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E PLURIBUS UNUM? . . . ALSO . . . NATIONAL
YOUTH FOUNDATION? . . . COMMIES IN KY?
LATINOS' MISERY . . . SEN. GORDON ALLOTT

SUMMARY OF CONTENTS

EDITORIAL —3

GUEST EDITORIAL

Senator Gordon Allott of Colorado, chairman of the Senate Republican Policy Committee, exposes the accounting legerdemain behind the LBJ budget surplus and must call on Lewis Carroll to put the matter in its proper perspective. —4

POLITICAL NOTES —5

STATE SPOTLIGHT

This month turns to Indiana, where it appears that on the stage of politics the November Republican victories were Act III, Scene II, and that things have gone downhill for our hapless GOP protagonists, led by Governor Edgar D. Whitcomb, ever since. —7

THE BLACK MILITARY BOGEYMAN

Senator Edward M. Kennedy favors a draft lottery system which would only redistribute present inequities because, he says, the alternative would be a black military. Bruce K. Chapman, employs the magic of the Hindu Arabic number system to show t'ain't so. —8

COMMIES IN KENTUCKY?

Into what political writer Peter A. Iseman aptly terms the "neanderthal" politics of eastern Kentucky, sometime ago rode Appalachian Volunteers Alan and Margaret McSurely. Not that many months later they were jailed on a sedition charge as part of a plot, pieced together by the Pike County grand jury, according to which detachments of "Red Guards" were going to "overthrow Pike County." From there on, the plot thickens. —9

THE MEXICAN-AMERICANS

"The only minority in this country that is probably worse off is the Indians," say Michael McCreery and Sixto Gomez of the Mexican-Americans. They also give a detailed view of life in the other America and the results of Caesar Chavez' grape strike. —11

YOUTH AND VOLUNTARISM

A few hopefully constructive and practical suggestions on how to help young people help America comprise the latest Ripon Paper. —15

PUBLICATION ORDER FORM —18

CONGLOMERATES

In Part III of "The Complex Society" William D. Phelan, Jr. begins his discussion of conglomerates, their critics, their significance. It's all 99 and 44/100% fascinating. —19

LETTERS —30

14a ELIOT ST. —31

THE BALANCE SHEET

Prof. Duncan Foley explains why orange juice companies buy girdle companies as he explores the tax incentives behind conglomeratization. —32

ERRATUM

"Chart II" on page 20 should read "Chart I."

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EDITORIAL

It has been the fashion in fickle New York these past months to blame Mayor John Lindsay for any and all of that neurotic city's ills. Even the friendly have expressed disappointment, if not disillusionment. "We thought John could save the city if anyone could," one explained. "Now we have to conclude that Lindsay can't save us either. We don't think less of Lindsay, but more of the problems."

True enough, the school decentralization imbroglio, the horrendous garbage strike, even the monster snow storm of this past winter have discouraged what few optimists abound in the "Fun City." But, as an English Conservative said, "Like the prospect of being hanged, an election concentrates the mind wonderfully." Thoughtful New Yorkers are beginning to realize how dangerous it is indulging their political sadism at Lindsay's expense. The Democrats, returning from a treasure hunt, have found an embarrassment of mediocrities, and the Republican Right, angered at any Republican like Lindsay committing an unnatural act like winning are out to deny the Mayor renomination. Lindsay may not be a miracle worker, a supernatural saviour, but he is the highest quality mayor New York is likely to get.

A citizens committee called "People for Lindsay" decided recently, therefore, that the city needed a dose of realism about itself and about its mayor. Running a full page ad in the *Times* they answered for the first time the blasé question making the rounds, "What has Lindsay really done?"

Excerpts:

"He balanced the city's budget three times in the three years he's been mayor. (The last time *that* happened was under Mayor LaGuardia.)

"He opened an office in Washington, and Federal funds increased by more than 500% in three years." Not counting welfare and medicare.

"He insisted that people who commute to New York and use its services pay a fair share of taxes to

relieve the burden on our taxpayers.

"He kept the city cool during the three most bitter racial years in the nation's history.

"He put more police on the street than any previous mayor. And he gave them the most modern equipment and the first computer dispatch system in the entire United States.

"He made our parks into places for people, instead of hangouts for hoodlums.

"He set up the city's first comprehensive manpower training system and drove down the unemployment rate to the lowest in history.

"He set record levels for middle income housing starts." Etc., etc.

Lindsay is said to be too tough on labor. Point out "People for Lindsay": 270 of 278 contracts negotiated between labor and the city were settled without a strike. The Mayor has charted a middle course on the school crisis, too, not because that is the popular route — it isn't — but because he's trying to save the public school system.

He's also the best hope for the Republican party. While he hasn't been the partisan many would like, the real pros recognize the difficulties of Lindsay's situation — an upper class Republican WASP in a poor, ethnic, Democratic city — and are trying to calm the passions of the death-wish branch of the GOP in New York.

We suppose the more sensible leaders of the party, whatever their reservations about Lindsay's lack of orthodoxy, will be brought around before the June 17 primary. What the relatively meager registered GOP rank and file do is another matter; who knows what race and class resentment lurks in minds of Bronx and Queens Republicans? What is certain is that the moral and financial support of progressive Republicans around the country who have looked to Lindsay for an example for the urban future is going to be needed as much now as in the final — if there is a final.

The Phony Budget Surplus

Leaving a "legacy of back-to-back budget surpluses for his successor — the first in a decade" (in the words of the *Washington Post*), Lyndon Baines Johnson rode out of the Washington, D.C. sunset last January saying, "I leave . . . my successor . . . a government that is strong, a government that is solvent, a government that is compassionate. . . ."

Since Peter Drucker expropriated the thesis that US government is not strong, merely flabby, and since Dr. Spock remains to be convinced of government's compassion, I will limit my comments to this thesis: contrary to public impression, President Nixon will find no \$2.4 billion surplus in Treasury coffers this year.

He will find, instead, a \$6.9 billion deficit.

Nor will President Nixon enjoy the elbow-room afforded by Mr. Johnson's promised \$3.4 billion surplus for fiscal year 1970. The Johnson budget actually provides for a \$10.7 billion deficit.

My colleague from Delaware, Senator John Williams, broke down the 1969 and 1970 budgets, dividing them between trust and regular accounts as follows:

For 1969, fully \$52 billion of the government's total \$186 billion receipts are of the veteran's insurance, social security tax, highway trust fund variety. The expenditures column, however, lists only \$43 billion in trust fund disbursements out of our total \$184 billion expenditures.

Subtract that \$9 billion trust fund surplus—which the government can't use to buy either guns or butter — and instead of a comfortable \$2 billion surplus, President Johnson left a \$7 billion deficit for fiscal year 1969.

Even assuming we continue Mr. Johnson's 10% surtax into fiscal 1970, the same pattern holds true for next year. The only new feature is a delicate "manipulation" (in Senator Williams' words) of the multi-billion dollar Commodity Credit Corporation funds.

Trust fund receipts for fiscal 1970 total \$58 billion, leaving a *trust fund surplus* of \$10 billion; provided, of course, Congress raises social security taxes by \$1.7 billion.

Other, non-trust fund 1970 income is equally chancey, for Mr. Johnson's receipts estimate depends on (a) Congress raising \$700 million by increasing transportation taxes and advancing the payment dates of unemployment taxes, (b) raising \$519 million by increasing first-class postage rates from six to seven cents almost immediately and, (c) not charging \$2.7 billion to cover CCC losses as a debit entry to fiscal 1970.

But assuming Congress does increase taxes and charges and rates as Mr. Johnson requested, his \$3.4 billion "surplus" for 1970 still contains trust fund surpluses and is missing the money we'll spend to cover CCC losses. Deduct those and we find the fiscal year 1970 ending with a deficit of \$9.5 billion.

And the way the law reads today, without all the higher taxes and rates which Mr. Johnson asked Congress to enact, the deficit for fiscal 1970 is \$10.7 billion.

"If there were really going to be a surplus of \$2.4 billion in 1969," Senator Williams wearily explained, "and a surplus of \$3.4 billion in 1970, they would not need an increase in the national debt limit — quite the contrary, we could drop the ceiling on the national debt. But the fact they are asking for an increase in the national debt, at the same time they project these

GUEST EDITORIAL

Result? "Back to back" deficits for the next two Republican years totalling \$17.5 billion, locked in the budget by a Democratic President. The story of how it got there is not complicated. It has just been ignored.

Since the changes in budget format of 1967-68, receipts from taxes and expenditures for government spending have been lumped together with trust fund receipts and expenditures. Prior to 1967, income and outgo of trust funds were kept separate. After all, no matter what accounting system is used, social security receipts cannot, by law, be used to pay the daily bills of government.

This is because trust funds represent taxes paid by the employer, the employee, the highway user; because they represent the veteran's insurance premium, along with a host of other accounts which the government administers as "trustee." That's why the law requires trust funds be invested only in US Government bonds. They can never be commingled with other Government moneys.

Fine so far. Now how much of Mr. Johnson's 1969 and 1970 budget totals are trust fund accounts, and how much are regular receipts and expenditures?

Senator Allott is Chairman of the Senate Republican Policy Committee.

surpluses, merely shows these projected surpluses as a complete farce."

Nor does all the controversy swirling about Mr. Johnson's budgets center on deficits. Much has been written concerning the realism — or lack, thereof — in the reduction for 1970 of \$3.5 billion in Southeast Asia defense costs. Budget estimates call for a reduction of 32,000 servicemen, lower expenditures on ammunition, lower aircraft losses, and the slowing down of construction necessary for a transportation and supply infrastructure in Vietnam.

Possible?

Perhaps. But all this has been promised before under McNamara and Johnson, yet never attained. Instead Southeast Asia costs have been underestimated by tens of billions, the government has been forced to crawl, hat in hand, to unprepared money markets, and the Treasury required, as today, to pay its highest interest rates since the American Civil War.

*Now is the time, the Walrus said,
To speak of many things.
But budget surpluses back-to-back?
Sooner pigs had wings!*

Political Notes

CALIFORNIA: GOP gains undisputed upper chamber control

The California state Republicans won clear control of the upper house with the March 24 special election victory of Contra Costa County District Attorney John Nejedly, who pulled out a 4-3 victory (in a 56% Democratic-40% Republican district) over George Miller III, son of the deceased former incumbent. The 23-year-old Miller put up a ferocious battle and his last minute blitz saw Democratic National Chairman Fred Harris, Senator Alan Cranston, and actor Gene Barry (alias Bat Masterson) come in to campaign for the Democrat. The GOP push consisted of what one local Republican called a "heartwarming" cooperative effort, which drew manpower from seven neighboring counties. The victory is very important in light of the maneuvering going on in preparation for the 1971 reapportionment.

BOSTON: waiting for Spock appeal verdict

One of the "Boston Five's" lawyers waiting for the First Circuit Court of Appeals to hand down its decision on the conspiracy conviction of four of the five defendants in the celebrated Spock trial says it's all up to the judges. "They could give it to us 40 different ways or they could go against us 40 different ways. We're just waiting."

Another celebrated trial is of course brewing with the indictment of the "Chicago Eight." The Spock trial went so smoothly because the defendants were inclined to cooperate with their lawyers, and they were subse-

quently stung with some criticism from the left for not following through on their philosophy of "civil disobedience." The trial of the Chicago demonstrators will be an interesting comparison — or contrast.

INDIANA: scandal and second thoughts

Watch for an agency of the Federal government to look quietly into the practices of State Treasurer (and 1970 U.S. Senate hopeful) John K. Snyder, protege of former Senator William E. Jenner. Snyder has followed the practice of depositing large amounts in state inactive checking accounts (which draw no interest) in banks whose directors include political cronies.

Watch also for President Nixon to reassess his previous tentative decision to designate Indiana National Committeeman L. Keith Bulen co-chairman of the National Committee if Indiana's fiscal and administrative battle (see "State Spotlight") receives much national attention.

VIETNAM: amateur poll

State and Defense Department pronouncements about progress in the "other war" might be footnoted by the following story from a recently returned Vietnam hand. To amuse the children of Vietnam who used to flock around him in his work among the so-called fortified areas, he used to carry five pictures clipped from news-magazines in his wallet: Ho Chi Minh, Lyndon B. Johnson, President Thieu, vice-president Ky, and Mao Tse Tung. The game was to see which ones the children, aged 5-15, could identify. Results: "virtually everyone" knew Ho and Mao; a "few" knew Ky because of the mustache; and practically no one could identify the others.

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MICHIGAN: GOP stalks Hart

Republicans dearly would like to defeat Sen. Phil Hart, a labor liberal of the old school, when he seeks re-election next year. Two of the state's more attractive GOP Congressmen are grooming themselves to face him: Phil Ruppe, of the Upper Peninsula; and Don Riegler of Flint. Both are progressives. Still an outside possibility to make the race is George Romney, who, however, is thoroughly enjoying his post as HUD Secretary.

Meanwhile, Hart is already running scared and has his office staff working campaign hours.

WASHINGTON: GOP urban victory

Republicans, led by progressive John Spellman, have won control of newly reorganized King County (Seattle and suburbs) government. Spellman, who turned back right-wing opposition in the special primary, defeated former Democratic Governor Albert D. Rosellini to become the county's first Executive, which position many feel is the second most important in the state. The GOP also carried five of nine new County Council posts.

PENTAGON: latest brainstorm — "project sanguine"

Would you believe a network of cables buried six feet underground, extending through a third of Wisconsin, and carrying so much power that a current of at least 15 volts will be induced on fences, house gutters, and other metallic objects parallel to the grid? It's all part of what the Navy calls "a new voice for the northwoods."

Seems that because of thunderstorms, sunspots, or other magnetic disturbances, we can't always communicate with our nuclear missile subs on the other side of the world. So we have to resort to a very expensive development of a worldwide transmitter in the extra-low frequency (ELF) range, whose waves creep along the earth's crust. But to get worldwide coverage from a single location, one needs a grid of very long (50-miles) cables. And to prevent this critical system from being destroyed, one has to spread out a number of transmitters over a very wide area that will end up 300 miles on a side. (Northern Wisconsin is ideal because it has a base of low-conducting rock which won't drain off power as rapidly as it would be in almost any other part of the country.)

— Please turn to page 30

STATE SPOTLIGHT: Indiana GOP

From Distinction to Disaster

(From our special correspondent)

*"As I did stand my watch upon the bill,
I looked toward Birnham, and anon, methought,
The wood began to move."*

— *Macbeth*

If Edgar D. Whitcomb, Republican governor of Indiana, were a devotee of Shakespeare, he would probably be watching from the window of his large office in the Statehouse to see whether "Birnham wood" had yet made it to the steps nearby. Surely, the sinking feeling he must be experiencing during the closing days of Indiana's General Assembly must be akin to those of Macbeth as his world came tumbling down.

A scant four months ago, Whitcomb was fresh from a 53% triumph over his opponent, the incumbent Lieutenant Governor Robert L. Rock. Also elected in the Republican sweep were all the other state offices, and a 73-27 majority in the House and a 35-15 majority in the Senate.

Principal issues in the campaign had been Whitcomb's pledge to "hold the line on taxes" (he pledged to veto any tax increases), to improve the state's highways, to increase state aid to education and other units of local government, and to conduct a "war on crime."

But, despite a few good recommendations for economy in government, the Whitcomb administration apparently had no comprehensive program, and when House Speaker Otis Bowen (who was defeated for the gubernatorial nomination by Whitcomb) broke with the governor to propose a series of tax increases coupled with greater educational support and property tax reform, the Whitcomb forces were caught unaware.

State legislators, under pressure to provide property tax relief (which runs as high as \$18 per \$100 of assessed valuation in some parts of the state) reacted negatively to the lack of leadership in the House by the Whitcomb forces and to the high-handed tactics of Lieutenant Governor Richard Folz in the Senate, and a legislative logjam ensued.

Whitcomb, his heavy majorities in both houses suddenly under more critical fire from within than from the weak and ineffective minority leadership, reacted by proposing a series of — in the words of one journalist — nuisance taxes, including an increase in cigarette, liquor, and gasoline taxes, increase in state fees, and — foolishly — a doubling of the net corporate income tax. Also proposed was an apparently unworkable form of local option taxation, which would allow counties to impose adjusted gross income and/or sales surtaxes to be collected with the state's taxes.

As the session progressed — or regressed — further, the Governor lost most of his remaining support in the House. One reporter told of the hissing of the gov-

ernor when his name was mentioned in the chamber, and another said flatly, "they laugh in the House when the governor's name is mentioned."

Even in the Senate, which had begun the session wholly behind the governor, was fragmented under weak leadership. Commented Jack Colwell, highly-respected political writer for the South Bend *Tribune*, a Republican newspaper:

"As the session closes, Bowen holds more power and respect in Republican legislative ranks than Whitcomb . . . who, with enough strength in a badly split Senate which sometimes has been a legislative disgrace, has been able to block the Bowen program for solving state and local fiscal crisis through simple state tax increases . . . While many of the nuisance tax and fee increases of the governor's program will pass, parts of the hodge podge which could have disrupted the state tax structure for a decade will not."

For Whitcomb, though, perhaps the final straw was the desertion of many spokesmen in the business community to the Bowen plan, coupled with the first statewide teacher work stoppage in the history of Indiana, held in protest of the lack of support for education.

As writer Colwell observes, though, the governor is really a "personable man really trying to do a good job," a victim of "hastily made campaign promises, poor advice and an unfamiliarity with state governmental problems. In fairness, it should be added that many of the state's present problems are legacies of the singularly unimaginative caretaker philosophy of the outgoing Branigin administration.

As the legislature drew to a close, Bowen surrendered part of his program in order to get the stalemated General Assembly out of the legislative morass, and the net result was to stick Whitcomb with the type of austerity budget which he had originally sought but now admitted to be unrealistic. When Bowen came under fire from the state Democratic chairman for caving in to "political pressure," he was defended by the House Minority leader and other House colleagues, who demonstrated their respect for Bowen by a spontaneous standing ovation for the mild-mannered Speaker. The smoothly-running House was a stark contrast to the legislative jungle which was the Senate in the waning days of the session. Under the inept, high-handed, and arbitrary gavel of Lt. Governor Richard Folz, charges in the media of legislative anarchy were not totally unfounded. These tactics included refusal to appoint either Sen. Joseph Harrison, chairman of the Senate Finance Committee, or Sen. James Young, chairman of the Senate Finance Taxation subcommittee, as conferees on the tax battle between the House and Senate. Instead, Folz named Republicans (breaking with the tradition of bipartisanship), both of whom supported the Whitcomb

— Please turn to page 30

Teddy Kennedy's Fantasy

Senator Edward M. Kennedy is reputed to be a draft expert. However, one suspects from experience that the appellation is undeserved; a Kennedy, the Massachusetts Senator apparently has only to speak and he is deemed an expert. But it seems that he does not do his homework, that he does not engage in dialogue. One remembers an historic National Conference on the Draft, held with Ford Foundation money at the University of Chicago in December, 1966; historic because it was the first important gathering of the leading spokesmen on the subject and because it began with a majority in favor of National Service and ended after four days of debate, with a majority for a volunteer military. Senator Kennedy arrived rather late — two hours before the conclusion, in fact—and he had nothing to say until later when he was the star of a press conference. Mr. Kennedy and his lottery proposal were in the lead paragraphs of the stories coming out of the Chicago gathering, even though the lottery had been discredited by the conference itself.

Since then, Senator Kennedy has spoken often in favor of a lottery, and although his text never varies, he gets headlines every time he makes the same old proposal. He does not mention how unpopular the lottery is with youth, nor does he answer the other arguments posed against it: that random selection does not end the major inequity of the draft, but merely rearranges it; and that a totally capricious draft would only increase youth's sense of the absurdity, callousness and lack of humanity in modern life.

REAL CASE NOT MADE There may be a case for a partial lottery as a transition to an all-volunteer system, but it is not a case Senator Kennedy has made.

Instead, Senator Kennedy is decidedly cool towards an all-volunteer military. He wants more studies on it, maybe studies that would report next year, or the year after that. Meanwhile, he says again and again — and again and again it is duly reported in the press — he fears that an all-volunteer military would be a "largely black army fighting white, middle-class wars." This assertion is never backed up with statistics or even reasoned theories. It is simply made, and it now has become a very popular liberal cliché. The editorial writer for what is fast becoming the left's version of

THE AUTHOR

Bruce K. Chapman, author of Our Unfair and Obsolete Draft and What We Can Do About It, is National Director of the Ripon Society.

the *Chicago Tribune*, the *New York Times*, dutifully repeats the assertion as axiomatic.

It is true that, though the *per capita* enlistment rate for whites is higher than for blacks, that blacks have a higher re-enlistment rate than do whites. Senator Kennedy seems to be arguing, however, that this minor difference will expand under a voluntary system since disadvantaged blacks will flock to the services even as whites avoid them. But many experts on poverty, such as the United Auto Workers' Citizens Crusade Against Poverty and economist Dr. Walter Oi of the University of Rochester, feel that draft abolition actually would benefit the disadvantaged, since many of the young men with the potential to become leaders in slum areas would be able to do so instead of being drafted as most are today.

The Citizens Crusade Against Poverty rightly observes that the allegation of threatened racial imbalance in an all-volunteer force is based on the false assumption that money is what most attracts blacks to the services. Actually, the promise of steady and discrimination-free work is much more of an incentive. Raising pay in the military would help those blacks who do enlist and at the same time, as a 1967 study by Dr. Oi confirms, would increase competition for military jobs from other elements in the population for whom the disincentive of low pay has discouraged enlistments and re-enlistments in the past; namely, the middle class whites. Meanwhile, higher pay in the lower ranks of the military might also stimulate higher competitive wages in the general economy at the minimum wage level.

ARMY NO BENEFACTION If our objective is to provide greater opportunities for the poor, and for blacks in particular, we had best look for improvements in the civilian sectors of society rather than to holding onto the compulsory military draft, with its sweat-shop wages, as if it were a great humanitarian benefaction. James Farmer, Julian Bond and the youth division of the NAACP all endorse the volunteer military; but not Senator Kennedy.

When the above has been said, it must also be added that if Senator Kennedy would pursue some elementary arithmetic he would see that whatever the economic incentive system, there simply are not enough blacks to lead to an all-black military, or even a largely black military. It is obvious that in a time of growing black radicalism, most blacks are not about to join the military. But even if every single black male wanted

—Please turn to page 17

The Great Pikesville Bolshevik Beachhead

I. Ratliff's Raiders Hit The Nest

Pikeville, Ky., pop. 6,000, is a long way from any place. Before Richard Nixon put the phrase to political use, Pikeville was the quintessence of "forgotten America." Ten of the twenty poorest counties in the nation have the privilege of being located in eastern Kentucky and Pikeville, voted an "All-American City" in 1967, is the county seat of one of them. Pike County produces more coal than any other county in America, but many of its residents subsist on meager welfare allotments. The problem, as a recent article in *The Nation* reported, is that the owners of the coal companies and the county power structure are virtually the same.

Since June of 1967 Alan and Margaret McSurely have been organizing the impoverished residents of Pike County's gutted hills because they believe that political action is the only way to end such poverty. Three weeks after their arrival in Pikeville as Appalachian Volunteers (AVs), the McSurelys were fired because they directed their energies towards attacks on the political elements that kept the area's residents poor, instead of directing them toward "helping" the poor. On June 29, 1967 Jink Ray, a mild-mannered resident of Island Creek hollow who, as he told *The New York Times* "had never before engaged in controversies," dramatically threw himself in front of a coal company bulldozer and halted it at his property line. This was defiance not only of the Puritan Coal Miners Inc., but also the law, because the ownership of subsurface mineral rights has been separated from surface ownership under "broad-form" deeds that have prevailed in eastern Kentucky since the 19th century. The subsurface rights, owned almost exclusively by the coal operators, supersede the land ownership deeds of the area's residents.

HELP FROM EX-GOVERNOR As the conflict escalated, former Democratic Kentucky Governor Edward Breathitt went to bat for Jink Ray and his supporters, who included the McSurelys, and revoked the Puritan's strip-mining permit in July of 1967. Joe Mulloy, an AV and a neighbor of Ray, said, "Ray's victory could serve as an inspiration to peo-

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ple all over the mountains to demand and take back what is theirs, the coal. The coal operators knew this all too well."

By late July the coal operators were regrouping their forces. Anonymous threatening phone calls and subtler threats from county officials were followed by a call for a federal investigation of the AVs, who employed Mulloy and formerly employed the McSurelys, now working as field workers for the Southern Conference Educational Fund (SCEF).

On the night of August 11, 1967 Pike County Commonwealth Attorney Thomas Ratliff, accompanied by High Sheriff Perry Justice and fourteen armed deputies, led a raid on the McSurely home near Pikeville. Ratliff and his cohorts pored over every piece of written material in their host's house for nearly three hours. The Commonwealth Attorney, who himself had netted \$3,000,000 out of strip-mining ventures and was to be the Republican candidate for Lieutenant Governor in last November's elections, lavished special attention on McSurelys' research library on the coal industry. By midnight Ratliff's Raiders had made a catch that included books, pamphlets, mailing lists, recipes, love letters, clothes, and a tattered paperback entitled "Great Russian Short Stories." The choicer items included a poster of Che Guevara and assorted copies of works by and about Marx, Lenin, and Mao. Alan McSurely was promptly dispatched to the local clink on a *sedition charge*. When Ratliff discovered Margaret had worked for SNCC in 1964, he ordered her to join her husband. Within a few hours Mulloy found himself in similar circumstances and became the third member of Pike County's "terrible troika."

CALL IN DALEY AND WALLACE In the neanderthal politics of eastern Kentucky labeling someone a Communist is still a surefire way to "do him in." Surveying his catch, Ratliff termed the McSurely papers "a Communistic library right out of this world." Alan McSurely had once called for an "overthrow of the local Court House Gang" in the county elections of November 1969. Ratliff countered: "I want to warn McSurely that if he calls on Russian tanks to help him conquer Pike County I intend to appeal to Mayor Daley of Chicago and Gov. George Wallace for help in defending Pike County." The wonderful aspect of this pronouncement is that he was serious.

When Carl and Anne Braden, executive directors of SCEF, tried to come to the aid of the three charged with sedition, they were arrested on the same charge

(and "creating turmoil among the poor") in spite of the fact that Anne Braden had never set foot in Pike County.

By mid-September a Pike County grand jury had concluded that Moscow and Peking had selected their county as the beachhead for their eventual takeover of Uncle Sam's fifty states. The only item that remained unspecified was whether they were coming by land or by sea. Specifically they found that the McSurelys, Bradens, and Mulloy were actually plotting the overthrow of Pike County. According to the elders of the grand jury, the dirty work was to be done by armed squads of "Red Guards" (until recently Communism has remained a monolithic force in eastern Kentucky) and federal anti-poverty programs were to take much of the "blame" when this happened. All five were indicted under KRS:432:040 — a vague, unused anti-syndicalism law enacted during a 1920 "Red-scare" over the activities of the International Workers of the World (the Wobblies).

The coordination between the coal operators and county officials was quite out in the open. When one small group has an economic and political throat-hold on such a county, there is no need for darkness. A confidential OES report has subsequently cited "obvious political interests" as the basis of the arrests. Robert Holcomb, president of the National Independent Coal Operators Association (whose founder and first president was Thomas Ratliff) and the Pikeville Chamber of Commerce, saw the case pretty much the way Ratliff saw it: Those indicted were "Communists" and "there are no if's, and's, or but's, about it. They had established a base here. They intended to take over the country."

Before Moscow was able to dispatch even a single division, William Kunstler, a New York-based civil liberties lawyer and a veteran of many southern courtroom wars joined the fray as chief defense counsel for the McSurelys, who had previously been defended by a courageous Pikeville lawyer, Dan Jack Combs, who may oppose Ratliff for Commonwealth Attorney in next November's county elections. Kunstler conceived a strategy that moved the case into the federal courts and would eventually lead to the defiance of a Senate subcommittee. On September 14, 1967 Kunstler obtained a ruling from a U.S. Special Court in Lexington, Ky., that held the Kentucky Sedition Act "obviously" unconstitutional because the federal government had preempted the field with the enactment of the Smith Act, the federal sedition law.

In his opinion Judge Bert T. Combs stated: "The statute . . . is clearly unconstitutional under the most flexible yardstick. It is too broad and too vague . . . it unduly prohibits freedom of speech, freedom of the press, and the right of assembly. It fails to distinguish between the advocacy of ideas and the advocacy of ac-

tion . . . The conclusion is inescapable that the criminal prosecutions were instituted . . . in order to stop (the McSurely) organizing activities in Pike County. That effort has been successful."

II. Enter McClellan

Since 1956, when he succeeded Joe McCarthy as Chairman of the Permanent Investigations Subcommittee of the Senate Committee on Government Operations, Sen. John L. McClellan has conducted more than 90 investigations. Of late the McClellan Subcommittee has been scrutinizing various urban disorders and the activities of federally financed anti-poverty workers and has been trying a case in the public eye to establish links between the two. (Presently Sen. McClellan and associates are turning their collective vigilant eye to the members and activities of the Southern Students Organizing Committee (SSOC), the Student Non-Violent Coordinating Committee (SNCC), Students for a Democratic Society (SDS), the National Conference for a New Politics (NCNP), Vietnam Summer, the AVs, the United Planning Organization (UPO), and the SCEF, with which the McSurelys were affiliated. An inquiry into the activities of the Black Panthers is forthcoming).

SUBPOENA BY ASSOCIATION The subcommittee subpoenaed the records of the McSurelys substantially because they had attended a quarterly SCEF fund staff meeting (Stokely Carmichael spoke at one of the sessions) in Nashville from April 5th through 8th of 1967, a few days before the outbreak of disorders there.

Even though the Kentucky Sedition Act — the grounds on which the McSurely papers had originally been seized — had been held unconstitutional, the Federal Court strangely prevented the return of the papers to the McSurelys and even instructed local authorities in mid-November 1967 to "cooperate" with the McClellan subcommittee. For weeks prior to this order John Brick, one of the subcommittee "investigators," had been shuttling between Washington and Pikeville, where with Ratliff's assistance he had repeatedly studied the illegally seized documents and eventually received photocopies for the use of the subcommittee staff.

It was not until August 1968 that the McSurelys regained possession of their papers and then only by an order of the U.S. Court of Appeals for the Sixth Circuit. When the papers were returned, the McSurelys were immediately subpoenaed to appear with them before the subcommittee. After several postponements the couple, accompanied by their one-year-old son Victor, finally faced Senators McClellan, Mundt, Percy, Griffin, and Jackson on March 4th of this year and re-

— Please turn to page 29

The Misery of our Mexican-Americans

Nowadays, any discussion of the oppressive effects of racism usually centers around the problems of the long-neglected but newly militant American blacks. The well documented, highly visible conditions of this increasingly urban black bloc have justly shamed Americans. Yet, while the suffering of black people cannot be denied, there exists another large, but conveniently docile and invisible minority whose collective plight is, if anything, worse than that of the blacks.

If urban Negro enclaves are trapped in a quasi-colonial relationship with the rest of society at large, the position of Mexican-Americans harkens back to an even earlier form of exploitation. The great bulk of Mexican-Americans in the US today are illiterate or semi-illiterate peasants who serve as itinerant serfs for largely reactionary farming interests in the country.

Not only in Texas and Southern California, but from the mid-western areas of Missouri and Illinois (and some extent in Michigan) to the southwest's New Mexico and Arizona, and from such western states as Nevada to the northwest Rocky Mountain states of Washington, Idaho, Montana and their neighbors, *latinos* live and work under the most degrading, unbearable conditions that can be imagined. The extreme misery of their plight calls to mind television newsreels of the poverty and suffering of the underdeveloped world of Latin America, Southeast Asia, and the Middle East. The only minority in this country that is probably worse off is the Indians.

FOLLOWING THE CROPS And, unless you are an Indian, there isn't a tougher way to earn your bread in America than being of Mexican descent. Or, as in the case of some, being from Mexico (though a majority were born on THIS side of the Rio Grande). Because of the unhappy plight and lack of opportunity into which society has forced you, you will do the only thing you are able: following the crops and doing stoop labor. Thanks also to the Roman Catholicism that you probably believe in, coupled with the traditional Catholic bogy against birth control, your family will tend to be overly large with as many as eight to nine children (or more) not being uncommon.

Shunned by the racist prejudices of the white farming communities in which you work and inhibited by low pay, you probably live in a "labor camp,"

a fifth-rate ghetto officially set up by co-operation of the farmers and respective city government. These "labor camps," usually located 20-30 miles out of town, in part serve the purpose of keeping the "wetbacks" (or, "those goddamn greasy Mexicans," as they often are called) from "moving in" and lowering property values, not to mention preying upon the supposed chastity of white Anglo-Saxon womanhood. "Labor camp" housing is also a profitable racket for slum landlords. A family of twelve may pay fifty to sixty dollars a month for a cramped, one-room wooden shack that is rotting and falling down, in which rats, lice and other vermin are rampant. Sanitation is often non-existent, as are such amenities as running water, toilets, electricity or proper heating or air conditioning. In some places, such as Nampa, Idaho, the "labor camps" may be replaced by Mexican "quarters" or ghettos of the city. Usually, though, these are little better than the camps."

SIX-YEAR-OLD SLAVES Infection and disease is not at all uncommon, particularly among children. Common colds, rickets, pneumonia, and malnutrition all take their effect, and in heavy doses. Most of the children are also unable to finish school, and a third or fourth grade education is considered high. The use of these children for slave labor is one factor which, despite legal statutes, keeps these children from a proper education. A girl of five or six years old may work 12 to 14 hours a day in the crops. With such a rude and early awakening to the outside world she will grow up fast, at a time when little caucasian girls may still be playing with dolls.

THE AUTHORS

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SIXTO GOMEZ, who comes from a Mexican-American background, hails originally from the sort of migrant life described in this article. In the past he has worked with such programs as VISTA, and is a member of the Idaho Farm Workers Assn. He is also a local leader in the Idaho branch of the Mexican G.I. Forum, a civil rights organization for latinos.

By the time she is twelve, she will probably already be pregnant with her first illegitimate child. Later on she may marry, and along the way may be deserted at least once by an unfaithful husband. When she is twenty-five, and is already old and tired from low-paying backbreaking work, from improper diet, and from too much child-bearing; aged beyond her years, her life will be about half over. The enthusiasm of youth long since vanished, the agonizing despair of realizing that her meager existence will never be any better will begin to show an even more deteriorating effect as the years roll on. When she is thirty-five her life will be almost over, and besides being old she will possibly be somewhat crippled and incapacitated with rheumatism. Sometime between the time she is forty-five to fifty, she will probably be dead.

In both the formal and defacto senses, the Mexican-American is effectively excluded by law from the so-called "American way of life." Because white society really doesn't give a damn, the legal standards of child labor limitations, proper education, or other niceties of the law that supposedly guarantee a child a fair start in life, are not rigidly enforced for Mexican-Americans. Welfare benefits are also quite restricted in comparison to other groups. The National Labor Relations Act, which guards against such abuses as working from sun-up to sun-down, is not applicable to Mexican-Americans. Another case of exclusion by law, is the non-applicable nature of such things as workmen's compensation (in most states) in the event of injury or heat stroke, a frequent occurrence.

As for the Poverty Program, Head Start, VISTA and the rest of the government programs designed to correct the sort of abuses mentioned here, these are for the most part feeble, ineffective efforts that are barely worth mentioning. At the present rate of change from these programs, first results should begin being felt in about 300 years.

Due to a language barrier (most speak either poor English or all Spanish and no English at all), integration poses an even more difficult barrier to Mexican-Americans than to Negroes. The social barricades are more deeply entrenched, as in the treatment afforded Mexican-Americans on a day to town. As a result of the Civil Rights Act of 1964, business establishments are no longer permitted to display signs reading "No Mexicans." But, it is commonly understood which bars and which stores are off-limits to non-Aryans. And, not only their darker racial features, but shabbiness of attire as well, distinguish Mexican-Americans just as distinctly as did the golden stars worn by Jews in Nazi Germany. On Saturday night, a lucrative form of revenue for many cities is to send the police out in the paddy wagons to pick up lone Mexicans, throw them in jail over night, and charge and fine them with

being drunk and disorderly. "Drunkenness" or "disorder" is usually determined by the supposition that a "wetback" is shiftless and no-good anyway. A Mexican-American boy of from 17 to 19 years old, who on a night in town may look for a good time by crashing a dance in a downtown dance-hall, may well end up severely beaten and injured, occasionally to the point of death.

The contemptuous attitude of the white community towards their problems has impeded even the most menial efforts of progress among Mexican-Americans. In Michigan, (yes Michigan) where the State Health Department has proposed that for sanitation purposes, "labor camps" be required to maintain at least one public shower each, the protests of growers have been loud and outraged. At a recent hearing of the Michigan legislature in which various groups testified, representatives of the growers hotly debated the contention that men, women, and children who work in the hot dusty fields 12 hours a day deserve better than a pump or basin of water gotten from creeks or rivers. The attitude of grower John Bryce was typical, when he proclaimed: "These people don't like being told how to live, and greater cost of caring for them will speed up use of labor saving machinery, and then they won't have jobs."

But hearings or no hearings many growers are not worried about being inspected by the state, since there are only seven full time inspectors to check 300 camps in 55 counties. In addition, local health authorities in counties are often friends of the growers and never come near the camps.

In California, where conditions are greatly improved over most areas with high concentrations of Mexican-Americans, the base pay for picking grapes is \$1.50 per hour. "You ever try raising four kids on



\$1.50 an hour?" is the challenge that reporter Dick Maister said he heard from vineyard strikers in California's Delano area. (*New York Times Magazine*, November 17, 1968). At the end of the year, earnings may average out to a bare \$2,300. On that kind of money, if you are a Mexican grape picker, you are forced out of necessity to bring your wife and children into the vineyards. You bend and pick, your wife bends and picks, your children bend—together you scrape and struggle for the bare necessities of survival. And the struggle never ends.

Like migrants elsewhere, probably the only really nice thing to your name is an expensive, new looking automobile. While to some of the white community, this proves that "those wetbacks have it made, look at those fancy cars they drive," in reality that "fancy car" may be the only home a Mexican family knows, as it follows the crops seasons throughout the country. As such, automobiles are more often than not the one item of some luxury among migrant families, for which they have scraped and skimmed their savings.

These are the sort of conditions against which California's grape pickers—led by Caesar Chavez—have been on strike ever since September, 1965. In that long time, the only settlement that has been worked out is a severely compromised arrangement with the growers of wine grapes—11 out of more than 100 growers. Base pay for the pickers in the vineyard ranges up to as high as \$2.25 an hour, which is not very good but at least better than \$1.50. The majority of growers are holding fast, afraid that if they give in an inch it will be a mile later—perhaps to the point of being forced to treat Mexican-Americans as people. The precedent is all too strong of how the Negro struggle for "token integration" in the late 1950's led to the surge for "freedom now" in the present day



and age. And, the example probably holds some relevance. In this connection, racist hate-groups such as the John Birch Society have been making inroads among growers, stirring up anti-Mexican bias.

In addition, special federal government accommodations have made it extremely easy for California grape growers to break the strike. Unlike other employers, the agricultural barons are not required to bargain collectively with their workers. Further, through particularly fortuitous immigration allowances, the growers have imported droves of Mexican nationals as strike-breakers. In co-operation and connivance with the Depts. of Labor and Immigration (begun under the Nixon Administration so far), so-called "green card" permits have been issued to more than 350,000 Mexican workers, who have been imported into California. And, in order to shift the blame from the real culprit (themselves), the growers have been diligent to stir up antagonisms and pseudo-racist hatred among the competing Mexican-Americans and Mexicans.

In short, the strike has been effectively smashed, and with no small amount of thanks to the contemptuous attitude of organized labor. In its place, Chavez and the striking workers are now calling for a nationwide grape boycott—which although slightly irritating to the growers, has been for the most part ineffectual. The no-longer class conscious chiefs of the big labor unions have been of no help either. George Meany's now conservative AFL-CIO could care less about the plight of the Mexican-American workers. The Teamsters Union, which in recent years has been the only major union in the country to show an interest in organizing migrants, has shown its true colors in the Delano affair. Trucks driven by TU members have brazenly crashed picket lines, loaded grapes and carried them to the markets. Though to a lesser degree than the AFL-CIO, the California Teamsters are coming to be viewed as merely Uncle Toms of the labor movement. There has also been harassment of the strikers by the local law enforcement, who usually look the other way at the occurrence of beatings and incidents of violence (thought to be prompted by the growers) against strikers.

So, the Delano Strike will probably be through and done with before another two years have passed—with the workers, as usual, being the ones that get shafted. And if this happens in California—where the prospects for Mexican-Americans are better than most states—then what chance is there in states like Idaho, Montana, Arizona, Texas, Michigan, etc.—where conditions are much worse? The answer is none.

If Mexican-Americans effectively organized and demonstrated in civil rights marches, sit-ins and the like—had they engaged in civil disobedience in recent

years as Negroes have done—or had there been any riots, or had they effective and militant national spokesmen in their ranks of the caliber of Stokely Carmichael, Malcolm X, Adam Clayton Powell, or the like (Reies Lopez Tijerina remains an isolated example), perhaps white society might listen. But this is not the case. The Mexican-American lack not only the Negro's militancy, but his leadership cadre of educated activists to organize it. Also, unlike the Negro, he has no firmly rooted base of economic power in white society, and is constantly on the move in semi-nomadic fashion. This in turn permits growers exploitation and public racism to exhibit a viciousness and cruelty toward Mexican-Americans that most Negroes have never experienced. In such a context, the Mexican-American has been effectively degraded into an emasculated, passive nonentity, little better than a slave. Except that slaves were taken care of by their masters, while he is not.

Of course, it cannot remain this way indefinitely, and perhaps sooner than anyone anticipates, a rebellion will take place. Perhaps crops instead of ghettos will be burned. And then, perhaps, serious attention will be focused on the plight of the Mexican-Americans.

It doesn't have to be that way, though. What is needed, is a thorough and immediate effort on the part of white society to demonstrate that it cares. This must, obviously, include also a greater concern by government officials. One who has so far shown some concern is Secretary of Health, Education and Welfare, Robert Finch. In an interview Feb. 2, 1969 on the television program, Meet The Press, Finch made the following observation in discussing poverty in America: "I think there are some areas, such as the Mexican-American community, where we're further behind than we really realize."

Among specifics that are needed, better enforcement of the law is an area to which immediate attention should be devoted. An investigation by the Labor Department and other appropriate governmental agencies, including possibly the FBI, should be undertaken of the treatment of Mexican-Americans and of

working conditions in the agricultural community. More judicious law enforcement, in effect more "law and order," with vigorous penalties and fines meted out to those not in compliance, should be the first order of business. Congress also needs to step in by the passage of such legislation which would make possible the beginning of a brighter future for the migrants. And President Nixon, who was elected a minority President, from a purely self-interest standpoint could gain much by taking such initiative as would secure him the Mexican-American vote, which so far has been largely untapped by both parties. Had the vote of the *latinos* been tapped to its full potential in the last election, the GOP could have carried not only such areas as Texas and other western and mid-western states that went Democratic, but could have easily (rather than just barely) nailed down such key places as California, Illinois, Missouri, etc.

STILL NEED LEGISLATION But greater compliance with the laws is not enough. Better laws are also needed, laws which guarantee to agricultural (read Mexican-American) workers the same benefits and standards, as well as rate of pay, as enjoyed by other workers. And such programs as VISTA, Head Start, the Poverty Program, etc., if they are to be retained, should be revamped to include not only greater participation of the poor, but given greater authority to implement needed changes.

In the field of farm work, better standards of pay, working hours, benefits, and housing conditions, not to mention more equal treatment in society at large, must be taken in hand. Mexican-American children deserve a better opportunity at an education, and wages should be of a satisfactory standard so as to make unnecessary a whole family working in the fields.

On the other hand, it must be realized that migrant work is by and large an unsatisfactory form of labor. For those who wish to remain in farm work, every opportunity should be expended to assure not only better conditions, but also that Mexican-Americans be afforded a chance to permanently settle and live and work in good communities, rather than being forced to continually travel in nomadic fashion. And, radical efforts at job training (along with government subsidies for on-the-job training), so to teach skills other than farm work, should be undertaken for persons of all ages who are willing to learn. But this itself will not be enough unless there is greater enforcement of equal opportunity laws than is presently followed by employment agencies and business. This is one important reason why federal investigation of treatment of Mexican-Americans, at least on a scale of past probes on treatment of Negroes in Dixie, should be undertaken. As in the South, this must likewise include any necessary measures for the protection of the lives and

GOOD BOOK

For a comprehensive understanding of the problems besetting the Mexican-American community, readers are advised to see the book, *Tijerina*, by Michael Jenkinson (\$2.00, Paisano Press - P. O. Box 241, Santa Fe, New Mexico 87501). The study of Reies Lopez Tijerina, the radical Mexican-American leader of New Mexico is the best in-length study to date of the political, economic, and social atmosphere in which Mexican-Americans subsist. It is required reading for any serious student of the situation.

— Ed.

— Please turn to page 17

Youth and Voluntarism

In recent months, President Nixon and several others in his new Administration have made a strong commitment to strengthen the private, non-profit sector of society in its efforts to treat the problems of America. This commendable new concern of the federal government, properly developed, could add considerable luster to the Nixon Presidency, and an increased dignity to the individual citizen.

"To Enlighten Self-Interest" might well be the best motto of this Administration's goals as it stresses again and again the role of incentives for voluntary decision making in the public interest. No better example of this principle in action could be found than the Presidential encouragement of volunteer social service.

However, there will be no widespread response unless the Administration, as it has not so far, puts young people in the forefront of the volunteer service cause.

As a constructive spur to such action, the Ripon Society has prepared a research paper on youth voluntarism which examines the crucial but often overlooked role that voluntarism has played in the development of America, then proposes a comprehensive program to reinvigorate the interest of young people in this sector.

Space limitations prevent the reproduction of the entire 5000-word paper in this month's FORUM, but the specific proposals are reprinted below. The entire paper is available for \$0.50 from the Society's national offices at 14a Eliot Street, Cambridge, Massachusetts 02138.

I. Tax Incentives

The first step in returning citizen-initiative to the area of service is an income tax *credit* (as opposed to the present tax *deduction*, which is not very helpful to those with small incomes, such as most youth) for money contributed to charitable or recognized public service organizations.

The second step is another tax credit for contributions to any political party, political committee or semi-political (i.e. civil rights) committee.

The federal government can well afford the shift of money from federal to private giving that would result from these tax credits, limited, as they should be to a small fraction of one's total tax bill (say, \$10.00 per person per year). The cost of the Vietnam war, and the resulting cutback in domestic federal spending, have caused many to overlook the fact that federal revenues are growing by some \$7 billion dollars a year; at war's end the loss of a few hundred million to the volunteer sector for charitable and public service purposes will be quite feasible, and in the long run would save the government money.

More controversial, however, would be tax credits for political activities. Many in Congress propose that

some financial aid be injected directly into the political process, but outright grants inevitably would entail government controls and ignore the essential role in our system of intra-partisan and bi-partisan groups (the Americans for Democratic Action, the Young Americans for Freedom, the Ripon Society, the Committee for an Effective Congress, etc.). These, and small protest parties, would be squeezed out by the two major national parties. The two major parties, meanwhile, would remain just as unresponsive as they are now, but with vast new, centralized power. A small tax credit, again limited to \$10.00 for contributions to any political or semi-political group would, on the other hand, leave choice with the individual taxpayer. Though some might give their money to the Black Panthers or to the John Birch Society, just as they give non-deductible money now, others would give their credit's worth to more "respectable" groups, just as they do now. Everyone would be master of his own contribution, and of course could opt to make no contribution and simply pay the money as taxes. Abuses (fake committees and the like) would be investigated by the Internal Revenue Service, just as abuses are in the present system. It would be a subsidy of no one; it would be an incentive

for all to participate in decision-making.

The two proposed forms of tax incentives for individuals would help open an enormous flow of volunteer sector vitality. Young people would be especially assisted in acquiring the habit of giving, because their tax bracket is usually so low that present *deduction* incentives do not suffice to induce financial participation in charitable and service projects. The volunteer associations themselves would find a new financial constituency in this generation and be at once aided and influenced by it. The effect would be greatest on youth controlled associations, particularly those concerned with politics. These groups would be enormously invigorated by a tax credit that enabled their members for the first time to give money as well as energy to their causes.

II. National Foundation for Youth Service

Another way in which a youth lobby might help expand the role of voluntarism would be through creation of a National Foundation for Youth Service, designed to broaden involvement in essentially non-political service and to emphasize the truth that service serves both the served and server. Establishment would come from a one-time only federal endowment, adapted from the formula Lincoln pioneered in founding the land-grant colleges. The endowment principle represents another way the federal government can pump new life into the volunteer sector, to redress the balance it upset itself, while retaining no management of volunteer programs thereafter. It should get in and get out. Private sources, spurred by the tax incentives recommended earlier, would finance future capital expansion.

This foundation would not operate any service projects of its own, but would complement and assist programs already in operation. Most young Americans are simply unaware of the wide variety of inviting service opportunities available to them. The National Foundation for Youth Service would collect and publish local, regional and national lists of service positions available, and function as a clearing-house for helping the right person find the right project. This activity would be coordinated with all the nation's high schools and colleges. The foundation also might accumulate and distribute information on paying jobs that have a service aspect to them, such as interning in a mayor's office or counselling at a summer camp. These clearing-house functions would include both summer projects and projects lasting one or two years after one's formal education.

SERVICE 'SCHOLARSHIPS'

The National Foundation for Youth Service would grant a certain number — hopefully many — service fellowships on a "subsistence-plus" basis, for the millions of young people, especially the poor, who would like to take a meaningful job with service significance, but who would have to have some financial support in order to afford it. The national intern program in Congress and the Executive branch, cut back in recent years, was hardly generous, yet it provided enough money for selected college students to

live during a summer while they worked on Capitol Hill. Such service builds confidence, broadens outlook and enhances skills, as well as contributing to the productivity of Congress and the Administration. Importantly, such government service is (or was) truly open to the rich or poor students alike, which unhappily is not true of many spheres of non-government volunteer activity. Why should only the well-off enjoy the benefits of service? Surely equality of opportunity to *serve* should be enshrined among the other evolving values of this generation.

Such a program to stimulate service, indeed, would anticipate a day when a large majority of students, whether in high school or college could and would give one or more of their summers or possibly one or two years after schooling to a cause appropriate to each individual's interests and abilities. There are thousands of tasks in America and abroad that want doing, with plenty of choice among them for any individual — work in hospitals, work with retarded children, work with children in slum areas, work for the churches or through the churches, scholarly research in the public interest, beautification projects, overseas assistance. In almost every instance a volunteer program already exists. Where one does not, a strengthened volunteer sector always will be more quick, inventive and experimental than the federal government in devising one. All that's needed is to acquire more volunteers.

Since such service is a broadening and educational experience which takes one out of various externally and internally imposed ghettos and helps one to meet one's "other halves," colleges might well give credit for certain volunteer projects, just as some do already for Peace Corps service.

RIDING THE RAILS

The Foundation should also take action to increase the mobility of service volunteers. A cooperative arrangement with the nation's railroads, airlines and buslines could be sought to provide free transportation for any young person participating in a service project away from his home. In Denmark the national railroad gives every secondary student a round-trip ticket to any place he chooses to travel during summer vacation. In America the tickets could be limited to youths in service projects.

The arrangement with the rail, air and bus lines would be optional on their part, possibly encouraged by some minor tax incentive. A representative of the Santa Fe Railroad told the Ripon Society that space might be granted on a stand-by-only basis or for non-peak periods of the week, as are certain half-fare youth prices now. But he said that generally the public relations advantage and the development of the future travel market would be sufficient inducement for lines to participate. Thus a Harlem student with a summer service opportunity in the Rockies could have a way of getting to it, while, in another case, the ticket would mitigate the loss of alternative earnings for a middle class student in, say, California, who took a teaching job on Chicago's South Side. For those who worked in their own neighborhoods, the trip might come at the end of their work period, as a gift.

STIMULATE HOSTELS

Toward the same end, the proposed Foundation for Youth Service might stimulate the youth hostel program in this country. In Europe students and other young persons can visit great cities, parklands and historic sites — coming to know their own country and countrymen personally — for a very little money, while staying at clean and respectable youth hostels run by churches, the government or other non-profit institutions. These hostels usually charge less than a dollar a night for room and board. In America, however the hostel program lacks adequate funding, and young people who travel to large cities and scenic rural areas frequently are faced with a choice of an expensive hotel or a flophouse. A properly financed national system of youth hostels, perhaps operated in connection with our universities and churches, would complement the service scholarship and travel programs and further encourage fellowship among youths of

many backgrounds.

Finally, it must be said that a number of worthy programs utilizing volunteers presently are operated by the government itself, and for the sake of diversity, these should be continued. Moreover, we can only agree with the campaign pledge of President Nixon (on the NBC Network, October 16, 1968) to bring these activities together under one independent Youth Service Agency in the Administration. This organization also would contain a Sports and Fitness Section, a World Activity Section and "a young people's ombudsman."

But most of the government's attention should go to encouraging volunteer projects outside the federal system. The ruling guide should be: support the idea of service, but leave it unbound. Above all, give to youth the greatest chance to reassert this ancient American virtue. For them it will be a natural challenge of renewed meaning.

Ted Kennedy's Fantasy - From page 8

to join, we would not have a black military. Consider that only 42.5% of blacks pass the mental and physical qualifying tests of the services. Given that 1,800,000 young men turn draft age each year and that some 12% are blacks, some 216,000 blacks would be available to join the military, and those who could pass the qualification tests would number 92,000. But the manpower turnover in the military is more than 700,000 annually; before Vietnam it was 500,000 and under an all-volunteer system it might be brought down to 300,000 a year. Even at that low figure, how can one even imagine a black military? Even if black re-enlistments were several times white's — which they are not — and even if every black 18-year-old wanted to join the military — which is preposterous — a small minority of the overall population cannot be stretched to meet more than a fraction of the Armed Forces' manpower needs.

For thirty years the government of the United States has forced a portion of its young men — about

half of the current draft-age group — to bear arms and more; to pay an implicit tax, through artificially low wages, to meet themselves the true cost of their own wages. On top of involuntary servitude we have added slave wages. This exploitative system has never been denounced by Senator Ted Kennedy, who seems to be more concerned for mythical danger of a black military than he is concerned to correct the very real suffering of millions of soldiers on subsistence pay, some of them with their families on relief.

The case for the volunteer military is not well understood in America today, and is not supported as yet by a majority of respondents to public opinion polls. If the volunteer concept pushed by President Nixon and the Republican party fails in Congress, the youth of the nation probably will be able to thank General Hershey, Congressman L. Mendel Rivers — and Senator Ted Kennedy. — BRUCE K. CHAPMAN

Mexican-Americans - From page 14

well-being of the safety of the Mexican-American community.

In addition to making opportunities more available to *latinos*, guaranteeing them a minimum income (with government allowances if applicable), would be a potential factor in helping them out of their present rut. So would, on a temporary basis, the direct providing of jobs (where none are available) by the federal government. The building of several million new governmental housing units, modern and well-equipped, for occupancy by *latinos* (with any payment on a long-term basis), would be a good means of ending the present abominable housing of the "labor camps."

While most of these suggestions are general,

they at least point to the areas where work is needed. The Mexican-American community can certainly help supply further suggestions on how to guide the ball once it's rolling.

Finally, one further point should be noted. Although the improvement of living conditions for this significant proportion of Americans is a humanitarian imperative for which the government is squarely responsible, to begin the process need not be a completely selfish political act. The fruits of several years of concerted action in this area might do much in 1972 to dim the very much alive memory of Spiro Agnew addressing a sea of grape-festooned tables in California during the campaign. — M. McGRERY and S. GOMEZ

In Parts I and II of *The Complex Society*, FORUM contributor William D. Phelan, Jr., treated three factors which are shaping the United States of the 1970's and early 1980's: the Defense Department and its extraordinarily strong and increasing power; automation and the implications of its impending applications; and the so-called generation gaps and the resulting sharp disparities of perspective between the middle generation of upcoming managers and those slightly younger.

In Part III of his mind-opening series, Mr. Phelan begins his discussion of conglomeratization. Regretably, space does not permit the publication of his complete discussion of conglomerates this month; it will be concluded in the May issue. The discussion as a whole will be concluded this summer.

Mr. Phelan's series has inspired a remarkable show of interest, not only from within the weapons production community but from a truly startling array of interested citizens also deeply concerned about the direction of American life. We seem to have struck some nerves. The FORUM invites comments on the series from all concerned parties. The name of the magazine means precisely what it implies.

Conglomeratization — E Pluribus Unum?

Anthropologists have taught us that the dominant institution in any society not only avoids external scrutiny but strives to strengthen societal controls that insure perpetuation of such an unexamined status. In our country, the large corporations are the dominant institution. They comprise the strongest, most consistent generic power in the land. They share a high degree of coordinated values. Their power is all the more remarkable in its resiliency and ability to accommodate or absorb other challenging power centers — such as big government and organized labor — in ways that turn an additional profit, erect an additional privilege, or acquire protective mechanisms to ward off new pressures for change or reform.

— Ralph Nader, testifying before a joint session of the Senate Small Business Subcommittee, July 10, 1968.

We find the greatest excitement in the whole world is to beat out all these other corporations. I don't think of a higher form of activity of a competitive nature. People overlook this competitive nature, which is the heart and soul of the American in-

dustrial enterprise. It is the competitive streak that counts. What are we doing this for? It's to beat the other corporations . . . the real competitors are all the other large corporations in the U.S. Our objective is to increase our rate of earnings faster than they do. It is a lot of fun.

— Dr. Henry E. Singleton, Chief Executive Officer of Teledyne, Inc.; *Forbes*, 9/15/67, p. 230

In America the only reality is business.

— Charles de Gaulle, 1968.

I. Charting the Conglomerates

During the past two years Congressmen, economists, and journalists have gradually become concerned about conglomerate corporations. The extraordinarily rapid growth of many of these companies and the flamboyant business practices of several of the most successful chief executives have aroused suspicion. Despite the assurances of Galbraith that the "technostructure" has taken command, entrepreneurial gusto is strongly in evidence at the core of this most dynamic movement in the American corporate economy. Fi-

Chart II. KEEPING BUSY (A Sketch of Seven Conglomerates)

GENERAL TIRE — tires; plastics, chemicals, paint latex; Aerojet General (rockets, atomic energy); RKO General radio and TV stations in N.Y.C., Los Angeles, Boston, Memphis, and Windsor, Ontario; Yankee Network; radio stations in San Francisco and Washington, D.C.); A. M. Byers Co. (wrought iron, pipe); Frontier Airlines; Fleetwood Corp. (home appliances, Canada); a daily newspaper in Schenectady; Pittsburgh Outdoor Advertising Corp.; TV receiver leasing; Citadel Industries (towboat and barge operations, aircraft sales and repairs, 3 Pepsi-Cola bottlers, a resort hotel).

GULF & WESTERN — automotive parts; steel forgings and castings; Paramount Pictures (production and distribution of motion pictures, control of Canadian theatre chain, TV film rentals and sales, records and music; New Jersey Zinc; warehouses and jobber outlets; Taylor Forge and Pipe Works; South Puerto Rico Sugar; North & Judd (hardware); Collyer Insulated Wire; Desilu Productions; Consolidated Cigar; E. W. Bliss (metalworking machinery); Universal American (tools, bearings); Associates Investment (finances sales of automobiles, mobile homes, trucks, farm equipment, other consumer goods; direct personal loans; commercial financing; life and casualty insurance; the largest bank in South Bend, Indiana; part interest in Kundenkreditbank, which operates 150 consumer finance offices in West Germany).

INTERNATIONAL TEL. & TEL. — manufacturer of telecommunications equipment; international communications operations; telephone networks in Latin America and elsewhere; technical industrial products; defense and space programs; Avis car rentals; National Truck Renting; parking facilities; life insurance; mutual fund sales and management; personal finance; educational publishing; motels; Levitt Sons (construction); Sheraton Corp. (hotels); Rayonier (dissolving pulps, bleached woodpulp, lumber, turpentine, paper, shingles, silvichemicals); Garden State TV; Pennsylvania Glass Sand; Continental Baking (Wonder Bread, Hostess Cakes, Morton frozen foods, Profile Special Formula and Dafodil Farm Breads); Canteen Corp. (institutional food service; operation of sports concessions; the sale, leasing, and operation of vending machines); pending merger with Hartford Fire Insurance (heads a group of eight cos. which write practically all types of insurance); operates a Job Corps Center.

LING - TEMCO - VOUGHT — electronics; aerospace; meat packing; foods; wire and cable; recreation and athletic equipment; pharmaceuticals; chemicals; Braniff Airways; National Car Rental Systems; Gulf Life Insurance; Stonewall Insurance; general research and development; three business colleges; Jones and Laughlin Steel (Jalore Mining Co., Ontario; Normanville Mining Co.; The Monongahela Connecting Railroad Co.; Aliquippa & Southern Railroad Co.; Cuyahoga Valley Ry. Co.; Magdalena Mining Co. — owns iron ore property in Cuba, inactive; Union Dock Co.; Gateway Coal; stainless and strip steel; finished bars, wire rope; electricweld tubing; steel drums and palls; conduit products); Kentron Hawaii.

LITTON INDUSTRIES — Monroe calculating machines and computers; Sweda sales registers; office furnishings; product identification tags and labels; tag marking and reading machines; printing of trading stamps and other graphic arts products; specialty papers; McBee accounting, data processing, storage, and retrieval systems; advanced data systems development; inertial navigation systems; command and control systems; radar and communications systems; precision navigation instruments; seismic exploration; aerial

photography; geophysical exploration; medical equipment; sound recording equipment; infra-red and microwave heating equipment; X-ray systems; market display equipment; electronic components; nuclear submarines; automated and marine cargo ships; offshore exploration vessels; Great Lakes barge fleet; manufacture of liquid and bulk materials-handling and processing systems; American Book Co.; D. Van Nostrand; Landis Tool Co.; Dentists' Supply Co.; Imperial Typewriter (England); Business Equipment Holdings (Australia); Svenska Dataregister (Sweden); other companies in Switzerland, West Germany, Holland, Canada, and Panama; Parks Job Corps Center.

RAPID - AMERICAN — advertising typography; duplicate printing plates; real estate operations; luggage and travel cases; men's suits and sports coats; 28% interest in North Shore National Bank of Chicago; McCrory Corp. (McCrory, McLennan, Green and Otasco-Economy Stores; Lerner Shops; S. Klein Department Stores; Best & Co. stores; McCrory Credit Corp.); Glen Alden (warehouse operations; real estate sales and development; textiles; TV station in Albany-Schenectady-Troy area; operates 160 motion picture theatres under RKO-Stanley Warner name; interests include oil and natural gas properties; roofing products; asbestos fibers; bathroom cabinets; mirrors; heaters; kitchen range hoods; fans; door chimes; radio-intercom systems; steel access doors; operates an asbestos mine through a Canadian subsidiary; Playtex girdles; gloves; bras; disposable baby bottles and diapers; baby pants; and swim caps; Sarong fabric girdles and bras; B.V.D. underwear, dress and sport shirts, pajamas and robes; Wonderknt, Botany, Beau Brummell, Fabiani, and Mr. John outerwear and neckwear; Flexees, Gilead, and Jubilee lingerie, sleepwear, and foundation garments; Alligator and Almar rainwear and all-weather coats; Anvil and Meadow work clothes and slacks; Fawn, McKem and Nappies infants' and children's wear; Timely men's clothing; Aztec men's toiletries; Tek tooth brushes, hair brushes, and combs; throat lozenges; synthetic latex; industrial adhesives, chemical starches, processed gums, specialty chemicals; aerospace, defense, and industrial equipment; Schenley Industries — the distilling, blending, rectifying, producing, warehousing, bottling, buying, selling, exporting and importing of alcoholic beverages, including whiskies, gins, rums, brandies, liqueurs, wines, and cordials under such brand names as I. W. Harper, J. W. Dant, Old Charter, Dewar's, Samovar vodka and Dubonnet; manufacture of commercial rum; cooperage; barn feed by-products; World Foods, Inc.; Julliard Fancy Foods, Alroy Packing; interest in a nuclear energy, chemical, metallurgy, and aerosol research firm; Apollo spacesuits; tampons.

TELEDYNE — electronic and aviation control systems and components; geophysical, seismic, and offshore drilling services; high performance specialty metals; high speed motion picture cameras; oral hygiene and dental supplies; gas fired volume water heaters; portable electric cables; subsidiaries in West Germany, Canada, Thailand, and Viet Nam; Monarch Rubber Co.; Ohio Steel Foundry; Plymouth Corp. (pipe and bolt threading machines); resistance welders; die-heads; United Insurance Co. of America (non-participating life, accident, and health insurance; Cloverland Apartments; Fire Insurance Co. of Quaker City); Ryan Aeronautical (Firebee jet target drone systems; navigation systems; research on radar altimeters; laser technology, and micro-wave surveillance techniques; landing radar for the Lunar Excursion Module or LEM; internal combustion and gas turbine engines; materials handling equipment); Packard Bell Electronics (TV and stereophonic sets, consumer financing, micro-meteorological systems, closed circuit TV systems, educational and vocational training; operates Job Corps centers).

Principal source of information for this chart: Moody's Industrial Manual, July, 1968, (New York: Moody's Investors Service, Inc.)

nancial wheeler-dealers with scant regard for the sanctity of established bureaucratic enterprises are on the rampage. And one of the first citadels of the conventional wisdom to fall to the barbarians appears to be *The New Industrial State*.

CURRENT CRITERIA

Attempts to explain the implications of the merger movement often suffer from a failure to discriminate several distinct, if related, phenomena. The conglomerate corporation is merely the most spectacular product of a general process one might call "conglomeratization." Numerous large, well-established companies are transforming themselves in ways analogous to those of the so-called conglomerates — though at a more restrained tempo. In the areas of banking and finance and communications this process is particularly important.

Chart II contains thirty-five major corporations that are commonly considered conglomerates by financial journals. Another thirty-six companies that possess most of the attributes of conglomerates are also included. In principle, of course, conglomerates are corporations that have achieved broad diversification into seemingly unrelated sectors of industry through a series of mergers or acquisitions. But in practice several other criteria implicitly determine whether a company will be popularly considered a "conglomerate": 1) negotiation of most of its mergers since 1955; 2) rapid sales growth since 1955; 3) financially oriented management; 4) a charismatic, "entrepreneurial" chief executive.

Although not every popularly designated "conglomerate" satisfies all of these criteria, they do impose limits upon the categorization of companies. If one adopts the labels used by financial journals, some important questions are automatically begged. Much time and energy can be expended trying to define why a particular group of corporations are "conglomerates." It is more illuminating however to seek to discover the most important social consequences of the rapid emergence of such companies.

BY ANY OTHER NAME . . .

When one sticks to this task, it becomes clear that there are no sharp, important differences between companies that are called "conglomerates" and numerous others that are not. The list of para-conglomerates or "conglomeratoids" in Chart II contains many large, well-established corporations. They have responded to financial opportunities and intense competition by adopting many of the business practices of the conglomerates. For most purposes few of them can be meaningfully distinguished from their conglomerate counterparts.

Some readers may prefer to put a company recorded in the "conglomerate" section of the chart with the "conglomeratoids" or *vice versa*. From the perspective of this article such concerns are unimportant. We are interested in the phenomenon of conglomeratiza-

tion, and all the listed corporations contribute to the process.

In each section of the chart the companies are arranged in order of average annual increase in sales during the past five years. The figures must be compounded to determine total percentage increase for the entire five year period; for example, an average annual increase of 100% works out to 3100% for five years.

The statistics provided for each corporation indicate its earnings growth, profitability, stock market performance, and comparative sales and asset figures. The percentage gain in stock market price since December, 1963 was computed as of December, 1968. Ranks refer to the January 1969 list of the *Forbes* 500. Most of the corporations listed in small type at the bottom of Chart II are relatively small, but many are highly dynamic. Their importance should not be underestimated.

In the frenetic financial atmosphere of recent years unknown companies have rapidly attained leading positions in the American corporate system. Outfits not listed in Chart II at all may well have major roles a year from now. Many more large established corporations will most likely have developed into "conglomeratoids." In its present form, moreover, the list of "conglomeratoids" is only suggestive. A fully comprehensive account would require numerous additional entries.

Despite its limitations Chart II offers a broad introduction to the companies that comprise the core of the current conglomerate merger movement. For a more detailed picture of the business activities of representative corporations Chart I concentrates on seven companies from the first list.

II. Conglom Critics and Their Criticism

As the pace of conglomeratization has increased — and especially since the turn of the year — growing numbers of legislators, agencies, financial journals, and private citizens have expressed concern about the transformation of the American economic system. The extent of the implications of the merger movement is suggested both by the wide variety of the criticisms and the diversity of the critics. A comprehensive, yet far from complete, sampling follows:

1) House Judiciary Committee (Rep. Emmanuel Celler, Chairman) — is investigating the operations of five major conglomerates—LTV, ITT, Gulf and Western, Litton, and National General. Each has been asked to show how its divisions have performed prior to acquisition and recently.

2) House Ways and Means Committee (Rep. Wilbur K. Mills, Chairman) — is holding hearings on a number of tax provisions that appear to offer inordinate advantages to companies active in mergers and acquisitions. The investigations, expected to result in new legislation, will focus on the taxing policies after

a merger, corporate claims for surtax exemptions, and procedures for collecting estate taxes when the owner of a closely held business dies. (On page 32, Prof. Duncan Foley discusses the role of various features of the Federal tax code in contributing to the growth of the conglomerates.)

3) Senate Antitrust Subcommittee (Sen. Philip A. Hart, Chairman) — is investigating the effects of conglomerate mergers on the auto insurance industry.

4) House Banking and Currency Committee (Rep. Wright Patman, Chairman) — has conducted a study of one-bank holding companies. Through a loophole in the Bank Holding Act of 1956, companies owning only one bank are exempted from regulations by the Federal Reserve. Patman's staff study indicates that 233 new one-bank holding companies were formed between 1965 and 1968. (In the past eighteen months about 40 of the 100 largest banks — and all of the six largest banks — have either formed or announced plans to form holding companies.

The commercial deposits of such corporations rose from \$15.1 billion to \$108.2 billion during the same period. By September, 1968 nearly 600 of these holding companies had branched out into twenty different sorts of financial activities not usually considered banking operations. Approximately 400 extend well beyond finance into such seemingly unrelated areas as agriculture, mining, and retailing.

Conglomeratization in the broad field of finance involves several distinct trends: 1) the astounding growth of one-bank holding companies, 2) the acquisition of insurance companies and loan institutions by conglomerates and conglomeratoids, 3) the transformation of established non-banking financial corporations into conglomeratoids, 4) the development of "aggressive," highly speculative trading practices among the managers of institutional portfolios, 5) the triumph of finance-oriented executives over production-oriented, service-oriented, or primarily research oriented administrators.

'FINANCIAL' CORPORATIONS

In a sense, we are witnessing a rapid convergence of corporations from different sectors of the economy. A hybrid form, which is "financial," is emerging. By "financial," however, is meant an enterprise that perceives itself principally — and almost exclusively — in the business of generating profits and capital gains. The top executives of conglomerate corporations are essentially financial operators. The new data-processing technology and managerial methods have enabled them to systematize their money-making activities. Commodious money-markets and modern communications equipment have also played a role in facilitating the victory of the highly efficient, flexible, and "rational" financial management. Rational, aggressive deployment of financial resources is now the stock-in-trade of the top men in the major dynamic corporations.

This new emphasis entails a sharp departure from

Chart II - SOME MAJOR CONGLOMERATES

5 YEAR AVERAGE ANNUAL INCREASE SALES	PER-SHARE EARNINGS		5 YEAR AVERAGE RETURN ON STOCK HOLDERS' EQUITY				ON EQUITY AND DEBT				LATEST 12-MONTH RETURN ON STOCK - HOLDER'S EQUITY				STOCK MARKET PRICE				SALES (IN \$ MILLIONS)		ASSETS	
	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	%	RANK	1964-1968 PRICE RANGE	1980	LATEST 12 MONTHS AVAILABLE	1960	LATEST AVAILABLE	
101.6	2	52.8	13.9	189	19.2	54	9.8	248	595	19	76	5/4	7.4	323.75	65.5	604.2						
97.5	3	54.7	18.0	94	15.0	84	20.1	47	963	7	143 1/2 - 10%	4.5 ¹	806.7	8.7 ¹	8.7 ¹	604.2						
80.1	4	40.5	9.8	379	8.7	296	13.2	205	955	9	54 1/2 - 4 1/2	41.1	1,358.8	26.3	26.3	1,004.0						
79.7	5	98.4	23.1	38	11.7	163	24.4	22	1,688	4	39 1/2 - 2 1/2	24.2	694.9	18.9	18.9	374.6						
74.0+	6	13.7	63.2	1	23.6	13	11.0	304	1,647	5	74 - 1	N.A.	N.A.	N.A.	N.A.	374.6						
65.2	7	53.0	21.0	55	11.6	164	20.2	44	698	15	66 1/2 - 7 1/2	24.0	1,313.9	11.5	11.5	2,055.3						
64.3	8	36.9	11.6	289	11.3	178	18.4	68	501	24	87 - 11 1/2	41.3	591.8	28.4	28.4	509.1						
63.2	9	186.9	20.1	69	34.3	6	20.1	23	4,543	2	94 3/4 - 1 1/4	48.3	517.1	20.1	20.1	310.2						
49.2	10	36.5	22.4	43	14.2	94	14.8	137	795	11	169 1/2 - 9 3/4	148.4	2,769.7	93.5	93.5	310.2						
38.5	16	42.4	10.1	371	6.6	393	8.4	388	132	161	174 - 23 3/4	9.7	498.0	7.9	7.9	310.2						
38.0	17	57.5	17.4	106	13.2	118	18.2	70	573	20	36 3/4 - 4 1/4	87.7	602.3	71.3	71.3	310.2						
35.8	18	97.2	N.A.	—	N.A.	—	16.7	89	5,410	1	139 3/4 - 2 1/2	—	47.1 ²	—	—	402.2						
28.4	23	11.9	24.9	28	12.8	133	14.8	138	131	163	118 - 26 1/4	187.8	1,855.0	119.0	119.0	1,207.9						
24.4	34	10.4	9.3	394	9.0	284	8.3	395	67	257	33 3/4 - 19	263.0	1,392.1	305.5	305.5	1,207.9						
23.6	39	12.7	11.2	306	10.0	235	11.5	276	124	173	62 - 24 3/4	811.4	4,000.0	923.9	923.9	1,207.9						
22.4	44	16.9	13.0	224	8.8	294	15.5	123	316	50	42 1/4 - 4 1/2	42.0	295.1	79.7	79.7	406.1						
22.2	46	18.8	18.6	85	17.6	52	16.8	87	340	47	57 1/2 - 9 3/4	383.2	1,700.0	271.3	271.3	406.1						
21.8	48	8.7	12.2	265	5.8	423	12.5	233	53	283	32 1/4 - 19 1/2	554.7	2,111.7	1,733.6	1,733.6	406.1						
20.3	53	9.7	16.2	126	11.0	185	17.7	76	133	160	65 1/2 - 19	322.7	939.6	176.5	176.5	2,456.3						
20.0	55	25.9	14.0	183	11.0	184	11.9	256	416	30	52 - 7 1/2	421.5	704.1	162.6	162.6	2,456.3						
18.6	65	53.6	7.5	436	6.0	422	12.1	246	196	99	24 - 6 1/2	240.2	323.2	346.1	346.1	2,456.3						
18.3	69	4.1	10.7	337	8.1	319	9.6	356	3	431	61 3/4 - 32 1/2	552.9	1,738.4	605.6	605.6	2,456.3						
17.4	82	*	12.4	253	8.5	309	17.3	83	740	12	54 - 5 1/4	122.2	276.2	37.5	37.5	105.5						

15.8	101	12.4	150	Indian Head	20.3	64	9.0	282	16.1	106	203	95	46½- 13⅜	81.9	369.5	34.7	—
14.3	124	9.6	220	Transamerica	8.7	411	8.4	313	11.0	298	131	163	87¼- 21⅝	10.4 ⁴	90.2 ⁴	225.7	—
14.2	125	48.2	14	Rapid American	31.9	10	7.1	370	24.2	23	738	13	40⅞- 4	37.6	873.3	44.1	337.8
12.4	156	11.1	178	Beatrice Foods	14.5	170	14.5	88	15.0	132	113	186	84½- 33¾	477.7	1,143.5	126.8	371.7
11.1	187	9.6	217	Castle & Cooke	7.5	437	7.1	371	7.8	413	291	57	37 - 9⅜	120.2	417.5 ⁵	117.5	—
10.7	197	18.6	72	ELTRA	10.9	327	10.0	235	12.2	241	307	51	50¾- 11⅝	47.2	109.0	74.1	—
9.2	246	N.A.	—	Colt Industries	N.A.	—	N.A.	—	10.4	324	285	59	83 - 10¾	145.4	663.9	143.2	—
8.7	262	-1.9	445	INA Corporation	4.3	478	4.3	472	3.7	483	3	431	51¼- 24⅜	19.9 ²	51.0 ⁴	1,121.7	—
7.8	304	2.6	404	Illinois Central Industries	3.9	481	3.4	479	3.8	482	157	128	76 - 21¾	260.2	586.9	721.3	—
6.8	348	17.6	86	Norton Simon	N.A.	—	N.A.	—	10.9	308	N.A.	—	N.A.	—	912.1	—	679.6
-1.0	490	3.2	396	General Tire	14.0	180	9.7	252	11.3	292	59	272	38¼- 13¾	753.9	1,039.1	386.3	—
N.A.	—	N.A.	—	Northwest Industries	N.A.	—	N.A.	—	N.A.	—	450	29	182 - 25⅝	207.2	701.0	587.2	—

SOME MERGER MINDED CONGLOMERATOIDS

107.4	1	57.8	7	Occidental Petroleum	17.4	103	13.0	125	18.9	56	523	22	55⅝- 6⅜	2.5	1,806.8	6.7	779.1
46.3	11	22.7	49	SCM Corporation	8.1	424	8.1	322	9.6	354	277	62	86⅝- 11¾	93.4	744.8	85.2	470.0
39.0	15	42.9	16	Norris Industries	23.5	36	19.7	32	36.5	5	265	65	33½- 6⅜	39.7	274.0	27.6	113.8
34.9	19	32.4	24	Xerox	43.6	2	22.0	16	30.3	11	238	78	323½- 70	37.1	896.4	56.4	—
32.5	20	20.9	58	Boise Cascade	12.6	244	9.2	274	16.2	104	298	54	72¾- 16⅞	131.2	1,026.5	88.4	—
22.4	43	16.1	108	TRW	18.7	84	12.9	128	16.4	97	285	59	59¾- 11½	420.4	1,487.5	239.5	—
22.1	47	9.9	209	PepsiCo	21.2	53	18.4	44	20.1	46	105	200	52⅞- 24	84.1	843.3	45.6	—
20.6	51	15.4	116	Lear Siegler	13.3	211	11.1	182	16.2	104	290	58	28 - 5⅞	91.0	477.5	60.0	265.1
20.2	54	21.2	55	American General	10.3	359	10.3	223	14.4	154	—19	432	30⅞- 15⅜	—	—	282.7	1,462.2
20.0	56	18.0	80	Dresser Industries	14.7	161	12.5	141	11.8	262	360	42	42½- 12½	245.7	623.7	225.9	538.7
19.6	57	14.2	126	American Express	21.3	52	20.6	25	26.7	18	480	26	77 - 11½	9.0 ⁴	63.7 ⁴	732.7	—
19.6	57	17.8	82	Raytheon	12.0	276	10.8	198	16.3	101	388	36	58½- 8½	540.0	1,158.0	225.8	—
17.3	84	16.1	106	Consolidated Foods	15.8	137	12.8	135	16.5	94	154	131	66¾- 30½	424.9	1,216.8	126.0	568.3
17.1	89	*	—	Studebaker-Worthington	20.4	63	13.5	109	15.8	112	83	237	72¼- 17½	323.2	710.0	163.7	—
16.5	96	12.7	145	Rexall	15.4	144	11.6	164	12.8	224	412	31	48⅜- 17⅞	242.6	531.6	158.8	447.3
16.1	100	12.4	153	FMC	16.9	115	12.0	154	15.0	133	58	274	44⅜- 25¾	363.9	1,376.0	317.2	—
15.7	105	3.9	379	Singer	11.3	905	9.0	281	11.9	259	2	436	100¾- 39⅞	525.9	1,755.0	582.2	—
15.1	113	11.1	176	Evans Products	14.6	165	9.6	255	9.6	355	410	32	56¼- 11⅜	79.4	341.7	41.8	—
14.7	120	11.9	161	McGraw-Hill	20.8	57	20.0	31	16.5	93	193	101	56½- 14⅞	116.8	368.1	74.9	—
13.8	138	11.1	179	Ex-Cell-O	15.1	153	12.7	136	14.3	155	96	217	41 - 17¾	137.6	370.1	110.3	—
12.8	151	9.6	222	Gen. Tel. & Electronics	13.8	192	7.2	368	12.6	230	38	325	55 - 31⅞	701.3	2,927.1	2,204.9	—
11.9	169	9.2	233	Bendix	10.5	344	10.5	208	11.5	272	116	183	57½- 21⅜	792.3	1,388.7	407.2	905.2
11.8	171	16.9	95	RCA	20.3	66	13.4	114	18.4	66	70	251	65½- 26⅞	1,486.2	3,129.0	815.5	—
11.3	183	14.3	125	GAF (Gen. An. & Film)	7.9	431	7.0	379	8.2	397	5	424	43¾- 16⅞	159.8	520.9	181.4	473.5
11.1	188	9.7	215	Dow Chemical	14.1	179	10.3	200	14.3	158	23	363	91¾- 54	781.4	1,652.5	901.2	—
10.6	201	7.6	278	Eaton, Yale & Towne	15.3	148	13.0	125	12.3	239	128	168	43⅞- 13⅞	253.5	889.8	147.6	529.6
10.5	202	20.9	57	Bell & Howell	11.1	312	8.8	292	11.9	256	211	89	93⅞- 20¼	114.1	280.3	89.1	—
10.0	219	10.2	197	Time	20.1	68	14.2	93	14.7	140	231	83	115 - 30⅞	287.1	567.8	230.6	—
9.8	222	0.0	434	El Paso Natural Gas	9.6	386	4.6	464	7.7	415	8	420	25¼- 16⅞	504.6	821.0	1,504.9	—
8.7	262	8.7	247	Midland-Ross	11.1	312	10.6	208	9.2	371	125	170	42 - 15½	118.1	323.7	68.8	—
8.6	266	16.1	107	Westinghouse	10.7	336	8.7	295	11.3	285	122	177	79⅞- 29¼	1,995.7	3,296.1	1,521.1	2,271.4
7.5	316	5.1	344	Greyhound	21.7	49	16.3	62	16.4	98	13	402	30¼- 15¾	323.5	621.2	243.5	—
4.6	429	4.0	378	Olin Mathieson	10.8	333	7.1	374	9.7	349	141	150	81¾- 32½	689.6	1,002.0	860.1	795.0
3.9	443	8.2	262	National Distillers	9.6	384	6.4	401	9.1	373	83	237	49⅞- 23¾	580.2	957.6	540.5	—
-6.9	496	3.8	383	Martin Marietta	11.1	315	9.1	279	12.0	252	48	296	30 - 16⅞	651.2	682.0	246.6	—
N.A.	—	14.6	121	Penn Central	N.A.	—	N.A.	—	2.8	488	158	126	86½- 25⅞	843.7 ³	2,049.0	2,334.4 ³	6,264.3

†Four-year growth rate *Deficit at beginning of period ¹1961 ²Total Income ³Pennsylvania RR ⁴Net Income ⁵Latest 9 mos. x @ 1.33

ADDITIONAL CONGLOMERATES AND CONGLOMERATOIDS:
AMF, Air Reduction, A. J. Industries, American Hospital Supply, Amtec, Ametek, Automatic Retailers, Avnet, Bank Industries, Bangor Punta, Borg-Warner, CNA Financial, Chromalloy American, Clark Equipment, Coastal States Gas Producing, Columbia Broadcasting, Continental Corp., Cook Coffee, Chris-Craft Industries, Chase Manhattan Bank, Crowell Collier & Macmillan, Conwood, Continental Telephone, Commonwealth United, Charter New York, Coburn Corp. of America, Cowles

Publications, Compudyne, Cox Broadcasting, Dun & Bradstreet, Duplan, EG&G, ESB, Eagle-Picher, Esquire, Fairchild Camera, First National City Corp., Fluor, Foremost-McKesson, Fansteel, Fuqua Industries, GAC, General Host, Gannett, Genesco, Gilen Industries, Gould-National Batteries, Gulf Resources & Chemical, Handy & Harman, Harvard Industries, Hitco, Houdaille Industries, Howmet, IHC, International Paper, International Silver, Instrument Systems, Kinney National Service, Lehigh Valley Industries, Liberty Corp., Liquidonics Industries,

Levin-Townsend Computer, Lykes, Corp., Loew's Theatres, MSL Industries, Mallory Randall, Monogram Industries, NVF, National General, Newmont Mining, National Industries, NorTex, North American Rockwell, Omega Equities, Porex Corp., Pacific Coast Properties, Parker-Hannifin, Realty Equities Corp., Republic Corp., Resorts International, Royal Industries, Rucker, Seilon, Sperry & Hutchinson, Southland Corp., Standard International, Susquehanna, Transcontinental Investing, Vernitron, Whale Electronics.

(Permission to use statistics from Forbes, "Twenty-first Annual Report on American Industry," 1969, is gratefully acknowledged; corporate ranks are from the Forbes lists of the 500 largest companies).

the conservative practices of the traditional banks, financial companies, and institutional investors. During periods of stress or recession, aggressive, narrowly self-interested financial policies can be highly de-stabilizing. Thus, the fears of Patman and others about conglomeratization in banking and finance focus on two dangers: (A) the rapid concentration of economic power in an ever-smaller number of national decision-makers (in the case of one-man bank holding companies, a cartelized economy); and (B) the potential threat to the stability of the entire economic system.

5) William McChesney Martin, Chairman of the Federal Reserve Board (referring to the rise of the one-bank holding companies) — "This is a real can of worms. It can effect the whole capitalistic system in the US. The line between banking and commerce should not be erased."

6) President Johnson's Cabinet Committee on Price Stability — In a report issued on the morning of Nixon's Inauguration, this group concluded that the greater general level of economic concentration resulting from conglomerate mergers leads to an intensification of inflationary pressures. It added that the mergers may well "threaten traditional American social and political values."

7) Pressure by businessmen on Congress — *Business Week* reports an increasing flow of appeals for government action from businessmen who fear their companies will be taken over by conglomerates. Typical statements include, "We can't even make an intelligent business decision without worrying whether it will leave us more vulnerable to a takeover": "A market entry decision is pure hell. We're only a medium-sized company, and if we do well in a new market, some corporate raider might gobble us up just for our market"; "Our management is old, and we're trying to bring in new blood to pep the company up. Now we don't know if it's worth trying to save. No matter what we try to do to preserve our family-run business . . . some outsider can take it over."

8) Richard W. McLaren, Assistant Attorney General (Antitrust Division)—"A conglomerate merger may raise the level of barriers to entry into a concentrated market or entrench the position of an already-dominant firm in such a market — effects similar to the elimination of a potential competitor (which he also indicates is a potential consequence).

"If an acquiring firm is much larger than the acquired firm's competitors, those competitors may temper their efforts with considerable caution, and the vigor of competition may be substantially reduced.

"Another potential competitive danger to which the conglomerate mergers may give rise is the opportunity to engage in reciprocal dealing — to favor customers with purchases, rather than to make purchasing decisions on the basis of price, quality or service. As a conglomerate company expands by merger into more and more lines of business, the possibilities for recipro-

cal dealing similarly increase. . . .

"Aside from the competitive impact of increased economic concentration, I am concerned over the human dislocations which result from these mergers. When the headquarters of one or two large companies are removed from the nation's smaller cities to New York or Chicago or Los Angeles, I think we all recognize that there is a serious impact upon the community.

"The loss is felt by its banks, its merchants, its professional and service people — accountants, lawyers, advertising agencies. The community loses some of its best educated, most energetic and public-spirited citizens.

"I am concerned that even some of our larger centers may become 'branch house cities,' whose major business affairs are directed by absentee managers. As I have indicated earlier, these are results which contravene the national policy as repeatedly expressed by Congress."

9) Securities and Exchange Commission — is studying the use of bank credit for takeovers and seeks to determine whether the complex packages of securities employed in some recent merger exchanges have violated the 1934 Securities Act. The agency is also working on a new set of "product-line disclosure" rules, requiring diversified companies to report sales and earnings for each business accounting for at least 10% of total volume. Hamer H. Budge, the new chairman of the SEC, has told a House Subcommittee that investors are being deceived by apparent improvements in per-share earnings of high-merger conglomerates.

10) Federal Trade Commission — is conducting a detailed study of the economic, financial and general competitive features of the conglomerates.

11) Dr. Willard F. Mueller, director of the Federal Trade Commission's Bureau of Economics — has declared that the merger trend "threatens to transform irrevocably the structure of the American free enterprise system."

Testifying before the House Ways and Means Committee March 12, 1969, Dr. Mueller stated that his provisional figures for 1968 indicate that there were 192 mergers in which the acquired company had assets in excess of \$10 million — an unprecedentedly high number. These 192 corporations "represented about 7.5 per cent of the total number of companies" in this size category, he asserted.

Seventy-four of the companies in the over \$10 million category were taken over by companies already ranked among the nation's 200 largest. In addition, more corporations with assets of over \$250 million were acquired in 1968 than in the entire preceding twenty years.

12) Federal Communications Commission — Commissioner Robert T. Bartley has warned of "the probable far-reaching political, social and economic consequences for the public interest of the increasing

control of broadcast facilities and broadcast services by large conglomerate corporations” Unusually attentive to abuses of the media, Commissioner Nicholas Johnson has publicized reports indicating that a newspaper in debt to the Teamsters Union ran exceedingly complimentary articles about Jimmy Hoffa, that Anaconda and the du Pont interests use the newspapers they own to further their particular economic interests, and that officials of the Trujillo regime in the Dominican Republic paid \$750,000 to executives of the Mutual Radio Network to secure favorable propaganda in newscasts.

“Most of our politics,” Johnson asserts in *The Atlantic Monthly* (June 1968, pp. 43-51), “is still state and local. And increasingly, in many states and local communities, congressmen and state and local officials are compelled to regard that handful of media owners (many of whom are out-of-state), rather than the electorate itself as their effective constituency.” Commissioner Johnson not only is worried about established conglomeratoid corporations in broadcasting (Transamerica controls Metromedia, RCA controls NBC, General Tire controls RKO; Avco, Kaiser, Fuqua Industries, Rust Craft, Chris Craft, Kerr-McGee, the Howard Hughes combine, and Westinghouse all own groups of television and radio stations). He also points out that the almost unbelievably high profits generated by broadcasting stations (“television broadcasters average a 90 to 100 per cent return on tangible investment annually”) have enabled FCC licensees — especially owners of multiple television stations — to buy other companies. In various regions, but particularly in the Southwest, initial triumphs at marshaling political influence in Washington have thus provided the basis for mini-conglomerate empires. Scores of these combines exist, with the most profound consequences for the political and economic life of the areas they “service.”

INFORMATION CONGLOMS

The use of FCC broadcasting privileges to generate conglomerates is by no means confined to small, locally powerful enterprises. In recent years Storer Broadcasting has acquired controlling interest in Northeast Airlines; CBS has bought the New York Yankees, manufacturers of electric guitars, drums, strings, and speaker systems (5 companies), two producers of educational films, Holt, Rinehart and Winston, and Creative Playthings; RCA-NBC has taken over Random House, Arnold Palmer Enterprises, and Hertz; and Metromedia has acquired the Ice Capades, several radio and television stations, numerous advertising and marketing companies, Diplomat Magazine, the publisher of Playbill Magazine, a producer of documentary films, and 720 acres of land atop Mt. Washington.

Going beyond the area of FCC jurisdiction, Commissioner Johnson also expresses concern about news-

paper-magazine-book publishing combines. *Reader's Digest* has recently acquired Funk & Wagnalls, and Time, Inc. has purchased Little-Brown and a chain of newspapers. Cowles Communications has bought College Publishing, Cambridge Book, Magazines for Industry, several medical and dental publications, and a couple of broadcasting properties. (Cowles publishes *Look*; *Family Circle*; the only English language daily in Puerto Rico; *Education News* a bi-weekly for school administrators; and various magazines in Great Britain and West Germany). McGraw-Hill merged with Standard & Poor's in 1966. Since then it has acquired Shepard's Citations, publishers of legal information; Educational Development Laboratories; several medical publishers; controlling interest in Capitol Radio Engineering Institute; Information Retrieval; and various other companies in publishing, film distribution, and research. (McGraw-Hill publishes a broad line of books, diagnostic and achievement tests for education and industry, and dozens of periodicals — including *Business Week*, *House and Home*, *Aviation Week & Space Technology*, and *Nation's Schools*.)

NEWSPAPER CONGLOMS

Several key metropolitan newspapers have developed into conglomeratoids. For example, the *Washington Post* has generated a *Newsweek* plus broadcasting combine. The Tribune Company of Chicago owns the nation's largest newspaper chain in terms of total circulation of its Sunday and daily holdings, Chicago's only independent UHF television station, and a very powerful radio station. The Times Mirror Company, publisher of the *Los Angeles Times*, has acquired the New American library, World Publishing Co., a maker of slide rules and scientific equipment, a newspaper feature syndicate, Popular Science Publishing, and a pulp and paper company. It controls five lumber and plywood plants, owns over 140,000 acres of timber lands, and operates book clubs.

According to Commissioner Johnson, only four per cent of the American cities with daily newspapers are not dominated by single-owner monopolies. In many cities, the publishers of the newspaper also operate broadcasting facilities. This provides a lever for the concerned members of the FCC. On January 22, the commission refused to renew the license of WHDH to operate Boston's Channel 5. WHDH is a subsidiary of the *Boston Herald-Traveler*.

If this ruling stands, according to *Broadcasting* magazine, over \$3 billion worth of FCC licenses are vulnerable. In early February, moreover, the FCC publicly indicated the issues it is investigating in a special inquiry into conglomerate ownership of broadcasting stations. These include possible hazards to the free and fair presentation of information, reciprocity arrangements in advertising, and the problems of inadequate supervision by top officials.

ONE-VOTE MARGIN

The WHDH ruling was decided by the vote of Commissioner James J. Wadsworth, who customarily sides with the non-regulators on the FCC. Any vitality in the conduct of the Commission can be attributed to Messrs. Cox, Bartley, and Johnson. But they are a beleaguered minority. Unless they can gain constant support from Wadsworth or other Commissioners, Johnson's pessimism is probably justified: "I fear that we have already reached the point in this country where the media, our greatest check on other accumulations of power, may themselves be beyond the reach of any other institution . . . Congressional hearings are begun and then quietly dropped. Whenever the FCC stirs fitfully as if in wakefulness, the broadcasting industry scurries up the Hill for a Congressional bludgeon. And the fact that roughly 60 per cent of all campaign expenses go to radio and television time gives but a glimmer of the power of broadcasting in the lives of senators and congressmen."

13) Interstate Commerce Commission—displays growing suspicion that railroads are transforming themselves into conglomerates to divert their capital from transportation services into rapid growth sectors of the economy. This is leading to further deterioration in the quality of rail travel and may eventually make it unsafe — on account of inadequate maintenance of equipment and facilities.

14) Federal Power Commission—has expressed fear that the industries it supervises will elude its control through absorption into conglomerates. *Business Week*, February 15, 1969, p. 41).

15) Civil Aeronautics Board — There has been great concern, especially since the CAB overruled its independent examiner in the trans-Pacific route case, that certain conglomerates and other Southwestern interests have excessive influence over this regulatory body. The three airlines that provisionally won routes after a reversal of the independent examiner were Braniff (controlled by LTV), American (formerly headed by LBJ's close Texas friend and Secretary of Commerce C. R. Smith), and Continental (with which Clark Clifford and Lloyd Hand have been associated). John Crooker, a Houston attorney and Johnson fund raiser is Chairman of the CAB. And Evans and Novak have noted that such close allies and business agents of LBJ as Walter Jenkins, Cliff Carter, and Troy Post are active at Braniff. Several investigators are currently probing the suggestive circumstances of the route award.

Although conglomeratization has at last drawn a spirited response from most of the major regulatory agencies, it is typically only a minority of alert and dedicated commissioners on each agency that has initiated the studies. The CAB trans-Pacific decision is merely the most striking recent illustration of the extent to which regulatory boards are susceptible to pressure. In

the long run, one cannot realistically expect the federal agencies, as presently constituted, to provide much of a bulwark against the onslaughts of powerful economic interests.

16) Robert W. Haack, President of the New York Stock Exchange — has criticized certain kinds of debt financing used by the conglomerates and has indicated that the Stock Exchange may reject the applications of certain major conglomerates to list new securities issued as part of acquisition "packages."

17) Orville Freeman, former Secretary of Agriculture — asserts, "There could be real problems if (the conglomerates) move into agriculture. They already have contributed to bidding up land values. They can go in and farm and write off their losses as a tax deduction on a very profitable operation elsewhere. When this happens, dangerously unfair competition takes place."

18) Gilbert Burck, a regular *Fortune* contributor — " . . . the stockholder, relegated by Adolph Berle and other non-contemporary economists to a limbo of impotent ownership, has found himself inadvertently practicing Stockholder Power . . . A great proportion of all mergers last year were consummated, often hastily and ill-advisedly, because a company wanted to keep from being taken over by an aggressor. The targets of this aggression are some of the most upright, prudent, powerful, and self-assured corporations in the land. Self-assurance is fading. Proud old names have already been taken over, and dozens of veteran executives have been sacked. Foreboding, frustration, and even fear are epidemic in perhaps three out of five big corporate headquarters. Anguished executives who should be minding the shop are instead behaving as if they were up to some underhanded adventure, spending long hours counseling with lawyers, management consultants, proxy specialists, and public-relations men skilled in the art of forfending takeovers."

19) George C. Demas, a New York City lawyer specializing in corporate takeovers (quoted in *Fortune*, February, 1968, p. 158) — "A company takes over a company by using that company's own money. That is, the acquirer eventually pays off its I.O.U's with the assets of the acquired company. In a sense the weaker the acquiring company, the more it can offer, because dilution is no problem for it. Its important consideration is the assets of the company to be acquired."

20) "One visionary financier" (quoted in *Fortune*, February, 1968, p. 161) — "General Motors is in many ways an ideal target. It has a low price-earnings ratio, relatively slow growth, large asset base, lots of cash, and high net worth. It is also shamefully underleveraged. Like du Pont, from which it inherited its financial policies, G.M. has little debt. G.M. is thus practically a partner of the federal government, which takes more than half its gross profit. As a matter of fact, some have argued G.M. should have borrowed bil-

lions and bought in a lot of its own stock. This would have raised earnings per share and provided leverage—would have enabled earnings per share to rise faster than earnings as a whole . . . Now suppose some hero conglomerator printed up \$15 billion worth of debentures and maybe another \$10 billion in stock and warrants. G.M. stock, which pays \$4.30, is selling around \$80. Our hero would offer say \$125 worth of his securities, paying say \$5 or \$6 for every share of G.M. Once G.M. stockholders realized that I.O.U.'s would really be paid out of G.M.'s own pocket, with the federal government footing part of the bill, they probably would trample over one another in the rush to exchange their shares. This may sound unthinkable. But things just as unthinkable are happening all the time."

21) Eliot Janeway, the economic adviser and journalist — "If today's new markets worked according to yesterday's old rules, the tightening of bank credit that the monetary authorities have ordered would slow down the financing of corporate take-over raids. In fact, . . . the raiding game is bigger than ever. Two good reasons explain the paradox . . ."

"(First) the raiders invariably have less cash than the corporations they raid. The takeover game has been adding a clause to Gresham's Law, which warns that bad money drives good money out of circulation. The new practice of the take-over game is to send cheaper currency (in this case, the securities the conglomerates issue) chasing after better (hard cash) . . ."

"The aim of cash-tight conglomerates is to convert cash-rich take-overs into captive banks; and the harder the credit crunch, the bigger the premium commanded by the cash-rich candidates for take-over. It's become cheaper — and, certainly, surer — for cash-tight conglomerators to overpay for stocks on the take-over list than to overpay for borrowings and have nothing to show for the exercise except debt — or worse still, to have their pyramids exposed to a clamp-down by lenders.

"(Second) the reach of the domestic credit authorities is limited to the supply of money domestically . . . The Eurodollar market is wider open than the casinos in Las Vegas . . . Increasingly, therefore, the take-over operators have been going to Europe for borrowings to finance their raids. The growing likelihood of a shut-down at the U.S. bank-lending window aimed specifically against the take-over borrowings is rapidly switching the center of American take-over financing across the Atlantic.

"American management is still inclined to underestimate how many billions of easy (if no longer cheap) dollars are available for the asking in Europe, and how fast the pool is growing. It is already so big, and it is now growing so fast, that in a couple of years not even the largest and heretofore supposedly most unassailable American corporations can be sure of being raid-proof.

Just because big American corporations are as big as they are, their managements cannot possibly control enough stock to stand up to raids financed by multi-billion dollar pools in Europe." *The Weekly Bond Buyer*, February 17, 1969, p. 11).

22) David Deitch, highly respected financial editor of *The Boston Globe* — "Coupled with government military requirements, industrial demand for investment money will continue to drain the capital markets of whatever they have—and that includes the stock market — forcing interest rates inexorably higher and putting additional pressure on European fund sources to come across with the goods. . . ."

"The Pentagon budget is still being set up for a massive break-out in spending, current fiscal difficulties only postponing what the informed see as obvious. For instance, *Aviation Week & Space Technology*, a magazine with close Pentagon connections, writes editorially that since Vietnam the Defense Dept. has been 'subjected to an era of fiscal juggling that makes the most piratical corporate raider look like a Boy Scout. In order to conceal the real effects of inflation and the true costs of the Vietnam War, the corporate assets of the Defense Dept. were drained from virtually all areas of future development to pay the mounting costs of the present. . . . Some independent souls with long experience in defense matters . . . indicate that the Pentagon is from \$20 billion to \$80 billion short in financing its current requirements. . . .'"

GUESS WHENCE EURODOLLARS

In this context it should be noted that a recent Yale doctoral thesis indicates that the Vietnam War may account for a total annual foreign payments cost of \$4 billion. In the terms of structural analysis — and without asserting a conspiracy — we can discern what might be called the "conglomerate-Pentagon-Vietnam-Eurodollar-takeover system." It works as follows: 1) numerous conglomerates and conglomeratoids produce aircraft and other defense items. The tremendous increase in contracts since the Viet Nam escalation of 1965 has added greatly to their cash flow. Much of the money has been used to finance new acquisitions. 2) The Pentagon has squandered sums greatly in excess of the publicly reported figures in conducting the war in Viet Nam. Extraordinarily high costs for aircraft, petroleum, construction, explosives and ammunition, and outright theft have made America's Southeast Asian adventure a safari into one of the greatest fiscal swamps in American history. 3) Much of the money squandered in Viet Nam itself finds its way into the coffers of the South Vietnamese upper class. 4) It is quickly spirited off to safe havens in Europe, where it is transformed into Eurodollars. 5) The Eurodollars are then borrowed by conglomerates to finance additional acquisitions.

In some cases an independent defense contractor is acquired. The superior Pentagon connections of the

acquiring conglomerate enable the previously independent company to secure more contracts. And so the cycle proceeds. It is scarcely possible to imagine a more lovely war — for the ruling groups in Saigon, the lenders of Eurodollars, and, above all, the major defense conglomerates. To put it bluntly, certain ascendant domestic interests — whether consciously or not — are using the Viet Nam conflict to expand their power enormously and to transform drastically the American economic system.

23) *Barrons*—“Corporate accounts increasingly are dressed up to lure investors with appearances. In a harmless instance, the First National City Bank of New York decided to list in its accounts all outstanding loans without the traditional deduction of a reserve for loan losses, in order to look better in its race with the Chase Manhattan for second rank among American Banks. (Bank of America is No. 1) . . . Industrial and utility accounting is more tricky. Steel companies have been fattening reported profits by returning to straight line depreciation of their fixed assets. Most airlines have changed accounting methods in order to improve their showing for 1968, a pretty poor year.”

24) *Forbes*, on the conglomeratization of insurance companies (March 1, 1969, p. 47) — “. . . the threatened disappearance of yet another industry under the conglomerate wing means another worry for the Securities Exchange Commission. The fire and casualty insurance companies have long held huge blocks of common stock . . . through thick and thin . . . How would . . . conglomerates behave with those portfolios in a major downturn? And conversely, what will happen to the market’s overall volatility as more and more insurance portfolios are managed aggressively? Conglomerate managements point out that corporate pension funds are also being managed more aggressively — (hardly an adequate) answer to this unsettling trend.”

25) William Doyle, financial writer — “Many hot-shot mutual funds (which try for rapid gains in value) buy restricted stock for which there is no ready market. Typically, a fund will buy such stock under a ‘letter of investment intent,’ in which it agrees not to sell the stock for two years or longer. Because the shares involved have never been registered with the SEC for public distribution, a go-go fund usually buys them at big discounts from the market price of registered stock of the same company.

“After buying restricted stock some funds mark it up and list it in the fund’s calculation of asset value at or near the market price for the registered stock. This of course, makes the funds look good and will increase the price of the funds’ shares. It gives them ‘instant performance.’

“But a mutual fund is supposed to stand ready to redeem its shares (usually at net asset value) on any business day. A fund with a lot of restricted stock

(which it cannot sell) might not be able to raise the cash to meet a flood of redemptions by shareholders who want to unload.

“That’s exactly what happened at Mates Investment Fund. It had to suspend redemptions after the SEC suspended trading in the stock of Omega Equities Corp. Mates holds a bundle of restricted Omega stock.”

26) Paul Codman Cabot, former treasurer of Harvard and the dean of the Boston financial community — “It’s the same old story in these takeovers. Somebody makes a pass at these girls and they rush out to find a legitimate marriage. Either way, the girl loses her virginity — fast. (Mr. Cabot’s more emphatically expressed remarks appear in the bowdlerized version in *Forbes*, February 15, 1969, p. 65) . . . I can see things brewing right now that could be more troublesome than what we had in 1929. . . .

“In 1929 the investment trusts were doing wicked and unsound things, things which helped bring on the crash. You didn’t know what was in their portfolios. You didn’t know where their income was coming from. You had to have faith — in a name.

“That kind of role is being played now by the conglomerates and takeover guys. Only they’re doing it on a far bigger scale than the investment trusts did, putting up prices, keeping investors in the dark. Why some of the things I see are just crooked. . . .

“It shocks me that so many investment companies are playing the game too. It works like this: A takeover guy comes to them and says, ‘I’m going to take over such-and-such at such a price 50% over the current market price. Why don’t you buy 5% of the stock and tender it to me when my offer comes out?’ So the takeover guy gets a block of stock in friendly hands and the investment company gets an assured, easy profit. Even if the takeover fails, the raped company marries someone else and the investment company still makes out. This is a game that’s going to give the whole investment company business a bad name.”

27) Some comments by conglomerate chief executives:

a) Meshulam Riklis (of Rapid American — See Chart I for its activities) “This is what happens when there have been abuses — like interest coverage not being there (for payment on securities issued in merger agreements).”

b) Henry E. Singleton (of Teledyne, 20 mergers last year) — “Speculation and the wild deals have been going on too long, and have gotten out of hand. We’re on their (the critics’) side. We want the speculative takeovers to taper off.”

c) John Billera (of U.S. Industries, the most active 1968 negotiator of mergers with 28 successful attempts) — “In view of our policies, whatever regulations might be issued . . . probably will have less applicability to us than to other diversifying companies.”

d) G. William Miller (Textron — produces Bell helicopters, Sheaffer pens, Speidel watchbands, Gorham silverware, Bostitch staplers, Talon zippers, E-Z-60 golf carts, poultry products, etc.) — “If this country allows itself to go the way of some European companies, where capital was kept deep in a sock, then we will never achieve full employment and raise the standard of living for the bottom third of our population.” (*Time*, March 7, 1969, p. 77). Mr. Miller is disturbed, nonetheless, by the debt-financing practices of many conglomerates.

e). James J. Ling (Ling-Temco-Vought) — has described the FTC conglomerate study as an “agency sponsored brand of business McCarthyism or witch-hunting, based on selective suspicions that are absolutely unwarranted.” In a two-page center fold spread in the *New York Times*, March 11, 1969, LTV adds, “While recognizing . . . that speaking out may make us the target for additional harassment, our sense of responsibility and our instinct for fair play nonetheless compels us to present LTV’s position in this matter . . . In effect, there is an anti-conglomerate campaign underway that indiscriminately condemns everyone connected in any way with the companies identified as conglomerates, hurting shareholders, employees, managements, and the communities in which these companies operate.”

28) An anti-conglomerator: Stanley Sauerhaft, a senior vice-president of Hill & Knowlton, a public

relations firm specializing in fending off takeovers — “Defense against a tender raid can often be a period of almost excruciating pain . . . certain types of decisions need to be made and actions taken which have almost no bearing on the normal conduct of the company’s business . . . It might be necessary, for example, for the company to institute a tight system of security in order to prevent any possible leaks of strategic information. This could include periodic checks of executive office and conference rooms for possible listening devices; regular checking of the telephone system; a system of prompt destruction of conference notes and scrap papers; and the strictest care in handling and locking up of stockholders lists and area break-downs. . . .

“Employee morale will drop sharply and production efficiency will go down with it. Key personnel start to leave for other jobs because of the uncertainty . . . and some major customers will start reducing their orders to the embattled company as they seek . . . alternate sources of supply . . . The situation can really be likened to war, with many of the conditions of inequity, brutality, and waste encountered only on the battlefield.”

Quoted by Robert Metz, *New York Times*, March 18, 1969, p. 56.

WILLIAM D. PHELAN, JR.

— To be continued next month

Pikeville - From page 10

fused to produce the subpoenaed documents. Earlier that morning Kunstler had filed a suit in U.S. District Court to quash the subpoenas on the grounds that they were “fruits of a poisoned tree” (they pertained to materials seized on the grounds of a law once declared unconstitutional) and to seek \$300,000 in damages from the subcommittee and its investigators (SCEF attorneys had previously set a precedent in recovering damages to cover court costs from Senator James Eastland’s Judiciary Committee and the Mississippi Senator’s chief counsel).

Chairman McClellan and the subcommittee counsel, who have traditionally staged well-documented “show trials” before the news media when confronted by hostile witnesses, were apparently cowed by the presence of 300 pro-McSurely demonstrators who spent the morning of the hearing in the corridor of the third floor of the New Senate Office Building. They had come originally to champion the McSurely cause, but were denied the opportunity because McClellan had ordered the first executive (closed) session since the investigation of urban orders began. At one point Capitol police were mobilized to clear the halls forcibly but word came down from the 73-year-old Arkansas Democrat that there should be no confrontation. The Mc-

Surelys, refusing to submit to what they termed “Star Chamber proceedings” disregarded the subcommittee subpoena to appear on March 7th, thereby risking contempt citations and a possible jail sentence after the case takes its inevitable two-year tour of the viscera of the federal judiciary system.

III. Not All’s Well That Ends

“Violence is as American as cherry pie,” said Rap Brown, and if eastern Kentucky is anything, it is American. During the country’s long hot summer of 1967, night raiders in coal-mining Knott County dynamited a \$50,000 power shovel belonging to the Kentucky Oak Coal Co. In August of 1968 Bell County’s industries alone suffered \$800,000 worth of “creative destruction.” The present situation is no cooler: *The Nation* reports that mine guards perform their appointed rounds heavily armed and *The New York Times* observes that “random shooting from both sides has become commonplace.”

To no one’s amazement Ratliff, Holcomb, and cronies have found that there’s more than one way to skin an anti-poverty worker. A local paper reported that Holcomb and the Pike County High Sheriff visited

Mulloy at his house and suggested that the proverbial "someone" might bomb his car if the trio continued their activities. Since pioneer days, the men of Appalachia have been men of action: at 1 a.m. on December 13, 1968, the McSurely home was hit by two sticks of dynamite thrown from a passing car.

At this writing the McSurelys have chosen to take up residence in Lexington, Ky., instead of Moscow, Peking or Tirana, and are presently engaged in a study of "Black Lung" for SCEF.

Nearly two years after the McSurelys began their organizing activities, it appears that the McSurelys have lost to the night-riders, the Court House Gang, and the coal interests of Pike County. It has been a political defeat. The F.B.I., an organization not known to side with radicals, compiled a report that says Ratliff's prime objective was "ridding Pike County of anti-poverty workers . . . (His reasons for attacking the program are economic and political: (1) he has made a fortune out of the coal industry . . . (2) he is running for Lt. Governor . . . and thinks it a good Republican issue." Ratliff himself was defeated at the polls last November, but he has succeeded in making the continuance of strip-mine exploitation in eastern Kentucky part of a state policy. The state's newly elected Republican Governor Louis Nunn pledged to "run SCEF and organizations like it out of the state." The political tides were running so strong that both sides of the aisle in the Kentucky legislature joined to form a Kentucky Un-American Activities Committee. KUAC (say "quack") issued a report in late November recommending the termination of the AV program in Kentucky because it is a "tremendous detriment to the deserving people of this region." Queried on this account, KUAC's chairman explained that "working against the health of the people was un-American."

On the other side of the ledger, there are a few distinct signs of hope. In an attempt to upgrade its image, Pikeville has replaced Robert Holcomb ("There really aren't any big conflicts in Pike County. If you measure the people's actual physical needs, there isn't much poverty either") as president of the Chamber of Commerce. And even at this distant date it appears that the November County elections offer a decent chance of retirement for Ratcliff and his Court House Gang.

— PETER A. ISEMAN

LETTERS

Dear Sirs:

I just wanted to write a line to congratulate you for your article on Biafra and the Bureaucrats. I think it is an excellent piece of analysis.

E. U. R. Heyward

(Mr Heyward is Deputy Executive Director of UNICEF.)

Political Notes - From page 7

Some politicians in the state are worried that the extensive ditching necessary for the project could cause serious land erosion and silting of rivers and Lake Superior, and naturalists suspect that earthworms and other soil creatures essential to the balance of nature will be destroyed by the current. There seems to be a reasonable chance that the electrical fields created by the transmitters might disrupt bird migrations as well. Also, when the project was first tested in some undisclosed state, telephones for miles around began to ring uncontrollably because of transmitter interference. The Navy is now trying to "mitigate" these and other side effects with experiments with 20-mile above-ground cables in the Chequamagon National Forest.

GOP Congressman Alvin E. O'Konski, at any rate, seems to think it is all a nifty idea and is touting it to his constituents as a pork barrel tidbit which will make Wisconsin a "worldwide communication center" and for which he is personally responsible. (Perhaps he had a hand in depositing the Laurentian Shield.) Such is his enthusiasm that the local newspaper stories based on information he has given have been classified "top secret" by the Pentagon. Other Republicans are not so enthusiastic.

Indiana - From page 6

administration.

Lost in the legislative melee was much constructive legislation, and any hope for the sort of progressive administration which Whitcomb pledged in dealing with state and local problems. As one picketing teacher's sign put it recently, "Whitcomb flunks the three R's — roads, reading, and revenue."

Those who have been looking ahead to the 1970 election are pessimistic about the Republican future. After having come back from the Goldwater debacle of 1964 (the State House was 78-22 Democratic, the Senate 35-15 Democratic, all state offices Democrat, and the Congressional delegation 7-4 Democratic), the GOP now may well be in for another series of reverses at the polls.

Ironically, the only major unscathed figure in Indiana Republican politics aside from Bowen at present is William Ruckelshaus, who lost a narrow Senate race to Birch E. Bayh and is now Nixon's Assistant Attorney General for Civil Affairs. Observers wonder whether he will return to Indiana soon to run again for elective office, despite his credible showing, in the face of the state's problems, however.

Unless "Doc" Bowen (the Speaker is a physician) and like-minded Republicans can exert a substantial influence in state government during the next eighteen months, the Republican party in Indiana faces the uncomfortable reality of watching the inexorable advance of Birnham wood from a position thoroughly ensconced in Dunsinane Castle.

14a ELIOT STREET

The time was that the Ripon Society was described as "the American Bow Group." Now, Denis Brogan, writing in the *New York Times* from London, says he "recently addressed a small group of young Conservatives, the equivalent of the Ripon Society types."

● The Seattle Chapter has attracted considerable attention with its proposal for a city-ombudsman, the main conclusion of a recent paper on city government there. City Councilman Tim Hill, a Ripon member, has submitted the idea as city legislation and received the support of both major newspapers. Senior author of the paper is University of Washington assistant professor of law William Rodgers.

● In Philadelphia, a group of thirty prospective Ripon members met March 19 with Republican Party councilman Thatcher Longstretch. Longstretch stressed to the gathering that the field is wide open for Republicans to provide the new initiatives necessary to solve city problems.

● In Dallas, a research project is underway to study the legal system available to lower income and minority groups in that city. The chapter is also involved on an unofficial basis in a proposed Dallas symposium on the administration of justice.

● The Chicago chapter had to postpone a large luncheon due to the illness of its principal speaker, Congressman Donald Rumsfeld. Undaunted, however, the chapter reports the launching of two research projects — one on education in the inner city and the other on the Chicago Transit Authority's problems.

● And in Hartford, things are percolating along at an encouraging rate. Having organized about 50 people, local Ripons are seeking formal affiliation with the society. The group is considering delving into the rapid transit problem, both locally and on a national level, the negative income tax, and the possibility of a statewide conference of Republicans on the issues.

● Ripon's Boston Chapter recently held its Third Annual dinner at the Harvard Faculty Club. Guest speaker, Governor Francis Sargent told the 90 local Ripon members at the occasion of the 305 state agencies and his desire to reorganize them under a cabinet system. After dinner, elections were held. New Boston chapter President will be Terry Bernet; Vice President, Sam Sherer; Treasurer, Mike Brewer; and Secretary, Bob Davidson. New Boston Executive Committee members are: Ralph Earle, Marc Glass, Dave Hoover, Mike Mertz, Dave Reif, and Howard Reiter.

● John McClaughry, frequent FORUM contributor and spawner of Republican ideas, has launched his own consulting firm of McClaughry Associates, Inc. in Washington. "It will concentrate on designing responsible urban and rural area involvement programs for businesses, along with research and governmental relations," says McClaughry who is currently serving in the Vermont House of Representatives, but will be in Washington a great deal of the time after it adjourns on April 19. The firm's location, at 1700 Pennsylvania Avenue NW, "permits the installation of a pulley and clothesline message system to the White House," he reports, "but inexcusable bungling at the other end has so far prevented the implementation of this long overdue reform."

● Lee Auspitz' article on Biafra in the February issue has been reprinted by Markpress European News Service. Ripon has also been approached about the Japanese translation rights of its publications.

● And the FORUM has added a real, live, warm and breathing artist to the contributor's staff, painter Sandy Sokoloff, a graduate student and teaching fellow at Boston University School of Fine Arts. Sandy has exhibited widely and is currently preparing for two one-man exhibitions this spring. Collectors of his art have been delighted by the compelling canvasses — and the market for his paintings, which has tripled in the last year. FORUM subscribers can expect to see more of Sandy's renderings.

The Balance Sheet - From page 32

price rises and the owners receive a predictable and lightly taxed capital gain which they naturally prefer to heavily taxed dividends. This future means that managements which foolishly continue to pay out substantial dividends instead of using retained earnings to buy other companies find that their corporation's stock is unpopular and sells at a low price-earnings ratio — making them a prime target for a merger.

Second, interest on corporate debt is tax deductible. (Much of the debt is held by "institutional" investors like pension funds which can also avoid or delay taxes on the interest when they receive it.) A company without debt can quickly raise the total value of its own stock by issuing debt and using the capital raised to buy back its stock. After it has done this, it finds its sales and costs are unchanged, but its taxes are lower because of the interest it is paying on the new debt. The result is higher after-tax earnings which will bring a larger total value for the corporation in the stock market. If the management of a girdle company stodgily refuses to go

into debt to buy back its own stock, some orange juice company whose management knows nothing about making or selling girdles but a great deal about the tax laws will do it for them at a handsome profit. The result will be another conglomerate success.

The lesson to be drawn from conglomerates has little to do with corporate power but a lot to do with government power. We have haphazardly over the last thirty years of sharply rising defense expenditures built into our tax systems very powerful incentives which are influencing behavior in ways that are either irrelevant or bad. We can get out of this in two ways: by lowering the level of taxes so that loopholes become worthless, or by making a simple, consistent tax law which is based on economic reality. We can start by lowering the high marginal rates on large incomes and ending the capital gains exclusion.

—DUNCAN K. FOLEY

(Mr. Foley is assistant professor of Economics at M.I.T.)

THE BALANCE SHEET

Conglomerates — Tax Whys and Wherefores

The chief motive in changing the ownership of a corporation is to increase the market value of its stock. A merger can accomplish this in several ways. In the past the most common aim in merging two companies was to increase monopoly power by concentrating ownership of some scarce resource. If several companies hold competing patents on some important process, when they are merged into one, the new corporation will own all the patents for the process and can raise the price of the final product. No one of the original firms alone could do this because of the threat that the others would undersell. A merger which results in greater monopoly power also produces larger total profits. The total stock of the new company will have a higher market value than the combined stock of the original companies. The increase in monopoly power also has very bad effects on the efficiency and equity of the whole economy. It is against this kind of merger that the anti-trust laws are directed.

Another way a merger might increase profits is when two small companies combine to achieve economies of mass production or to eliminate wasteful duplication of overhead costs. In this case the new company will have higher profits because it will have lower costs. This kind of merger is also familiar, and the reduction in cost it brings is generally good for the whole society.

In the last few years there have occurred numerous dramatic mergers which appear to be based neither on an increase in monopoly power nor on any visible reduction in costs. These mergers typically involve a small company buying a larger one which does business in an entirely different group of markets. Electronics corporations take over sports goods manufacturers, or computer firms buy chemical giants. These mergers, and the corporations that are their result, both go by the name "conglomerate." The aim is still to raise the market value of the two companies' stock, and conglomerate mergers have in general been very successful in this respect.

But there is an element of mystery and sleight-of-hand about the whole thing which strikes some people as funny and others as menacing. Where does the increase in profit come from? There is a

dark suggestion of the Left that conglomerates are Monopoly Capitalism back in a new, subtler, but no less vicious form. (Some pollyannas might argue for cost reduction through improved management and economies in research and development, but I think few people take this seriously when they look at the magnitudes of stock price increases in merger situations.)

The conglomerates do not, I think, threaten competition in the classic sense. If the trend went to an extreme and there remained only 200 corporations, each of which produced *all* major products the result would be much more competition than we have now in many markets. The three major automobile producers, for example, would have to face competitive threats from dozens of large, well-financed, well-managed and technically sophisticated corporations. There is, I think, some danger that these larger companies will be in a better position to corrupt and influence the Congress in an attempt to win contracts, special tax treatment and inside information. But the fundamental difficulty in this respect is high expenditures and taxes which make the patronage of a strong and active government much more valuable than the favors of a weak and passive one.

The secret of the conglomerates' success seems to me to lie hidden in the labyrinthine toils of the Federal tax code. Whenever taxes are very high the incentives built into the tax system become very important. Our corporate tax laws have features which encourage a variety of odd management practices. Our free capital market cheerfully accepts these incentives and punishes our managers who are inflexible or unimaginative in exploiting tax loopholes. I will mention only two of these features, but a tax accountant or merger genius could probably come up with a dozen.

First is the combination of double taxation of dividends — once as corporate income and again as as personal income — and the partial exclusion of capital gains from taxable income. This sharply discourages the fine old business practice of paying dividends on stock. If the same earnings are retained and used by buy valuable assets, the stock

— Please turn to page 31