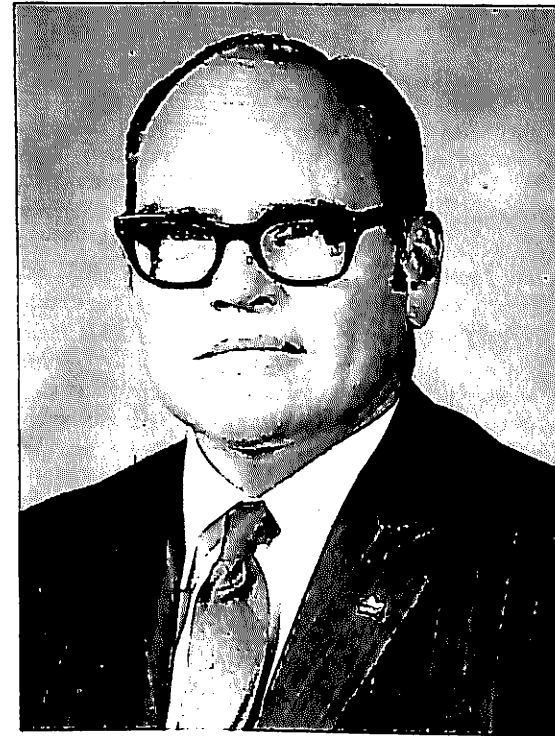


**SAVINGS AND LOAN
ANNALS 1970**

**United States Savings and Loan League
111 East Wacker Drive
Chicago, Illinois 60601**

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United States Savings and Loan League



John R. Kelly, Jr.

PRESIDENT

FOREWORD

NEVER HAS THERE BEEN such a turnaround in the flow of funds into savings and loan associations as there was in 1970. In January the net savings loss nationally totaled \$1.4 billion; for the first quarter, savings gains amounted to only \$567 million.

By March, however, the money market had begun to turn. Savings flowed into associations in increasing amounts. July was a "black" month for the first time in three years. The final four months of the year each set new records for net savings inflow; and by yearend, the business had added \$11.1 billion in savings—fractionally more than the previous high recorded in 1963.

While such a dramatic reversal was welcomed by all, reflecting as it did the easing of monetary conditions generally and a returning cautionary mood on the part of the American consumer, the speed with which this reversal took place made it hard to maximize the benefits to home borrowers. Money costs remained high, necessitating high mortgage rates. Moreover, since the biggest flow of funds occurred in the third and fourth quarters, long after most new construction plans were set, it was difficult for home builders to capitalize on the turnaround.

Nevertheless, a dramatic second half surge brought mortgage loan closings for the year to \$21.1 billion, only slightly off the \$21.8 billion pace of 1969. The figures are encouraging, considering the difficulties, but they mask some very important shifts taking place within the mortgage and residential construction markets.

The role of the federal government, for example, has expanded tremendously in the housing field under the pressures of recent monetary policy. In 1970, approximately one of every four housing starts was financed with some kind of government subsidy.

Secondly, multiunit starts climbed to 45% of the total, a new high. Not only was financing easier to obtain earlier in the year for a multiunit project, but such factors as land use, cost per unit and market demand pushed apartment construction ahead.

Thirdly, rising construction costs continued to plague home building, to the point that many experts no longer believe the single-family, conventionally financed home can make a dramatic comeback, even though mortgage money now appears to be plentiful. Such homes simply are too expensive for a majority of American families.

What all these developments indicate is a rapidly changing operating

environment for savings and loan associations. All the old planning cycles have been shortened, and what is true in January may be false by April. Flexibility, innovation, profitability—these are the new watch-words.

Consider, for example, the service corporation. While the concept is not new, 1970 was the year in which liberalized regulations made it possible for associations seriously to think about forming and using a service corporation subsidiary. Many have done so, and the possibilities thus opened up are quite challenging.

Consider the increasing use of long-term, fixed-rate Federal Home Loan Bank advances. Consider the granting of Keogh-fund trust powers to savings associations, third party bill paying systems and lending powers extended so as to make associations more effective in providing funds for family shelter needs. All of these items and many more call upon management to take the initiative, to make the difference. No national formula will do; each situation requires creative, astute analysis and action.

All of these challenges and opportunities, however, are encased in an economy still plagued by inflation, and inflation is the deadly enemy of long-term lending institutions. Warnings against the threat posed by accelerating inflation have been uttered regularly by recent U. S. League presidents, and I concur.

While various techniques can be adopted to modify the damage from inflation in the short run, it must be brought permanently under control if institutions devoted to fixed-capital thrift and long-term mortgage investment are to prosper.

As you peruse this volume, containing many of the speeches given at our 1970 convention in San Francisco and the U. S. League administrative staff and committee reports, you will note both the awareness of and concern with the problems I have cited.

You will also note the confident determination on the part of the business to meet these challenges and continue serving the needs of the American public. It is this determination, I am sure, which will carry us through these present difficulties and into a more prosperous future.

JOHN H. RANDOLPH JR.

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GENERAL SESSIONS

PRESIDENT'S ADDRESS

by JOHN H. RANDOLPH JR., *President*

United States Savings and Loan League

Richmond, Va.

THE ROLE OF THE presidential address is to review the events of the past year and to make some estimate of the future. This I will do, and in so doing, I hope to suggest to you that while the 1970s got off to a bumpy start, the challenge of helping to house America during this decade presents our business with an opportunity for serving a new generation comparable to that which we faced and seized after World War II.

When we said goodbye to the 1960s a year ago at our convention in Chicago, the savings and loan business was in the throes of a tight money squeeze, inflation was accelerating, interest rates were rising, the problem of savings withdrawals was widespread, and the morale of savings and loan people was fairly low.

In retrospect, it appears that in the most recent bout with tight money, the savings and loan business touched bottom last January when short-term interest rates soared to a record high, and savings withdrawals amounted to a huge \$1.4 billion. In February, the Federal Reserve Board moved from a tight money policy to one of moderate ease; a few months later, savings began to improve, and since spring, the improvement in savings has been quite dramatic.

SAVINGS TO IMPROVE

In light of the policies of the Federal Reserve in recent months and the current mood of the American people to save rather than spend, we expect a continued improvement in savings through the fourth quarter of the year—even in the face of the increased demands of the U. S. Treasury. Our institutions across the country will gain an estimated \$5 billion in savings capital in the second half of 1970, as compared to a net savings gain of only \$659 million in the second half of 1969. Viewed from the perspective of savings gains, therefore, 1970 has clearly been a year of recovery for the savings and loan business. This favorable savings trend accounts for the fact that in contrast to a year

ago, the problem most of you have today is to find suitable loan outlets for the substantial savings gains you are receiving.

A year ago, the problem of inflation dominated the American economy. Today, it still prevails, and it has been joined by a selective business recession.

Two years ago, the federal government embarked upon a program of broad fiscal and monetary restraint, which, it was hoped, would pave the way for the end of inflation and the return of orderly economic growth and price stability. Regrettably, however, the restraints have not yet accomplished these objectives. In 1970 these restraints gave way to the return of a monetary policy of some ease and a federal budget that is in substantial deficit. Chairman Wilbur Mills of the House Ways and Means Committee warned recently that this deficit would run as high as \$15 billion to \$16 billion. Mr. Mills' estimates have typically been conservative.

TREASURY FINANCING WILL COMPETE

The greater this deficit, of course, the greater the competition thrift institutions will have from the U. S. Treasury Department. Government deficits can be covered only by printing new dollars or tapping existing pools of capital. A law passed by Congress in 1918 provides that the Treasury may pay not more than 4¼% for long-term money. This restriction forces all of the Treasury financing into the short-term market, and this is where we feel it the most.

I think that one thing we can do in our interest and in the public interest would be to help the Treasury persuade the Congress to remove this impediment to long-term Treasury financing.

It is true that the policies of restraint of 1969 produced a slowdown in some areas of the American economy. Yet there is a question in the minds of many Americans whether progress has actually been made in the fight on inflation or whether the programs followed by the federal government have merely ushered in a recession in some areas of the economy with no promise of general price stability. It is significant that the Business Advisory Council, a group including the heads of some of the largest manufacturing companies in the United States, reluctantly concluded that the administration's anti-inflation program has fallen short of success and that something more needs to be done. Of course, some of the companies represented in the council are in a state of recession as a result of what is a seemingly endless inflation. Some big business firms have discovered something the savings and loan business realized long ago—that inflation hurts some industries much more than others.

HOUSING INDUSTRY ROLE

In recent weeks, there have been numerous predictions that a recovery in housing next year will pace the business revival expected in 1971. Admittedly, there will be more money available to lend by our institutions and from other sources next year than in either 1969 or 1970. The question mark that still remains, however, is whether or not

American families will move back into the home buying market in the numbers that are necessary to assure a major housing revival and, in turn, an economic recovery.

Before many months have gone by, we may discover that lower mortgage rates are essential to the kind of major upturn in housing that is needed—not 200,000 or 300,000 additional units, but 500,000 to 600,000 additional units. But a significant drop in interest rates is impossible until the inflation factor that has been built into the interest rate structure in recent years has been eliminated.

After World War II, housing played a key role in the reconversion to a peacetime economy. As President Nixon reduces the American involvement in Southeast Asia, the industry is ready to play this role again. Indispensable to this, however, is a resolution of the inflation problem.

Now that the election is over, we hope there will be a willingness on the part of the new Congress and the administration to develop a more effective attack on inflation. In the early 1930s, the American people decided that they would never again permit the kind of depression that engulfed the nation at that time. Now we need a similar decision—and determination—to face the problem of chronic inflation.

STABLE GROWTH NEEDED

The greatest domestic challenge that we as a nation face is to provide a high level of economic growth with full employment and relatively stable prices. The American people must demand the kind of economic policies that will get this done.

So far as the savings and loan business is concerned, the biggest risk we run is that there will be no innovation in the fight on inflation. This means, once again, excessive reliance on Federal Reserve monetary policy and high interest rates to curb inflation. In turn, this will mean continued disintermediation and the growing exploration and use by major American corporations of devices to recruit over-the-counter savings.

Inflation not only threatens the savings side of the business, but it is also changing our traditional lending patterns. Because of inflation and high interest rates, the federal government is being forced to inject massive amounts of tax dollars into the housing market. More than 20% of new housing starts for fiscal 1970, or more than 300,000 units, received some sort of subsidy assistance from the variety of federal housing programs, excluding assistance to rehabilitated units. Quite obviously, these expenditures, as they grow, will have an important role in the growing problem of federal government finances.

Interest subsidies have their place in the American housing market, but it would be regrettable—and extremely costly—if the growing use of these subsidies is permitted to delay indefinitely a showdown on the issue of runaway building costs. The problem of inflationary housing costs is not one that will be solved quickly. In today's climate, therefore, it probably would be safer to assume that interest subsidy programs will continue to expand and to affect an increasing share of the new housing market. Already several hundred savings associations are

participating in these programs, and our part in them will grow.

Interest subsidies have grown very rapidly as part of the government's program to keep the housing industry alive during the current period of inflation. Certainly they are vastly preferable to government direct loan programs, and the Nixon Administration is to be commended for having made a choice in favor of interest subsidies instead of direct lending.

In the long run, however, I doubt that anyone really believes that the growing use of interest subsidies is the answer to the nation's housing problem. Subsidies are expensive, difficult to administer, and a source of potential discord between those who receive them and those who pay them. I am sure the savings and loan business would have grave reservations about seeing interest subsidy programs account for a larger and larger portion of lending activity. Yet, so long as inflation persists, we are likely to move further down this road.

LOWER COST HOUSING SHOULD BE ENCOURAGED

One of the things the savings and loan business can do in 1971 to assure a major housing recovery is to encourage the trend toward the construction of less expensive homes and apartments. The *Wall Street Journal* reported a few weeks ago a growing interest in the "basic home" without the expensive frills. Savings associations that work with builders report that the lower-priced house is where the action is. This is a trend all of us should be fostering. It may be the surest route to widening the loan market that has been narrowing in recent months. The irony of the housing market today is that at a time of a growing overall housing shortage there are pockets of over-building—not because the demand isn't there, but because families who would like to buy or rent cannot afford the kind of homes and apartments which are now being built.

All of us are aware that one of the obstacles to a major housing recovery is the resistance of many, if not most, home buyers to the incurring of a long-term mortgage obligation at a time when mortgage rates are at an historic high.

For some time various spokesmen in the housing industry and in the government housing agencies have been trying unsuccessfully to pep up buyer enthusiasm by saying there is little chance for long-term interest rates to decline. These statements have had limited success, so perhaps it is time for the government—through the Congress and the federal agencies—to give assurance that families buying now will receive the benefit of lower interest rates later on.

VARIABLE MORTGAGE RATES

I believe the savings and loan business is ready—in fact, it has been ready for several years—to move in the direction of a "two-way street" in mortgage interest rates. We would warmly welcome some encouragement in this direction from the federal government. We would welcome also realistic action by various state legislatures to raise or eliminate maximum mortgage rate ceilings, because without this kind

of action, a genuine "two-way street" in mortgage rates cannot be achieved. I know that changing or removing maximum ceilings is regarded as a difficult assignment, yet in my home state of Virginia, the state legislature recently eliminated the maximum ceiling in the belief this would better serve the people of our state.

The time to overcome one of the staggering defects in the American mortgage system—the absence of flexible interest rates—is at the top of the interest rate cycle; that time is now.

BUSINESS HAS BEEN RESILIENT, ADAPTABLE

It has been remarkable that despite the vulnerability of our business to inflation and high interest rates, our institutions have fared as well as they have in the past five years. This is a testimonial to the resilience and adaptability of the business to changing economic conditions. It is also a testimonial of the efforts of the U. S. League and the Federal Home Loan Bank Board. Working together to reduce the "interest rate risk," the Congress and the Board have greatly diversified the liabilities of the business and expanded the ability of the business to originate and sell loans during times of uncertain savings flows. There has been a hardheaded and practical approach toward enabling the business to withstand the challenging economic winds.

NEW OPPORTUNITIES LIE AHEAD

During 1970 the framework has been established for new service and profit opportunities. The Board has provided a liberalized service corporation regulation. The Congress gave us limited trust powers to attract Keogh Act funds. The third party payment power, an outgrowth of authority secured in the Housing Act of 1968, gives us the ability to function in the era of the checkless society. Preoccupied as we have been in trying to move through two critical bouts with tight money, many of us have not been aware of the new opportunities before us. The Congress and the Board have a long record of opening new avenues to our institutions; we have only ourselves to blame if we do not avail ourselves of these opportunities.

The chronic and serious inflation of the past five years has been a traumatic experience not only for ourselves, but for most Americans. It has contributed greatly to the feeling of unease in our national life. Through these difficult years, we have had intelligent, aggressive and persevering leadership from the U. S. League, and with the help and understanding of our friends in Congress and at the Board, we have ridden out the storm.

We are indebted to the leaders of the House and Senate Banking and Currency committees for the confidence they have shown us in voting broader authorities for us to serve the saver and homeowner.

But the paramount lesson of the past five years is clear: Our business will continue to be in a basically defensive posture so long as inflation is a serious national problem. Our top priority, it seems to me, should be to intensify our support of programs which will finally terminate the virulent inflation of recent years.

THE FINANCIAL COMMUNITY IN THE 1970s

by NAT S. ROGERS, *President*

First City National Bank

Houston, Tex.



THESSE ARE DAYS in which thinking people are concerned about ecology, the environment and the climate that pervades our lives and our work. It is immediately apparent that all of us are caught together in a fragile life support system and must work together to preserve it. There is also a financial life support system on which we are both, as intermediaries, entirely dependent. It is exceedingly salutary, therefore, for the two largest deposit-type institutions to conduct frequent dialogues on their common concerns. Com-

petition in the marketplace is indispensable, but more and more the standing together of privately managed financial intermediaries must also be accorded a high priority.

Over the years, leaders of banks and savings and loan associations have met and engaged in cordial discord. To the inherently suspicious, it may be impossible to perceive the spirit of meetings embracing rival groups. They would presume the motive for a meeting of competitors to be conspiratorial in nature.

Since World War II, commercial banks and savings and loan associations have differed, often energetically, in areas of deposit interest rate regulation, taxation, reserves, consumer credit privileges, checking account powers and branching regulations. It would be unrealistic to ignore these divisions of opinion, for they are strongly motivated, and changing relationships have to be hammered out in the difficult arenas of politics and public favor.

My message is neither an appeal to "gang up" on the consumer nor to upbraid you for your dissents from the "party line" of banking. Rather, it is that our overriding common purpose must be to serve the American people fully, efficiently and economically. The time is here for us to recognize this.

Fortunately, in the vast majority of communities, commercial banks and savings and loan associations have learned to cultivate a harmony of spirit and a clear understanding of their respective purposes. Past disagreements about the qualities of deposit insurance coverage (whether rates to savers are guaranteed by contract), the soundness of investment policies, and the position of the shareholder vis-à-vis the depositor are disappearing with surprising rapidity. Marketing research has revealed to bankers that the public is not impressed with invidious comparisons, and vigorous merchandising of affirmative service characteristics is the key to competitive success. Moreover, what hurts one segment of financial institutions injures all. An excess of economic ignorance is a common problem, and internal strife within the financial world can only compound it.

Within the last four years, our institutions have been the burdened recipients of the "fallout" of unbalanced monetary and fiscal policies. These policy mistakes were based on the ill-conceived belief that economic goals could be reached on a freeway, rather than a toll road.

In our haste to meet both domestic and foreign policy demands upon our resources, inflationary pressures were engendered which reduced the desire and ability of savers to invest in deposit-type claims. Demands for credit soon exceeded the willingness of the central bank to expand credit granting powers of the financial system. Thus, both savings and loan associations and banks were forced to implement unpopular but necessary economic restraints in the form of higher interest rates and a restricted money supply. The system commissioned us to convey the no-nonsense message to the public that the economy is indeed a toll road, the misuse of which can only lead to higher costs for all.

It is simply a matter of common sense for us to initiate a common cause for greater responsibility in the monetary and fiscal policy areas. The problem of disintermediation is one that has lately created massive disturbances in both our businesses, and it is a moot question as to whose lot was the most aggravated during this period. Our joint problems included the fulfillment of long-standing credit commitments to the business community, financing major needs of public agencies and serving a host of growing consumer demands.

For many banks, there was no choice but to convert reserve assets at distressed prices and to scramble to acquire scarce funds from all available sources. This squeeze led major banks to the Eurodollar and commercial paper markets. The uninitiated regarded these banking responses as circumventions of monetary policy. In fact, they merely represented the intermediation of such fund flows through the banking system. Otherwise, major businesses would have acquired credit directly in the marketplace, as indeed occurred in unprecedented volume. The attractiveness to banks of paying up to 10% for funds, which in turn were used to fulfill outstanding commitments at lower rates, is, of course, nonexistent: The capstone of intermediation is that leverage be positive rather than negative.

Some believe that banks benefited because higher profits were re-

ported during the most difficult days of the stringency. However, revenue and cost factors did not necessarily follow the same precise pattern, accounting period by accounting period, but costs rapidly caught up and spectacular profit improvement vanished. Nor could bank lending to business during this recent period be truthfully construed by anyone to be inflationary. Credit was shifted from direct market transactions to the intermediary system, but neither Eurodollar acquisitions nor bank-issued commercial paper created additional Federal Reserve credit. In any event, the period was costly both to banks and savings and loan associations both from financial and public service standpoints.

Our businesses are now confronted with an essentially new climate in which we are expected to operate. It is fair to say that we have been chosen as major objects of consumer legislation. Indicative of our common interest is our common difficulty in adapting to the requirements of Regulation Z. The intent of this regulation is all to the good, and neither you nor I object to fair disclosure. Yet the detailed forms and incremental costs involved in Regulation Z compliance seem clearly excessive in relation to consumer benefits.

FINANCIAL INSTITUTIONS AS POLICY INSTRUMENTS

Another side to the current wave of regulation stems from the increased inclination to use financial institutions as potential instruments of social and economic policy. Let us concede that both of us, as quasi-public institutions, must accept the obligation of helping achieve national goals on a high priority basis. However, during the past two years when the free allocation of financial resources has failed to distribute resources in full accordance with social objectives, there have been growing pressures to force investments into particular channels.

One prominent case in point is the demand of some groups in Congress for directed mortgage investments by pension funds. This year it is also expressed in calls for investment preferences for housing for low-income groups. The mortgage fund shortage has further evoked suggestions that commercial bank reserve requirements be reduced and that partial tax exemption be allowed for socially desirable lending. All these examples, while of small concern by themselves, are clearly indicative of a new concept regarding the powers and responsibilities of financial institutions.

There is no time today to debate the philosophical merit of such proposals. Perhaps it is sufficient to point out the dangers of substituting "directed" lending and investment by financial institutions for decisions determined in the marketplace. It is more important that we recognize that the issues will not be resolved by ideological arguments but rather will be shaped by pragmatic considerations. Are the benefits from directed investment great enough to offset the obvious disadvantages? Assisting the public and our political leaders to deal with these questions coolly and on the basis of facts is another area in which our two industries should make common cause.

A central fact we all face is that society's expectations have leaped forward in giant strides in recent years. It is no longer adequate for us merely to run an honest business and seek to earn a profit in the bargain. The obligation to use financial and leadership resources to help achieve community and national goals rests squarely on us.

At the community level there is a need for greater collaboration among local financial leaders and more active participation in designing overall community development programs. We could accomplish more by mutual efforts to rehabilitate substandard housing, by participating jointly in financing new low-income housing, and by coordinating job training projects for the disadvantaged. There are enough problems to test us all and plenty of glory to go around whenever success is attained.

On a national basis associations cannot escape the responsibility of developing forward-looking programs to help solve urgent social problems. Despite a tendency in some quarters to belittle the program or complain about its sincerity and effectiveness, I am extremely proud of the work of the ABA Committee on Urban Affairs. It has concentrated on three basic problems and set as an immediate target the implementation of local activities in 50 key cities. The program embraces aid to minority business ownership, an allocation of funds to low-income housing, and a vigorous job training effort for minority group members. A goal of \$1 million has been set for the training of minority business ownership over a five-year period. Local objectives for housing and employment will also be adopted.

A joint program which operates with the National Bankers Association will involve the training of 50 management prospects for black banks during the next year. These men will be paid by the institutions at which they will receive the regular executive training experience and will then return to black banks where management skills are desperately needed. The pilot program last year was generally very successful and as a result is being expanded.

A similar program aimed at the recruitment of prospective black management trainees for our own organizations has also been worked out with the Urban League. This past summer we interned a number of black college faculty members in major banks throughout the country to acquaint them with job opportunities for their students. I commend programs of this kind for your consideration.

FACE ISSUES REALISTICALLY

Today there is good reason for all the financial institutions of our nation to close ranks on the issue of over-regulation, for never before has the maze of regulations proliferated more speedily. The regulation gamut includes consumer protection and disclosure, injunctions against required or voluntary tie-ins of multiple financial services, and prohibitions to guard against misuse of privileged or insider information. Alleged preferences for directors and potential conflicts of interest are also subject to critical scrutiny and proposed restrictions.

Financial institutions have no choice but to face these issues honestly

and realistically. A degree of regulation is doubtless in the public interest, and we might as well resign ourselves to it. What we may possibly avoid by reasonable cooperation and joint action is the "over-kill" which has characterized much financial legislation and regulation of the past few years. Perhaps the most productive opportunity in the immediate future is to join hands in cooperating with the Presidential Commission on Financial Structure and Regulation. It deserves our help to become more than just another exercise in futility. Working together for the implementation of reasonable recommendations could be a practical joint goal.

In approximately a year the commission will be presenting its report. I suggest that we not prejudge it by the dismal record of previous presidential commissions and study groups in the financial area. The stakes are too high for us to engage in a struggle for our own selfish interests without regard to equitable competition and public interest. It is for us to hope that the Commission accepts proper input from every responsible trade group and, as a result, initiates constructive and reasonable recommendations. Our obligation will then be to support their translation into laws and regulations which would guide our operations more productively in the future.

Not so long ago, a congressional leader, speaking to an American Bankers Association committee, indicated that Congress was broadly aware of many difficulties in the financial area but added, "the trouble is, you financial people cannot get together and decide what you want." It was clear that he viewed banks, savings and loan associations and other financial institutions in the same category. To the public at large and even to some legislative representatives, the distinctions we recognize so clearly between our institutions are virtually non-existent or represent a mere detail of no practical importance. It behooves us to recognize this in our activities relating to legislation and public policy.

CHALLENGE IN '70s

As a matter of fact, the differences between the various types of financial institutions are largely historical. Today I have not chosen to argue whether the distinctions should be further reduced or sharpened. There is no doubt that we serve the same public. Our role is to mobilize the financial assets of the community, to provide safety and liquidity for the resources of our citizens, and to facilitate the growth and development of society through our lending and investing functions. These common features of our role should dominate our relationships with each other, and we should de-emphasize the inevitable differences which naturally occur when two vital industries overlap in functions and compete with vigor. In the '70s there are greater challenges than ever before for each of us, and we shall be judged by the effectiveness of our responses. It is time to accentuate the positive in our common objectives and get on with the business of serving our nation more fully. As we accord these joint responsibilities our highest priority, so we shall create a better financial community for all.

SAVE YOUR WAY TO PROSPERITY

by JERRY A. BILLS, *Winner*

Institute's 41st Annual Speech Contest

Western Federal Savings, Denver, Colo.



SPEND, SPEND, SPEND, it's the road to prosperity. Isn't that a great idea? A lot of people actually believe that such an economic theory will work, but it so happens that I don't think it will. Of course, I could be a little biased because I work for the savings and loan business, a business that is dedicated to the promotion of thrift. I ask you to be the judge.

Before I explain why I disagree with such a theory, it might be best for me to explain what the other side offers in defense of their theory.

The "big spenders" claim that there is a "paradox of thrift." Briefly, they hold that if people try to increase their savings, they must correspondingly reduce their spending. This then hurts business, reduces the national income and we all have less to spend and to save. Therefore, the more we save, the less we'll save. Sort of frustrating, isn't it?

Luckily, most folks never heard of this paradox of thrift. They were never told how wicked it is to save, so they go right on saving and and our economy goes right on growing.

Now the big spenders would have you believe such statements as this one made by the senior editor of *Look* in a recent issue of that magazine: "If the thrift once preached as a cardinal virtue were actually practiced, our national economy would collapse."

Is thrift such a menace? If we all save money will the American economy grind to a halt? The savings and loan business believes that the best proof is that almost all Americans do save and to the extent of more than 5% of all their disposable personal income yearly. There are 127 million Americans with savings accounts, and two-thirds of all American families own their homes. Why then does the economy continue to grow, with the total production increasing yearly?

There is one essential point the big spenders fail to mention. Saving is

not hoarding, and people do not keep money in a mattress. Money saved and put into a savings and loan association doesn't just sit in a vault; it's put to work.

First of all the money begins to work for the depositor by earning him a generous rate of interest, fully protected by the Federal Savings and Loan Insurance Corporation and backed by the \$157 billion assets of the savings and loan business.

Next, the nearly 6,000 savings and loan associations across the United States take this money and put it to work building a stronger America by investing it to build and finance real estate.

The economic impact of the loans made to finance real estate is almost overwhelming. The building industry supports thousands of jobs. Plumbers, electricians, carpenters and many others derive their livelihood from the building industry and when you consider that a single home contains more than 3,000 different items, you can see the impact on wholesalers and suppliers. There are many retailers who also benefit by supplying furniture, landscaping and related items.

The savings and loan business believes that the very secret of the wealth of the free world is in its ability to save; and when these savings are converted into investments in real estate, they help to make the free world strong.

We ask you to shun the spend-our-way-to-prosperity theory and instead consider Poor Richard: "Waste not, want not—a penny saved is a penny earned—a fool and his money are soon parted."

The savings and loan business encourages people to be thrifty by suggesting that people pay themselves first. We feel that if you are thrifty you can rest assured that you are doing a good thing for the nation as well as for yourself. While your own self-interest may be symbolized by a little passbook, the national well-being is dependent upon it.

Save, save, save, is the true road to prosperity.

THE CONGRESSIONAL REPORT

by the HON. ROBERT J. DOLE

United States Senator

Russell, Kan.



SINCE THE 1970 campaign received so much attention, it is appropriate to assess the results today. What did the elections mean? What trends can be seen? Which party won what?

The most accurate assessment would be that the results were mixed. Republicans can claim success in congressional elections, while Democrats scored gains in state races, especially governorships.

An important factor which hurt many Republican candidates was the "short memory" of thousands of American voters. Two years ago the Vietnamese war was number one on the minds of a great majority of Americans, while runaway inflation and excessive federal spending were secondary issues. With the advent of President Nixon and the deescalation of the war in Vietnam, voters' priorities changed. Inflation and unemployment moved to the front, while the Vietnamese war moved well down the list.

Certainly no one faults President Nixon for extricating us from the tragic war he inherited, but it is not unusual for President Nixon or anyone to receive little credit for a job well done. In my opinion, this was the case insofar as the President's successful role in Vietnam was concerned. Democrats were permitted—with little resistance from our side—to play down the war and to emphasize unemployment and inflation. Republican leaders should have been on the offensive, pointing up day after day that the problems in our economy—including inflation and unemployment—were fueled by the very expansion of the war that President Nixon inherited and was ending and by the irresponsible spending policies of Democrat administrations in the '60s.

We tended instead to agree with the Democrats that the war was really not an issue. Not emphasizing the successes in Vietnam very probably meant failure at the polls in many instances. As I travelled

around the country, it was obvious that President Nixon had great strength and was generally well accepted, but peace instead of war appeared less important than the bread and butter issues—again because of our failing to put everything in its proper perspective.

The President never believed war and runaway spending were good economic tools. They may produce doubtful short-run economic effects, but Republicans have fortunately never used them. Obviously this was not made sufficiently clear to the voters.

So we have a mixed bag in the election returns. Looking at Capitol Hill—particularly in the Senate—most observers agree President Nixon will be in a better position in the 92nd Congress than the 91st. Tydings, Goodell, Yarborough, Gore and Young will be replaced by Beall, Buckley, Bentsen, Brock and Taft. These changes are, by and large, pluses for the President. Murphy and Smith will be gone, but on balance, this is a net gain of at least three—with the race in Indiana still in doubt.

There will not be a Republican majority in the Senate, but the results are less than the normal losses of four or five Senate seats—and 20 to 40 seats in the House.

When Congress recessed on October 14, we, in a sense, passed the buck to the lame duck session which will begin next Monday. It could well be a no-holds barred political rehash of the past and political preparation for the 1972 campaign. The Democrat leadership will determine the agenda, but it is almost a certainty that we will be in session until Christmas. Since there will, perhaps, be little rhyme or reason during this post-election session, I believe it worthwhile to review briefly the important areas of concern and key problems that have been, and will continue to be, uppermost in the minds of a great majority of Americans.

WAS GOVERNMENT WORKING?

In retrospect, if there was one concern in America that could be said to have characterized the nation prior to the election two years ago, it was the growing suspicion among the American people that somehow government was not working properly.

The growth of the federal budget and the growth of the federal bureaucracy both reflected the proliferation of problems across America, but neither had a positive effect on these problems. The war in Vietnam was expanding almost daily. The crime rate had reached an all-time high. Violence was an accepted political weapon in the hands of radicals. Our first big city riots had been rationalized and explained away time and again in the highest councils of government. Skyrocketing domestic spending was undertaken in an effort to buy a great society and domestic tranquility. We were sailing along on a sea of false prosperity, waiting for something or somebody to pull the plug.

It was a frightening time, and its hallmark was a widespread belief that government had either dropped the reins or was no longer capable of holding them—and in any case was no longer in control.

In 1968, the American voters elected Richard Nixon, and for nearly two years he has worked to make government responsive to the people

again, to reorder our national priorities and to bring them in line with the realities of America's domestic and international responsibilities.

We are no longer increasing troop levels in Vietnam. We are bringing our young men home. The Vietnamese forces, trained and equipped by the United States, are taking over the burden of their own defense. Casualty figures last week were the lowest in more than five years. All this has been accomplished without crippling the credibility of the forces of freedom, either on the battlefield or at the negotiating table and done despite the cries and criticism of many in the Senate.

The success of the Vietnamese operation reflects the realities of American politics, for by constitutional mandate the President directs the course of America abroad. The President makes foreign policy, and this unfettered initiative and freedom to act quickly and decisively in matters of foreign policy accounts for the success the President has had in Vietnam. It accounts for his ability to turn around a decade-long war and enhance our ability to achieve a satisfactory conclusion of that war, while reducing American deaths to the minimum.

DOMESTIC PROGRAMS DEPEND ON CONGRESSIONAL COOPERATION

While the power of the oval office in international affairs begins at the water's edge and is virtually exclusive, the President—aside from the prestige of his office and his own political skill—is dependent to a significant extent on congressional grants of power in the domestic arena.

This political reality accounts for many of the difficulties President Nixon has encountered in his efforts to make government work, to deal effectively with crime and violence, to give a new and proper order to our national priorities and to cool the dangerously overheated economy.

In every case, however, he has had to move against the will of a Democrat majority in the 91st Congress—and he will again in the 92nd.

ANTI-CRIME LEGISLATION FINALLY PASSED

In the face of this handicap, the President has had success. By determination and leadership, he brought this nation's peril at the hands of the criminal to the attention of every American.

The President, for example, placed some 14 bills before the Congress and all were aimed at strengthening the forces of law and order—the forces of justice in America. Month after month, these bills languished in the Congress. Try as he might, he could not pry them loose.

However, the President persevered. He explained time and time again the nature of the dangers facing our nation. The Attorney General explained time and time again the need for new legislation in the war against crime. By and by, as the election drew near, the Congress saw the wisdom of the President's legislative proposals, and before the Congress recessed, it passed and sent the President six of those bills.

Now, I would not for a minute be cynical enough to see any cause

and effect relationship between last week's elections and the passage of those bills. I would not for a minute suppose that because the American people were getting fed up with the muggings, the riotings and the bombing that the Congress decided it had better do something—I would not suggest that at all.

However, it should be clearly noted that since President Nixon came into office, there has not been a single big city riot. Since he came into office, there has been substantial progress in reducing the great increase in crime.

POSITIVE TRENDS IN CONTROLLING ECONOMY

In the field of the economy, the President has fought, since taking office, against the spending policies of the Democratic Congress. Sometimes, he has succeeded; sometimes he has resorted to the veto; and sometimes, as you know, his veto has been overridden. However, the trend is positive. We are now at a point where the economists are arguing about what the indicators indicate—and that is always an encouraging sign, I am told.

Consider the economic perspective for a moment.

Starting in 1964, we tried to outspend our resources. We tried to have guns and butter and a great society all at once. You know that kind of spending does not bring prosperity, only inflation. In the face of this legacy of expediency, opportunism and irresponsibility, President Nixon implemented a policy of fiscal and monetary restraint. The goal was to cool the economy, put it on a peacetime footing and avoid serious dislocations and abrupt adjustments. That goal is being achieved—though painfully and slowly.

Liberal critics say that inflation continues and unemployment is up, yet many of these critics who complain about the perilous state of the economy helped put it in that condition.

These latter-day economic prophets are the very ones who supported the excessive growth of the defense establishment throughout the '60s. Despite all their talk about reasoned response and cost-effectiveness ratios, the defense establishment grew like Topsy. Suddenly, the American people wondered whether we needed all the hardware we were buying, all the defense contracts which were being let and all the cost-overruns. The critics stuck their fingers up to test the air and decided they wanted a reduction in defense spending. Suddenly our priorities were all wrong.

President Nixon had been aware of this for a long time and he began the necessary defense cutbacks, the re-ordering of spending to accommodate domestic priorities. He put the Pentagon into line with national needs instead of private or political opportunity. However, this meant a reduction in defense spending which caused a very substantial shift in the structure of our economy. What was the immediate consequence of that? We have more people in the labor market than can be efficiently absorbed. In other words, as our hypercritical friends so rightly point out, unemployment is up.

Let me give you a brief look at the politics of this matter, because

I want you to fully understand just what the President is doing here—what he is risking, and the price he is willing to pay to do the responsible thing.

It is no secret how badly the President wanted a Republican Congress. It is no secret that the success of his legislative program—his ability to do the job he was elected to do—will be affected by last week's elections. The President campaigned as hard as he could. He went to the people in behalf of Republican candidates. He used the democratic process. In good faith, as a responsible leader, he could do no more.

Let me tell you what he might have done.

In many cases the outcome of the elections last week was a result of the way people responded to the economic crisis. Democratic candidates effectively used scare tactics that invoked visions of the breadlines in the '30s.

Now nobody, to my knowledge, ever lost an election because of inflation. On the other hand, people have lost elections because of economic slowdowns. They have lost elections on the basis of recessionary factors in the economy. So the lesson is clear. Keep the economy pumped up, and you have the economic issue wrapped up.

The President could have had the economic issue wrapped up. I do not have to tell you that there are many tools at a President's disposal for short-term manipulation of the economy. Of course, there is the most obvious way—he could try to institute wage-price controls. However, this interferes with the free play of the market and creates a bureaucratic morass, and in the end, is counter-productive.

The easiest, the most dramatic and at the same time, the subtlest and the most irresponsible way to pump up the economy is simply to throw a great deal of money into it all at once. There are many, many ways a President can do this, but not this President. A President would not, for example, within a year's time of an election, veto bills he considered inflationary if he wanted to play games with the economy. Richard Nixon did veto wild-spending bills. He did so, because he did not believe he could—in good faith and as a responsible leader—use the welfare of American citizens as a political weapon against their interests. That is the kind of President he is. He can be trusted, and he deserves our trust. Take the General Motors strike out of the picture and look at the economy. It is on its way back to sound, solid, healthy growth.

COUNTRY NOW IN 'HANGOVER' PERIOD

Unfortunately, we are now suffering from a "hangover" period in which rising costs continue to push prices up. This difficult period has been extended beyond Nixon economists' expectations by the strength and longevity of the basic demand pressures which caused inflation in the first place. However, the evidence indicates inflation is being brought under control. The rate of increase in consumer prices, at 6.3% in the first quarter of 1970, dropped to 5.8% in the second quarter and 4.2% in the third quarter.

Importantly, the gap between increases in labor compensation and output per manhour was significantly smaller in the last two quarters of this year than it had been during all of last year.

OUTLOOK FOR THE SAVINGS AND LOAN BUSINESS

For the savings and loan business, the steady increase in home-building activity is encouraging. Housing experts are forecasting that next year will bring the highest construction rate in 20 years. The favorable prospects reflect: (1) the effects of the \$250 million special assistance provided in the Emergency Housing Act; (2) the decrease in rates on Treasury bills. They have dropped more than one-fourth, from 8% to less than 6%, thus reducing market competition for savers' funds; (3) the sizable increase in the savings flow picture for savings and loan associations. In September, savings and loans scored a net inflow of \$577 million, up from \$511 million in August; and (4) the improvement in the availability of mortgage funds which accounted for \$2.1 billion in mortgage loans in September, up about 25% from a year ago, and the largest volume for any September since 1963.

Your associations should also benefit from other provisions in the Emergency Housing Act: (1) The secondary market for conventional loans under the Federal Home Loan Bank Board; (2) the authority for your associations to act as trustees for self-employed retirement funds; (3) the authority to extend the time in which you must reach 5% reserves; (4) the ceiling on your first mortgage loans which was increased from \$40 to \$45 thousand; and (5) the increase in your ability to lend on multifamily housing and easing your borrowing authority in the short-term area.

During the last year the Congress and the Executive took other actions that particularly affect your associations:

1. There was considerable pressure in Congress to increase the rate paid on U. S. savings bonds. The Senate passed a bill increasing the rate to 6%. However, this was finally set at 5½% to avoid disruptive changes in family savings behavior.

2. Legislation was passed providing up to \$20,000 insurance for credit union savers. The insurance premium is set at ½ of 1% with supervisory authority being exercised by the Federal Home Loan Bank, authority comparable to that it has over savings and loan associations. Congress felt that under proper conditions, credit unions are entitled to the same federal insurance as other financial institutions.

3. In response to deposit outflows caused by high market interest rates, the Treasury department raised its minimum denomination on Treasury bills from \$1,000 to \$10,000 dollars.

BUSINESS MUST HELP

It is important that you take an active interest in the legislative matters affecting your business, for only through articulate advocacy of your positions can you expect to see the legislative process function effectively. However, you must do more than be involved in government as it influences economic policy. You, along with other business-

men, must be prepared to assume more and more of the burdens which government has taken on itself over the years.

This administration, and future Republican administrations, are going to be working to decentralize, to put power and responsibility out where it belongs—with the people. This not only means increased dependence on the private sector, it also requires returning political power and financial resources to state and local government. Passage of the administration's revenue sharing proposal would be a big step in the right direction. Nothing is more essential than the success of this operation, and nothing is more vital than the role of business in achieving its success.

CITIZENS ARE DISENCHANTED WITH GOVERNMENT

In his book, *The Age of Discontinuity*, Peter Drucker says there is mounting evidence that government is big rather than strong; that it is fat and flabby rather than powerful; that it costs a great deal, but does not achieve much. There is mounting evidence also that the citizen believes less and less in government and is increasingly disenchanted with it. Indeed, government is sick—and just at the time when we need a strong, healthy and vigorous government. This is just exactly the malaise that the Nixon Administration has been working to cure.

Drucker argues that private institutions, such as the university, public corporations and private enterprise, must assume those national responsibilities that government has repeatedly shown itself incapable of handling.

TIME AND TALENT OF BUSINESSMEN NEEDED

So the need is there, and the time is right. Your time is needed, your talent is needed. Now perhaps more than ever we need the contributions that businessmen can make to the success of this government and this nation.

About 60 years ago, Theodore Roosevelt said, "The history of America is now the central feature of the history of the world. For the world has set its face hopefully toward our democracy; and, my fellow citizens, each one of you carries on your shoulders not only the burden of doing well for the sake of your own country, but the burden of doing well and of seeing that this nation does well for the sake of mankind."

The language may seem a bit antiquated now, but today the history of America is still the central feature of the history of the world. The free world and the oppressed people still look to us and to our example—still certain that freedom is the wave of the future. I do not think we can let that wave spend itself uselessly on the barren beaches of bureaucracy. I think we have a moral obligation to do all we can to insure the success of freedom in the world, and the bulwark of freedom is a strong government, responsive to the will of the people. Business certainly must be in the forefront of the efforts to recreate and sustain such a government.

IF YOU DON'T TELL IT— YOU WON'T SELL IT

by MICHAEL C. STEVENSON, *President*

Savings and Loan Foundation, Inc.

Washington, D. C.



IT HAS BEEN SAID of the American male that by the time he reaches 30 he is convinced there are three things he could do really well if he just had the chance: (1) sing in a quartet, (2) manage a baseball team and (3) write advertising. It is interesting to note that all three offer ample opportunity to fail before a large audience—or to succeed to great applause.

Incidentally, this widespread interest in the phenomenon we call advertising is not nearly as new as you might think. Advertising has had its friends and its detractors, in high places and in low, for more than 200 years.

The great Dr. Samuel Johnson, in 1758, had this to say: "Advertisements are now so numerous that they are very negligently perused, and it is therefore necessary to gain attention by magnificence of promise and by eloquence sometimes sublime and sometimes pathetic. Promise is the soul of advertising. The trade of advertising is now so near perfection that it is not easy to propose any improvement." What would the good doctor have said about 30-second commercials back-to-back? Or the barrage of messages in a late night movie?

Presidents of the United States are not exempt either as observers and critics of advertising—some of them friendly. Thomas Jefferson, for example, in 1820, had this to say: "Advertisements contain the only truth to be relied on in a newspaper." Do you suppose the newspapers had been giving the White House a hard time that day?

It is, of course, a tribute to the effectiveness and the importance of advertising that it has for these past two centuries—and most par-

ticularly in these past 50 years—been so praised, so scorned, so criticized, so patronized—in short, so very effectively noticed and heeded.

WHAT IS ADVERTISING?

Our basic concern today is what we have come to call, somewhat inexactly, national advertising—its place and its purpose in our business life and growth. Perhaps we should start with a fundamental: What is advertising anyway? For purposes of this discussion, let us agree that advertising is the communication of ideas for the purpose of persuading people to do something—usually to buy something. Out of this definition grow certain natural assumptions and certain natural commitments.

The first assumption is this: An economy of abundance which offers a wide choice of goods and services in a free competitive system is the natural climate of advertising and the only one in which it can make a major contribution. Advertising, therefore, must be totally dedicated to these freedoms and to their preservation.

The appearance of vigorous advertising communications in any society is a specific indicator of two things: first, the degree to which that society is free of economic restraint and, second, the importance which that society places on serving the needs of its individual citizens.

Advertising, for all of its huge numbers, is based on the enormous importance of the individual. Advertising cannot be fully effective in any society which is dedicated to managing the attitudes and lives of its individual members.

ADVERTISING MUST BE RESPONSIBLE

There is another basic assumption—that advertising in a free choice society must be responsible for its acts. Responsible to whom? Ultimately to the people it seeks to persuade. Truly successful advertising is that which honestly persuades people to act in their own best interest. The best and most effective persuasion is that which thinks the thoughts and speaks the words of the consumer—not of the advertiser extolling the wonder of his accomplishment. Persuasion, like kissing, occurs person to person, one at a time, and is much more rewarding when there is some mutual warmth.

Having decided that advertising is persuasion, let us be more specific about the role of advertising—specifically what we have come to call national advertising—in the businesses which concern all of us here today. Before I go specifically into this discussion, allow me to digress for a moment for what I hope will be a pertinent, self-administered example of advertising at work.

There are about 6,000 men in this room. Each of us is wearing some kind of shirt—very few four inch stripes, perhaps, but contemporary, miracle-fabric, easy-wash shirts. How many of us could, right this minute and without disrobing, accurately identify the brand name of his shirt? My guess is very few and for good reasons. First, a high percentage of the shirts in this audience were bought by wives. Second,

there are very few contemporary brand names with a high degree of awareness. If you were asked to name two brand names one of them would undoubtedly be Hathaway. The chances are the mention would be a favorable one. Where did this favorable share-of-mind come from? Unless you happen to be a heavy user of Hathaway shirts, it probably was lodged in your memory bank by a very memorable national advertising campaign featuring the man with the eye patch. The most remarkable thing about that campaign—universally regarded as a major national advertising effort—is that it ran in only two publications—the *New Yorker* and *Sports Illustrated* magazine. In no single year did the campaign cost more than \$350,000. It has not run in the eye-patch form for several years. Its persuasive image gave a tiny New England shirtmaker, in one bound, a share-of-mind with such a giant as Arrow and, in fact, gave him a slight edge in contemporary smartness.

Every business—especially the one we are engaged in, which offers a long-time service, which is not a daily habit of consumption—must always have a favorable share-of-mind much larger than its present share-of-market.

We do not have a uniform, visible product which projects the same image across this nation. We are engaged in offering one of the basic services closest to the essential security of families everywhere, but we cannot know their daily needs, or their daily attitudes, or their personal likes and dislikes at any given moment in time. One thing we do know for sure. Of the 200-plus millions of Americans who rise from their beds tomorrow morning very few of them will have the savings and loan business at the top of their minds. Only we do. Even we, most of us at least, have our own individual piece of the savings and loan business firmly in mind. Our piece, in our own community, with its own set of business conditions.

The careful building, managing and nurturing of a favorable share-of-mind for the savings and loan idea is the primary purpose of our national advertising. It is, of course, competing for consumer favor with all other advertisers of products and services which are attempting to do exactly the same thing.

NATIONAL ADVERTISING IS ESSENTIAL

Why national advertising? Why cannot this favorable share-of-mind be developed by the accumulated weight of local advertising?

Individual businesses—be they car dealers, grocery stores, local banks or men's clothing stores—are essentially in the retail business. Their energies and selling efforts of all kinds are naturally concentrated on two things: (1) Building a favorable impression of their own place of business and (2) getting a fair share of today's business.

In both these important tasks, they must act and react to the local or regional facts of business life and competition. They are missionaries of the basic product or service only insofar as they conduct their own businesses well, satisfy their customers every day and represent the category with pride and concern.

But the basic idea of considering a new Buick, or a Sara Lee coffee cake, or a Hathaway shirt, must have been nurtured inside the target prospect well in advance of his buying action, often before he is even aware that he will one day be an active prospect.

When that critical period of action arises, you may be sure he will see—perhaps for the first time—the advertising which offers him locally that product or service which first entered his conscious or subconscious almost unnoticed sometime earlier—perhaps a long time earlier.

Let me make it clear that this favorable share-of-mind—much larger than current share-of-market—is a real and measurable thing; it is not simply the pious hope of those who invest major amounts of money in national advertising programs. Most users of national advertising persuasion today are, of course, dealing with an accountable business investment. They have, therefore, along with their advertising agencies and the world of modern research, developed quite sensitive instruments to measure their favorable share-of-mind, to track it carefully in exactly those segments of the population which are most important to them.

This is not the era of the self-congratulatory institutional campaign which had its chief effect on the ego of those who published it. The importance—and the efficiency—of properly managed national consumer advertising can perhaps be best dramatized and understood by this exercise. Gather together a good exhibit of local advertising being run this week for any representative business or product; let us take new cars, refrigerators, carpeting—none of which is an impulse item.

Visualize these advertisements as if they were the only persuasion force acting on the community of prospects and customers. What would the long-range effect be on the favorable share-of-mind among people who are, or will be, natural prospects? In many cases the car buyer would be invited to shop for the best deal or the longest discount. The housewife would be seeking the carpet outlet which persuaded her that his sale was more urgent, his inventory weighing heavier on his books.

If the prospect already had a favorable brand image of Buick, or Oldsmobile or Ford and he then, logically, seeks out his favored brand on the most satisfactory terms, he is behaving sensibly and is reacting to a favorable product image which has been carefully built over many, many years. Thus the housewife, who is faced with a confusion of sale prices but nevertheless looks for the best buy on Lee or Bigelow carpet, is satisfying her need for known and respected quality at the best possible price.

ADVERTISING MUST BE GEARED TO YOUTH

Before I leave this subject, let me discuss with you one other important aspect—in this country at this minute—of a carefully managed national advertising program. This is perhaps the youngest nation in the history of the world. The average American today is about 26 years old. Almost 15% of all Americans were not alive when John F.

Kennedy was inaugurated President. More than 25% of all Americans were not alive when General Eisenhower moved into the White House. A definite minority of today's population has any memory of the first Franklin D. Roosevelt Administration. In short, we are communicating to a young, well-educated, affluent nation which is looking with fresh eyes and thinking with fresh minds about all the values it will live by.

A reputation for past greatness is virtually useless. To persuade this young and growing population to give a business or a product a favorable share-of-mind and a fair share-of-market means that each business must enter their world—not ask them to enter the one we know and love so well. We can make no assumptions based on a favored past. We cannot assume that what was perceived as true and good and useful 10 years ago will appear in exactly the same light to today's 25 year old wife or husband.

The ability to manage a favorable share-of-mind by communicating ideas and attitudes which are useful to the target consumer was never more important. The waves which carry persuasion were never more crowded. The penalty for failure was never greater or more certain.

TOP MANAGEMENT MUST CONCERN ITSELF

If I could leave you with one very specific idea for action, it would be this: See to it that the national advertising program which most closely affects your business has the constant attention and the best inputs from your top management; it is far too important to your future to delegate very far away from the heart of the business.

I hope I have persuaded you that the proper purpose of national advertising—and the job it alone can do—is persuading prospective customers to think well of your business—before they even know they are prospects—so that you can always be sure that your favorable share-of-mind is much bigger than your share-of-market. That is where your profitable growth is born.