973, NEW YORK TIMES.

DOMESTIC AFFAIRS

SPENDING

Presidential Adviser John Ehrlichman yesterday said the Nixon Administration will not spend money appropriated by the Congress even if Congress re-authorizes the spending by overriding a Presidential veto. "The Congress appropriates," he said, "but the President is charged by law with expending and the laws impose on him the duty to make savings and to spend only at a rate which is not wasteful." The President's right to impound funds, he maintained, is not affected should Congress override his veto on an appropriations bill. He said the Administration is not usurping Congress' Constitutional powers and said "We'd like Congress to get more involved in such things as setting spending limitations, improving budgetary procedures, (and) avoiding new taxes."

'IS IMPOUNDMENT CONSTITUTIONAL?'

Arthur Miller (WASH. STAR-NEWS, 2/4/73):

"...the fight over spending is the core of a growing confrontation between Congress and the President--sure to be the major constitutional problem of 1973.

"Silences in the Constitution make the impoundment struggle possible. Congress, and only Congress, can appropriate money for a variety of purposes--and the President is enjoined by the Constitution 'to take care that the laws be faithfully executed.' But spending of appropriated funds is unexplored legal territory. Superficially, some might think that the President has little discretion. The facts, however, are to the contrary.

...
"Impoundment, in effect, permits the President to exercise, as Sen. Charles Mathias (R-Md) said in 1971, 'an informal line-item veto' over projects and programs that Congress wants. Nothing in the Constitution or any statute permits such a veto, but it has

been exercised by many chief executives.

...
"The fact seems to be that the practice first began in any substantial sense during the early days of World War II, when President Roosevelt withheld some national defense funds because the particular projects were considered unnecessary for the war effort.

"THE BATTLE LINES were clearly drawn during the Kennedy administration. When, in 1963, the U.S. Civil Rights Commission recommended that federal funds be cut off the Mississippi because of widespread defiance of desegregation decrees, President Kennedy in a news conference flatly said that he had no authority to do so. He was not challenged, perhaps because impoundment of other funds had gotten little public attention.

"At about the same time, the Pentagon convinced Congress that it needed a new bomber (the B-70), a weapon opposed by Secretary of Defense Robert S. McNamara. Rep. Carl Vinson, D-Ga., the powerful head of the House

Armed Services Committee, was determined to have the plane built. Kennedy talked Vinson out of putting mandatory language in the defense appropriation bill, however, so the issue remained unresolved.

"Since then impoundments have continued, under both Presidents Johnson and Nixon, reaching the high-water mark of \$12 billion under Nixon. The congressional response, although slow in arising, has become increasingly bitter. In March 1971, Sen. Sam Ervin, D-N.C., a zealous guardian of Congressional prerogatives, held hearings on impoundment.

"The hearings did clear some of the air. For the first time Congress learned of both the magnitude and specifics of impoundment (it took Ervin two years to pry that data from OMB).

"For the first time, also, the extremely shaky legal basis for impoundment was revealed. Weinberger, trying to make the best of a bad case, maintained that the President could refuse to spend money in order to control inflation and to help the U.S. balance of payments. But he was unable to cite specific constitutional or statutory bases for Nixon's actions.

"A MAJOR counterattack against presidential impoundments has now been launched. Lawsuits have been filed in Missouri, New York, Florida and Virginia; a number of others are contemplated.

"The Missouri case is particularly significant. There, a federal district judge invalidated impoundment of highway trust funds in a suit brought by the state. The case is now on appeal before the Eighth Circuit Court of Appeals, which heard argument in early January. No doubt it will get to the Supreme Court.

"The state of Florida has challenged President Nixon's termination of money for a barge canal. This case posed the constitutional issue squarely -- the Missouri case having been decided purely as a matter of statutory interpretation.

"This year will be a bruising one; 1973 and the other years of Nixon's second term may well settle whether this country will in fact be ruled by 'presidential government' or whether the time-honored constitutional separation of powers will be followed.

"A shrewd gambler would, at the moment, be forced to put his money on the President. In broadest terms, should the President prevail, the Constitution will have been changed without benefit of constitutional amendment."

REPORT PRAISES POVERTY PROGRAM

Jack Rosenthal, (NY TIMES, 2/3/73, Washington, Feb.2):

"Controversy arose today over an unpublished Federal evaluation report that--contrary to Administration opinion--concluded that the nationwide Community Action Program had been 'highly constructive' in meeting Nixon Administration goals.

"Antipoverty workers, insisting on anonymity, said the report had been suppressed because it flew in the face of the Administration's new proposal to terminate Federal funding for community action because it was not working.

"Both this charge and the legitimacy of the report, however, were promptly challenged by Howard Phillips, the new acting Federal antipoverty director. He characterized the report as the work of 'various people identified with previous Administration policies.'

...

"The Administration proposal to cut off funds for the \$320-million Community Action Program, now operating in more than 900 places, was made public Monday in the new Federal budget.

"The community action evaluation, conducted by the Office of Economic Opportunity, the Federal antipoverty agency, was completed two weeks earlier and its results were reported to senior agency officials.

DOMESTIC AFFAIRS

O.M.B.

The Senate yesterday overwhelmingly approved a measure that would subject the Presidential appointments of the Director and Deputy Director of the Office of Management and Budget to Senate confirmation. The vote on the legislation, which now goes to the House, was 63 to 17. Yesterday's action was the result of Congressional displeasure over President's Nixon impoundment of appropriated funds, his budget cuts, and the appointment of Roy Ash as the new Director of O.M.B. Ash was the head of Litton Corp. when it ran into substantial cost overruns on Defense Department contracts. Sen. Sam Ervin, one of the leading supporters of the measure, said the O.M.B. Director is "the second most powerful official in the Federal government and it is imperative that he be subject to the thorough scrutiny of the Senate." Minority Leader Robert Griffin said he was in favor of subjecting the appointments to Senate approval but said he opposed this bill in that it "provides the machinery" to remove Ash and his Deputy Frederick Malek from office. He was referring to that part of the legislation which provides that "no individual shall hold either such position thirty days" after the bill's enactment unless they have been appointed with Senate approval.

ECONOMIC CONTROLS

House Banking Committee Chairman Wright Patman yesterday said he will propose a measure calling for the re-introduction of mandatory economic controls should "the Administration fail in its Phase III program." Patman said the controls, which would also cover profits and interest rates as well as wages, prices and rents, would be imposed only if the Consumer Price Index should increase at an annual rate of more than 3% for any quarter or if it goes beyond 2.5% for a 12 month period. Patman stated his legislation would not hamper the Administration's program, saying Treasury Secretary Shultz "made it very clear that Phase III will be designed to keep inflation within the 2.5% figure through 1973. The mandatory controls...would be triggered only if the Administration failed in its Phase III program."

PHASE 3 'VIOLATES ALL
ESTABLISHED PRINCIPLES OF LAW'

Henry Hazlitt (NY TIMES, 2/5/73, Wilton,
Conn.):

"Phase 3 is a compromise. It is an attempt by the Administration to hold on to price controls while pretending that it has let go. It says to business: You are free once more to set your own prices, but if you set them too high we'll crack down. This is like a traffic warning that forbids speeding but fails to specify the speed limit. You are to find that out after arrest. Phase 3,

also, will control prices in a couple of industries but not in others. In its vagueness, ambiguity and unconcealed discrimination it violates all established principles of law.

"It can be safely predicted that it won't work. For example, one field in which it will keep price control is food processing and retailing. It would be hard to think of a field in which such controls are less justified. The competition is intense. In 1970 and 1971 the leading meat-packing firms made an average profit of just one cent on every dollar of sales. In the same two years

also restore needed Kuwaiti and Libyan financial aid, suspended after the final defeat of the Palestinian guerrillas in Jordan in 1971. Since then, Amman has depended exclusively on more than \$150-million annual U.S. aid and at least as much Saudi Arabian aid.

...
"General Ismail's appointment in

Jordan--he already had been given command of forces of Egypt's Arab Confederation partners, Syria and Libya--could also pave the way for repair of the fractured diplomatic relations between Egypt and Jordan, thus strengthening King Hussein's bargaining position toward President Nixon."

DOMESTIC AFFAIRS

DEFENSE

STENNIS'S ABSENCE MAY PERIL NIXON'S POLICIES

Arlen J. Large (WALL ST. JRNL, 2/1/73, Washington):

"A prolonged absence of Mississippi's John Stennis from the Senate could spell trouble for President Nixon's foreign and defense policies.

...
"As chairman of the Armed Services Committee, Mr. Stennis has upheld the Nixon administration's position in countless Senate battles over Vietnam, weapons procurement, the draft and the U.S. military garrison in Europe.

"...his support for Mr. Nixon's key military moves in Vietnam undoubtedly kept the Senate from rebelling more often and more boldly.

...
"Seniority puts Stuart Symington in line for the committee's acting chairmanship, a Senator holding quite different views on the U.S. military and diplomatic role in the world and on the primacy of the Executive Branch in foreign policy. The Missouri Senator, an Air Force Secretary in the Truman administration, became a bitter critic of the Vietnam war and the nation's military commitments elsewhere. Technically, the Senate's Democrats could vote to bypass the 71-year-old Missourian if the chairmanship becomes vacant, but seniority has in practice been followed in picking committee leaders. The next-ranking Democrat is Washington's Henry Jackson, whose views are closer to those of Sen. Stennis.

"As acting chairman, Sen. Symington

will control the 15-man committee's schedule and other procedural matters, but he and the panel's few other Pentagon critics would continue to be outvoted on matters of substance. If Sen. Stennis' wounds require a long recovery, the committee's real leader probably would be Sen. Jackson, 60, who's a more energetic legislative tactician.

"Sen. Stennis had just guided through the Senate the nomination of Elliot Richardson as Defense Secretary, and was preparing later this month to set his committee to work on the annual bill authorizing procurement of defense hardware. This presumably will proceed with Sen. Symington as acting chairman, but only later in the session will the weapons bill come to the big decision-making stage in the committee and on the Senate floor.

"Sen Stennis's absence may be felt by the Nixon administration before that, however. Sens. Frank Church (D., Idaho) and Clifford Case (R., N.J.) are sponsoring a flat prohibition against any resumed bombing or shelling of North Vietnam by the U.S. without new congressional authorization. The prohibition, which may be offered as an amendment to a foreign-aid bill later this month, is opposed by the administration. Sen. Stennis normally would have led the fight against it."

RICHARDSON FORESEES FEW CUTS

Charles W. Corddry (BALT. SUN, 2/1/73, Washington):

"Elliot L. Richardson, the Secre-

tary of Defense, said yesterday he has launched a thorough review of the proposed new defense budget in light of the Vietnam settlement, but sees little likelihood of substantial cuts in the \$79 billion spending plan sent to Congress Monday.

...

"In discussing the defense budget inherited from his predecessor, Melvin R. Laird, Secretary Richardson gave the impression that much of his review would be designed to buttress arguments for the strong forces he believes are needed, in the face of 'a considerable amount of pressure' in Congress to cut military spending.

"I don't want to hold out the prospect that the cessation of hostilities in South Vietnam will have a massive impact on our budget requests,' he said, 'but certainly we do need to review them in light of the situation, assuming hopefully, of course, that it continues.'

"The \$79 billion budget for the year starting next July 1, prepared before the Vietnam agreements, has \$2.9 billion allocated for Vietnam. Budget officials say they do not know yet what changes in that sum, earmarked both for South Vietnam and for U.S. forces in Southeast Asia, will result from the cease-fire agreements.

"Speaking more broadly, Mr. Richardson said he felt 'very strongly' this was no time for 'massive reductions in our combat capability.'

"Strong forces are essential to President Nixon's diplomacy, he said. The United States cannot negotiate significant reductions in world tensions, Mr. Richardson said, if it disarms unilaterally and 'creates vacuums in the international structure of security' that others will be tempted to exploit.

"That would be 'dangerous,' and 'self-defeating' as far as negotiations are concerned.

"Secretary Richardson said his focus, therefore, would be on 'possible'--he emphasized the word--tightening of the budget if it can be done without reducing forces.

"He also acknowledged frankly that he would search for points in the budget where he could 'give some ground' if he had to in the congressional give-and-take ahead, without losing what seems more important.

"One specific example, he acknowledged, is a proposed boost in pay for retired military personnel, which would cost \$360 million in the next fiscal year but would burgeon to vastly greater sums in the future."

WATERGATE

The Senate subcommittee investigating the Watergate "bugging" incident has uncovered information which "strongly indicates that a wide range of espionage and sabotage activities" carried out against Democrats was connected to the White House, Sen. Edward Kennedy said yesterday. Kennedy, the chairman of the Administrative Practices and Procedures Subcommittee, made the claim in a letter to Judiciary Chairman James Eastland that detailed his panel's report into the incident. The letter states that "The information gathered....by the subcommittee strongly indicates that a wide range of espionage and sabotage activities did occur during the recent Presidential campaign, and especially its primary phase; that these activities were planned and initiated no later than the middle of 1971; that one key participant was in repeated contact with the White House, the White House convention headquarters, and White House aides during relevant time periods; that at least part of the financing was arranged through a key Republican fund raiser who is a close associate of President Nixon; and that neither the Federal criminal investigation nor the White House administrative inquiry included any substantial investigation of the alleged sabotage and espionage operations apart from those surrounding the Watergate episode itself." While

NIXON ADMINISTRATION

The Senate yesterday approved President Nixon's nomination of Peter Brennan for Secretary of Labor and James Lynn as H.U.D. Secretary, leaving H.E.W. Secretary-designate Caspar Weinberger as the only new Cabinet member as yet unconfirmed. Majority Leader Mike Mansfield has held up Weinberger's nomination at the request of some Democratic Senators but yesterday he indicated a desire for a vote on Weinberger before the Feb 8 recess for Lincoln's birthday. Approval of Lynn came by voice vote, with no opposition heard, after Sen. William Proxmire abandoned his efforts to fight confirmation because of the Administration's freeze on spending for housing and because of, what Proxmire called Lynn's lack of "background or experience for the job." The vote on Brennan's appointment was 81 to 3, with Sens. James Abourezk, Floyd Haskell, and Jesse Helms voting against confirmation.

Congressional sources yesterday indicated that President Nixon will name Dr. Dixy Lee Ray to replace James Schlesinger as Commissioner of the Atomic Energy Commission. Dr. Ray, who is a marine biologist, was named to the five member Commission last August, the first woman to be chosen for a full term.

BUDGET

DEMOCRATS VOW FIGHT
TO 'REORDER PRIORITIES'

Bruce Winters (BALT. SUN, 1/31/73, Washington):

"Democratic leaders of Congress generally agreed yesterday to stay within President Nixon's \$268.7 billion spending limit next year, but they pledged a fight to reorder his priorities.

"Senator Mike Mansfield of Montana, the Senate's majority leader, reported this 'consensus' after a breakfast meeting yesterday in which he participated with Representatives Carl Albert of Oklahoma, the Speaker of the House; Representative Thomas P. O'Neill, Jr., of Massachusetts, the majority leader, and Representative John J. McFall of California, the Democratic whip.

"The meeting represented a rare display of partisan unity, reflecting a stiffening resolve among congressional Democrats to challenge the President fiscally and philosophically within the framework of his new budget proposals.

"...Mr. Mansfield said he personally believed significant cuts could be made in proposals for defense, space, foreign aid and atomic development, with the savings diverted to more pressing social needs."

MEDICARE BENEFITS CURB FEARED

Richard D. Lyons (NY TIMES, 1/31/73, Washington):

"Congress may enact an Administration budget proposal to have the elderly pay more for their Medicare benefits, two leading Democratic members of Congress said today.

"The proposal, which is contained in the 1974 budget sent to Congress by President Nixon yesterday would require 23 million Medicare beneficiaries to pay almost \$1-billion a year extra in out-of-pocket costs for hospital and doctors' bills in an effort to reduce Federal outlays and discourage too much use of the health insurance program.

"Social Security experts believe such a move would be unprecedented; they could not recall an instance in which Congress reduced benefits to groups of people. Congressional sources also noted that such a benefit reduction would seem to be politically unattractive because it would ask legislators to vote against the elderly.

"But Representative Martha W. Griffiths, a member of the House Ways and Means Committee, said that 'it is possible to get the proposal through Congress.'

DOMESTIC AFFAIRS

STENNIS

Senator John Stennis was shot twice and seriously wounded last night outside his Washington home during an apparent robbery attempt. He was taken to Walter Reed Army Hospital where lengthy surgery was performed immediately to remove the two bullets, one of which entered the left side of his chest, penetrating the stomach, pancreas, colon and spleen before lodging in his lower back. The other bullet struck his left leg. A hospital spokesman described the Mississippi Democrat's condition as stable although a Stennis aide said Stennis was in "serious to critical" condition.

ECONOMY

President Nixon's annual economic report said yesterday that "all in all it (1972) was a very good year" and said 1973 "can be a great year" if the Congress agrees to hold down federal spending. The President's Council of Economic Advisers forecasted modest declines in unemployment and inflation and continued overall expansion, saying "the problem...will be to prevent this expansion from becoming an economic boom." Specifically, the report predicted: a 10% (\$115 billion) increase in the GNP to \$1.3 trillion; a real annual growth rate (after inflation) of 6.75%; annual price increase of 3%; and the reduction in unemployment "to the neighborhood of 4.5% by the end of the year." The Council's predictions were based on the expectations of public cooperation with Nixon's Phase III guidelines, Congressional cooperation with the spending ceiling, and the stabilization of currently spiraling food prices. The report, which Congress will receive today, emphasized that "only by holding the line on federal spending will we be able to reduce the inflation rate further in 1973." While it did not estimate when the wage-price guidelines might be lifted, it did note that "We must prepare for the end of ...controls and show the same courage in taking them off as was shown in imposing them."

SHULTZ: PHASE 3 DESIGNED
TO GAIN LABOR AID

John Holusha (WASH. STAR-NEWS, 1/29/73):

"Treasury Secretary George Shultz today confirmed earlier reports that the loosened economic controls of Phase III were designed largely to bring organized labor back into the program.

"Testifying at the first day of hearings before the Senate Banking Committee, Shultz reiterated his assertion that Phase III controls are not weaker than Phase II but simply an adaptation to a changed economic climate. He continued the tough enforcement stance administration officials have been taking in recent days and assured the committee 'somebody will be clobbered pretty soon.'

"Shultz described the Phase III program as linked with the President's 'tough' budget for fiscal 1974. However, Sen. William Proxmire, D-Wisc., called the budget with its \$12.7 billion deficit as fat and said that 'deeper spending cuts must be made for controls to be effective.'

"Under questioning from Sen. Proxmire, the director-designate of the Cost of Living Council, Dr. John Dunlop of Harvard University, said he would have 'no hesitation' about reimposing direct controls if he felt they were required in a given situation.

"Dunlop, who formerly headed the administration's Construction Industry Stabilization Council which moderated wage increases in that field in the past two years, said he conceived of Phase III as a 'trans-

Budget in Brief

Here are highlights of the budget President Nixon sent to Congress yesterday:

Spending: \$268.7 billion in fiscal 1974, up from \$249.8 billion.

Revenues: \$256 billion, a rise of \$31 billion.

Deficits: \$12.7 billion, down from \$24.8 billion this year.

Taxes: The President says no tax increase needed, unless Congress goes past his spending totals.

Increases: Defense gets \$4.7 billion of the overall \$18.9 billion increase in the fiscal 1974 budget. \$5.7 billion is for increased Social Security payments, another \$3.4 billion for Medicare and Medicaid, \$1.9 billion in added interest on national debt. Also up sharply: antipollution spending, and aid to college students.

Cutbacks: Agriculture and other rural subsidies down \$1.5 billion by end of fiscal 1974. OEO abolished, its antipoverty programs scattered to other agencies, some cut entirely. Public service employment program phased out entirely. Further commitments of housing funds halted.

Consolidations: 70 narrow-purpose programs lumped, if Congress is willing, into four new broad-purpose programs of block grants to state and local governments, for education, law enforcement and criminal justice, manpower training, urban community development. Total outlays would stay at \$6.9 billion.

Other: \$300 million for tax credits to families of Catholic and other private school children, to cushion tuition costs. No provision for reconstruction of Southeast Asia, nothing on welfare reform or property tax relief. White House says if any of these go in later, other programs come out.

Fiscal 1975: A projection of \$288 billion in outlays, just about all that the present tax structure would yield at full employment, defined as an unemployment rate of 4.0 per cent.

US programs to be eliminated

To be eliminated by the Nixon budget:

- Public service employment
- College housing loans
- Urban renewal
- Model Cities
- Rent supplement
- Public housing
- Neighborhood services
- Open space grants
- Water and sewer grants
- Rehabilitation loans
- Public facilities grants
- Aid to school districts with large numbers of Federal, civilian and military families living in them
- The Community Relations Service of the Justice Department
- The Commerce Department's Economic Development Administration
- Community action agencies
- Farm price supports



DOMESTIC AFFAIRS

BUDGET

Jan. 29

President Nixon ~~yesterday~~ warned Congress that unless it cooperates with the Administration in holding down federal spending, it will "inescapably face the alternatives of higher taxes, higher interest rates, renewed inflation, or all three." The warning was given in the Administration's budget message to Congress that requests \$268.7 billion for federal spending while providing \$256 billion in revenues, resulting in a \$12.7 billion deficit. Nixon noted that it is normally "the business of Congress" to set spending standards but said "I am impelled to suggest" recommendations because of previous Congressional mismanagement with the budget. He urged Congress to pass his "rigid" spending ceiling for FY '74 of \$268 billion before passing a single appropriations bill. He said Congress' problem is the result of its having no overall agency to review the effects of the spending recommended by each committee and passed by the Congress. "These Committees are encouraged by special interest groups and by some Executive branch officials who are more concerned with expansion of their own programs than with total federal spending and the taxes required to support that spending."

The budget message provides for substantial cuts in several areas of federal spending--H.E.W., Agriculture, foreign aid and others. Nixon said that unless these cuts were initiated now, the budget would total \$288 billion this year and would climb to \$312 billion in FY'75, necessitating a 15% tax increase. Included in the 105 cutbacks are the elimination of O.E.O., the Administration's plans for a \$2,400 guaranteed annual income for a family of four, and "depressed area" programs, the halting of additional funds for student loans under the National Defense Education Act, the dismantling of the Summer Jobs Program and the phasing out of the Public Employment Program. Nixon again asked Congress to approve his special revenue sharing program that would replace 70 single purpose government programs--including most of those designated to be cut back or eliminated--with \$6.9 billion in grants to state and local governments for use in education, law enforcement, manpower training, and urban development.

NIXON ADMINISTRATION

The Senate yesterday overwhelmingly consented to President Nixon's nomination of Elliot Richardson for Secretary of Defense. The vote was 81 to 1, with freshman Sen. James Abourezk the sole dissenter. Abourezk said he would vote against all of Nixon's nominations as a form of protest over what he sees as White House encroachment on Congressional powers. Sen. Harold Hughes, who had threatened to delay Richardson's confirmation because of the President's Vietnam policies, votes in favor of confirmation, saying he was "pleased" with Richardson's stand on defense matters although he "regretted...[Richardson] was not more forthright and explicit" about the Administration's policy in Southeast Asia.

The Senate Labor and Public Works Committee yesterday unanimously approved Nixon's nomination of Peter Brennan to be Labor Secretary. Full Senate endorsement is expected to come easily.

The White House yesterday disclosed that Dwight Chapin will resign his post as President Nixon's Appointments Secretary to accept one of "many five offers" in private business. But Press Secretary Ronald Ziegler vigorously denied a New York Times report (see article below) that Chapin was being eased out. He said the story is "absolutely unfounded and not

CONGRESS

HOUSE COMMITTEE CHIEFS
FACE TEST BY VOTE

Albert Sehlstedt Jr. (BALT. SUN, 1/23/73, Washington):

"House Democrats agreed yesterday to conduct an automatic vote in approving committee chairmen, a new procedure that should eventually dilute the established but much-criticized congressional seniority system.

"Yesterday's decision by the Democratic caucus means that every committee chairman will have to be approved by his peers, instead of being routinely appointed to the job at the beginning of each new Congress if he

happened to be the senior man on a particular panel.

...
"The automatic vote for committee chairmen was approved in the secret caucus session by a vote of 204 to 9, according to Representative Julia Butler Hansen (D., Wash.), chairman of a study group that has advocated changes in House procedures.

"This decision by the Democrats, who are the majority in the House and therefore decide who sits in each 21 committee chairs, delighted liberal groups who feel that a number of current chairmen are not responsive to the present needs of the nation."

OIL

NATIONAL RESERVE PROPOSED FOR U.S.

John Fialka (WASH. STAR-NEWS, 1/22/73):

"Two high Defense Department officials, warning that the nation's increasing reliance on Middle East oil poses grave military security risks, said today that such reliance would leave the U.S. vulnerable to a fuel cut-off or to 'international blackmail' if a major war develops.

"They told a Senate Interior subcommittee that a national oil reserve should be established to allow the nation to withstand any temporary oil embargo and to give the U.S. more bargaining power with oil-rich nations that might otherwise be tempted to demand increasingly higher prices.

"Barry J. Shillito, outgoing assistant secretary of Defense and the Pentagon's chief civilian logistics expert, said that a 'mandatory' program to require oil importing companies to maintain oil and oil product reserves seems to be the only option the U.S. has within the next 10 years to 'reduce the danger of some future interruption in oil supplies.'

"His statement won praise from Sen. Henry M. Jackson, D-Wash., chairman of the subcommittee. The Senate unit

heard the defense testimony as part of a continuing investigation of the nation's energy problem.

"Admiral Elmo R. Zumwalt, chief of Naval operations, said in other testimony that reserves would help the U.S. negotiate international oil prices 'downward' and 'avoid the blackmail situation' if hostilities develop.

"Jackson said the Navy should make its huge oil reserve holdings operational in order to help the nation survive an oil crisis. He pointed out that the Navy currently owns four large oil fields, two in California, another in the Teapot Dome area of Wyoming and what may be the largest reserve of all on the north slope of Alaska.

"In his testimony, Shillito pointed out that currently it would be 'almost impossible' to use these reserve fields in event of a sudden national emergency because the wells have not been developed. Such development, he added, 'will be expensive.'

"Zumwalt said that the reserve in Alaska has been proven to contain at least 100 million barrels of oil and may contain 'millions' of barrels.

"To make reserve oil readily ac-

effectuation must be left to the medical judgment of the pregnant woman's attending physician." The states may not interfere at all during this period with the abortion. In the second three months, the states are permitted to set up medical standards to insure the health of the mother during the operation but may not interfere in any way with the abortion decision. Abortions may only be prohibited during the final three months, except when the "life or health" of the mother are in jeopardy. "Health" was spelled out to mean either "physical, emotional, psychological, (or) familial." Blackmun said the ruling "vindicates the right of a physician to administer medical treatment...up to the point where important state interests provide compelling justification for intervention. Up to those points the abortion decision in all its aspects is inherently and primarily a medical decision." The decision rejected the argument that the fetus is a "person" within constitutional terms, saying use of it in those terms "has application only postnatally...We need not resolve the difficult question of when life begins. When those trained in the ... disciplines ... are unable to arrive at a consensus, the judiciary...is not in a position to speculate as to the answers." The Court also decided that while states can require licensed doctors to perform the abortion, it cannot demand the approval of two doctors or a committee before it can be performed nor may it limit abortions to state residents. Justices White and Rehnquist both wrote dissented; White termed the decision an exercise of raw judicial power...(and) an improvident and extravagant exercise of judicial review."

CONGRESS

PEACE PACT WILL DEFUSE 'CONSTITUTIONAL CRISIS'

Peter Lisagor (PHILA. INQ., 1/22/73, Washington):

"If President Nixon really, finally and truly ends this country's military involvement in Vietnam in the next week or so, as White House propagandists strongly imply, what then happens to the 'great constitutional crisis,' developing over the President's war-making powers?"

"What then will happen to the Senate tigers, snorting fire, pawing the turf like combatants prepared for mortal battle, vowing to cut the arrogant President down to co-equal dimensions? The chances are they will be turned into pussycats, disgruntled perhaps, tormented maybe, but pussycats nonetheless.

"If, in the light of a Vietnam truce, which is the most any realist expects, the tigers push with any passion to curtail Presidential powers in foreign affairs, it will be the switch of the decade. This is not only because the Senate lacks staying power in its battles

with the White House. It is also due to the congenital divisions within the Congress that prevent any cohesive opposition to the Presidency, especially on issues of national security.

"But more than that, as Sen. Hubert H. Humphrey has noted from his own long experience as a legislator and Vice President, the President has 'the upper hand' in any confrontation with Congress. He presides over what amounts to a monolithic operation, speaking with one voice against the dissonant babble of a largely undisciplined legislature, acting with single-minded purpose against the timid turns and twists of 535 men and women who couldn't agree on the condition of the weather on any given day.

... "The cease-fire that presumably will emerge from the new rendezvous in Paris could have the durability of a plastic trash bag. No matter, it will be portrayed as a 'just and honorable' agreement, whatever the meaning of those words long since debased by their association with a squalid enterprise.

"Everything else about Vietnam is

likely to be forgotten quickly if American war prisoners are returned and every last uniformed American evacuated in a reasonable period of time. The time-buying deceptions, the tortuous lies, the demands for a retroactive accounting, will be shelved. And those who would put a rein on Presidential powers will slowly sink out of sight, unheeded.

"That is the prospect for the widely-advertised 'crisis' over the President's unbridled freedom to wage war, as he alone sees it, without cluttering up his decision-making apparatus with clunk-head advice from what Lyndon

Johnson once called the 'nervous nellyes' who inhabit the Senate.

"Once out of Vietnam, Mr. Nixon is almost certain to be depicted as the steady-handed, unflinching captain who got America out of the war, missing his own deadline by a mere few weeks. And the Senate pussycats will stop their pawing and snorting, and go pouting off in other directions.

"Humphrey says that Congress has been treated by the media with 'jocular disdain.' He didn't add that Congress got there on merit."

ECONOMY

TREASURY AIDE STRESSES INFLATION FIGHT

James P. Gannon (WALL ST. JRNL, 1/22/73, Washington):

"The Treasury's new No. 2 man, concerned about a revival of inflationary expectations, warned that 'Phase 3 is going to get tough if toughness is warranted.'

"William E. Simon, the new Deputy Secretary of the Treasury, said he was surprised when financial-market reaction to the new quasi-voluntary controls systems indicated widespread skepticism that the government could keep the lid on inflation without mandatory controls.

"Many investors, he commented, apparently 'thought it was a cop-out, that we are walking away from controls.' He added: 'Nothing could be further from the truth. We are deadly serious about controlling inflation.' Warning that the Nixon administration won't hesitate to use its powers to stop or roll back wage or price actions inconsistent with the anti-inflation program, he said that, 'if people think they've been given a free rein' under Phase 3, 'they had better think again.'

...
"Speaking unhesitatingly, he repeatedly stressed the Nixon administration's determination to run the Phase 3 controls program so that 'this battle against inflation isn't diminished by one iota.'

"We have the cooperation of labor and management' in the new program, he said. 'I think people who say labor negotiations this year are going to be out of control are mistaken' he added. Whereas unions were 'playing catch-up ball' in previous rounds of bargaining while the inflation rate was accelerating, as this year's talks begin 'we have cut the inflation rate from close to 6% to 3%,' he said, suggesting this would soften labor's demands.

"But if labor or management 'violates the responsibility' of adhering to self-administered wage and price standards, he warned, 'We're going to come down on them and come down hard.'"

BUTZ PREDICTS FOOD PRICE CUTS

NY TIMES, 1/22/73, Washington (UPI):

"Insisting that American food buyers still get a bargain, Agriculture Secretary Earl L. Butz held out hope today for lower chicken prices by spring and reduced pork prices next fall. He was not so optimistic about a drop in beef prices.

"Dr. Butz also continued that Government price controls on farm products would produce black markets and shortages rather than bumper crops.

"The Cabinet official, designated

by President Nixon to have overall jurisdiction during the second Administration of departments concerned with natural resources, made these other points in an interview:

"-- Food prices are not expected to rise as fast this year as they did last year and will not prevent Mr. Nixon from cutting the annual rate of inflation to his goal of 2.5 per cent.

"-- There is no conflict between the Agriculture Department's goal of higher income for farmers and lower food prices for consumers.

"-- He sees a continued market for American grains and a soybeans in the

Soviet Union.

"-- He will resist farm organization demands for higher support levels as insurance against a collapse of the market if supply should outrun demand.

"In discussing the present outlook, Dr. Butz said that Americans this year would spend less than 16 percent of their takehome pay for food and that, he said, means they still are 'getting a bargain on the whole.' He also said that the Administration hoped that several steps taken recently to increase supply would result in some lower prices in coming months."

Copyr. 1973, NEW YORK TIMES.

NIXON ADMINISTRATION

COLUMNIST SEES NEED FOR ABLE PENTAGON LEADERSHIP

Lt. Gen. Ira C. Eaker [USAF (Ret.)]
(DETROIT NEWS, 1/17/73):

"It generally is agreed that [Melvin] Laird has been highly successful in management of the vast defense domain through four critical years.

"He has reduced defense forces by three million persons, civilian and military, as the Vietnam war has wound down. He has managed to maintain discipline and morale while the armed forces suffered unprecedented criticism from large sections of the news media, the Congress and the people. He has managed and maintained effective control of the largest and most complex organization in the world during a time when it was under maximum strain and undergoing necessary change.

...

"Longtime Pentagon observers, while agreeing that Richardson has no discernible competence which would especially qualify him for the defense role, point out that he has keen intelligence, a good reputation as an administrator, an understanding of the President's future defense plans and unquestioned loyalty to him and to them.

"This appointment may have some political overtones since Richardson is said to have the confidence of the

liberal wing of the Republican Party and a rapport with the Eastern Establishment, factions which have been harshly critical of the President's war and defense policies in the past.

"Richardson's selection also may indicate a decision to exercise more control over defense management from the White House in the future.

"The fear that Richardson's designation for Pentagon leadership will mean a return of the Whiz Kids, or that unilateral disarmament will prevail, is considerably reduced by the selection of William P. Clements Jr. as the No. 1 deputy.

"Clements was a leading member of the blue ribbon panel appointed by the President shortly after his first inauguration to study Defense Department organization and management. After nearly two years he is fully conversant with the threat, the present status of the defense posture and the priorities needed to maintain reasonable security forces for the future. His clearly was a fortunate choice for the defense team, especially at this time.

"One old Pentagon hand, who has seen the guard change many times, put it this way: 'Richardson's job will be to reduce the Department of Defense part of the federal bureaucracy to manageable

proportions. Clements' task will be to ensure that this is done with minimum damage to our strategic defense forces.'

"Contrary to growing popular euphoria, the need for able leadership in the Pentagon has not lessened. That negotiation always can replace confrontation in international affairs is not yet a safe assumption.

"One ominous fact overrides and should control all future defense plans. As Clements' panel concluded: 'The present threat to our security is greater than at any time in the past. If we are to remain free we must be strong; if we weaken we will be destroyed.'"

CONGRESSIONAL COOPERATION IN REORGANIZATION NEEDED

DES MOINES REGISTER, 1/16/73, edit.:

"The President's general objective in reorganization is commendable, in our opinion, as we said when he proposed it, although we might differ slightly about some of the groupings of functions and programs. The Department of Agriculture, in particular, is ill-suited to the needs

of farmers and other people in rural America today. The whole shape of rural America has changed, while USDA grinds along in the same pattern as always.

"But we fail to see how this 'counselor' system can improve government administration. It looks like a new layer of dubious authority which could easily lead to antagonisms and confusion. Nixon already has created uncertainties about where the power lies in certain fields by giving his White House staff apparent authority over old-line departments in both foreign and domestic policy. Now three new super-cabinet officials!

...

"In his message to Congress in March, 1971, Nixon said, 'The diffusion of responsibility makes it extremely difficult to launch a coordinated attack on complex problems. It is as if the various units of an attacking army were operating under a variety of highly independent commands.'

"That seems to us a good definition of what the President is doing with his new 'counselor' system. It would be far better to push for congressional cooperation in reorganization of the government by law with clear lines of authority and control."

REPUBLICANS

IS GOP WOOING THE WALLACE VOTE?

Kevin P. Phillips (DETROIT FREE PRESS, 1/19/73, Washington):

"Consider recent administration policy directions against the backdrop of the Alabama governor's spring primary campaigns. Remember how Wallace disparaged 'pointy-head' bureaucrats and said he planned to 'throw their briefcases into the Potomac'? Much the same objective is obvious in the White House's new plans to scythe the controversial HEW and HUD bureaucracies.

"And how about the anti-poverty program, another frequent subject of Wallace's jibes? The President's new nominee as OEO Director, Howard Phillips, is a solid conservative who in his younger days chaired a chapter of the

right-wing Young Americans for Freedom. Phillips' inevitable mandate at OEO: To cut it back.

"Another of Wallace's favorite targets was the tax-exempt status of the multi-billion-dollar liberal foundations like Ford, Rockefeller and Carnegie, as well as the exemption of commercially used property owned by U.S. churches. Apparently, the Nixon administration also has tax-exempt organizations in its gunsights, because President Nixon's first pick for commissioner of Internal Revenue, conservative Washington lawyer George Webster, is an expert in this field. Because Webster had gone on record in too many controversial ways, his nomination was called back before any official announcement was made. Even so, the fact that an exempt organization specialist was the White House's first

DOMESTIC AFFAIRS

NIXON

NIXON TAKES OATH OF OFFICE

Frank Van Riper and Paul Healy (NY DAILY NEWS, 1/21/73, Washington, Jan. 20 [News Bureau]):

"President Nixon solemnly took the oath of office for his second term today amid pageantry and protest and with a confident forecast that 'we stand on the threshold of a new era of peace in the world.'

"...the 60-year-old California-born lawyer...called upon Americans to 'make a new commitment' of the heart to work hard and decently toward 'a new age of progress' for the nation.

"Standing behind a bullet-proof glass shield on an elaborate \$410,000 platform at the foot of the Capitol steps, Nixon told an estimated 50,000 shivering spectators and uncounted millions via television at home and abroad: 'We shall do our share in defending peace and freedom in the world. But we shall expect others to do their share. The time has passed when America will make every other nation's conflict our own.'

"Referring to 'new initiatives' such as his historic journeys to Peking and Moscow last year, Nixon declared that 'we have made a breakthrough toward creating...a structure of peace that can last...through the generations.'

"Though he did not mention Vietnam by name, or the resumption of peace negotiations in Paris next week, the President presumably had them in mind when he said: 'As America's longest and most difficult war comes to an end...the time has come for us to renew our faith in ourselves and in America.'

"The core of Nixon's call to greatness was his emphasis on 'the placing of responsibility' on individual citizens.

"Near the end of his relatively

short speech--which was interrupted 12 times by applause--Nixon interjected into the prepared text an appeal to his listeners to pray to God that he make the right decisions. He said that he, like his predecessors, would need help in trying to make America's 'dreams come true.'"

ADMINISTRATION SEES TWO BIG PROBLEMS

Bill Anderson (CHICAGO TRIB., 1/19/73, Washington):

"There are two big problems seen by the administration following the hoped for end to American participation in the war.

"One problem is a Congress determined to attempt to regain its coequal status with the executive branch of the government--one that lashes out at the President with the aid of Republicans.

"Here, tho, the administration--or at least some of those people who have great influence on the President--does not see the Congress having any great success. Congress is considered impotent, incapable of mounting a coordinated effort to convince the American public it has the ability to deal with the nation's problems. This bleak (administration) picture of the legislative branch is made more somber by the thought there are not many real leaders in either the Senate or the House, regardless of party.

"The second big domestic problem is the media of the U.S. Many if not most of President Nixon's advisers continue to use the now cliché line that '90 percent of the media' is opposed to the President, his policies, and even his personal conduct. Now, too, they are even getting messages that the other ten percent is becoming hostile, like some of the liberal reporters.

"Unless Mr. Nixon changes course, all signs indicate that he will continue

virtually to ignore Congress, will court the media, and will try to go his own almost private way in the conduct of the executive branch.

"He will go directly to the people via television, one source suggested. That practice as followed before has involved asking for free television time. The advisers are convinced the media have as little credibility with the public as does Congress--and that people outside Washington are certain only the executive branch can run the country.

"The position is that the media are just as fragmented as Congress. This opinion is reinforced by marketing research, a specialty of this administration. The research shows the public gives less than a commanding faith to commentators, pundits, and the reporters who ask what are considered cream-puff questions at the rare Presidential press conferences.

"Yet in these two major areas which the administration regards as problems there are also some small signs it is going to try to improve communications with both Congress and the media. Ronald Ziegler, the spokesman for the President, has said he is going to take another look at his own operations. William E. Timmons, the legislative aide to the President, has made it known he wants more of the previously untouchable (and unquestionable) aides of the White House to make themselves available to Congress."

ADMINISTRATION FAILS TO PERSUADE PEOPLE

WALL ST. JRNL., 1/19/73, edit.:

"A President riding a 60% mandate, we reasoned, could afford to be magnanimous. He could try to lead his critics into a calm and enlightening exchange of views instead of a partisan exchange of epithets. He could seek intellect and stature in his appointees, even if he had to sacrifice the difference between 100% and 95% personal loyalty. And in this way he could help to bind the psychic wounds the nation has suffered over the last decade. He

could give to us citizens not only reasonably good government, but what we need even more, the knowledge and inner conviction that we are reasonably well governed.

"None of these things has happened in the 10 weeks since the President's re-election. We think our hopes in these directions were widely shared, and that our present disappointment is as well. Thus we find the President suffering a new wave of criticism coming not only from his usual critics but from some--columnist James Jackson Kilpatrick for example--whose mood can scarcely be written off either as prejudice against a non-liberal President or as hysteria over bombing North Vietnam.

...

"...in the end the criticism has a solid core that holds. The Cabinet-level appointments for the second term are distinguished precisely by the lack of anyone with any political base other than presidential appointment. The only exception is the Secretary of Labor, an appointment explained by an uncommonly narrow view of how to build political coalitions. Otherwise, all other considerations seem to have been subordinated to personal loyalty. With due respect for the administration's difficulties in imposing its will on the bureaucracy, we do not think this is the way to give the people a sense that the government is their government, not the momentary property of some narrow circle.

"Or, perhaps more importantly, take Mr. Nixon's latest big surprises, the bombing of North Vietnam and Phase 3. Ironically both are unmistakably actions of principle. Political expediency does not lie in further military efforts; nor does it lie in relaxing wage-price controls. The only explanation for these actions is that the administration thought they were right, and of course therefore of political benefit over the longer term. But there has been very little effort to explain why the administration thinks any such thing, and it is not comforting for the nation to guess at what the President might believe.

"This lack of persuasive effort plagued the administration repeatedly during its first term. It was never able to mount a real effort to persuade people who are persuaded by serious argument. It lacked, as Daniel Patrick Moynihan noted in his leave-taking of the White House, a sustained and serious second and third level of advocacy. As if to prove his point, this remark was excised from his otherwise acclamatory speech when it was reprinted in the Republican house organ.

"We had hoped that the second term would see a moderation of this defensiveness, a broader and more generous vision. Perhaps it still can when the time is more nearly right. On the bombing, for example, the administration could scarcely explain the negotiating breakdown without recriminations against Hanoi that would hamper further negotiation. Perhaps more forthcoming explanations can be offered later.....

"At the moment, though, it seems to us that the Nixon administration simply does not understand that its task is not merely to govern well but to persuade people it is governing well. Unless it can understand that, its political fate is likely to be winning the battles but losing the war."

HEMPSTONE HITS SIMILARITY OF AIDES

Smith Hempstone (PHILA. INQ., 1/19/73, Washington):

"In the first administration, the Nixon absolutists--the Haldemans, Ehrlichmans, Colsons and Zieglers--established their ascendancy within the White House staff. Now, as a consequence of Nixon's governmental reshuffle (made in the name of decentralization but actually a centralizing operation), their influence and authority are extending outward into the various government departments and agencies and down to the second and third levels.

"Lord knows, the Federal bureaucracy is overblown, inefficient, remote and unresponsive to either the Presidency or the people. If it can be shaken up and resuscitated, then not just Nixon

but his successors and the nation will have been well served.

"But there is a danger in all this which, for lack of a better term, might be called personalism. Nixon--and any President--has a right to the loyalty of his subordinates. But that loyalty is owed primarily to the office of the Presidency and to the Constitution of the U.S., rather than to Richard Nixon personally.

"By insisting on conformity in everything from dress-styles to intellectual attitudes, a President robs himself of options and deprives the country of the labors of some of its most creative citizens. If he sees and listens only to those whose vision of America and of life is identical to his own, he may implement his policies more efficiently, but he limits his own capacity for growth.

"There are not enough hours in the day for a President to see as many people as he should, let alone for him to see all those who want to see him. There necessarily must be a straining process by which that which is superfluous, superficial or irrelevant can be eliminated from a President's ken so that he can devote his energies to the task of running the country.

"But what can be helped are the tone and atmosphere of the process. A President of the U.S. can be and ought to be a big man. He can afford, precisely because he is so powerful, to be generous. There is no need for-- and ought to be no room for--meanness, smallness or vindictiveness within the White House. And yet that is precisely the odor which at present exudes from 1600 Pennsylvania Ave.: the sour rectitude of the self-righteous. It is not, to put it mildly, becoming, and the President ought to put a stop to it.

"Richard Nixon, after four years in office has demonstrated three qualities of which great Presidents are made: intelligence, energy and determination.

"What have been lacking are the qualities of warmth and humanity and the

plain that fuel distributors are reluctant to make the allocations themselves and look to federal regulatory decisions to bail them out. 'It doesn't make sense for the mayor of St. Louis to be arm-twisting to get fuel for hospitals,' a mass transit-industry official says.

"The transportation plight may be overplayed by the industries, some government analysts say, though an OEP spokesman says it will remain 'serious' despite the liberalization of oil import quotas.

"I don't think it's too bad,' says James M. Beggs, Under Secretary of Transportation. 'Certainly, it's as bad as

anything we've had in this country for 20 years,' he says, but he adds that most transportation concerns will be able to get along on between 80% and 90% of their usual needs.

...
"The American Transit Association ticks off 20 cities that it says soon will have to start cutting back mass-transit service by 10% to 33%, including St. Louis, Detroit, Denver, Kalamazoo, Cincinnati, Birmingham and Tucson. The entire State of New York is in store for a 25% cut in transit operations, the Washington-based trade group says. Des Moines and Minneapolis will have to stop all transit operations by Sunday or Monday, the transit association says."

DEMOCRATS

WOODCROCK TO RESIGN FROM DEMOCRATIC COMMISSION

James Doyle (WASH STAR-NEWS, 1/17/73):

"United Auto Workers President Leonard Woodcock said today he plans to resign as chairman of the Democratic Party's Commission on Delegate Selection, but he denied he was quitting because party chairman Robert S. Strauss plans to expand the committee by 20 members.

"Woodcock informed Strauss yesterday of his intention to resign, although he accepted the chairmanship only a few months ago and the commission, which will oversee any changes in the makeup of future party conventions, has not even begun its work.

...
"Woodcock said in a telephone interview today he is concerned about the demands on his time in a year when he will be involved in major contract negotiations for 700,000 members of his union.

"I just don't see my way out of this,' he said. 'I think the problem of rules changes is more emotional than real, but I don't want to be the centerpiece of a controversial political story when my union members expect me to be representing them at the bargaining table.'

"Strauss said this morning that there was absolutely no suggestion of a rift in Woodcock's decision to resign and that the decision was not final."

WELFARE

'RETHINKING WELFARE REFORM'

Richard P. Nathan (NY TIMES, 1/18/73, Washington):

"Current conditions and the political setting now indicate that the Nixon Administration's welfare-reform plan should not be reintroduced in the first year of the 93d Congress.

"There are three reasons why the time is right now for going back to the

drawing boards on welfare.

"First, little noticed but far-reaching, is that welfare for families has changed over the last four years in a basic way. When we began designing the welfare-reform plan; the 'working poor' received nothing. (The phrase working poor refers to families headed by men working full time, but with incomes so low and family size so large that they are often worse off than if the wife and

children were on Aid to Families with Dependent Children). This group is now one of the chief beneficiaries of food stamps, a program which has grown from 2.4-million participants in 1968 to 11.7-million in 1972. One of the ironies of the defeated welfare-reform bill was that because it substituted money for food stamps, many current working-poor families would have ended up worse, not better off. Their food-stamp bonus now is larger than they would have received in Family Assistance Plan payments. The whole question of the working poor has changed.

"Second, as an argument for doing more homework and not reintroducing F.A.P., is a factor related both to the the Senate's consideration of the welfare reform bill and the current ferment about the ineffectiveness of manpower programs to aid the disadvantaged. The Senate (particularly the conservative Senators who worked hard on welfare) kept coming back to the fact that there are not enough jobs for the poor. They charged that a work requirement, as in the House and Administration plan, would not get people off welfare.

"Their reasoning was that if economic incentives in welfare work supplements were strong enough the jobs simply weren't available. I believe we never gave satisfactory answers to these questions. We need to marshal what data we can to determine how many poor family heads who are employable could be absorbed into the force and what would be the labor market effects of different techniques for doing this. How would the present working poor be affected? Would they lose their jobs? Would their wages go down?

"Third, and most important, we need

to take advantage of the lessons learned about welfare work incentives over the last four years. I think the Administration's welfare planners did a good job, but I think, too, that the problem is immense and to admit that we learned more about it as we worked with it should be no source of embarrassment.

"There is however, a 'welfare trap.' It exists especially when programs come together. A family getting A.F.D.C., free school lunches, Medicaid, maybe public housing, and maybe tuition aid or free Head Start day care faces a situation where (with Social Security and other taxes taken into the bargain) our own beneficence has caused it to have an income limit which it cannot exceed without losing a great deal. The problem arises because income-support programs for the poor have been designed by different Government agencies and different committees of the Congress, often without relation to one another and without any underlying strategy.

"There are many who think that the only answer is to tear down all existing programs and replace them with a completely new plan. They may be right. But before we come to this extremely difficult stage, we should do everything we can to devise (as I think we would be able to) a set of less sweeping changes within the present program that will hopefully achieve our major aims...."

[Richard P. Nathan, a senior fellow at the Brookings Institution, was Deputy Under Secretary of Health, Education and Welfare in the Nixon Administration.]

Copyr. 1973, NEW YORK TIMES.

SUPREME COURT

PANEL SUGGESTS ALTERNATE TO BURGER PLAN

Fred Barnes (WASH. STAR-NEWS, 1/17/73):

"An eight-member panel of the Advisory Council of Appellate Justice will recommend next month the creation of a nine-judge 'lower chamber' for the U.S. Supreme Court.

"The new chamber, made of judges

now sitting on the 11 U.S. Courts of Appeals, would rule on 400 to 500 cases diverted to it each year by the Highest court.

"The chief advantage of the new judicial body, according to the panel, is that it would provide final, authoritative rulings in hundreds of important cases that the Supreme Court is too busy to decide.

DOMESTIC AFFAIRS

CONGRESS

Senate Democrats yesterday approved a resolution designed to sharply limit the Administration's use of executive privilege in order to prevent officials from testifying before Congress. The measure requires officials to appear before the inquiring committee with a Presidential letter specifically detailing the areas of privileged information. Sen. John Stennis, co-sponsor of the resolution, said the decision whether to accept the plea would be up to each chairman, who could have the matter referred to the entire Senate. Should the Senate refuse to honor the request to invoke the privilege, further refusal to testify could result in contempt of Congress charges. Sen. Sam Ervin said the new rules would cover all Presidential advisers, such as Henry Kissinger, H.R. Haldeman, and John Ehrlichman except when they are serving as "intimate advisers." However Majority Leader Mike Mansfield disagreed, saying he felt Presidential appointments requiring Senate confirmation should be the principal individuals affected. He said "any President is entitled to have a few intimate advisers on the basis of absolute confidentiality" adding that it would be "diversionary and dangerous" to have it otherwise.

Jacob Javits yesterday said a "majority of the Senate" is co-sponsoring his legislation designed to limit Presidential authority to commit U.S. troops to military action without Congressional approval. The measure, which died in the House in the last session after being approved 68 to 16 by the Senate, requires the President to seek Congressional approval for any deployment of U.S. forces extending beyond 30 days.

Although House Republicans voted two years ago to abolish seniority as the sole criteria for determining the ranking member of each committee and make each selection subject to Conference Approval, the only formal challenge to the seniority system was overwhelmingly defeated at yesterday's Conference session. Rep. John Erlenborn of Illinois, the second ranking member of the important Government Operations Committee, was defeated 100 to 36 in a move to unseat Frank Horton of New York as the senior GOP member. Horton received the largest number of negative votes --William Bray of Armed Services received 33 negative votes--although only seven of the 21 ranking committee members were the result of unanimous votes. Those approved without dissent were Ancher Nelson, of the D.C. Committee, Albert Quie of Education and Labor, William Dickinson of House Administration, James Grover of Merchant Marine, James Quillen of Ethics, John Hammerschmidt of Veterans Affairs, and Herman Schneebeli of Ways and Means.

ENERGY

FUEL SHORTAGES MAY CURTAIL
TRANSPORTATION SERVICES

WALL ST. JRNL., 1/18/73, Washington:

"Transportation industries report they're rapidly running out of fuel and will have to begin to curtail service soon.

"Representatives of trucking, railroad, barge-line, airline and mass-trans-

sit operators are meeting with government officials this week, and plan more meetings today and tomorrow on the fuel crisis. The meetings with Transportation Department and Office of Emergency Preparedness officials are aimed at urging a national plan at allocating fuel use. Home-heating oil shortages are affecting transportation needs, they say.

"The industry representatives com-

"Relations with the press, always bad, have grown worse. Last month's speech by Clay Whitehead, director of telecommunications, is widely interpreted as a further effort to intimidate the television networks. Liberals and conservatives are equally scornful of the petty, petulant decree that banned reporters of the Washington Post from social functions at the White House. As Peter Lisagor has said, this was a blush-league stunt; and whatever we expect of the White House, we expect it not to be blush.

"Personnel changes contribute to the melancholy air. The most respected statistician in government, Dr. Geof-

frey Moore of the Bureau of Labor Statistics, has been fired. The ablest man in the Cabinet last year was Peter G. Peterson in Commerce. He dared to rise above the herd. Off with his head! With the exception of Rogers Morton in Interior, the new Cabinet will have not a single member who has held elective political office. A major appointee, Roy Ash as director of the Office of Budget and Management, is in deep trouble with Congress already.

"Little or large, these things form a pattern. It is an image, to borrow from Patrick Henry, that squints of monarchy. And we are uneasy."

BUDGET

HILL IMPOUNDMENT STUDY SET

WASH. STAR-NEWS, 1/16/73:

"Presidential refusal to spend money voted by Congress will be studied by a Senate-House committee on budgetary control.

"The Joint Budget Committee listed the controversy over 'impoundment' of funds by President Nixon on its agenda at a meeting yesterday.

"Many members of Congress object to the practice of impoundment as an infringement of their authority. The joint committee was established last year to find ways for Congress to control the budget and thus reclaim powers lost to the President.

"Although the committee has reached no decisions, it said the agenda also will include studying the possibility of recommending an annual congressional

ceiling on spending, control of 'back-door' expenditures mandated by statutory formulas and the coordination of spending, revenues and the debt limit.

"The temporary committee said it also will consider recommending establishment of a permanent committee to carry out whatever budget control measures Congress may adopt.

"Public hearings on budget control proposals may be deferred until tentative conclusions are reached, the committee said. But it said briefings by present and former budget officials are planned.

"The committee said it will depend at least initially mainly on the existing staffs of congressional appropriations and taxation committees to handle its studies.

"An interim report to the House and Senate is due by Feb. 15."

the loan in anticipation of future price rises. Provided 1973 output restrictions are removed, there need be little fear of a squeeze on supplies in the 1973-74 crop year.

"Letting the private sector carry most of the farm inventories will also have a favorable impact on another problem area, namely export sales, especially to Communist countries. As far as one can tell, there was no gross impropriety in the unsatisfactory grain sales to the Soviet Union this summer, but there obviously was mismanagement resulting in part from the dependence of private traders on government-held inventories. If inventories were held in the free market, government agencies could stay out of these transactions for which they appear to have been poorly prepared.

"A number of other things, some of them long overdue, are now being done to alleviate the food price problem in the near term. The suspension of import quotas on beef was a step in the right direction but there are still other import quotas that could be liberalized. The operation of marketing orders, which are especially important in milk and in certain fruits and vegetables, should be more closely supervised to ensure conformity with anti-inflationary policy and with consumer interests generally. Some of these marketing orders permit practices that would be illegal in any other industry; as a result the price of tomatoes, for instance, is probably two or three times as high as it would be in a free market. Perhaps the most important farm measure announced on Jan. 11 is one that brings agricultural program decisions under the control of

the Cost of Living Council. Like most regulatory agencies, the Agriculture Department has long been dominated by the industries, it is supposed to supervise, and as a result it has all too often lost sight of the interests of consumers and processors and of the need to curtail inflation. Recent price developments have shown once more that agricultural policy is too serious a matter to be left entirely to the Agriculture Department.

"These developments also show that the tremendous productivity of American agriculture is not something to be suppressed by expensive government programs, but rather something to be fostered as one of our greatest national assets. Since the Agriculture Act of 1970 expires this year, we have an opportunity to adjust our farm policy to the realities of the 1970s rather than the overproduction myth of a generation ago.

"...it can no longer be said that the subsidies are necessary to assure us of cheap food. Being linked with output restrictions, they do just the opposite. The new farm programs we need may still involve some government involvement to prevent excessive price fluctuations, but they should get away from output restrictions and income support to commercial producers. It must be hoped that the emphasis on adequate supply in the Jan. 11 announcement will be carried over into the new farm legislation."

[Mr. Houthakker, professor of economics at Harvard University, formerly was a member of the Council of Economic Advisers under President Nixon.]

CONGRESS

ALBERT ASKS COMMITTEE STRUCTURE STUDY

Marjorie Hunter (NY TIMES, 1/16/73, Washington):

"Responding to complaints of dwindling Congressional power, House Speaker Carl Albert called today for the first sweeping study of House committee structure in more than a

quarter of a century.

"The Oklahoma Democrat's proposal for creation of a special bipartisan study committee comes at a time when Congress is under heavy pressure, from within and without, to reform its often creaky legislative machinery.

"The resolution to create the

special committee was introduced on behalf of the Speaker by Representative Richard Bolling, Democrat of Missouri, an author of several books highly critical of House procedures; and Representative David T. Martin, Republican of Nebraska, ranking minority member of the House Rules Committee.

"The proposed study, if approved by the House, would last for perhaps a year and a half and cost up to \$1.5-million.

"Meanwhile, Speaker Albert denied today that he was attempting to stall Democratic action on a series of more immediate reforms, including modification of the seniority rule in selection of House committee chairmen.

...
"In offering the Speaker's proposal for an in-depth study of

committee structure, Mr. Bolling said today that it was not designed to head off more immediate reforms.

"We just feel that a good look at the even broader picture is long overdue," he said.

"The last such study was made in 1946 and resulted in reducing the number of House committees from 44 to the present 21. However, since that time, there has been a rapid proliferation of subcommittees.

...
"Among the areas that would be explored by the special committee would be the number and size of committees and subcommittees, their jurisdictions, rules and procedures."

Copyr. 1973, NEW YORK TIMES.

NIXON

KILPATRICK BLAMES WHITE HOUSE FOR CAPITAL MOOD

James J. Kilpatrick (BALT. SUN, 1/16/73, Washington):

"A sense of unease is growing in Washington. If the mood cannot be precisely defined or wholly explained, it can be clearly felt. It results from the pattern of the President's actions since his landslide reelection two months ago.

"Mr. Nixon always has seemed a remote and indrawn figure. In these past two months he has become more remote and indrawn than ever. He has spent little time in the White House itself; he has preferred the isolation of Camp David. Except for a perfunctory birthday interview, he has seen the press not at all. He has made no attempt, by public explanation and persuasion, to rally public support behind his drastic measures in Vietnam.

"The renewed peace optimism this week cannot entirely dispel the feeling that things have been sliding downhill since November....

"It was the [Vietnam] bombing, the unexplained and unjustified 12 days of bombing, that created an almost tangible pall over Washington. Half a billion dollars spent, scores of airmen dead or imprisoned, thousands of lives lost, whole cities shattered--and all for what? Was it to bring Hanoi back to the bargaining table? Granted that the Communists respect strength and treat weakness with contempt: Was this terrifying show of strength the one best road back to Paris?

...
"Yet the mood cannot be explained in terms of Vietnam alone. The President has failed (and we have to assume the failure is deliberate) to make even the most minimal gestures of political accommodation to the Congress. These are matters of grace, of form, of politesse. Mr. Nixon has spurned them. His impoundment of funds appropriated for the abatement of water pollution--funds appropriated over his veto--could have been handled in ways that might have minimized hostility on the Hill. The President acted with a kind of imperious hauteur instead.

"We think President Nixon is taking a risk. It will be a risk that should be lessened with the extension of control power.

"But while we think he is taking a risk, we strive not to under-estimate him--particularly in this field."

NIXON

'NIXON-WATCHERS' BAFFLED

Peter Lisagor (PHILA. INQ., 1/15/73, Washington):

"...it was not surprising that the Nixon-watchers braced themselves for dazzling paradox, bewildering inconsistency, astounding irony in the second term. No longer inhibited by the Reelection Imperative, the President would 'open up' and show some of the virtuosity he husbanded in his first term.

...
 "What has happened so far is that the President has revealed himself to be something of a doctrinaire conservative in fiscal matters (the way he was perceived in 1969 before he announced to a TV interviewer that he had become 'a Keynesian'). He has returned to the straight-and-narrow of fiscal integrity. He has approached inflation with what one wag has called 'economic chutzpah,' by virtually decontrolling wages and prices, except for areas so flagrantly inflation-ridden that they couldn't be

varnished over.

"And to impose discipline on the wastrels, he has cut into housing, highway, rural electric, farm and assorted social programs, sacred cows all in the congressional precincts, with a scythe. In a Jekyll-Hyde switch, Keynes has again become Adam Smith....

"This was 'vintage Nixon,' the form-sheet conservative, the man thought to have vanished in the midsts of a larger statemanship. And the Nixon-watchers have been made furious by his reappearance. They figured him to mix 'em up a little more.

"Some of the more chastened Nixon-watchers have gone back to reporting standup intelligence about the President, namely, that he never has had a headache or stomach upset in his life (wait till the aspirin and bromide makers hear about that), and that he weighs the same today that he weighed 20 years ago, 173 pounds. That's the kind of stuff a reporter can be confident about and comfortable with."

DEFENSE

'NO JUSTIFICATION' FOR MULTIPLE WARHEADS

MILWAUKEE JRNL., 1/10/73, edit.:

"A typical example of how strategic weapons generate a momentum wholly their own is the report that the Pentagon is asking that all of the 1,000 Minuteman land based missiles be converted to multiple warhead weapons. Current plans call for 550 of the missiles to get such warheads, as well as 496 of the 656 sea based missiles aboard our 41 Polaris submarines. Even holding to existing plans, the U.S. could mount a total of 6,610 individually targeted warheads on these launchers-- enough to destroy the Soviet Union, China and a few others several times over.

"The original stimulus for develop-

ment of the multiple warhead was the uncertainty over whether the Soviet Union was going to deploy a nationwide ballistic missile defense system. The thousands upon thousands of offensive warheads were meant to overwhelm such a defensive system by sheer numbers. But now the strategic arms limitation agreements with the Soviet Union limit each side to the deployment of not more than 200 defensive missile launchers, a number that theoretically could be overcome by 201 offensive warheads. Already the U.S. has deployed 5,900 strategic nuclear warheads. This is approximately 2,000 more than the Soviet Union is expected to have deployed by 1977 !

"The original reason for developing multiple warheads no longer exists. In

a move to delay action on appointments, sources close to the senator said he very well might join in.

"Senate Democratic leader Mike Mansfield (Mont.) also has indicated that he might well delay scheduling Senate action on the appointees even though they are reported out favorably by the various com-

mittees.

"Three other powerful committee chairmen have also passed the word privately that they may well join the delay-ing movement: Sens. John J. Sparkman (D-Ala.) of the Banking Committee, Herman E. Talmadge (D-Ga.) of the Agriculture Com-mittee, and J. William Fulbright (D-Ark.) of the Foreign Relations Committee."

ECONOMY

'MAJOR VICTORY' FOR MEANY SEEN

Philip Shabecoff (NY TIMES, 1/13/73, Washington, Jan. 12):

"President Nixon's decision to drop most mandatory wage and price controls was described privately by labor officials today as a major victory for George Meany that would do much to promote labor peace in 1973.

"These officials said that the decision to drop the direct controls on wages, and the decision to name John T. Dunlop as director of the Cost of Living Council, was arranged, in part at least, in negotiations between Mr. Meany, the president of the American Federation of Labor and Congress of Industrial Organizations, and George P. Shultz, the Secretary of the Treasury.

"Mr. Shultz reportedly agreed to press for the dropping of controls in return for a promise by Mr. Meany and other labor leaders to return to participation in the stabilization program, and to cooperate in seeking noninflationary wage increases in this year of heavy collective bargaining.

"According to the labor officials, Mr. Meany told Mr. Shultz that the Phase 2 program was not controlling prices and was, therefore, inequitable and mandatory wage controls should be dropped. Mr. Shultz, was said to be predisposed toward a voluntary stabilization program and was sympathetic to Mr. Meany's arguments. One labor leader described Phase 3 as 'a joint Shultz-Meany victory.'

"Labor sources said that the key to

their satisfaction with the Phase 3 program was the appointment of Mr. Dunlop as director of the Cost of Living Council. They said that Mr. Dunlop had long experience in labor-management relations and that, unlike some of the members of the Pay Board, he was respected and trusted by trade union leadership.

"More important, they said, while running the Construction Industry Collective Bargaining Commission, demonstrated that he did not limit himself to rigid guidelines or numerical standards. Instead, he worked to reduce inflationary wage trends in the construction industry by examining each contract on a case-by-case basis, meeting the particular needs of each situation.

"This approach to controlling wages is close to the kind of program that Mr. Meany and other leaders said would be acceptable even before Phase I began in August 1971, the labor sources commented. Labor was never unduly concerned about the precise figure of a wage guideline. What Mr. Meany and the unions wanted was relative freedom in the collective bargaining process and flexibility to meet the peculiar needs of each contract situation, they said."

Copyr. 1973, NEW YORK TIMES.

FEDERAL RESERVE BOOSTS DISCOUNT RATE

Art Pine (BALT. SUN, 1/13/73, Washington):

"The Federal Reserve Board announced yesterday a sharp increase in its discount rate--the interest fee it charges on temporary loans to member banks--boosting it to 5 per cent,

CONGRESS

Jan. 11

The House Democratic leaders yesterday gained what observers called the firmest control over the powerful Rules Committee in 30 years by the appointment of three new "sure votes" to the panel. The Democratic Caucus Committee on Committees nominated Morgan Murphy of Illinois, Gillis Long of Louisiana, and freshman Clem Mc Spadden of Oklahoma to fill three vacant seats. All three are considered supporters of the House Democratic leadership. This, along with the retirement of former Rules Committee Chairman William Colmer who often fought the leadership's programs, is seen as giving House Speaker Albert tight control over the panel, which will now be chaired by Roy Madden of Indiana, a strong supporter of Albert. One Democratic source was quoted as saying "He (Albert) fought for these appointments as the first order of business and was not going to back down. He wanted control of this Committee and he has it with at least eight (a majority) sure votes." The appointments by the Committee on Committees must be endorsed by the entire Caucus on Jan 22 but observers predicted certain approval.

Senate Democrats yesterday unanimously approved a resolution declaring that all new Presidential appointees of Cabinet-level rank must appear before an appropriate Senate Committee before confirmation. Majority Leader Mike Mansfield said the resolution reinforces the Constitutional obligation requiring appointees to testify before Congress. The Caucus defeated, in a 19-17 vote, a tougher proposal sponsored by John Stennis that would grant the Senate the power to override the invocation of the plea of "Executive privilege" by the President should that body determine that the claim for use of the privilege was unfounded. Mansfield said he had opposed the measure because the Democratic Policy Committee is currently studying the problem of the privilege. Other Democrats said yesterday's action was taken because of the Administration's refusal to consult with Congress on the Vietnam war and the concern that the reorganization of the Executive Branch would further limit Congress' ability to gain access to information from the Administration.

The Senate Republicans Conference Committee on Committees yesterday announced the nominations of GOP members to fill vacant Republican seats on the Senate's standing committees. All the nominations are expected to be approved in today's Conference meeting. Robert Griffin was named to Foreign Relations, William Scott to Armed Services, Charles Mathias, Richard Schweiker, and Henry Bellmon to Appropriations, Dewey Bartlett, Jesse Helms, and Pete Dominick to Aeronautical and Space Services, Helms to Agriculture and Forestry, Lowell Weicker to Banking and Urban Affairs, Robert Dole, Robert Packwood and William Roth to Finance, William Brock to Government Operations, Bartlett and McClure to Interior and Insular Affairs, Robert Stafford to Labor and Public Welfare, Scott, McClure and Dominick to Public Works, Bartlett and Dominick to D.C., William Saxbe to Post Office and Civil Service, Mark Hatfield to Rules and Administration, and McClure to Veterans Administration. Carl Curtis became ranking member on Agriculture, making Barry Goldwater ranking member on Space.

WATERGATE

E. Howard Hunt Jr. yesterday pleaded guilty to all six charges against him in the "Watergate bugging" trial, after a Federal Court judge refused to accept his plea of guilty to only three counts in the indictment. Hunt is the former White House consultant who, along with six other defendants, is on trial for charges stemming from the June break-in and alleged bugging

ucation and Labor, Foreign Affairs, Commerce, Judiciary, and Public Works.

The Senate Republican leadership yesterday announced the selection of six Assistant Republican whips--James Buckley, Robert Stafford, Ted Stevens, Robert Taft, Lowell Weicker, and J. Glenn Beall. The Senate Democratic Steering Committee approved requests from Adlai Stevenson and freshman William Hathaway for Committee reassignments. Stevenson will move from Labor and Public Welfare to Commerce while Hathaway will switch to Labor and Public Welfare from Agriculture.

NIXON ADMINISTRATION

Administration sources yesterday said President Nixon will name Frederic Malek as Deputy Director of the Office of Management and Budget. The announcement of the appointment reportedly will be made today. Malek, who has been referred to as Nixon's "talent scout," joined the Administration in 1969 as a Deputy Undersecretary of HEW and later moved to the White House as a Special Assistant to the President. Malek is said to have been instrumental in the President's reorganization of the Executive Branch in preparation for the second Nixon Administration.

The White House announced yesterday that President Nixon will not deliver his State of the Union Address in person to Congress. Press Secretary Ronald Ziegler said a written address will be sent to the Congress but that no oral message is contemplated because it would follow closely the Inaugural Address. Ziegler also disclosed that Nixon's 1974 budget request would be delivered to Congress during the last week of January.

SPENDING

ISSUE COULD FAVOR GOP

David S. Broder (PHILA. INQ. 1/9/73, Washington):

"With every indicator pointing to a glorious battle of the budget as the running story of the year in the capital, it is worthy of note that some conservatives in town think the stakes may be even bigger than they seem.

"Jeffrey Bell, a bright pamphleteer of the right, argues in the last issue of the Alternative, a lively conservative monthly, that the spending issue may hold the key to that long-cherished conservative dream of a political realignment that would produce a genuine Republican majority.

...
 "'In the past decade,' Bell writes, 'the growth of Federal programs and spending has accelerated to the extent that the country must make a landmark decision what government is all about. Either House and Senate would have to say yes taxes will rise, or government will be dras-

tically reduced. There is no third way, this side of gigantic deficits and economic chaos.

"'By its very nature,' Bell says, 'the spending-and-tax issue is one that cannot be regarded as the aberration of a single Presidential Democrat such as George McGovern. If President Nixon were to mount a crusade against the size of government, the Democratic-controlled House and Senate would have to say yes or no. If they said yes, the Republican administration would get the lion's share of the credit...

"'If they said no, and the President convinces the country that the answer must be yes, then the Republican Party will have a realigning issue whose effects will be felt at all levels in 1976 and at some in 1974. For this is an issue that has to do not only with the Presidency, but with the entire Congress and entire Democratic Party as well.'

"Bell notes that in his November interview with Garnett Horner, Mr. Nixon

clearly signaled his intention to fight for hold-the-line policies on spending and taxes. He concludes that if the President is as good as his word, 'realignment under President Nixon may not be quite as dead as political Washington thinks it is.'

"The reasons the argument deserves serious consideration are these:

"--Almost every serious analysis indicates that we have reached the limits of government programs that can be financed by the current Federal tax system.

"--There's little doubt that there's widespread public skepticism about the value of much of that spending and strong resistance to paying higher taxes for more of the same.

"--The President is, as Bell contends, very much on the offensive on this issue and it's not clear whether the Democratic Congress is equipped to respond.

...
"....the Democrats are far from powerless to counteract the strategy

Bell describes and that the President seems inclined to follow. If the Congress can discipline itself to deal responsibility with the budget, then the Democrats may be able to make the politically vital distinction between the kinds of spending the public would willingly see increased (for education, health, control of crime and pollution, for example) and the kinds--including military--the public would willingly see reduced.

".... They can also do one other thing that is not mentioned among the options Bell describes.

"They can reform the tax system, so as to ease the inequities that rightly aggravate so many voters and increase the funds available for desirable government programs.

...
"Congress is ahead of the President and the Democrats are ahead of the Republicans on the issue of tax reform. If they stay ahead, the scenario Bell outlines may be thwarted in the next four years. But the possibility of Mr. Nixon bringing it off is a momentous one."

DEFENSE

U.S. CONSIDERING MOBILE MISSILE PLATFORMS

BALT. SUN, 1/9/73, Washington (Reuter):

"The U.S. is considering developing mobile platforms to launch intercontinental ballistic missiles, informed military sources said yesterday.

"The sources said that \$7 million would be allocated in the new 1974 budget, beginning July 1, 1973, to study the feasibility of intercontinental ballistic missiles by placing them on mobile trains or truck platforms.

"The 1,000 ICBM's now deployed receive limited protection from enemy strikes by being encased in concrete silos below ground.

"But Pentagon officials now believe the vulnerability of the missiles could be lessened by placing them on mobile platforms on trains or huge trucks.

"'We think that mobility is the best option for improving the survivability of the missiles,' one official said."

as a construction union negotiator with a background of inflationary wage settlements and costly work rules and practices, and his generally parochial position that what is good for the building trades unions is paramount--no matter what the consequences may be for other trade unions.

"Generally, conservatives in the federation approve of the nomination, although

some wonder privately why President Nixon reached down to a state level to choose his labor nominee.

...
"If Mr. Meany had reservations about Mr. Brennan, it could have been because of his recognition of what Mr. Brennan's appointment might do to efforts to tighten labor's ranks, and to coalesce labor, civil rights, liberal forces."

CONGRESS

MANSFIELD MAPPING SPENDING PLAN

Shirley Elder (WASH. STAR-NEWS, 12/6/72):

"Senate Democratic leader Mike Mansfield will ask Congress to take the initiative next year and impose its own ceiling for federal spending in advance of the annual item-by-item analysis of Nixon's budget requests.

...
"In an interview, Mansfield said he shares [President] Nixon's concern over the increased size of the federal budget but he believes firmly that the Democratic Congress, not the Republican President, should do the trimming if any trimming is to be done.

"A ceiling set early in the new Congress--as soon as the administration's budget requests are in hand--would al-

low Congress to carry out its constitutional responsibility of appropriating money while retaining the right to decide where programs should be cut back, Mansfield said, noting that the spending priorities of the Democrats in Congress often are sharply different from Nixon's.

"At the same time, Mansfield denied the repeated White House assertion that Congress is made up of big spenders who have blown the lid off the budget.

"In the last four Nixon budgets, he said, the administration has run up a deficit of \$104.3 billion while Congress has cut presidential budget requests by \$20.2 billion.

"I wish we could have cut more," Mansfield said. "But \$20.2 billion is not bad and \$104.3 billion over four years is bad."

DEMOCRATS

LABOR BACKS STRAUSS FOR TOP POST

Jerome Cahill (NY DAILY NEWS, 12/2/72 Washington):

"The AFL-CIO has thrown its support to Texas moneyman Robert Strauss in the developing battle for the chairmanship of the Democratic National Committee, THE NEWS learned today.

"A source close to AFL-CIO President...Meany and Alexander Barkan, his top political aide, said that agents of the labor federation were 'actively' working for Strauss and were optimistic that there were enough votes to put him in as chairman when the national committee meets here Saturday for the first time since the Nov. 7 landslide

defeat of its national ticket at the hands of President Nixon.

"The AFL-CIO claim of a victory for Strauss was disputed by sources in the camp of Sen. George McGovern, whose hand-picked party chairman, Jean Westwood, is the target of the conservative-backed ouster move.

"My guess is that Strauss will be stopped; that he stopped himself when he got the endorsement of his old college roommate, John Connally," said a former high official of the national committee who backed McGovern. He said the endorsement by Connally, who bolted the Democratic ticket to support Nixon, has unified liberal and moderate factions in the party against

"To get their cooperation, Mr. Nixon may have to pay a price. Controls may have to be left on small and medium-sized companies longer than is necessary or wise. And, more importantly, labor is likely to demand assurances that food prices will be held down.

"The Administration shrinks from imposing direct controls on farm prices, since making such controls work, without creating shortages in the process, would be next to impossible. There is talk of restructuring the whole farm subsidy system in some way that would work to hold down prices at the supermarket. But any such move would be controversial and time-consuming.

"The path toward decontrol is bound to be thorny. But if the country is ever going to get back to a free economy, 1973 is the time to start down that path."

MODIFICATION, RESTRAINT, URGED

BUFFALO EVE. NEWS, 12/13/72, edit.:

"Because these controls limit economic freedom, and in some cases can even become a kind of shield against normal competitive pressures and efficiency, their extension should be of short duration to force frequent reexamination of their emergency nature. And debate now should include standards of decontrol--perhaps for market areas where many small businesses compete strenuously, or in any market where performance shows only normal price increases.

"...we have never believed that controls would halt inflation. Nor do we now. Whatever program emerges, it will be most effective if teamed with the elimination of some useless artificial props to higher prices and if allied with fiscal and monetary restraints, which only Washington can provide."

CONGRESS

MANSFIELD PREDICTS FUND BATTLE

John H. Averill (NY POST, 12/18/72, Washington, [LAT]):

"Senate Majority Leader Mike Mansfield (D-Mont.) has indicated he will call on Congress to fight--and go to the Supreme Court if necessary--to stop President Nixon from freezing and impounding funds appropriated by Congress.

"The intent of the Congress has been flouted and this question must be faced up to and a solution found even if it means going to the Supreme Court to do so," Mansfield said.

"Mansfield took this position in a wide-ranging interview in which he left little doubt that he expects the power struggle between the Senate and the White House to intensify during the second Nixon Administration.

...

"Other ingredients of the Senate-White House institutional struggle involve executive branch secrecy, war-making powers and overseas

commitments.

"Mansfield expressed a willingness to cooperate with the Administration as long as Congress is treated as a coequal with the executive branch. But he seemed to be skeptical that the White House would deal with Congress on those terms."

PROXMIRE SIDES WITH LOCKHEED

Anthony Ripley (NY TIMES, 12/19/72, Washington):

"Senator William Proxmire, D-Wisc., long a critic of the Lockheed Aircraft Corporation's costly C-5A transport plane project, found himself in partial agreement with the company today.

"The Senator had harsh questions for Lawrence O. Kitchen, president of Lockheed-Georgia Company in hearings before a Congressional subcommittee, but Mr. Proxmire joined Lockheed in praise of a General Accounting Office report on the management of the project.

cautiously on the rush-rush manned Mars expedition advocated by Vice President Agnew three years ago. Still another is the American-Soviet agreement on a joint rendezvous-and-docking mission for mid-1975, a concept once relegated to political science fiction. Finally, there is the very real prospect that experiments and programs conducted from space shuttles

will be of use in improving the environment on earth. More accurate weather forecasting, air pollution studies, better communications--these are some of the more obvious opportunities. These trends surely justify reasonable financial support to continue a desired momentum in space technology."

NIXON ADMINISTRATION

SHULTZ'S ROLE EXPANDED

James Keat (BALT. SUN, 12/2/72, Key Biscayne, Fla.):

"President Nixon yesterday designated his Treasury Secretary, George P. Shultz, as his principal aide in economic affairs.

"While continuing to head the Treasury Department, Dr. Shultz will move to the White House as one of the select few assistants to the President who have direct access to Mr. Nixon.

"The former college professor and labor arbitrator will be chairman of a new Cabinet-level Council on Economic Policy, which will embrace all agencies involved in economic decision-making at home and abroad.

...
"Ronald L. Ziegler, the White House press secretary, who announced the appointment for the President, said Dr. Shultz will be the 'local point' and 'overall coordinator' of the economic decision-making process.

"At the same time, Mr. Ziegler announced that two other presidential economic aides had been asked to continue in their posts during the second administration. They are Herbert Stein, 56, chairman of the Council of Economic Advisers, and Peter M. Flanagan, 49, executive director of the Council on International Economic Policy, formed earlier this year."

NIXON TO RETAIN TOP ADVISERS

CHICAGO TRIB., 12/3/72, Key Biscayne, Fla., Dec. 2):

"President Nixon will retain most of his senior White House advisers as he begins his second term, the White House announced today.

...
"Among those staying on the White House staff are H.R. Haldeman, the chief of staff; John Ehrlichman, chairman of the domestic council; William Timmons, director of congressional relations; communications director Herbert Klein, and press secretary Ronald L. Ziegler.

"Henry Kissinger, Nixon's national security affairs adviser, also will remain at the White House.

...
"Ziegler also revealed the names of four Presidential aides who will be leaving.

"Three of those, Charles Colson, Harry Dent, and Robert Finch, have served as top political advisers to Nixon.

"The fourth member who is leaving is Robert Brown, a special assistant for minority affairs, who was the highest-ranking Negro on the White House staff."

...
"Miss Rosemary Woods, Nixon's long-time personal secretary, will remain at the White House, Ziegler said, as will John Dean, counsel to the President.

Commerce Secretary Maurice H. Stans as Republican Finance Committee chairman, and Rep. William Steiger (Wis.) to head a panel reviewing rules of the party's national convention.

"Virginia Gov. A. Linwood Holton, chairman of the Republican Governors' Association, said in the principal speech to the committee that the Republicans must break with tradition and appeal to independent voters if they

hope to become the majority party.

"The lesson of the 1972 election, where the GOP won a White House landslide while Democrats retained control of Congress, is that more and more voters ignore party labels, Holton said. He added: 'The Republican Party cannot be the party of the unyoung, the unblack and the unpoor' if it is to achieve majority status."

DEMOCRATS

Democratic National Chairman Robert Strauss Friday proposed the creation of a high-level advisory board consisting of elected Democratic officials representing the "spectrum" of the Party. The council, which would consist of about 40 Democrats, including Senators, Governors, Congressmen, mayors, and state legislators, would deal "with the whole gamut of matters affecting the party," Strauss said. He also indicated that Alabama Gov. George Wallace could serve on the board, possibly as "one of the spokesmen of the Governors' group." He said that he recently told Wallace "I thought our party wanted to hear all its voices and he certainly is one of them. He...led me to believe that we could count on him to participate." Strauss said the proposed panel, which he outlined before a meeting with Democratic Congressional leaders and 16 Democratic Governors, would have "not one voice but a lot of voices. This is reform in its purest sense."

H.E.W.

RICHARDSON CALLS FOR RADICAL SIMPLIFICATION

Philip Shandler (WASH. STAR-NEWS, 1/18/73):

"The nation's health, education and welfare services must be 'radically simplified'--primarily through special revenue sharing--Elliott L. Richardson declared today.

"Forecasting a 'crisis of confidence,' the outgoing HEW secretary urged a 'frank recognition of the limits upon our resources.'

"He criticized the 'prophets of hope' and accused Congress of engaging in a 'political shell game.'

"The apparent political need for a congressman to get credit for authorship of a bill of his own,' Richardson said, has resulted in a 'plethora of narrow categorical bills.'

"This approach has tended to 'squander' federal funds by spreading them too thinly, he asserted.

"Richardson made his observations in what he called a 'final report' to HEW employes.

"The recommendations Richardson made today follow the lines of a blueprint for social services, dubbed the Mega proposal, which Richardson sent to the White House several weeks ago.

"Those recommendations included the elimination of the present Medicaid and Medicare programs and the creation of a new 'maximum liability health insurance plan.'

"In both papers, Richardson argued for a reconception of HEW as a counterbalance to the 'centripetal tendency toward big government and the resultant alienation of many individuals' which he said had developed over recent decades."

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Carl Albert Starting to Show Muscular Leader Now

By Richard L. Lyons

Washington Post Staff Writer

House Speaker Carl Albert has the look of a much more muscular leader now.

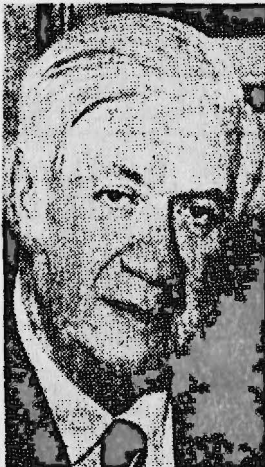
During the last Congress, new in the top job, he often seemed reluctant to step out front with a statement that might have made a difference on an issue, or try to push the powerful committee chairmen into acting more quickly than they wished, or make anybody mad.

Now he seems eager to take and use power. He appears determined not only to strengthen the Democratic leadership in the House but to recapture some congressional powers from the President.

Here are some actions Albert has taken during the first three weeks of the session:

- He had the all-member party caucus add him to the Democratic committee on committees, and there he insisted that three Democratic vacancies on the House Rules Committee be filled with members totally loyal to him. He rejected Southern demands for one of the seats, and regained — for the first time in more than a generation — firm leadership control of this crucial committee which must clear most major legislation for floor action.

No longer will the Speaker have to spend time persuading a hostile Rules



REP. THOMAS O'NEILL
... loyal to Speaker

Committee chairman to consider bills, or trying to round up a committee majority to clear a bill to the floor. The days of the Rules Committee as an independent power center appear to be over.

- Albert and Majority Leader Thomas P. O'Neill (D-Mass.) beat back a proposal that the caucus elect the party whip, keeping for themselves the power to appoint their choice as third-ranking member of the leadership.

- Albert decided that if Congress is to move more vigorously, one of the major needs is an in-depth study of the committee structure where the basic legislative



REP. B. F. SISK
... won't be "stooge"

work is done. Rather than assign this task to an existing committee, Albert had Rep. Richard Bolling (D-Mo.) introduce a resolution creating a special committee which Albert would appoint and thus control. Bolling, one of Albert's staunchest supporters, presumably will be chairman.

- On the opening day of the session, Albert pushed through the House over Republican opposition two rules changes which give him more flexibility to schedule the business of the House.

One doubled to four the number of days each month when non-controversial bills can be taken up under a



REP. CARL ALBERT
... moving decisively

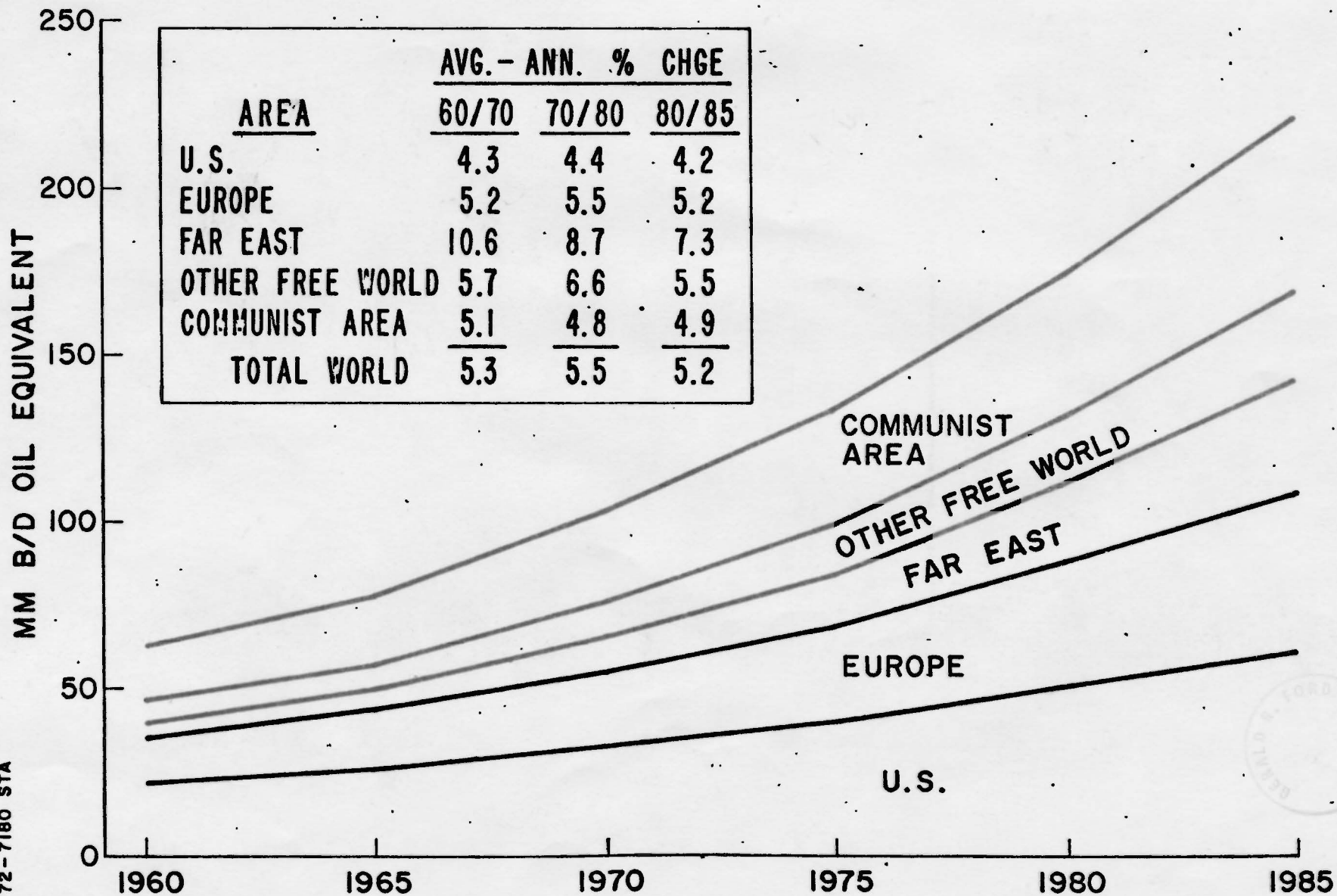
speedy procedure of suspending the rules:

The other repealed an ancient rule that required unanimous consent for the House to convene at any hour other than noon. Not terribly important taken alone, this nevertheless peeled away another of the rules that permitted a single member to tie up the House. Often in previous years when he wanted the House to meet at 10 a.m. or 11 a.m. to cope with a heavy schedule, Albert was frustrated by a lone objection.

- As leader of the house of Congress whose principal constitutional power is control of the purse, Albert is especially sensitive about

(Cont'd next page)

TOTAL WORLD ENERGY DEMAND MM B/D OIL EQUIVALENT

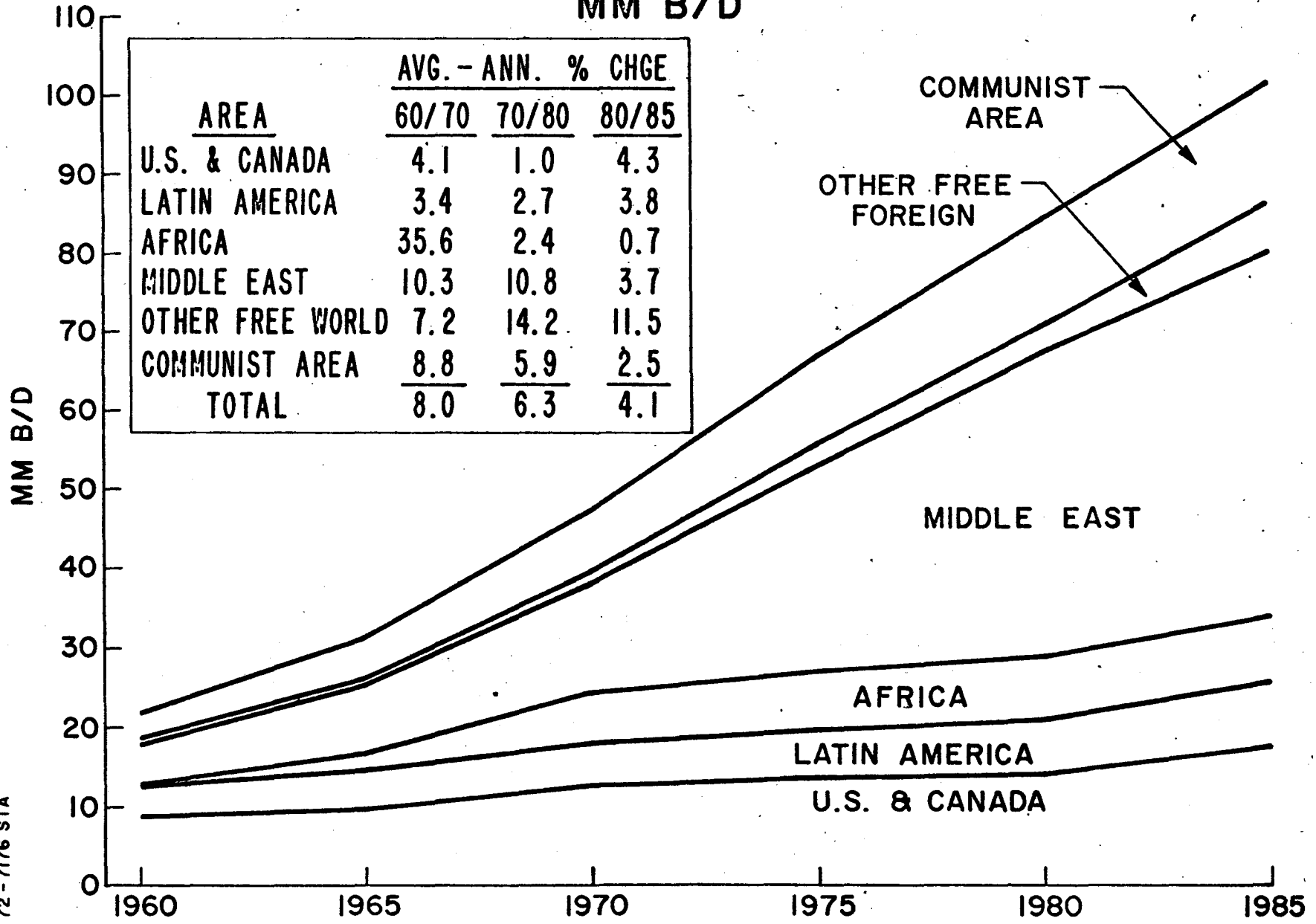


72-7180 STA



EXHIBIT 1

TOTAL WORLD OIL PRODUCTION (INCL. NGL) MM B/D



72 - 7176 STA

EXHIBIT 2

ENERGY SUPPLY SOURCES

	% OF TOTAL ENERGY SUPPLY		
	1960	1970	1980
<u>EUROPE</u>			
INDIGENOUS SUPPLIES	66	38	39
IMPORTS - WESTERN HEMISPHERE	7	5	1
- MIDDLE EAST/AFRICA	22	51	55
- COMMUNIST AREA	5	6	5
 <u>JAPAN</u>			
INDIGENOUS SUPPLIES	56	15	10
IMPORTS - FAR EAST	6	14	28
- WESTERN HEMISPHERE	10	12	4
- MIDDLE EAST/AFRICA	26	59	50
- COMMUNIST AREA	2	-	8
 <u>UNITED STATES</u>			
INDIGENOUS SUPPLIES	91	89	71
IMPORTS - WESTERN HEMISPHERE	7	10	12
- MIDDLE EAST/AFRICA	2	1	17
- COMMUNIST AREA	0	0	-

ENERGY SUPPLY SOURCES

% OF TOTAL OIL SUPPLY

EUROPE

INDIGENOUS SUPPLIES	7	3	14
IMPORTS - WESTERN HEMISPHERE	14	5	1
- MIDDLE EAST/AFRICA	72	85	81
- COMMUNIST AREA	7	7	4

JAPAN

INDIGENOUS SUPPLIES	0	0	0
IMPORTS - FAR EAST	27	15	27
- WESTERN HEMISPHERE	11	2	1
- MIDDLE EAST/AFRICA	58	82	63
- COMMUNIST AREA	4	1	9

UNITED STATES

INDIGENOUS SUPPLIES	82	77	44
IMPORTS - WESTERN HEMISPHERE	14	19	18
- MIDDLE EAST/AFRICA	4	4	38
- COMMUNIST AREA	0	0	-

Energy Account of the U.S. Balance of Payments
 Direct Effects
 (\$U.S. Billions)

	<u>1972</u>	<u>1976</u>	<u>1980</u>
PAYMENTS			
Oil and Gas Imports f.o.b.	(4.6)	(12.3)	(23.3)
Transport Cost	<u>(.6)</u>	<u>(1.2)</u>	<u>(3.3)</u>
Total Payments (Landed Cost)	(5.2)	(13.5)	(26.6)
RECEIPTS			
Oil, Gas and Coal Exports	1.4	2.0	2.6
Net Upstream Remittances	1.1	1.0	2.2
Shipping earnings, port fees, etc.	<u>.3</u>	<u>.5</u>	<u>1.2</u>
Total Receipts	2.8	3.5	6.0
DIRECT BALANCE	(2.3)	(10.0)	(20.5)

Energy Account of the U.S. Balance of Payments
 Indirect Effects (vs. Producing Countries)
 (\$U.S. Billions)

	<u>1972</u>	<u>1976</u>	<u>1980</u>
RECEIPTS			
Goods & Services Exports	2.8	4.8	8.1
Investment Inflow	<u>-</u>	<u>3.5</u>	<u>5.6</u>
Total Receipts	2.8	8.3	13.7
PAYMENTS			
Remittances on OPEC Investments	-	(.4)	(1.5)
NET INDIRECT EFFECTS	2.8	7.8	12.2
NET ENERGY BALANCE	.5	(2.2)	(8.3)

Energy Account of the Western European Balance of Payments
 Direct Effects
 (\$U.S. Billions)

	<u>1972</u>	<u>1976</u>	<u>1980</u>
PAYMENTS			
Oil and Gas Imports f.o.b.	11.3	17.4	25.1
Transport Cost	<u>2.7</u>	<u>3.7</u>	<u>4.0</u>
Total Payments (Landed Cost)	14.0	21.1	29.2
RECEIPTS			
Oil, Gas and Coal Exports	.1	.2	.9
Net Upstream Remittances	.5	.9	1.7
Shipping earnings, port fees, etc.	<u>2.0</u>	<u>3.0</u>	<u>4.9</u>
Total Receipts	2.6	4.1	7.5
DIRECT BALANCE	(11.3)	(17.0)	(21.6)

Energy Account of the Western European Balance of Payments
 Indirect Effects (vs. Producing Countries)
 (\$U.S. Billions)

	<u>1972</u>	<u>1976</u>	<u>1980</u>
RECEIPTS			
Goods & Services Exports	6.2	12.0	22.9
Investment Inflow*	<u>-</u>	<u>5.7</u>	<u>6.1</u>
Total Receipts	6.2	17.7	29.0
PAYMENTS			
Remittances on OPEC Investments	-	(.9)	(2.6)
NET INDIRECT EFFECTS	6.2	16.8	26.4
NET ENERGY BALANCE	(5.1)	(.2)	4.8

* Includes long-term portfolio and direct investments,
 but not increases in liquid dollar balances.

Energy Account of the Japanese Balance of Payments
Direct Effects
(\$U.S. Billions)

	<u>1972</u>	<u>1976</u>	<u>1980</u>
PAYMENTS			
Oil and Gas Imports f.o.b.	(3.9)	(7.5)	(13.5)
Transport Cost	<u>(.8)</u>	<u>(1.0)</u>	<u>(1.9)</u>
Total Payments (Landed Cost)	(4.7)	(8.5)	(15.4)
RECEIPTS			
Oil, Gas and Coal Exports*	-	-	-
Net Upstream Remittances*	-	-	-
Shipping earnings, port fees, etc.	<u>.5</u>	<u>.6</u>	<u>1.3</u>
Total Receipts	.5	.6	1.3
DIRECT BALANCE	(4.2)	(7.9)	(14.1)

* Less than .1

Energy Account of the Japanese Balance of Payments
 Indirect Effects (vs. Producing Countries)
 (\$U.S. Billions)

	<u>1972</u>	<u>1976</u>	<u>1980</u>
RECEIPTS			
Goods & Services Exports	1.2	2.4	4.2
Investment Inflow*	<u>-</u>	<u>1.8</u>	<u>2.8</u>
Total Receipts	1.2	4.2	7.0
PAYMENTS			
Remittances on OPEC Investments	-	(.2)	(.7)
NET INDIRECT EFFECTS	1.2	3.9	6.3
NET ENERGY BALANCE	(3.0)	(4.0)	(7.9)

* Includes long-term portfolio and direct investments,
 but not increases in liquid dollar balances.

PRODUCING COUNTRY INVESTABLE INCOME
(\$U.S. Billion)

	1972 (Est.)	<u>1976</u>	<u>1980</u>	<u>1972-80</u>
TOTAL INVESTABLE INCOME:				
All OPEC Countries	5.6	12.7	17.2	102.4
Iran, Kuwait, Saudi Arabia Abu Dhabi	4.5	10.5	16.7	91.5
Saudi Arabia	2.3	5.9	11.3	55.6
U.S. Business Fixed Investment*	122.0	163.0	225.0	1350.0
Book Assets (1971) Five Largest U.S. Oil Companies**	56.8			
World Foreign Exchange Reserves***	150.8			

* Wharton Model Long-Range Forecast

** Fortune 500

*** IMF International Financial Statistics, December 1972

PETROLEUM INDUSTRY: CUMULATIVE CAPITAL EXPENDITURES
AND SOURCES OF FINANCING 1972-1980

(\$U.S. Billions: Current Dollars)

	<u>World</u>	<u>U.S.</u>	<u>Canada</u>	<u>W. Europe</u>	<u>Japan</u>	<u>Other</u>
Capital Expenditures	365	185	18	99	33	30
Less:						
Depreciation, etc. @ 55% of Cap. Expend.	200	100	10	54	18	17
Retained Earnings @ 50% Payout Ratio	<u>65</u>	<u>33</u>	<u>3</u>	<u>18</u>	<u>6</u>	<u>5</u>
Shortfall	100	52	5	27	9	8

FOR THE INTERNATIONAL COUNCIL SESSION ON FEBRUARY 9, 1973

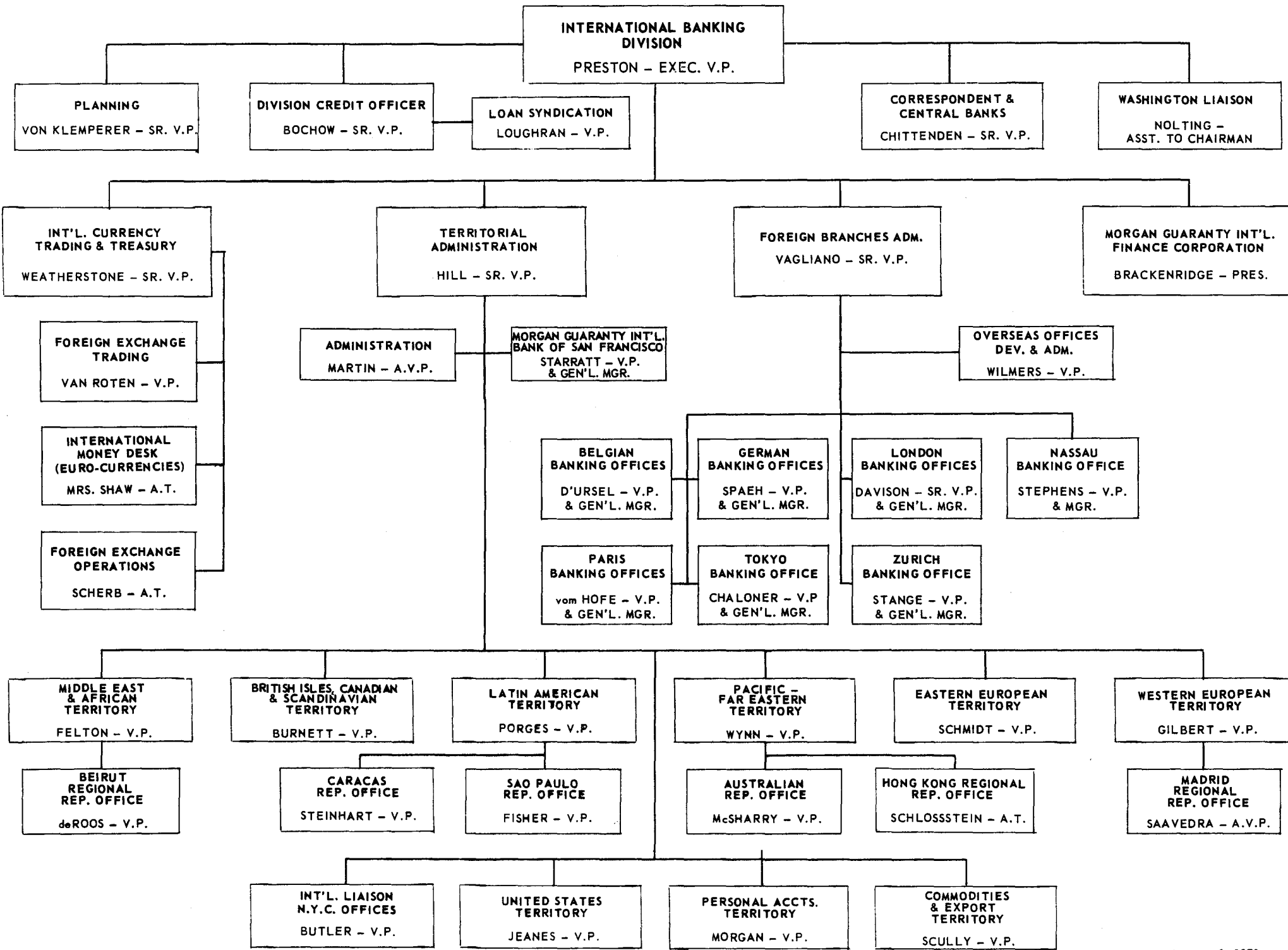
The attached is a revision of Page 19 in the BRIEFING PAPER on THE ENERGY PROBLEM. The revisions are noted with an asterisk (*).

BALANCE OF PAYMENTS

Over the next several years, the major consuming areas of the world (U.S., Europe, and Japan) will be competing with each other for the most readily available source of energy, i.e., oil from the O.P.E.C. lands. As shown on Table V, the U.S. will have to import 14.8 million barrels per day (MMBD) of oil and 6.1 trillion cubic feet of natural gas per year by 1985 to satisfy its needs, unless additional price and/or tax incentives are provided so as to develop new domestic supplies. If the imports of oil had a landed cost of \$4.00 per barrel in 1985 (compared with a landed cost of \$3.00 per barrel now) the outflow of funds would amount to \$21.2 billion per year in 1985. If the imports of natural gas had a landed cost of \$1.00 per thousand cubic feet (Mcf), compared with a cost for domestic supplies in all markets today of \$.55 per Mcf, the outflow of funds would amount to an additional \$6.1 billion per year. Clearly, an outflow of \$27.3 billion annually is unsustainable to the U.S. balance of payments, as shown in the following table.

U.S.	1970		1971		1972*	
	Petroleum Products	Total Goods	Petroleum Products	Total Goods	Petroleum Products	Total Goods
-----Billions-----						
Exports	\$ 0.5	\$ 43.2	\$ 0.5	\$ 43.5	\$ 0.4 E	\$ 49.2 E
Imports	<u>(2.8)</u>	<u>(39.9)</u>	<u>(3.3)</u>	<u>(45.6)</u>	<u>(4.4)E</u>	<u>(55.5)E</u>
Trade Balance	\$ (2.3)	\$ 3.3	\$ (2.8)	\$ (2.1)	\$ (4.0)E	\$ (6.3)E

* About 30% of the increase in the U.S. trade deficit for 1972 was a result of higher crude oil and refined petroleum products imports. The importance of a strong energy policy, that will lead to a more self sufficient nation, is obviously emphasized by the magnitude of these balance of payments figures. If domestic supplies can be developed, they will involve a higher cost to the consumer, but at least the cost is internal and does not involve a permanent loss of funds of such a great magnitude. Furthermore, the domestic supplies would provide jobs and security for the entire country.



Morgan Guaranty International Finance Corporation
has holdings in financial institutions in 30 countries (industrial investments not included).

Argentina

Banco Frances del Rio de la Plata S.A. - Commercial bank
Industrias Reconquista S.A. - Holding company which owns, among others,
Roberts S.A. de Finanzas, a financiera

Australia

Australian United Corporation Limited - Merchant bank
Financial Leasing Corporation (Australia) Ltd. - Equipment lease
financing

Bahamas

RoyWest Banking Corporation Ltd. - Merchant bank

Belgium

Societe Nationale de'Investissement - Investment bank

Bermuda

Morgan Guaranty Finance Ltd. - Special purpose financial company

Brazil

Banco Finasa de Investimento, S.A. - Investment bank

Cameroun

Societe Camerounaise de Banque - Commercial bank

China (Taiwan)

China Development Corporation - Development bank

Congo, Peoples Republic of the

Banque Commerciale Congolaise - Commercial bank

France

Epargne-Interessement - Investment management for pension trusts
European Enterprises Development Company, S.A. - Venture capital
holding company

Generale Morgan Leasing - Equipment leasing
Morgan & Cie S.A. - Banque d'Affaires
Morgan & Cie International S.A. - Investment bank

Gabon

Union Gabonaise de Banque - Commercial bank

Ghana

National Investment Bank - Development bank

Italy

Banca Morgan Vomwiller, S.p.A. - Commercial bank

Ivory Coast

Societe Ivoirienne de Banque - Commercial bank

Malaysia

Malaysian Industrial Development Finance (Berhad) - Development bank

Mexico

Financiera Banamex, S.A. - Industrial development bank and financiera

Morocco

Banque Nationale pour le Developpement Economique (BNDE) - Development bank

Netherlands

Mees & Hope Groep N.V. - Holding company, one of their holdings, Bank Mees & Hope, is a commercial bank

New Zealand

First New Zealand International Ltd. - Merchant bank

Pakistan

Pakistan Industrial Credit and Investment Corporation Ltd. - Development bank

Peru

Peruinvest-Compania de Fomento e Inversiones, S.A. - Financiera

Rwanda

Banque de Kigali - Commercial bank

Senegal

Union Senegalaise de Banque pour le Commerce et l'Industrie (USB) - Commercial bank

Singapore

National Discount Company Ltd. - Discount company

Spain

Banco del Desarrollo Economico Espanol (Bandesco) - Industrial bank

Switzerland

Morgan Guaranty Investment Services, S.A. - Financial advisory service
Neue Bank, A.G. - Commercial bank
Societe Holding de Financement et de Credit, S.A. (Eurocredit) - Holding company

Tunisia

Union Bancaire pour le Commerce et l'Industrie (UBCI) - Commercial bank

United Kingdom

Euro-clear Clearance System Limited - International securities clearance system
Morgan Grenfell Holdings Limited - Holding company which owns Morgan Grenfell & Co. Ltd., a merchant bank

United States

Private Export Funding Corporation (PEFCO) - Export financing

Zaire, Republic of

Banque Commerciale Zairoise - Commercial bank
Societe Financiere de Developpement (SOFIDE) - Development bank

Organization and Control of Joint Stock Companies in the
Federal Republic of Germany with Special Reference to
Employee Co-determination

The problem of co-determination, or co-management, in joint stock companies has long been a main topic of political discussion in the Federal Republic of Germany. Influential social forces are pressing for increased co-management by employees in the bodies of large enterprises.

In other industrial countries efforts are also under way to achieve participation of employees in solving company-specific problems. For example, the works councils of private companies in France have the right to delegate representatives to supervisory board meetings. These employee representatives, however, merely have an advisory function.

Since company laws differ in various countries, the relevant bodies of German joint stock companies and their functions are shown in Appendix 1, Fig. 1. Present drafts of an European company law (Common Market area) indicate a trend towards the organization standards of German joint stock company legislation.

Appendix 1, Fig. 2 shows the significant differences between German and U.S. legislation in respect of the bodies of a joint stock company and their functions.

Present legislation in respect of employee co-determination in the
Federal Republic of Germany

In business undertakings in the Federal Republic of Germany, employees participate to a considerable extent in decisions involving personnel, social and technico-economic problems. For example, the "Aufsichtsrat" (supervisory board) of German joint stock companies is made up to two-thirds of shareholders' representatives, and to one-third of employees' representatives.

A special state of affairs exists with regard to the Act respecting co-management by employees in the Aufsichtsrat and "Vorstand" (managing board) of undertakings in the mining industry and in the

iron and steel production industry. This co-determination law prescribes management partition on a parity basis, i.e. the Aufsichtsrat is made up of two equal groups of shareholders and employees. A proportion of these employees is nominated by the trade unions. The Vorstand includes a Personnel Director to look after personnel and welfare who cannot be nominated without prior consent of the employees' representatives in the Aufsichtsrat. Details are shown in Appendix 2.

Models at present under discussion in the Federal Republic of Germany for extending employee co-determination

As far as the future is concerned, the large political parties as well as the trade unions favour an extension of co-determination in business undertakings. But there are differences of opinion about the extent of such co-management.

The Social Democratic Party (SPD), one of the two partners to the government coalition, and the trade unions aim at extending co-management on parity basis according to the mining industry and iron and steel production industry model, to all branches of industry.

The opposition party, i.e. the Christian Democrats (CDU/CSU), and the employer associations insist on a majority of shareholders over the employees' representatives in the Aufsichtsrat, which means they wish the present ratio to be more or less maintained.

The Free Democratic Party which is a partner to the government coalition, developed two models for the distribution of seats in the Aufsichtsrat:

	Riemer's model	Maihofer's model
Shareholders	6	4
Executives *)	2	2
Employees	4	4

The following page is a graphic representation of the models of employee co-determination.

*) Executives are defined as employees in supervisory capacity on management level or employees responsibly engaged on account of their special experience and knowledge in activities which are important for the company.

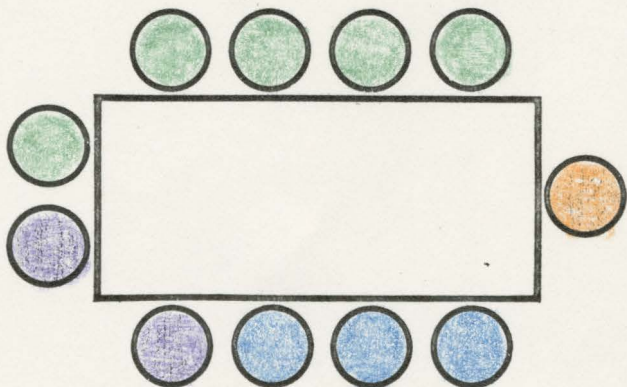
Models of employee co-determination



Present co-determination ratios

Shareholders' representatives: ●

Employees' representatives: ●



SPD/trade union model
(in analogy to mining and iron and steel legislation)

Shareholders' representatives: ●

Employees' representatives

nominated by works council: ●

nominated by trade unions: ●

Additional member: ●



FDP/Riemer's model

Shareholders' representatives: ●

Employees' representatives: ●

Executives' representatives: ●



FDP/Maihofer's model

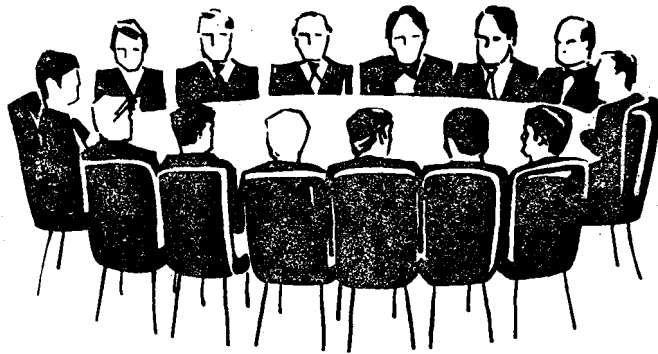
Shareholders' representatives: ●

Employees' representatives: ●

Executives' representatives: ●



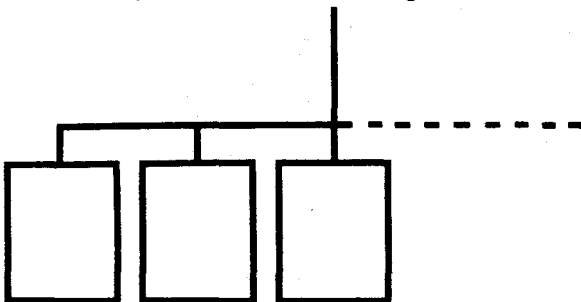
Organization of Aufsichtsrat and Vorstand of a joint stock company in the Federal Republic of Germany



Aufsichtsrat
(Supervisory Board)



Vorstand
(Board of Management)



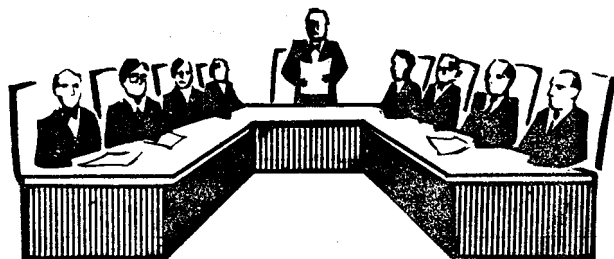
Aufsichtsrat

1. Members of the Aufsichtsrat are elected for a maximum period of four years.
2. A member of the Aufsichtsrat cannot be at the same time a member of the Vorstand or a senior executive in the company.
3. The Aufsichtsrat elects its chairman among its members.
4. Nomination of the Vorstand and supervision of the management activities and policy of the Vorstand.
5. Approval of annual balance sheet together with the Vorstand.
6. Convening the shareholders' meeting whenever this is necessary in the interests of the company.

Vorstand

1. Exclusive management and representation on own responsibility.
2. Intense and frequent reporting to the Aufsichtsrat: minimum requirement quarterly reporting on state of business (sales etc.) and status of the company. Reporting on profitability of net worth, on intended business policy, and on significant events.
3. Preparation of annual balance sheet and annual report.
4. Convening the annual shareholders' meeting.

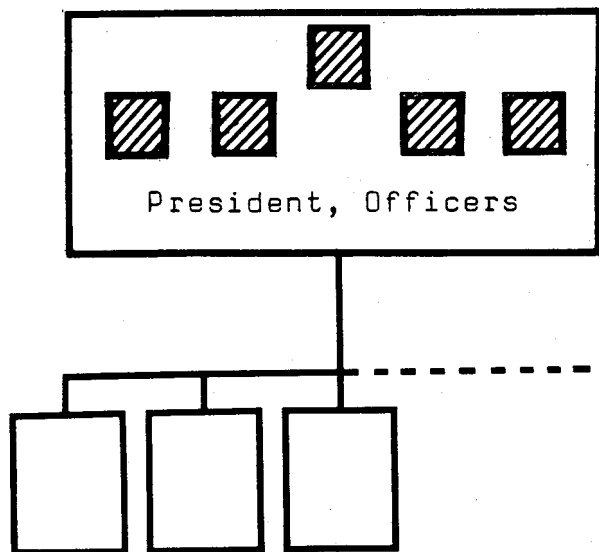
Organization of the Board of Directors and the Officers of a Corporation in the U.S.A.



Board of Directors

Board of Directors

1. Election of Board by stockholders' meeting. No restriction on re-election.
2. A member of the Board can be an Officer at the same time, e.g. President.
3. The bylaws provide for considerable freedom in setting up the organization of the bodies of a corporation and in laying down the business policy.
4. Management and representation of the corporation.
5. Laying down the guiding principles of management.
6. Nomination of Officers and supervision of the management activities of the Officers.
7. Determination of dividend.



President, Officers (Executive Committee)

1. Current business activities within the framework of the bylaws and guiding principles issued by the board of directors.
2. In exercising his functions, the President represents the Corporation in all current administrative matters.
3. The authorization of the Secretary and the Treasurer to represent the company is regulated by the bylaws.

Employees' representatives in the Aufsichtsrat of German joint stock companies (Federal Republic of Germany)

1. Normal case: One-third of the Aufsichtsrat is made up of employees' representatives elected direct by the employees, but executives of the company cannot vote. Executives are defined as employees in supervisory capacity on management level or employees responsibly engaged on account of their special experience and knowledge in activities which are important for the company. *)

2. Special conditions governing the mining and iron and steel industry: Assuming the Aufsichtsrat consists of 11 members, it will consist of
 - 5 shareholders' representatives
 - 5 employees' representatives
 - 1 additional member.

One each of the shareholders' and employees' representatives, as well as the "additional" member, cannot be representatives of the top organizations of employees or employers, nor can they be active in the company as employee or employer. They must be representatives of the public (scientists, members of Parliament, officers of the provincial or local government administration etc.).

The five representatives of the shareholders are elected by the shareholders' meeting. Of the five representatives of the employees, two are nominated by the works council, while three are nominated by the trade unions. The five employees' representatives must include one worker and one salaried employee of the company concerned.

The "additional" member of the Aufsichtsrat is elected by the shareholders' meeting after nomination by the remaining members of the Aufsichtsrat.

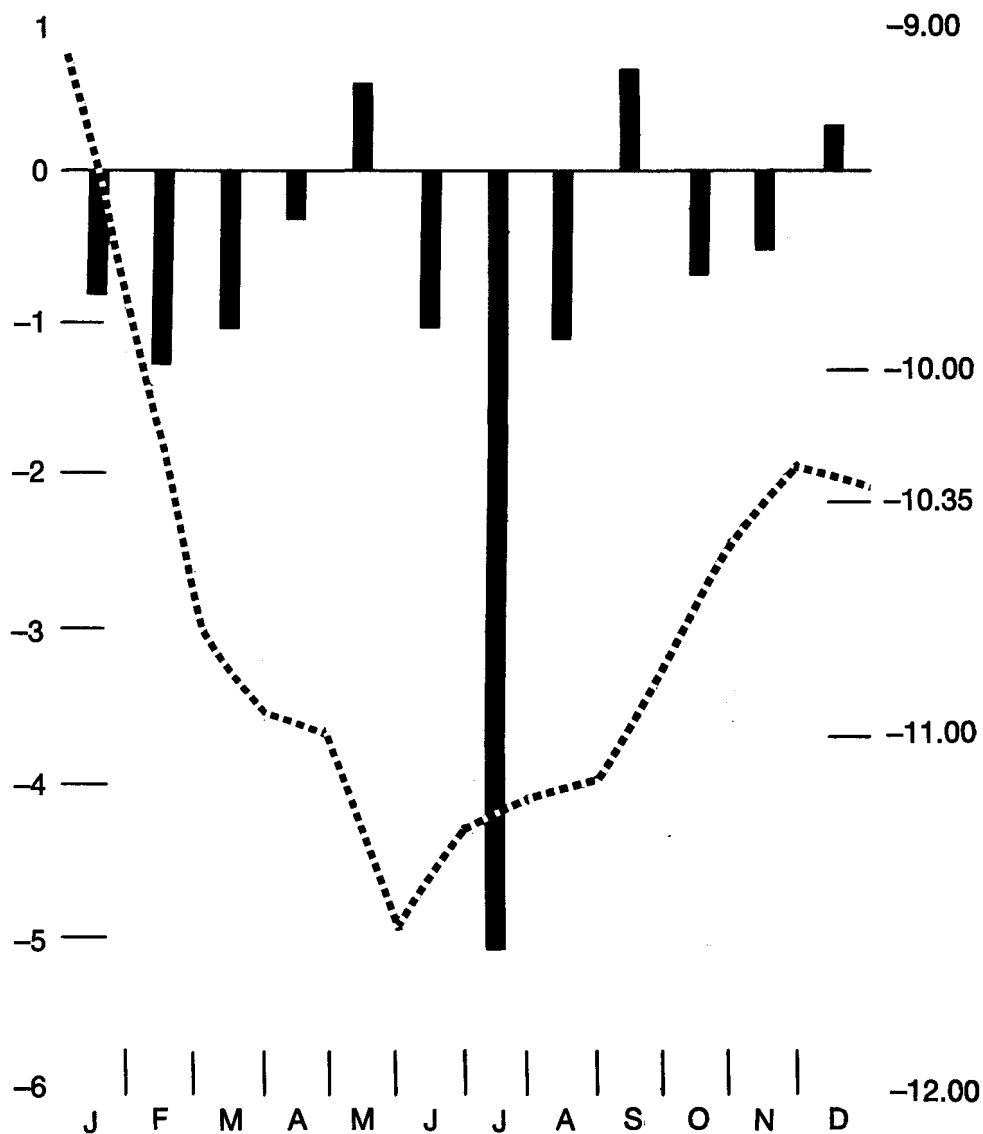
*) Bayer AG has a staff of approx. 3,200 executives among a total of approx. 61,000 employees.

Chart 1

Official-settlements balance on a monthly basis, and effective dollar exchange rate*

left scale, billions of dollars

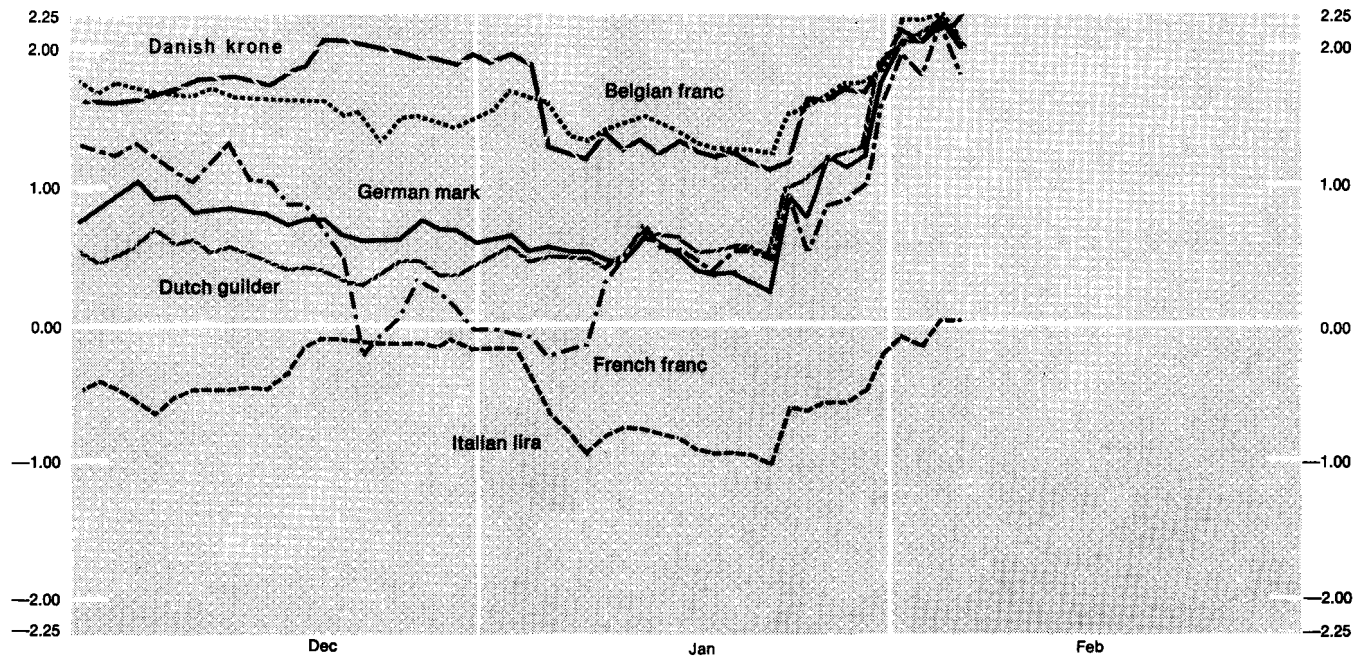
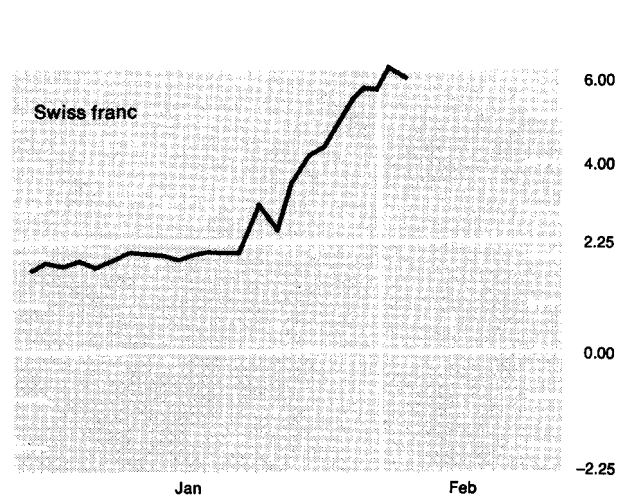
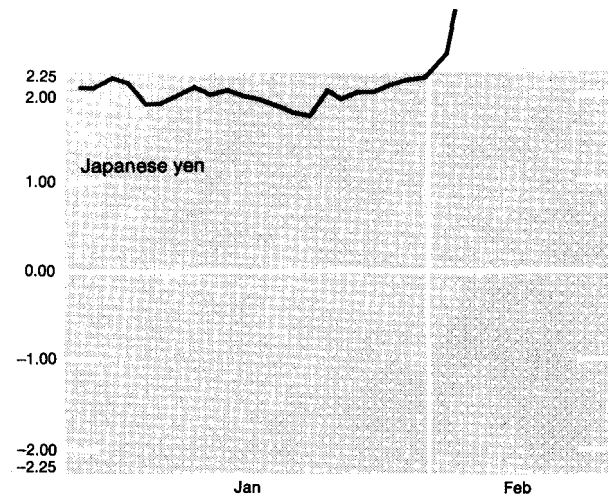
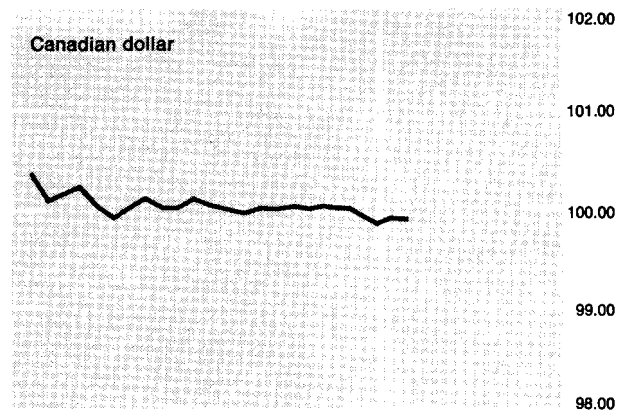
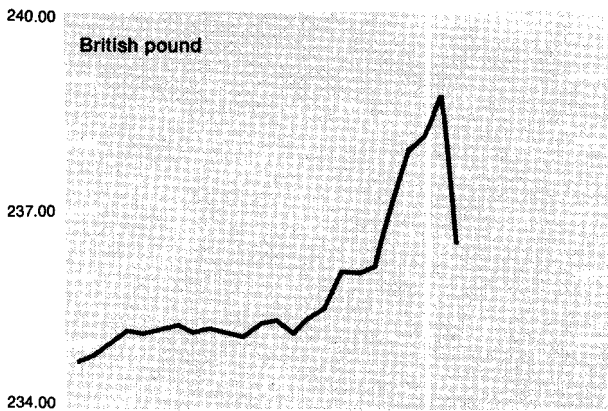
right scale, percentage deviation from pre-May 1971 parities



*change in effective dollar exchange rate from pre-May 1971 parities (pre-June 1970 for Canada), vis-à-vis fourteen major currencies weighted according to bilateral trade.

Spot exchange rates

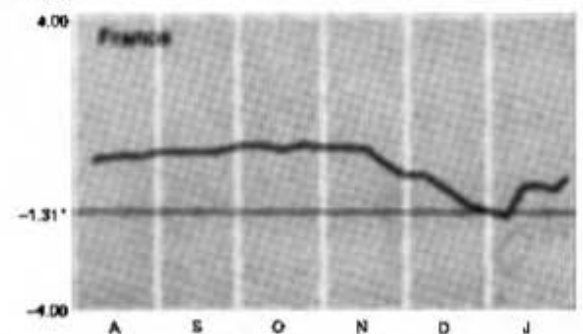
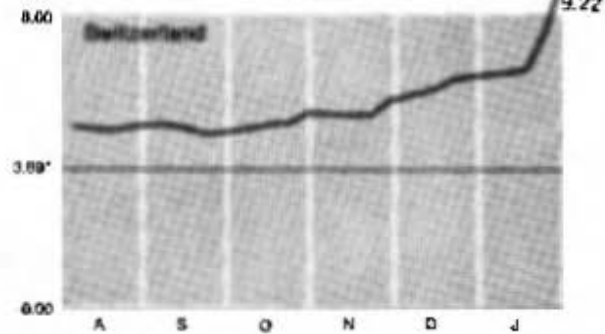
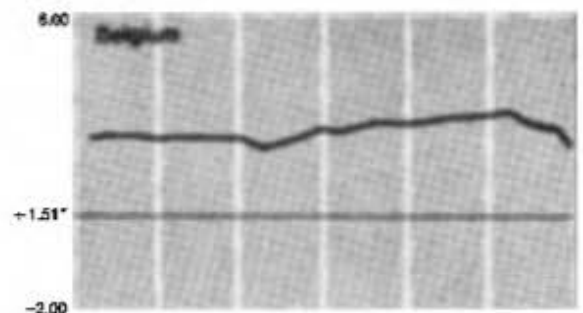
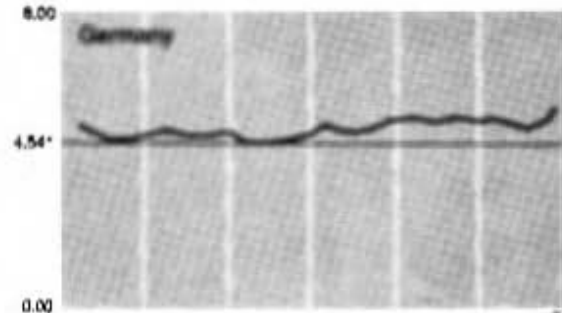
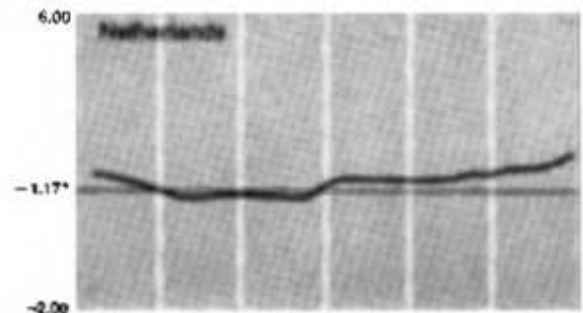
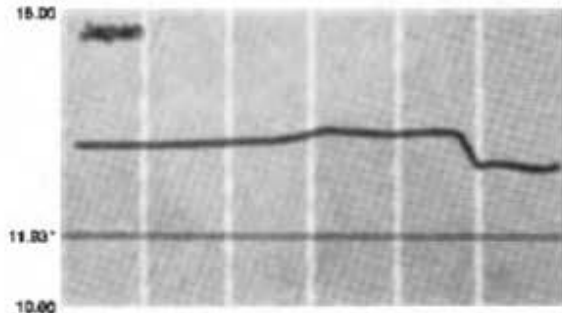
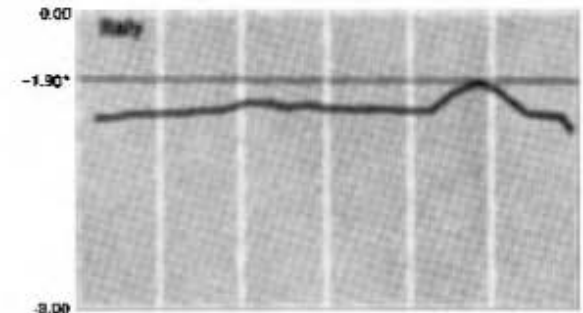
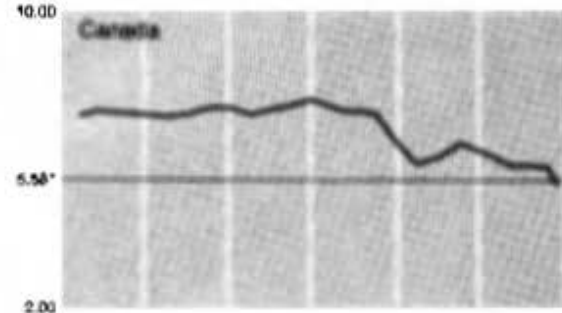
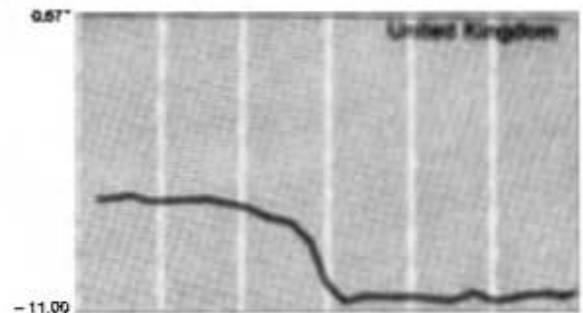
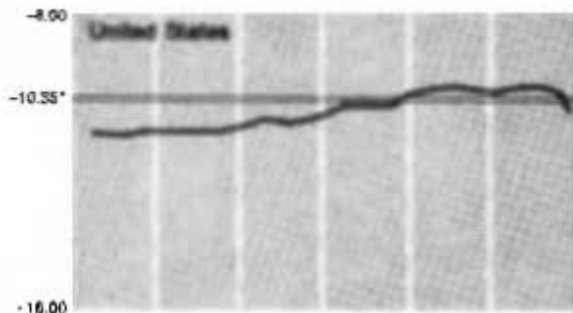
percentage deviation from central rates except for British pound and Canadian dollar, which are expressed in U.S. cents



Effective exchange rates

exchange rate changes vis-à-vis a group of 14 major currencies weighted according to bilateral trade

changes from pre-May 1971 parities (pre-June 1970 for Canada), based on weekly averages of daily exchange rates



* change in effective exchange rates established under the Smithsonian Agreement (except in the case of Canada, for which the December 17, 1971 rate of 100.34 is used)

Table 1

U.S. Balance of Payments
billions of dollars; excluding SDRs

	<u>1971</u>	<u>1972</u>
Merchandise trade	-2.7	-6.8
Invisibles (net)	-0.1	-1.5
Current account	-2.8	-8.3
Long-term capital (net)	-6.5	-1.7
Basic balance	-9.3	-10.0
Short-term capital (net)	-21.1	-0.8
Official-settlements balance	-30.4	-10.8

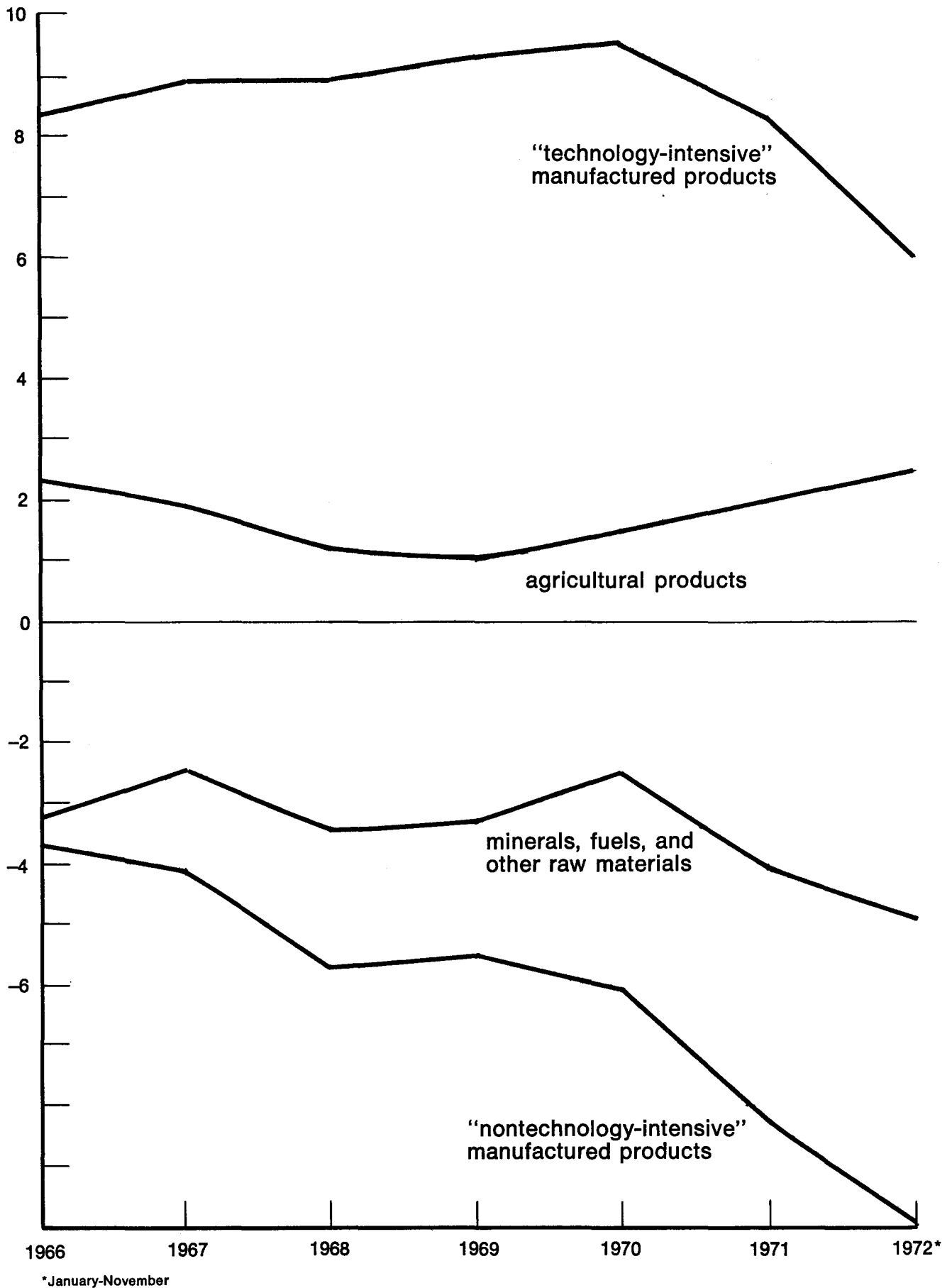
Table II

U.S. trade pattern
January–November; customs basis; not seasonally adjusted

	<u>% changes over a year ago</u>		<u>Trade balance in \$ millions</u>		
	<u>exports</u>	<u>imports</u>	<u>1971</u>	<u>1972</u>	<u>change</u>
Canada	19.7	19.8	-2 076	-2 251	-175
Japan	22.0	29.3	-2 797	-3 887	-1 090
Western Europe	8.1	21.0	1 189	-217	-1 406
Belgium	6.3	12.3	189	153	-36
France	16.2	23.2	236	203	-33
Germany	-1.1	16.1	-781	-1 350	-569
Italy	10.2	25.1	-114	-317	-203
Netherlands	1.8	20.9	1 119	1 046	-73
Sweden	-0.9	32.0	9	-127	-136
Switzerland	2.1	26.3	135	30	-105
United Kingdom	14.4	17.5	-203	-304	-507
Other developed countries	-5.8	29.7	527	139	-388
Australia	-13.6	33.4	109	-280	-101
Eastern Europe	106.7	39.4	120	388	+268
Soviet Union	235.1	53.7	80	366	+286
Less-developed countries	8.3	25.9	1 835	167	-1 668
Brazil	27.9	24.6	180	253	+73
India	-46.0	35.8	303	-76	-379
Israel	-22.4	28.0	499	306	-193
Hong Kong	17.0	30.3	-499	-701	-202
Korea	5.6	56.4	206	9	-197
Mexico	22.1	29.9	328	311	-17
Nigeria	-35.3	111.5	40	-140	-180
Taiwan	22.1	64.5	-262	-627	-365
Total	12.6	23.0	-1 242	-5 689	-4 447

U.S. Trade: Balances of Components

in billions of U.S. dollars



*January-November

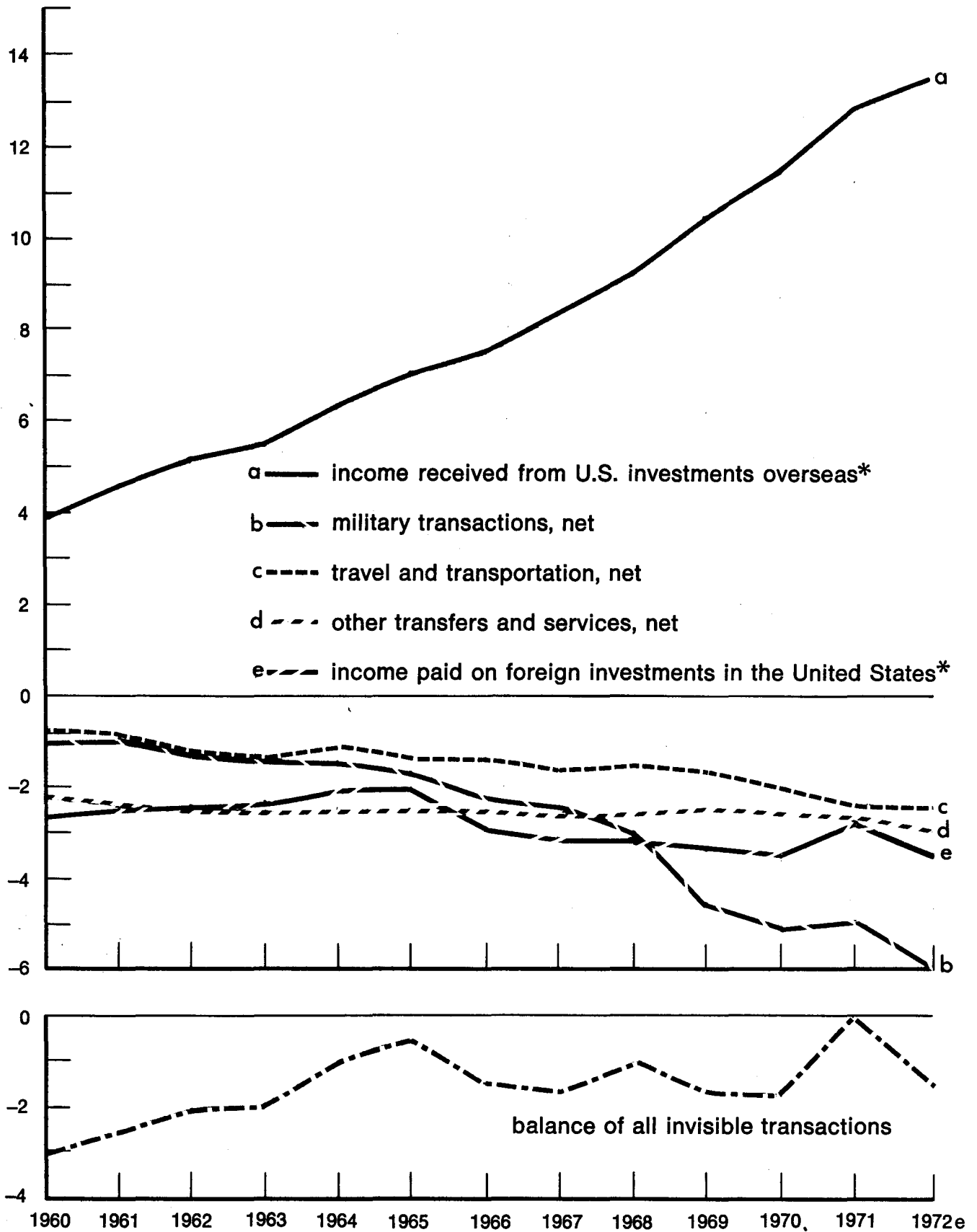
Table III

U.S. Trade: Balances of Components
in billions of U.S. dollars

	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
Agricultural products	2.3	1.9	1.2	1.0	1.5	2.0	2.9
Minerals, fuels, and other raw materials	-3.2	-2.4	-3.4	-3.3	-2.5	-4.1	-5.5
Oil and gas	-1.7	-1.7	-2.0	-2.3	-2.5	-3.1	-4.1
"Nontechnology-intensive" manufactured products	-3.7	-4.1	-5.8	-5.5	-6.1	-8.2	-10.7
Iron and Steel products	-0.7	-0.8	-1.4	-0.8	-0.8	-1.9	-2.1
Textiles, clothing + footwear	-1.0	-1.1	-1.5	-1.8	-2.2	-2.4	-3.3
"Technology-intensive" manufactured products	8.4	8.9	8.9	9.3	9.6	8.3	6.6
Motor vehicles + parts	0.5	0.2	-0.8	-1.4	-2.2	-3.5	-4.0
Aircraft + parts	1.0	1.5	2.1	2.1	2.5	3.1	2.5
Office machines, computers + parts	0.5	0.7	0.7	0.9	1.2	1.2	1.2
Chemicals	1.7	1.8	2.2	2.2	2.4	2.2	2.0
Industrial Machinery	4.6	4.8	5.0	5.6	6.3	6.0	6.0

Invisibles: Balances of Components

in billions of U.S. dollars



*income on investments includes: repatriated earnings on direct investments; fees and royalties related to direct investments; dividends; and interest on loans and securities (government and private)

Table IV

International Investment Position of the United States
(yearend data in billions of dollars)

	<u>1960</u>	<u>1965</u>	<u>1970</u>	<u>1971</u>	<u>1972 Est.</u>
<i>Net investment position</i>	45	62	69	58	50
<i>U.S. assets abroad, total</i>	86	120	167	181	192
Private assets, total	50	81	120	135	144
Direct investment	32	49	78	86	92
Stocks	4	5	6	7	7
Bonds	6	10	13	15	16
Claims by banks & corporations	8	17	23	27	29
Government assets	36	39	47	46	48
Government claims	17	23	32	34	35
U.S. reserve assets	19	16	15	12	13
<i>U.S. liabilities to foreigners</i>	41	59	98	123	142
Liab. to foreign officials	12	17	24	51	61
For. direct inv. in U.S.	7	9	13	14	14
Priv.for.holdings of U.S. stocks	9	15	19	21	24
Priv.for.holdings of U.S. bonds	1	1	7	9	10
Other liab. to priv. for. (incl.U.S.bank liab.to their foreign branches)	12	17	35	28	33
	<u>1960</u>	<u>1965</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
Ratio of total U.S. assets abroad to total U.S. liab. to foreigners	2.1	2.1	1.7	1.5	1.4
Ratio of priv. U.S. assets abroad to total U.S. liab. to foreigners	1.2	1.4	1.2	1.1	1.0
Investment income (net, in billions of dollars)	2.8	5.3	6.2	8.0	7.8

Table V

U.S. Capital Flows
in billions of dollars

	<u>1971</u>	<u>1972e</u>	<u>Change</u>
Long-term capital (net)	-6.5	-1.7	+4.8
U.S. Government (net)	-2.4	-1.2	+1.2
Private (net)	-4.1	-0.5	+3.6
U.S. capital (net)	-5.1	-3.2	+1.9
U.S. corporations	-3.4	-1.7	+1.7
U.S. banks	-0.8	-1.0	-0.2
U.S. purchases of foreign securities	-0.9	-0.6	+0.3
Stocks	-*	0.3	+0.3
Bonds	-0.9	-0.9	0.0
Foreign capital (net)	1.0	2.7	+1.7
Direct investment	-0.1	0.4	+0.5
Foreign purchases of U.S. securities	1.1	2.3	+1.2
Stocks	0.8	2.2	+1.4
Bonds	0.3	0.1	-0.2
Short-term capital (net)	-21.1	-0.8	+20.3
U.S. banks' loans and acceptances	-1.7	-0.5	+1.2
U.S. corporations	-1.0	-0.4	+0.6
Other (including errors + omissions)	-18.4	0.1	+18.5

*Less than \$50 million.

Table VI

Balance-of-payments forecast for 1973
ranges in billions of dollars and probabilities in percent

<u>Trade balance</u>		<u>Invisibles (net)</u>		<u>Long-term capital (net)</u>		<u>Basic balance</u>	
possible range	%	possible range	%	possible range	%	possible range	%
-3 or less	5	-1/2 or less	10	-1 or less	15	-4 1/2 or less	10
-3 to -4	20	-1/2 to -1	20	-1 to -2	30	-4 1/2 to -7	20
-4 to -5	40	-1 to -1 1/2	30	-2 to -3	30	-7 to -9 1/2	35
-5 to -6	25	-1 1/2 to -2	30	-3 to -4	20	-9 1/2 to -12	25
-6 or more	10	-2 or more	10	-4 or more	5	-12 or more	10
100		100		100		100	

GNP, Prices, and Current Accounts of
selected industrial countries

	<u>GNP (% increase)</u>		<u>Prices (% change)</u>		<u>Current Account (\$ billions)</u>	
	<u>1972E</u>	<u>1973F</u>	<u>Consumer*</u>	<u>Export**</u>	<u>1972E</u>	<u>1973F</u>
USA	6.4	6.1	3.4	3.8	-8.3	-5.8
Canada	5.4	6.0	5.1	2.5	-0.9	-0.7
United Kingdom	3.2	4.5	8.4	7.7	-0.1	-1.2
Japan	9.0	11.0	5.5	-3.5	+6.7	+5.4
Belgium	4.5	4.0	6.4	n.a.	+1.1	+1.5
France	5.8	5.0	6.9	0.5	+0.7	+0.7
Germany	3.0	4.0	6.5	0.6	+0.5	+1.3
Italy	3.0	4.0	7.3	1.0	+2.5	+1.8
Netherlands	3.5	4.5	8.2	0.3	+1.3	+1.2

*percentage increase in November or December of 1972 over corresponding month in 1971

**third quarter of 1972 over same period in 1971

Table VII

GROSS INTERNATIONAL RESERVE CHANGES
(in millions of US \$ and % increase)

	<u>1970</u>	<u>1972</u>	<u>% increase</u>	<u>Actual changes</u>
<u>Group of Ten</u>				
USA	14,487	13,150	-9%	-1,337
Belgium	2,847	3,870	36	1,023
France	4,960	10,015	102	5,055
Germany	13,610	23,427	72	9,817
Italy	5,352	6,079	14	727
Netherlands	3,234	4,785	48	1,551
Sweden	761	1,575	107	814
Switzerland	5,132	7,488	46	2,356
Canada	4,679	6,050	29	1,371
Japan	4,840	18,365	279	13,525
UK	2,827	5,647	100	2,820
<u>Other Europe</u>				
Greece	310	963 (Nov)	211	653
Portugal	1,504	2,312	54	808
Spain	1,817	5,014	176	3,197
Turkey	431	1,401	225	970
Yugoslavia	140	733	424	593
<u>Latin America</u>				
Brazil	1,187	4,000	237	2,813
Mexico	744	1,140 (Sept)	53	396
Venezuela	1,021	1,732	70	711
<u>Middle East</u>				
Iran	208	960	362	752
Israel	449	1,128 (Nov)	151	679
Lebanon	386	675	75	289
Saudi Arabia	662	2,512	279	1,850
Libya	1,590	2,925	84	1,335
<u>Asia</u>				
Malaysia	733	995	36	262
Philippines	251	551	120	300
<u>Others</u>				
Australia	1,693	6,141	263	4,448
New Zealand	126	578	359	452