

**THE
EGYPTIANS**



**1971-72
YEAR BOOK**

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HISTORICAL SKETCH

The Egyptians, "a club for the discussion of scientific, religious, economic and other topics pertaining to the welfare, culture and happiness of the people," was organized at a meeting of fifteen men held in the home of the late A. S. Caldwell on June 21, 1913. These men had been meeting as an unorganized group since 1911. The fifteen founders were: Charles N. Burch, A. S. Caldwell, J. B. Cannon, Elias Gates, Charles J. Haase, E. M. Markham, C. P. J. Mooney, Sanford Morison, J. Craik Morris, A. B. Pittman, J. W. Rowlett, A. Y. Scott, Bolton Smith, B. F. Turner and J. C. Wilson.

Before the organization was completed, fifteen others were enrolled as charter members, namely: Albert W. Biggs, E. C. Ellett, W. H. Fineshiber, J. R. Flippin, Thomas F. Gailor, Marcus Haase, Herman Katz, James P. Kranz, Walter Malone, R. B. Maury, H. Dent Minor, A. E. Morgan, Israel Peres, Alfred H. Stone and Luke E. Wright.

The name chosen for the organization was proposed by W. H. Fineshiber. The fact that ancient Memphis was in Egypt suggested the name. The by-laws stated that the membership should "consist of not more than thirty-three men of recognized standing, ability and influence in Memphis and Shelby County, Tennessee." It was further stated that members were to present their contributions in the form of papers and that all papers were to be issued in printed form. This clause has resulted in the largest and most significant production of a general nature ever made by any group of Memphians.

From the beginning, The Egyptians were guarded against internal friction by a constitutional provision that "no resolution shall ever be passed committing the club as a body to any proposition." The club is unique in the unwritten law that its name is not to appear in the press in any connection.

CONSTITUTION AND BY-LAWS

As Amended to May 31, 1960

ARTICLE I.—Objects.

Section 1. The subscribers hereto associate themselves for the purpose of discussing, at stated times and in a social way, such topics as pertain to the welfare, culture and happiness of the people, particularly of our own locality, state or nation. No resolution shall ever be passed committing the club as a body to any proposition.

ARTICLE II.—Name and Membership.

Section 1. This organization shall be known as THE EGYPTIANS, and shall consist of not more than thirty-three regular contributing members, who shall be citizens or residents of Shelby County, Tennessee, of recognized standing, ability and influence in the community, with other associates as provided in Section 2.

Section 2. Honorary membership may be tendered only to non-resident persons distinguished in the walks of education, literature, science or art; and such associates having no votes, shall be exempt from payment of all dues and assessments.

Section 3. Any member may nominate an individual for membership, submitting a brief statement of the candidate's qualifications to the officers of the club. If by majority vote of the officers, the candidate is acceptable, the officers shall circularize these qualifications to the members of the club at least one week prior to the following meeting. A secret ballot shall be cast by mail, with the minimum number of affirmative votes for election equaling at least two-thirds of the total membership, and if not more than two adverse votes be cast by the members, it shall be the duty of the secretary to invite such person to become a member.

ARTICLE III.—Officers.

Section 1. The Officers of the club shall be a President, Vice-President and Secretary-Treasurer, each to be chosen by ballot at the last meeting in May, to serve one year, or until a successor shall be elected.

Section 2. As a compensation for his services, the Secretary-Treasurer shall be exempt from the payment of all dues, charges and assessments.

ARTICLE IV.—Meetings.

Section 1. Regular meetings of the club shall be held at 6:30 p.m., the third Thursday in each month, between October 1st, and June 1st, beginning the third Thursday in October, except as provided in Section 2.

Section 2. The club may, at any session, change the date of a succeeding meeting, or the President, with reason therefor, may change the date of the next meeting or call a special meeting as may be required.

Section 3. In the event of change or call for special meeting, as provided in Section 2, the President shall direct the Secretary to notify members thereof.

Section 4. Any member who shall fail to attend at least three meetings during a season without excuse shall be conclusively presumed to have resigned and such implied resignation shall become effective without action of the club. He shall, however, be sent the publications of the club for the full period for which he has paid dues.

Section 5. The time consumed by any paper shall not exceed thirty minutes and in the discussion which follows, no member shall speak more than once and not exceeding ten minutes, until all other members present shall have had the opportunity of speaking.

ARTICLE V.—Dues and Assessments.

Section 1. The annual dues shall be nine dollars and ninety cents, payable in advance, provided that a member admitted after February 1st shall be required to pay only one half the annual dues for the balance of the year.

Section 2. A special assessment, if necessity arises, may be levied at any regular meeting by an affirmative vote of a majority of all the members of the club.

Section 3. Failure to pay dues or assessments within sixty days of notice shall be considered as forfeit of membership.

ARTICLE VI.—Quorum.

Section 1. Eight members shall constitute a quorum for the transaction of business.

ARTICLE VII.—Amendments.

Section 1. This Constitution and By-Laws may be amended at any regular meeting, provided the proposed change has been announced at the previous meeting and is adopted by an affirmative vote of a majority of those present; and provided, that not less than eight affirmative votes shall be necessary.

Section 2. Article II may be altered or amended only at the annual meeting (last meeting in May), previous notice of proposed change having been given.

ARTICLE VIII.—Papers.

Section 1. Any member of the club who shall fail to present a paper or deliver an address on the date assigned him, without an excuse that shall be satisfactory to the Officers, shall thereupon forfeit his membership. The Secretary shall give each member, to whom a paper or address is assigned, at least three months notice of the date assigned to such member. The subject of any paper or address shall be selected by the writer with the advice of the Officers and the Secretary shall announce topics for discussion not less than two months in advance.

Addendum.

On January 10, 1922, the following rule was, on motion, unanimously adopted and recorded: That out of town guests brought by members of the club be welcome; That members introducing guests who are residents of Memphis, be charged \$3.50 (or such an amount as shall be determined from year to year) per meeting for each guest.

THE EGYPTIANS

OFFICERS AND MEMBERS

1971-72

Officers

Henry B. Gotten.....President
Ralph C. Hon.....Vice-President
Edward F. Thompson.....Secretary-Treasurer

Honorary Member

Rabbi W. H. Fineshriber

Members

Roland H. Alden	M. K. Horne, Jr.
Otto H. Alderks	Ed Jappe
Walter P. Armstrong, Jr.	Arthur W. McCain
Leo Bearman, Jr.	John F. Moloney
William L. Bowden	Clark Porteous
Stanley J. Buckman	William L. Reed
Lucius E. Burch, Jr.	Peyton N. Rhodes
W. J. Michael Cody	Albert C. Rickey
John E. Farrior	Rudi Scheidt
Hubert Garrecht	T. N. Stern, M.D.
Henry B. Gotten, M.D.	Edward F. Thompson
George M. Harmon	John H. Todd
Draper Hill	Lamar Wallis
T. S. Hill	Rev. Robert M. Watson, Jr.
Ralph C. Hon	C. B. Weiss
P. K. Honey	

BRAZIL 1971

By Hubert Garrecht

Read Before "The Egyptians", October 21, 1971

In 1940 Nelson A. Rockefeller was appointed coordinator of Inter-American Affairs by President Franklin D. Roosevelt. He had worked in family enterprises in Latin America and was among the first to support US aid to poorer countries. He held various appointments under three presidents and about 1950 retired as Under-Secretary of State for Inter-American Affairs.

He was convinced by his long experience that the way to help these developing countries was to help them establish sound industries and businesses which had a chance of growing and prospering, particularly through the help of capable business executives and "know how", as well as through financial aid. With members of his family he established International Basic Economy Corp. which established supermarkets, food processing plants, farm tool manufacturing plants, fishing industries and even milk pasteurizing and packaging plants mostly in Latin America, but now operating in 32 foreign countries.

The foundation of non-profit International Executive Service Corps in New York in 1965 by David Rockefeller resulted from his considered opinion that an experienced professional, managerial or technical person, who, because he is retired or at a point in his career which permits him to devote two or three months to working with a client, can do more good at less cost than any other means. At the present time a roster of 8000 such persons lists every known profession, skill, craft, business, or whatever, carefully indexed by field of experience, interest or knowledge.

Country or area Directors are in touch with developing areas around the world, to explain the services available from IESC at low cost. Upon selection of an appro-

priate project, a simple contract is executed which indicates the assistance required by the client, for which he agrees to pay a negotiated contribution to IESC. This contribution is important as an expression of desire by the client for the assistance requested, and as assurance that the client considers such assistance important and valuable. The recruiting division of IESC in New York locates possibly several appropriate volunteer executives who are available, and the client approves the one selected. The executive's wife is considered an important member of the team.

IESC executes an agreement with the volunteer, called a Grant Authorization, outlining the operational and financial relationship between them. The per diem allowance is not taxable, does not affect the volunteer's Social Security status and is designed to cover reasonable living expenses. Round trip air transportation, economy class, is provided for the volunteer and his wife, and reasonable out of pocket expenses incurred in preparation and in travel to and from the project are reimbursed.

It is interesting to note that IESC financial support is derived from three sources — a) Client companies — 35%; b) Business sponsor members and Foundations — 8%; c) US Government public funds — 57%. These are cash contributions and do not take into consideration the valuable contribution of time of volunteer executives and the volunteers actively working in the organization. The US government funds are furnished by the US Agency for International Development, but there is no direct government supervision over IESC operations or policies. IESC is managed independently by private business men.

A valuable by-product is mentioned — “In many areas of the world, the American business man is either relatively unknown or unfavorably known. Your presence and your work in a country permits the development of the favorable impression of American business which we desire and deserve.”

So it was that after several requests and inability to

match availability with times desired by project clients, your writer was notified of his selection to become the first IESC volunteer in Natal, state of Rio Grande do Norte, on the coast of north-east Brazil in July 1971.

Brazil since the Revolution of March 30, 1964 is quite a different country than one finds described in most books and articles published before the last year or two. It is important to review the events leading up to the revolution.

Dr. Paul Griffith Garland, a Brazilian attorney and member of the Bar in the USA, has written a book published in 1971 by Banco Lar Brasileiro, a Brazilian bank associated with the Chase Manhattan Bank and with the participation of the Deutsch-Sudamerikanische Bank, A.G., entitled “Doing Business In and With Brazil.” This volume follows a 1966 work entitled “A Businessman's Introduction to Brazilian Law and Practice.” The newer book is needed because of the many changes which have occurred in Brazil, which have outdated the 1966 work.

“In January 1961 Janio Quadros, who had been a successful mayor of the City of Sao Paulo and Governor of the State of Sao Paulo, was elected President of Brazil by the largest popular vote ever. His supporters anticipated that he would be a constructive, objective, efficient and honest chief executive. In short, great things were expected of him and through him. In disillusioning fact, however, he proved to be an erratic and unpredictable president, and in August 1961 after only a few months in office, and under circumstances and for reasons still obscure, he resigned.

“His resignation put an end to hopes that the country would be the beneficiary of a serious minded reform administration.

“. . . Vice-president Joao Goulart who succeeded him was described as a typical machine politician, subscribing to the philosophy that to the victor belong the spoils.

“Thus . . . the resignation of President Quadros

plunged the country from an apex of optimism into ever deepening despair. Indeed, for several days it was unclear whether the Brazilian military (throughout Brazilian history a pro-democratic and pro-reform force) would even permit Mr. Goulart to assume the Presidency. The decision . . . in favor of permitting him to do so, was the result of the Brazilian military's traditional respect and concern for democratic procedures.

"The results of the Goulart administration may be described as exceeding even the worst which Mr. Goulart's critics had anticipated. At an increasing rate, President Goulart's administration embarked on a policy which has been described as a concerted attempt to destroy the Brazilian economy and the Brazilian political system, in order to create conditions for the assumption of absolute power by President Goulart and his followers.

"After two and a half years of rule by the Goulart Government, the domestic rate of inflation had increased to more than 100% per annum; figures of between 140% and 180% for 1964 have been used as an educated guess of what the figure for 1964 might have been, had it not been for the revolution.

"Bankrupt domestically, internationally and politically, strong measures were needed and carried out. Brazil's middle class civil service type military has traditionally viewed its role as the watchdog of democracy and honesty in government . . . acting only when it concluded that circumstances were such that to remain silent would not be in the best interests of the country. This philosophy finally led to the Revolution of March 30, 1964 which deposed the Goulart government.

"Under three career military men (in the Brazilian sense of civil servant administrators), Presidents Castello Branco, Costa e Silva, and the incumbent Emilio Medici, accomplishments of the seven years since 1964, may be characterized as remarkable. Brazil is completely current in all of its obligations internationally and has a favorable balance of trade and payments. It has substantial foreign currency reserves and its exports are increasing.

"A successful anti-inflationary program has reduced the rate of inflation from 86% in 1964 to between 20% and 24% in '67, '68, and '69. A strong indication that the gradual reduction was correct, is that the reduction in the cost of living has not resulted in serious dislocations in the development of the country nor has it resulted in widespread unemployment. Gross national product in real terms grew from 2.9% in 1964 to 9% in 1969.

"In looking forward to the 1970s, economists say, 'It is difficult for us here in Brazil to conceive of any major change in the political setting in the next several years. We expect the reform government to continue; at the same time, it is not our anticipation that . . . this will result in any radical repression of minority views, which would not make it possible for Brazil to return in the fairly near future, to a fully democratic system in which the Congress and the Courts would play a role more significant than in the last few years.' "

Brazil's real growth is outracing its exploding population of 3.2% per annum. Exports are increasing not only in total, from US \$1,654 million in 1967 to US \$2,250 million in 1969, but in their nature, reducing dependence on the traditional coffee, cotton and cocoa, to manganese, iron ore and manufactured products.

"The reduction in the rate of inflation, and the success in reducing budget deficits, as well as the controlling of 'growth in the means of payment' are impressive and economists say 'Brazil is no longer a country where printing presses turn out money with gay abandon.' "

Brazil is a huge nation — almost exactly the same size as the USA, with about 96 million people. It has common frontiers with all but two South American countries — Ecuador and Chile — and occupies almost half of South America. It lies completely outside the earthquake belt, has no active volcanoes and most of its territory has annual rainfall of over 40 inches. The maximum temperature ever recorded was 120° F in Bahia, and the minimum 6.6° F in Rio Grande do Sul.

While it is usually divided into five areas, the easiest geo-economic distinction is that between the Central-Southern which consists of the states of Sao Paulo, Rio De Janeiro, Guanabara (the city of Rio De Janeiro) and part of Minas Gerais, and the rest of Brazil. It is in the central southern nucleus that a substantial portion of the industrial production and financial resources are located.

This area has a concentration of forty million people, plus, particularly in Sao Paulo a concentration of basic industry, skilled labor, means of transportation, power, etc. Here most of the commonly needed raw materials and a substantial part of the market of most industrial companies are found. It follows that this area is still favored for new investment, Brazilian and foreign.

As a result, it is anticipated that in the years ahead a high percentage of new enterprises will continue to be concentrated in this area, particularly in and around the City of Sao Paulo, notwithstanding the substantial tax and financial incentives to develop elsewhere. Statisticians predict that Sao Paulo will be one of the three largest cities in the world by 1980 and the largest by 2000, when the area, now with seven to eight million in population, is expected to have twenty million. Great efforts are being made to develop other areas in an effort to minimize problems brought on by the concentration in the South.

Government incentive programs are building industry rapidly in the fields of chemicals and petrochemicals, the food industry including fishing, consumer products including packaging for food and fish, pulp and paper, textiles and mechanical industries including machinery and equipment.

Agriculture has not maintained the same rate of growth as other areas of the economy, largely because greater emphasis has been placed on industrial development. In addition, agriculture has been retarded by price control, the establishment of prices at all levels for domestic and export sales. This proved to be one of my greatest problems. Government awareness is indicated

by a requirement that banks loan to agricultural uses 10% of their available deposit funds and the creation of special funds for fertilizers, insecticides, herbicides, farm machinery, equipment, seeds and breeding stock. This money is usually made available at low interest rates.

To encourage diversification of investment both as regards geo-economic regions and as regards specific activities, a series of interesting programs have been developed. They establish incentives which include 1) exemption from income tax for the activity for varying periods and often from other taxes such as import duties on foreign source machinery and equipment. The tax exemption is from the 30% Brazilian corporate income tax. An obligation assumed is that the portion of earnings which would have been paid as income tax is not available for distribution to shareholders, but must be held in the company either as a special reserve or as an addition to corporate capital with the issuance of a stock dividend. 2) Funds which would otherwise have been income tax payable to the Federal Government may be received in exchange for preferred shares which are non-voting, with dividends possibly 12% of par value, payable only if earned and not cumulative.

Taxpayers are prepared to invest on otherwise unsatisfactory terms on the basis that what they are investing are funds which would otherwise have been paid as income tax, and any return at all, even if only of the principal amount several years hence and in depreciated cruzeiros, is of greater economic benefit than mere payment of the tax.

The oldest of these development programs, enacted in 1959, is the Superintendency of the Northeast, called SUDENE. In general, its incentives have been exemption of 10 years (15 years in some operations outside major urban areas) from corporate income tax, plus the right to raise 75% of total funds needed by issuing either non-voting preferred stock, or debt instruments to taxpayers who pay for them with funds which otherwise would have represented income tax payments.

(a) Corporate taxpayers may apply up to half of what would have been income tax in SUDENE projects.

(b) Individual taxpayers may deduct for tax purposes 100% of the amount supplied in SUDENE approved projects (up to 50% of net taxable income.)

Some 900 industries and 150 agriculture projects have been approved and activated. A total equivalent to US \$1200 million has been invested, creating 600,000 new jobs. "The SUDENE program has been more successful than objective observers would have deemed possible in view of the abject poverty, lack of education, un-hygienic conditions and other existing problems.

Probably the most important step remaining is for the technical training of the labor force. In 1970 the Government determined to allocate 30% of the funds for the NE and Amazon for the next 4 years to solve this problem.

Similar programs which are really working are SUDAM — Superintendency for Development of the Amazon — the Manaus Free Zone which is part of SUDAM. Then there are Activity Programs — Fishing, Forestation, Hotel, Motel and Tourism, which enjoy various parts of the incentives outlined.

It was a SUDENE program which took me to Brazil's Northeast, an area of 618,000 Sq. miles, (19% of Brazil) with 27.3 million people, (29% of the total population) and covers 9 states. I worked in Natal, capital of Rio Grande do Norte, a city of 270,000, beautifully situated on the coast where the Potengi river empties into the Atlantic. It is the point closest to Africa and was used as a stop during World War II for ferrying bombers to Dakar, Africa. It was called the "Trampoline of Victory."

Sugar, cotton and cocoa are grown in a narrow belt along the coast, which is fertile, with ample rainfall. Just a few miles inland however, it becomes dry, resembling Arizona and New Mexico.

The Government, both Federal and State, have tried

to help agriculture but it is still crude. A few years ago several million cruzeiros were used to subsidize dairy production on farms in Rio Grande do Norte, which is not natural dairy country. It is dry with no natural grass pasture land. The temperature is mild despite being only 5° south of the equator and at sea level. Temperatures ranging from 69°F to 95°F year around. The dairy cattle are Zebu from India originally, with various crosses through the years. Average production is just over 2 liters per cow per day. European or American dairy breeds are reputed to do poorly, though some experimentation with herd improvement by artificial insemination is being done.

It was a pleasant surprise to find ILNASA — Industria de Laticínios de Natal SA — a SUDENE project, in a modern, attractive 2 floor plant, set in a green area, and with modern processing and filling equipment. It is interesting to note that all of the milk is packaged in one liter plastic sacks, on French-made equipment, probably the least expensive package available and having many advantages.

The only pasteurized milk plant in the state, where TB is still a big problem, was set up to process 25,000 liters per day. The amount received from farmers is only 6500 liters — about one-fourth of the plant's capacity. As a result plant costs are high, and the plant was losing money.

Here Federal Price Control rears its inefficient head. Prices are set at each step, and lag behind economic fact. For example, the price the plant is permitted to pay the producer for raw milk is 57 centavos per liter, about 11¢. The plant, after processing, packaging and distributing it to retail stores, receives 77 centavos. There it is bought by the consumer for 80 centavos. The cost of producing the milk on the farm is greater than the 57 centavos available. Consumers never find enough milk in the little store, and are driven to participate in the illegal traffic in raw milk. A farmer, instead of selling milk to the plant, fills it into wine bottle under unhygienic conditions, and sells it without benefit of re-

frigeration directly to the consumer at a price of one cruzeiro or higher. This is expressly forbidden by both State and Federal law, but because the farmer cannot produce milk for 57 centavos he must "bootleg" raw milk or quit the dairy business.

Other than some minor suggestions to improve plant and distribution practices, the most reasonable solution is to have the controlled prices raised. Conferences with the Governor and with Federal price control authorities, and writing economic briefs outlining the alternatives, and proving the rationale of modest price increases took most of my time. We are still waiting — "amanha".

Natal and the northeast are not on the tourist routes, and so few people speak English that it was essential that we learn Portuguese as rapidly as possible. A scanty facility with Spanish was not much help as Portuguese is greatly different. Working through translators is slow and inaccurate. How I wished to be articulate in Portuguese!

Brazilians are friendly, hospitable people with ambition for their country and with great respect for education. Nationally 40% are illiterate with many children having no schools to attend. Natal has had a university for only 12 years, but everyone wants to attend. Continuing education, night classes run from 7 to 10 P.M. six days a week.

This was our second trip to SA and we took advantage of the opportunity to see parts of Brazil missed earlier. We were particularly impressed with Brasilia, the new Federal District whose plan and scope is breathtaking. Conceived in 1960, and built in 3 years at great cost, it has been the capital since 1964, and now has more than 200,000 in the city with 300,000 in satellite towns and rural areas. When all the foreign embassies are in fact moved from Rio by 1972, it will be the true center of the Federal Government. Its striking architecture is the work of Lucio Costa and Carlos Niemeyer.

Manaus, "the island city" in the jungle, 1000 miles from the mouth of the Amazon, was fascinating. A city

of 300,000, it was the rubber capital of the world from 1880 to 1914. Its Opera House, an exact copy of La Scala in Milan, built of Carrara marble, roof tiles from France, and cobble stones from Lisbon, attests to its internationality. Manaus has been rejuvenated by the creation of a Free Zone, which is tax free and encouraged warehousing, manufacturing and commerce. Also, it is part of the SUDAM program. The new Amazonia highway is being cut across the country from east to west, about 100 miles south of Manaus, and will really open up the vast Amazon area.

Two and a half or three months sounds like ample time to learn and accomplish much, but it served only to open our eyes.

OUR CHANGING COMMERCIAL BANK STRUCTURE

Ralph C. Hon

Read before "The Egyptians," November 18, 1971

About a year and a half ago, President Nixon appointed a blue-ribbon group, headed by Reed O. Hunt, Chairman of the Board of Directors and Chief Executive Officer of Crown Zellerbach Corporation, to serve as a Presidential Commission on Financial Structure and Regulation. Presumably, one of its major problems was to decide whether to start with the existing structure or to recommend starting all over again. However, since the group was expected to make recommendations for achievable legislation, the better guess appears to be that its report, which should be completed before long, will begin with existing structure. At any rate, since Congress is expected soon to be considering a wholesale reorganization of our financial structure, this is an opportune time to review the current status of the structure of banking. Attention will be focused on its anatomy, how it is structured rather than how it operates. Emphasis will be placed on the legal framework within which it functions.

The structure is influenced by both state and federal legislation with reference to the chartering of new banks, merging, branching, and holding company formations and acquisitions. A striking feature of the system is the federal policy of imposing on national banks the restrictions on branch banking that are placed on state banks in the particular state in which the bank is located. There is considerable evidence that this federal deference to state banking laws is crippling or stifling both competition and progress in banking. One may well question the wisdom of permitting local interests to determine what the national banking system can or cannot do.

Traditionally, our system has been characterized

by a large number of unit banks. The number steadily increased until 1921 when an all-time peak of 31,000 was reached. A high percentage of these were small, under-capitalized institutions, ill-equipped to adjust to a rapidly changing environment. The existence of so many banks of inadequate strength and stability resulted in thousands of failures and motivated a multitude of mergers. During the past twenty years, the number of commercial banks has been relatively stable. Since 1952, the number has not been over 14,000 or under 13,000. At the end of 1970, there were 13,686, of which 4,620 were national banks, 1,147 were state member banks, 7,735 were nonmember insured banks and 184 were non-insured. As of June 30, 1970, 61.8 percent of all our banking organizations had assets of less than ten million dollars. During the decade from the end of 1960 to the end of 1970, the population of the United States increased 13 per cent and the number of banks increased 3.2 per cent. However, the number of branches increased 110 percent, resulting in an increase of 50 per cent in the number of banking offices and raising their number from 13.2 to 17.3 per 100,000 population. One may ask why expansion is taking place through branching rather than setting up new banks. One explanation is that it is usually easier and more profitable for an existing bank to expand its facilities than to raise the capital to establish a new bank and obtain a new charter. Many of the new banks established in the 1960's are accounted for by legal restrictions on branching. For example, in Florida, where branch banking is prohibited, all expansion has been accomplished through new banks — during the decade the number increased from 129 to 224 or 73.6 percent.

The growth of bank deposits accelerated sharply during the 1960's. One major factor accounting for this is that banks were permitted to increase the rates which they pay on time and savings deposits. They were no longer required to compete for funds with one hand tied behind them. The Board of Governors set the maximum rate at 2½ per cent in January, 1936. After 21 years at

this level, the permissible rate was increased to 3 per cent on January 1, 1957. The rate was increased to 4 per cent on January 1, 1962, to 4½ per cent on November 24, 1964, to 5½ per cent on December 6, 1965 and to 6¼ per cent on April 19, 1968. In the meantime, in 1961, First National City Bank had introduced the negotiable certificate of deposit which enables banks to compete for large denomination time deposits. In the mid-summer of 1970, following the collapse of Penn Central, the Fed suspended ceilings on large certificates of deposit so that banks could attract additional funds to meet the urgent liquidity needs of business. The result is that time deposits increased from less than 40 percent of demand deposits (excluding interbank and U. S. government deposits) in 1947 to 113 per cent in June 1971. From the viewpoint of the banker, time deposits have both advantages and disadvantages. Lower reserve requirements permit the bank to have a larger proportion of its total assets in loans and investments, but the interest costs are painful.

Approximately one-third of the states permit state-wide branch banking, another third have some form of limited branch banking and in the remaining third branching is virtually prohibited. And, as a general rule, a bank cannot operate branches outside its home state. Roughly speaking, statewide branching is predominant on the East Coast and widespread in the Far West while unit banking and limited branching prevail in the Mississippi Valley.

Only four states, New York, New Hampshire, New Jersey and Virginia made significant changes in their branching laws during the 1960's. In each case restrictions were eased. Virginia changed its law in 1962 to permit state-wide branching by merger but earlier restrictions remain in force with regard to de novo branching. One result of this is to encourage holding company formations and acquisitions since, in contrast to the effect of the acquisition of a distant bank through merger, the acquisition of such a bank by a holding company does not destroy the identity of the acquired bank's Head

office and therefore does not eliminate its branching privileges. This year, New York enacted legislation to permit statewide branch banking commencing in January, 1976 and Michigan lifted its ban on multibank holding companies.

Mergers have provided a popular means of securing branches in states which permit statewide branching. The holding company route is likely to be followed in states such as Florida, Missouri and Texas which prohibit branching. In states such as Tennessee which permit branching in only a limited area, a combination of branching within the home office area and the use of holding companies to gain control over banks outside the area has become popular.

The bulk of the federal legislation pertinent to this area is contained in Sections 1 and 2 of the Sherman Act, Section 7 of the Clayton Act, the Bank Holding Company Act of 1956, the Bank Merger Act of 1960, the amendments to these two laws enacted in 1966 and the amendment to the Bank Holding Company Act which was signed into law by President Nixon on December 31, 1970 extending its coverage to one-bank holding companies. According to Alfred Hayes, President of the New York Federal Reserve Bank, this may prove to be the most significant banking legislation since the 1930's. As in the case of the earlier legislation, it will not be possible to appraise the significance of the 1970 changes until court interpretation becomes available.

Despite the fact that commercial banks did not grow as rapidly as did competing financial institutions during the 1950's, their aggressive use of mergers, holding companies and branches produced fears that these structural changes would create excessive concentration of resources, a reduction in competition and, in the case of holding companies, an unsound combination of banking and nonbanking activities. The result was the enactment of the Bank Holding Company Act of 1956 and the Bank Merger Act of 1960. The provisions of these two laws, together with the litigation related to their enforce-

ment, have done much to influence banking activities during the last fifteen years.

In contrast to branch banking, which had been under regulatory control of the states since its inception, holding company banking was not subject to significant regulation prior to 1956. Holding companies could and did acquire banks in many different states, and they might engage in nonbanking activities. For example, at the end of 1946, Transamerica Corporation had acquired 41 banks operating a total of 619 banking offices. Thus it accounted for over 38 percent of all commercial bank deposits in the five states, Arizona, California, Nevada, Oregon and Washington and for over 40 percent of all banking offices. In addition, it owned and operated a wide variety of nonbank businesses with aggregate resources of over \$275 million. It was largely the inability of the regulatory authorities to cope with Transamerica, under the limited authority provided by the Banking Act of 1933, that led to the Bank Holding Company Act of 1956.

Group banking is particularly prevalent in states which place strict limitations on branch banking. In states such as North Carolina, Connecticut, Maryland, Rhode Island and Delaware which offer a choice between statewide branching and holding company formations, banks have elected to expand through branching. However, group banking offered most of the advantages claimed for branch banking such as centralized management, large capital, management training, recruitment systems, retirement programs, in-house data processing, centralized accounting and portfolio advice and, in addition, several unique features such as the appearance of home rule for local banks and, until recently, the ability to cross state lines. Each affiliated bank retains its individual corporate existence, the head of the local banking office continues to be a bank president rather than an office manager and the local unit retains the familiar bank name.

The Bank Holding Company Act of 1956 was designed to define holding companies, control their future expansion and provide for the divestiture of their non-

banking interests. Any definition of a bank holding company must stipulate the percentage of stock ownership considered adequate to classify an institution as an affiliate and the number of banks which must be controlled in order to place an organization in this category. The 1956 Act defined a holding company as a corporation that owns 25 percent of more of two or more banks, despite the fact that the Board of Governors of the Federal Reserve System wanted the law to cover also companies controlling only a single bank. In general, bank holding companies as defined were required to give up control of companies that engage in any business other than banking or furnishing services to affiliated banks. The prime objective of the Act was to slow down the unregulated growth of group banking through the holding company device.

The Act directed the Board of Governors to consider identical factors in looking at applications to form a new holding company or, in the case of existing companies, to acquire the stock or substantially all of the assets of an additional bank. From 1956 until the amendments in 1966, these factors were:

1. the financial history and condition of the company and banks concerned,
2. their prospects,
3. the character of their management,
4. the convenience, needs and welfare of the communities and areas concerned, and
5. whether or not the effect of the acquisition or merger would be to expand the size or extent of the bank holding company system beyond limits consistent with adequate and sound banking, the public interest, and the preservation of competition in the field of banking.

The Board experienced little difficulty in applying the first three but encountered increasing difficulty in applying the fourth and fifth factors. In 1958, it pointed out to the Senate Banking and Currency Committee that the major problem had been the difficulty of balancing

considerations affecting competition and the public interest under the fifth factor with those affecting convenience and needs under the fourth.

The initial response to the legislation was a decline in the number of registered holding companies from 53 in 1956 to 47 in 1960. Apparently some groups automatically covered by the Act preferred to dissolve their affiliation rather than register with the Board of Governors. However, after the Board published decisions on various applications and the relevant considerations leading to the approval or denial of the applications became less obscure, those who believed their situations would meet with approval were less hesitant to submit applications. By 1967, there were 74 registered holding companies with 609 banks as subsidiaries. This 4.4 percent of all commercial banks held 11.1 percent of total commercial bank deposits. At that time there were 4 registered holding companies in Tennessee whose subsidiaries had 3.4 percent of total commercial bank deposits. In Georgia there were 7 holding 34.5 percent of the deposits and in Florida 13 holding 34.4 percent of the deposits.

Holding Company applications are submitted to the Board through the Federal Reserve Bank in the District where the banks involved are located. The application is reviewed at the Bank for completeness and is analyzed with respect to the competitive and banking factors and the convenience and needs aspects. The analysis usually includes a visit by Federal Reserve representatives to the banks involved as well as to competing banks. The views and recommendations of the Reserve Bank are forwarded to the staff of the Board which, after further review and analysis, submits to the Board a recommendation for consideration and decision. While the application is being reviewed by the staffs of the Reserve Bank and of the Board, comments are solicited from other banking agencies and interested persons.

Bank mergers have long required the permission of supervisory authorities, but for many years approval was pretty automatic. For example, the Comptroller of

the Currency approved every one of the three hundred and seventy-six merger applications submitted to his office for consideration during the 1950 to 1955 period. The view that not much consideration was being given to the competitive effect of bank mergers played an important part in the enactment of the Bank Merger Act of 1960 which required the Comptroller of the Currency, the Board of Governors, or the Federal Deposit Insurance Corporation — depending on whether the resulting bank was a national bank, state member bank, or a non-member insured bank — to pass upon applications for mergers. In so doing, the following six so-called banking factors were to be considered:

1. the financial history and condition of the banks involved,
2. the adequacy of their capital structure,
3. their future earnings prospects,
4. the general character of their management,
5. the convenience and needs of the community to be served, and
6. whether the corporate powers of the banks were consistent with the purposes of the Federal Deposit Insurance Act.

In addition, the responsible agency was required to take into consideration the effect of the transaction on competition. The Act made public interest the ultimate consideration with regard to bank mergers by stipulating that the responsible agency should not approve the transaction unless, after considering all factors, it found the transaction to be in the public interest. The agencies were required, in the interest of uniform standards, except in cases of threatened failure of one of the banks, to solicit an appraisal of the competitive effects of the proposed merger from the other two banking agencies and from the Attorney General. These reports were to be merely advisory and the final decision as to whether the proposed merger was in the public interest was to be made by the responsible agency by balancing the competitive factors against the banking factors. While the three agencies were not required to follow the advice of

the Attorney General, they were to publish in their annual reports descriptions of the approved mergers, a resume of the opinion of the Attorney General and the grounds on which final approval was based.

Although the Bank Merger Act was silent as to the applicability of the antitrust laws to a merger approved by the responsible banking agency, it was generally understood that Congress intended that the decision of a banking agency on a proposed bank merger would be final and conclusive. Senator Fulbright, who managed the bill during Senate debate stated:

The House has agreed with the Senate that bank mergers should be controlled by the Federal banking agencies on the basis of both banking factors and competitive factors, and that Section 7 of the Clayton Act should continue to be inapplicable to bank mergers.

This statement is in harmony with that of Federal District Judge McMahon, who heard and decided the *Manufacturers Hanover* case:

In the decade 1950-1960, the Department of Justice, like Congress, the federal agencies, and most of the legal profession, believed that Section 7 did not apply to bank mergers . . . and there was doubt as to the applicability of the Sherman Act.

Prior to 1961, the Department of Justice had never initiated an antitrust action involving a bank merger and the Supreme Court had never ruled on a bank merger case. The Department of Justice became concerned about the increased number of bank mergers and, despite the fact that the Bank Merger Act appeared to relegate it to an advisory role, decided to test its antitrust powers in the banking area. The banking regulatory agencies and the Department of Justice have a common goal of preserving and achieving the necessary elements of competition and absence of monopoly in the field of banking. But the regulatory agencies, charged with the responsibility of maintaining a viable, healthy banking system and the Department of Justice have conflicting

ideas as to how the banking structure should evolve in the 1970's. The Justice Department has been so successful in getting its views accepted by the Supreme Court that former Comptroller of the Currency Saxon has charged that the Justice Department occupies "a holy place in the eyes of the Court."

In leading cases in 1963 and 1964, the Supreme Court upheld the contentions of the Department that both the Clayton and Sherman Acts apply to banking. In the Philadelphia case in 1963, the Court ruled that the proposed merger of the second largest bank in the city, Philadelphia National and the third largest, Girard Trust Corn Exchange, would violate Section 7 of the Clayton Act in that it would result in a significant increase in the concentration of firms in that market and thereby lessen competition. The Court pointed out that the proposed combine would be 50 percent larger than First Penn Bank and Trust Company, the largest bank in the city, and that it would have some 35 percent of the bank assets in the Philadelphia area. The Comptroller of the Currency had approved the proposed merger under the Bank Merger Act of 1960. The Supreme Court made it clear that, despite the machinery provided in the 1960 Act, antitrust laws were fully applicable to the banking business. Criticism of the decision began with a twenty-five page dissenting opinion by Mr. Justice Harlan which opened with the statement:

I suspect that no one will be more surprised than the Government to find that the Clayton Act has carried the day for its case in this Court.

Justice Harlan argued that the majority opinion was contrary to Congressional intent both as to authority over bank mergers and the standards to be applied. He added:

The result is, of course, that the Bank Merger Act is almost completely nullified.

The federal law applicable to bank mergers thus turned out to be quite different from what was generally thought to be the case at the time of the enactment of the

Bank Merger Act. Furthermore, since there was no applicable statute of limitations, mergers approved under the Bank Merger Act and even those consummated before its enactment, were potentially vulnerable to antitrust attack. It appears that the majority of the Supreme Court Justices reached the decision that the proposed merger was not in the public interest and then molded Section 7 to support their views.

In the following year, 1964, the Supreme Court held that the merger of the First National Bank of Lexington (Kentucky) and the Security Trust Company to form the First Security National Bank of Lexington, which had also been approved by the Comptroller of the Currency, violated Section 1 of the Sherman Act. The Court stated that significant competition would be eliminated by the merger and that this would constitute an unreasonable restraint of trade forbidden by the Sherman Act. This case not only demonstrated the potential thrust of the Sherman Act in the merger area but also involved the difficult problem of divestiture since, unlike the Philadelphia case, the merger had been consummated prior to the Supreme Court Decision.

The divestiture problem gained wide recognition when, on March 10, 1965, the District Court for the Southern District of New York held that the consummated merger of Manufacturers Trust Company and the Hanover Bank, approved by the Board of Governors under the Bank Merger Act, violated Section 1 of the Sherman Act and Section 7 of the Clayton Act. In effect, this decision in favor of the Government was appealed to Congress.

In 1966, Congress amended both the Bank Merger Act and the Bank Holding Company Act supposedly with the intention of stating more clearly the relationship between these two banking acts and the federal antitrust laws. Under the amended legislation, as under that in effect earlier, all bank mergers must receive prior approval from the appropriate federal regulatory agency and all registered bank holding company formations and acquisitions must receive prior approval from the Board of

Governors, The Board is forbidden under the Holding Company Act as amended to approve any application by a bank holding company or by any subsidiary to acquire any voting shares of a bank located in another state unless such acquisition is specifically authorized by the laws of the state in which such bank is located. Since such legislation would be very difficult to obtain, the effect of this provision is to confine further bank acquisitions by a holding company in existence at the time the Amendment became effective to the state in which the total deposits of its banking subsidiaries are largest and to limit acquisitions and operations of holding companies set up after that time to a single state.

The 1966 amendments prescribe, among other things, that the same competitive standards shall be applied by the federal bank regulatory agencies and the Department of Justice in all cases involving bank mergers and in registered bank holding company formations and acquisitions. The former criteria were replaced with substantially identical language in the amended Bank Merger and Bank Holding Company Acts. A key section provides that the responsible agency shall not approve any "proposed merger transaction whose effect in any section of the country may be substantially to lessen competition, or to tend to create a monopoly, or which in any other manner would be in restraint of trade, unless it finds that the anticompetitive effects of the proposed transaction are clearly outweighed in the public interest by the probable effect of the transaction in meeting the convenience and needs of the community to be served." This is indicative of the vagueness of the law. Despite strong pleas by the Board of Governors, the one-bank holding company exemption was left untouched. Except in the case of an emergency requiring expeditious action, an approved merger may not be consummated before the thirtieth day following the date of approval by the responsible banking agency. The Attorney General is to be notified immediately of approval by the responsible agency and, except for action brought under Section 2 of the Sherman Act, if he is to institute action against the merger, he must do so within the thirty day period.

After the 1966 amendments, a new test was quickly initiated by the Justice Department. Again two Philadelphia banks were involved: The Provident National Bank and the Central-Penn National. Comptroller of the Currency Saxon approved the proposed merger on March 4, 1966 and on April 1, just within the thirty day deadline, Justice filed a court injunction to forbid the merger.

A brief quotation from the opinion of District Judge Clary, dated February 12, 1968, is in order:

In making a decision in this case, the Court is faced with the dilemma so ably stated by that noted legal scholar, John H. Wigmore, the late Professor and Dean of Northwestern University School of Law, and author of "Wigmore on Evidence," that "law and justice are from time to time inevitably in conflict."

The dilemma confronting the Court is that the Court firmly believes that a jury would have no difficulty in finding qualitatively that the proposed merger would be a good merger; good for the banks in that they would complement each other in both location and services; good for the community in that it would create another billion dollar bank in Philadelphia with its attendant advantages, particularly in the field of international finance; put real depth into the management of the surviving bank; generate more intense competition in the oligopolistic banking structure of Philadelphia, and might well make some improvement in the economic status of business in the Philadelphia area generally, and specifically its port facilities and operation. However, because of the quantitative (mechanical rules) approach to the question of antitrust violations declared as a policy by the Supreme Court and its decisions supporting that policy, this Court is constrained, albeit reluctantly, to declare that this merger may not be consummated.

Some three weeks later, on March 4, 1968, in overruling the decision of District Judge Miller which would have permitted the merger of Third National and Nash-

ville Bank and Trust, the Supreme Court established the fact that Judge Clary had been correct in his assumption that it would accept the position of the Justice Department that the 1966 amendments made no substantial change in the standards to be applied in passing on the issues involved in merger cases. The Nashville decision made it apparent that it would be impossible to merge two sizable banks in any metropolitan area regardless of the improved services and convenience to the public.

One exception was the Crocker-Citizens merger in California. On October 30, 1967, the United States District Court for the Northern District of California, sitting as a three-judge panel, handed down a decision upholding a merger consummated in 1963. This decision, written with an eye toward review by the Supreme Court emphasized the point that this merger provided the only economical means of establishing another state-wide banking competitor to the Bank of America. The District Court found that the merger of the two banks was not in violation of the Bank Merger Act of 1966, Section 7 of the Clayton Act or Section 1 of the Sherman Act. The Court ruled that the government had failed to prove that the merger had a substantial effect on actual or potential competition and declared that even if the merger did have such an effect, such anticompetitive effects were clearly outweighed by the probable effects of the merger in meeting the convenience and needs of the community. For one reason or another, the Justice Department did not challenge this decision.

Perhaps the most striking development in the field of banking during the 1960's was the growth of one-bank holding companies. Generally speaking, commercial banks in the United States have been confined to a rather narrow range of activities within the broader area of financial activities. The National Banking Act of 1864 authorizes national banks to exercise all such incidental powers as shall be necessary to carry on the business of banking. This incidental powers clause was subject to either broad or narrow interpretation. Traditionally

it had been interpreted quite narrowly but Comptroller Saxon issued a series of rulings reflecting a much more liberal view. One result was that during the decade 1959-1969 some \$23 billion of bank assets were transferred from the state bank system to the national bank system. Included were Wachovia Bank and Trust Company, the largest state bank in the Southeast and the Wells Fargo Bank, the largest state bank on the West Coast. When some of the national banks rushed to take advantage of this new attitude by entering new areas of activity they were met with lawsuits instigated by nonbanking firms and trade associations not at all happy with the prospect of competition from banks.

Once the opportunity presented by one-bank holding companies became evident, banks moved quickly, following the lead of First National City Bank, to take advantage of it.

The bank-initiated one-bank holding companies, with which we are here primarily concerned, are to be distinguished from the older one-banks, which often arose at the initiative of nonfinancial corporations through the purchase of shares, with or without the approval of the subject banks. There are reported to be more than five hundred one-bank holding companies owned or controlled by nonbank business corporations. Among the more important corporations owning single banks are such well-known names as CIT Financial Corporation, Sperry & Hutchinson, Marcor, Inc., Gulf and Western Industries, Signal Companies, World Airways and Jim Walter Corporation. CIT, for example, owns the National Bank of North America in New York with 115 branch offices and assets of \$2.2 billion.

Until about 1966, the one-bank loophole was not a matter of great concern. As late as June 30 of that year, total deposits of all one-bank holding companies stood at \$15.9B, a large amount but less than 5 percent of total commercial bank deposits. One-bank holding companies were typically, though not invariably, small concerns holding small banks along with other properties. Of the 409 domestic one-bank holding companies in ex-

istence in 1967, approximately 21 percent confined their activities solely to banking, some 38 percent were engaged in activities of a non-banking but exclusively financial nature and were therefore classified as congenerics. The largest group, 41 percent, engaged in some nonfinancial activities and were classified as conglomerates. For nearly half of the conglomerates, but only about one-fifth of the congenerics, banking accounted for less than 25 percent of their total assets.

In the late 1960's, the picture changed dramatically. Between June 30, 1966 and April 1, 1970, the number of banks controlled by one-bank holding companies increased by 475 or 74 percent. During the same period, the deposits under the control of such companies increased almost ninefold. This disparity reflects, of course, the fact that the banks controlled by the new holding companies are, on the average, large.

Typically, the operating bank set up a new business corporation with the shareholders of the original bank exchanging their stock for shares in the newly formed holding company. The operating bank was to be the major component of the holding company organization, but the holding company might also own other businesses, either closely or not so closely related to banking. So long as the holding company owned no more than one bank, it was free of the regulations and prohibitions of the Bank Holding Company Act of 1956 and could legally enter almost any industry in any geographic area.

When the Bank of America, the country's largest bank, announced plans to reorganize as a one-bank holding company, its president, in a public statement, said that the holding company would enable the bank "to use its know-how and facilities for the handling of all kinds of financing, management of investments and other related activities which logically are complementary to the banking business." By the end of 1969, there were almost 900 one-bank holding companies. Nine of the ten largest banks in the country were owned by one-bank holding companies.

Obviously, such a wide difference in regulatory provisions could not continue. As of the end of 1970, regulated multi-bank holding companies controlled about one-sixth of the nation's commercial bank deposits while one-bank holding companies controlled approximately one-third of such deposits. The 1970 amendments brought all bank holding companies under the supervision of the Board of Governors. The most controversial and bitterly contested provision of the new law centers around the standards established for Federal Reserve determination of the nonbanking activities in which the holding companies will be permitted to engage. The interpretation of these provisions will determine just how much diversification, subject to court review, bank holding companies will be permitted in terms both of the services they can offer and of the extent to which they can expand geographically. Roughly stated, the Board is to base its decisions on whether the proposed activity is closely related to banking and whether its performance by a banking organization would yield net public benefits. Congress followed the suggestion of Arthur Burns, Chairman of the Board of Governors, that holding companies be permitted to have subsidiaries engaged in activities functionally related to banking, leaving the determination of the specific types of permissible activities to the judgment of the Board thereby providing flexibility to adjust to changing circumstances. Although all the implications of the legislation are not known and further clarification will be achieved only through case-by-case interpretations, the new law should provide to banking organizations the basis for a significant degree of diversification of financial services and an opportunity to offer such services in geographic markets they have not previously served. However, judging from the experience of bank merger and acquisition cases, it may be difficult for an applicant to prove to the satisfaction of the Supreme Court that public convenience or efficiency offsets damaging competitive effects.

Our thinking regarding the banking structure needs to be reoriented. The public priorities are shifting from maintaining as many local alternatives as possible to pro-

viding banking organizations of sufficient size so that banking services can be enriched and multiplied. We should be encouraging the development of a combination of holding company and branching systems in sizes large enough to provide the kinds of banking service that can be made available today. We should also get rid of the obsession that banks should be confined by state lines. There are many places, such as Memphis, where, if a competitive environment is the goal of public policy, branching across state lines would make sense. The nub of the matter seems to be that the antitrust laws were designed for fully competitive industries whereas banking is a regulated industry. Thus far, Congress seems to have been unable to carve out a special position for bank mergers in the antitrust field. There are signs that even the Justice Department is beginning to see the light. Asserting that its antitrust enforcement activities have made it familiar with the impact of state laws which govern the opening of new branch banks and other banking activities, the Justice Department in 1970 stated that "in certain instances, such laws are unnecessarily restrictive . . . and detrimental to the states' interest in promoting banking competition." It added that "It now seems appropriate for the states to critically re-examine the laws controlling the structure of their banking markets in the light of today's economic conditions and needs."

THE MEMPHIS SOUND

by William Leighton Reed

Read Before "The Egyptians," Dec. 16, 1971

The 1971 edition of The City Directory for Memphis contains a business category called Recording Studios Voices and Sound. Listed under this category are the names of twenty-four firms. These firms have an international reputation among artists and distributors for producing records that sell by the millions. The gross income from production of these records is reported to be one hundred twenty million dollars for the calendar year 1970, an increase from thirty million in 1968. The gross sales for the recording Industry in the United States in 1970 was \$1.06 billion.

The 1965 City Directory lists five firms under Recording Studios, Voices and Sounds. They are: Echo Recording Service of 13 N. Manassas; Memphis Recording Service; Sam Phillips International and Sun Record Co. all of 706 Union and Phillips International Record Co. of 639 Madison. The 1960 Edition also lists the same five firms.

The 1955 Edition lists two recording firms: Phillips International Record Company of 639 Madison and Sun Record Company of 706 Union. In 1950 the Directory lists 639 Madison, as Memphis Vending & Amusement Machine Co. and 706 Union as Sherry's Slip Cover and Drapery Shop; it has no category of recording studios, voices and sound.

Why would Memphis, Tennessee be the locale for such growth by the recording Industry? Why would Memphis become the fourth largest recording center in the United States? Is there an identifiable musical sound that relates only to Memphis? To answer the above questions we must explore . . . Memphis as a historical place of residence or rest for Negro Country Blues Musicians, Negro

Gospel Groups and Choirs, White Country Singers and Negro Soul Musicians. The small towns and farm communities of West Tennessee, Eastern Arkansas (including the Ozarks), Mississippi and Northern Alabama have in the past seventy five years, sent Musicians to the city who could support themselves in varying degrees by their Music and who have attracted national or/and sometimes international attention.

Samuel B. Charters book "The Country Blues" states: "Since the days of West Dukes and Jim Turner, Country Fiddlers who had taken dance orchestras out of Memphis after the civil war, the city had been a center for colored entertainment groups. Many of the tent minstrel shows made up in Memphis, and there were a large number of medicine shows traveling out of the city to Mississippi, Louisiana and Northern Alabama. Some of these shows were run by quacks of the worst type, but others were run by well known "Doctors" like Dr. Stokely, Dr. Benson, Dr. C. E. Hangerson, Dr. W. B. Milton and Dr. Willie Lewis, who traveled with small shows including the best country entertainment they could find. The shows played on a wagon, lit up by lanterns or a dangling electric bulb and usually included some banjo and guitar playing, a novelty band, singing, a buck dance and maybe a magic trick or two. There was no subtlety in this kind of work. The entertainers sang loud, mugged ferociously and relied on slapstick to get them through the show . . . They were a hard living independent bunch. They slept wherever they happened to be, with anybody handy, drinking, gambling, getting run out-of-town for chasing the wrong married woman, or getting the royal treatment for singing a song that went over big. They didn't even play many small towns. They stayed out in the country, at country stores or big farms where there were two or three hundred people to buy bottles of salves and syrup. It was a lonely territory and they were always welcome to try and entertain people."

The Negro Country Blues Singers most closely associated with Memphis are "Furry" Lewis, Dewey Corley,

Richard "Hacksaw" Harvey, "Bukka" White, Houston Stackhouse, Mrs. VanZula Carter Hunt, Willie "61" Blackwell, "Sleepy" John Estes, "Hammie" Nixon, "Mississippi" Fred McDowell, Frank Stokes, Dan Sane, Jack Kelly, "Son" Shade and the Memphis Jug Band, Gus Cannon and Jim Jackson. These men are important because they worked out of Memphis during a time from 1917 to 1931 when the 'Blues' through the medium of recording became a marketable commodity.

Bobby "Blue" Bland's definition of the Blues. In preparing for my paper, I read many accounts and definitions of the blues; the following statement by Bobby "Blue" Bland, a blues singer of more recent vintage, comes closer than any to my understanding of the term.

"To a black man the blues means Misused, misused by your woman, your man, your mother, your father, your boss man, police, judge, mayor, or society in general. It's the blues. Mr. Webster says the blues is "A form of depression, a word commonly used by American Negroes." Mr. Webster is right because misuse brings on depression. Mr. Webster, however, does not really know, because Mr. Webster never had the blues."

Paul Oliver, the leading authority in this country on the blues, says in his book "The Blues Tradition": "Recording is a fact of blues history and its influence has been immense. Through the blues record, the lower-class negro was able to hear the voice of his counterpart from a thousand miles away; hear him and feel a bond of sympathy which no other medium could impart at such a personal level. . . . For the Negro in Memphis, Tennessee or Yazoo City, Mississippi, the blues record offered the first real opportunity of contact through a mass medium with others of his social status. Men from his own community sang on record in company with others from Cleveland, Ohio, Gary, Indiana and the purchaser shared the blues with them all. In the recent history of the Negro in the United States, recorded blues is a significant phenomenon. Newspapers could only reach the literate; Radio Stations beamed locally only; records

had a greater potential as a communication medium . . . Five or six million 'race' records sold annually at a time when the total Negro Population in the United States was only double that amount; this meant that a very large proportion of the Negro world must have been hearing the music; a single record could be familiar in the lives of half a dozen people and many a young Negro grew up with the phonograph blues always in his ears. The colossal output indicates irrefutably the important part played by the gramophone in the spread of Negro Musical Culture and gives some indication of its potential strength in directing and forming Negro taste."

Though Memphis was not the only city to give support to Negro Country Blues Musicians, it was thought by the major recording studios of New York and Chicago to be the most fertile ground. All of the large recording companies such as Columbia, Okeh, Paramount, Brunswick, Vocalion and Victor would regularly send 'recording teams' on field trips to Memphis to record the blues. Makeshift studios would be established in the Peabody Hotel, the McCall Building, and other places where sessions would be held on a daily basis for four or five days running. An account of a recording session, help by Ralph Peer of Victor Record Company at the Peabody Hotel recalls—"The Jug Stompers" recordings had the strong country beat of the old Ham Fat bands with a deep blues feeling. They brought the jug band sound to a complete fullness, and their first records had assurance. They brought their own rhythms to the blues. The banjo could not sustain a note as long as a guitar could; so they played the blues accompaniments in a rushing 4/8 rhythm instead of the slower 4/4. Gus Cannon played with an alternate stroke on a middle string with his first finger; then a stroke on the two outside strings with his thumb and second finger. He was the only Negro five string banjo player to record with a country group; so it is impossible to compare his style with other colored banjo players. Recordings by white groups made about the same time used a similar banjo picking for the slower tempos."

The Negro Country Blues singers were severely affected by the depression. Many recording studios went out of business or curtailed their activity. Victor held its last session in Memphis on November 28, 1930. Work in the Minstrel and Medicine shows was slow to non-existent. The Musicians listed above were forced into comparative obscurity for the next thirty years until rediscovered by a young white audience.

Memphis Slim, John Lee Hooker, Muddy Waters, Howlin' Wolf and B. B. King are examples of Blues Singers in a more recent tradition. These men all lived in Memphis at sometime during the years 1938 to 1960 and all contributed to the transition from the root of country blues to the sound of 'soul' that is prevalent today. They differ from the country blues singers in that each plays an electric guitar, so that he can be heard over the crowd noise in the Juke Joints lounges and he has more of an urban tone to his work. The style became known as Rhythm and Blues. B. B. King is a symbol of all, in that during the forties and fifties he made his living recording for the 'race' or 'black' market and playing one night stands throughout the South and in the cities of the North and West. His records were produced in New York and Chicago and promoted over race stations such as WDIA in Memphis. King and the others enjoyed success in their market but financially were limited compared to their White contemporaries who operated in the much larger 'Pop' music market place.

Negro Gospel music is as basic to the culture and to the sound as the blues and while there are many overlaps between the two, gospel people tended to think of the blues as evil and the work of the Devil; Blues people tended to be in superficial sympathy with the gospel. Paul Oliver in 'Aspects of the Blues Tradition' says: "Musically the blues and the spirituals, or the spirituals successor, the gospel song, may have stemmed from common sources, but in the recording era, though they shared on occasion similar instrumentation and voices, they were separate and distinct. There is no confusing the gospel song and the blues of the thirties and

forties musically speaking and their content was emphatically divided."

There are many outstanding gospel musicians from Memphis. The Rusk College Choir of Holly Springs, Mississippi, has national renown, others who, over the years, have been outstanding include Spirit of Memphis, Dixie Wonder, Gableairs, Jubilee Hummingbirds and Edwina Taylor and Group.

More important than the individual groups and choirs is the fact that gospel music plays such a vital role in the lives of so many Negroes. Richard Wright, the Negro Poet describes: "It is only when we are within the walls of our churches that we are wholly ourselves, that we keep alive a sense of our personalities in relation to the total world in which we live, that we maintain a quiet and constant communion with all that is deepest in us. Our going to church of a Sunday is like placing one's ear to another's chest to hear the unquenchable murmurs of the human heart. In our collective out pourings of song and prayer, the fluid emotions of others make us feel the strength in our selves."

This intensity of feeling has served as the force in Gospel Music and most of the Negro Musicians working the Memphis Studios today received at least part of their training from Gospel Music. Gospel Records sell in a limited but steady market.

Since World War II the buyer of either single or album recordings has been predominantly in the age group of twenty five years or younger. One of the prime factors of the post war economy is that young people have a great deal more money to spend at their own discretion, than ever before. Most of the \$1.6 billion dollars in gross sales by the recording industry in 1970 were made to people in this age group. Simultaneous to the evolvment of this huge market, was the development of radio and TV as a mass medium. With Radio and TV as a promotive vehicle the sale of all recordings began to increase sharply.

In the late forties and early fifties young White Rural oriented singers began singing popular tunes in a style called Rock and Roll. This style was hugely successful in the market place. Everyone is familiar with the story of Elvis Presley, and Memphis has profited by the attention received in his regard. But the contribution of Elvis and the other successful Rock and Roll musicians, to the Recording Industry in Memphis is that while most of them recorded away from Memphis their style was heavily influenced by Rhythm and Blues singers such as Chuck Berry, Rufus Thomas, B. B. King and others. By the mid fifties, Negro Musicians, following the Rock 'nRoll influence began to sell in the pop market place.

Further, a new style began to emerge called soul. Phyl Garland author of "Soul Music"; an old sound of new significance, describes: "Sometimes it seems to be a profane liturgy of the doomed and the despairing, but more frequently it is a hymn of hope or an unbridled affirmation of dark defiance . . . the sound of soul . . . is manifest in the overlapping forms of blues, jazz, gospel and popular music. Its essence is indisputably black . . . through out two hundred and fifty years of slavery and yet another century of pseudo, freedom, the permutations of this compellingly human sound have developed."

If the Negro Rhythm and Blues musicians were able to move into the Popular music market of the fifties the "soul" musicians assumed a major position in the sixties. Phyl Garland says: 'By the end of 1968, soul music as it has evolved from rugged roots into a modified but highly popular form, accounted for a healthy chunk of the unprecedented \$1.1 billion gross income for that year in the recording industry. This was indicated by the fact that in Billboard magazine's year end assessment of individual popular record, sales-based on a system that takes into consideration the number of top-selling records as artist has had during the year, along with the number of weeks each hit appeared on the charts, and its standings; black soul artists or those commonly identified with this phenomenon held sway. They accounted for seven of the top twelve chart positions, Aretha Franklin . . .

ranked as the year's number one artist. Not far behind her were James Brown . . . the late Otis Redding . . . Dionne Warwick . . . Markin Gaye and Tammi Terrell . . . Smoky Robinson with his singing Miracles . . . Archie Bell and the Drells and a white soul quartet called the Rascals."

Now, how does Memphis relate to this performance? Well, three of the seven were recorded in Memphis. And in the following two years gross sales of Memphis recordings had increased sharply.

Jim Stewart, President of Stax Record Company is the individual primarily responsible for the recent growth and development of the recording industry in Memphis.

Stax's conception goes back to 1956, when according to Phyl Garland as a member of the Trust Department at The First National Bank and country fiddler, Stewart tried producing pop and country records in his backyard studio, which was actually a garage; after he had been turned down by Sam Phillips. His partner in the home-made enterprise was a disc jockey named Fred Bylar . . . His early efforts were unnoteworthy, and he lost about \$10,000.00. Bylar dropped out, but Stewart plodded on. He did gain the support of his sister, Mrs. Estelle Axton, who mortgaged her home so that they might buy a \$2,500 Ampex recorder in 1960. They looked for a studio and happened upon a good prospect, a vacant movie theater on McLemore Street in the heart of a Negro neighborhood, which they purchased. The area around the theater was teeming with music and undeveloped and undiscovered talent, though Stewart has said: 'We didn't even know what rhythm and blues was then. We just happened to move into a colored neighborhood.' Not too long after, Rufus Thomas, a local disc jockey and Rhythm and Blues singer came into the studio with his seventeen year old daughter, Carla. Stewart and his sister decided to play a long shot by recording Rufus Thomas' version of a song called 'Cause I Love You. It sold thirty thousand records, a figure far exceeding their expectations and the fledgling producers began to have

second thoughts about this music. Thomas later went on to become a nationally known soul figure . . . His daughter Carla Thomas, later a graduate student in English Literature at Washington's Howard University, has continued to be a productive 'soul' singer in the Memphis tradition . . . That was the first break. The next one came in 1961, when a group of white teenagers who called themselves the Mar-Keys recorded a rock-n-rollish tune named *Last Night*. A half-million copies of the record sold. Importantly, one of the members of the Mar-Keys was a young guitarist named Steve Cropper, who had come to town from the Ozark Mountains in Missouri. Though Cropper had grown up to the tune of radio's Grand Ole Opry, the classic country and western show of all time, he had a keen ear for new sounds and a huge natural talent.

An engineering student at Memphis State, Steve began working part time at the studio learning the techniques of recording production. Also at this time, a musically gifted sixteen year old black high school student named Booker T. Jones began hanging around the studio. Formally trained in piano and possessing the ability to master any instrument he tackled, Booker played with Steve in a studio back up band behind Rufus Thomas. One day Booker was improvising on the organ along with Steve and two other studio musicians when they came up with a catchy little tune Stewart insisted they record. That was possibly the most important snap decision Stewart had ever made in his life. The tune, called Green Onions, sold a million copies in 1962. It firmly established on a national level the combo called Booker T. and the M. G.'s which in 1967 won a Billboard award as the country's top instrumental group. Stax was truly on its way.

The success of Stax as financed by Stewart and produced by Booker T. Jones and Steve Cropper created a reputation for profit that has brought a number of national distributing companies into the Memphis Market looking for the same. When firms like Columbia, Atlantic, RCA, London and Decca came back to town

they came with capital to invest; in sixteen track custom designed J B L monitoring systems with custom built electronic cross overs and other such expensive sounding equipment. Thus the increase in the number of recording studios has added significance; because the new listing in the Directory now represents a substantial investment.

Why would Memphis then be the locale for such growth by the Record Industry? Why would Memphis become the fourth largest recording center in the United States? Because two white Country Musicians and one black Soul Musician figured out how to sell what was already here to all those folks, under twenty five, who were looking for a new sound on which to spend all that money. Is there an identifiable musical sound that relates only to Memphis? For the moment the sound is of the Cash Register Ringing!

SOME COMMENTS ON POLLUTION

By Arthur W. McCain

Read before "The Egyptians," January 20, 1972

For generations western Christians have been reading in the book of Revelation that mankind would end by being snatched up in a spiritual victory which would destroy his material world in all consuming flame.

Now our nuclear experts predict that we may all vanish as puffs of gas after a cataclysmic explosion. "Not so" says the ecologists. What will happen is that mankind will end buried under his own waste, suffocated in his unbreathable air, poisoned by his contaminated water, or starved by his own unnumbered fellows. Controlling our environment has become a major issue which will be with us a long time without any easy or readily acceptable treatment. Basic questions are involved on which life depends and on which our earth and world exist.

Nature works in a self-sustaining cycle. When man lived as the "naked ape" he fitted into this cycle. But his civilization and development have created products which do not automatically go back into Nature's cycle. Research and technology have taught us much about these processes but there is much more that the experts have yet to learn.

In Wisconsin a university is being established whose entire curriculum will be concerned with matters of ecology. At M.I.T. a volunteer group of scientists has formed to devote themselves to this study. From what has been learned it is clear that if our environment is to be controlled for the benefit and well being of man, the costs will be high, there will be conflicting interests, religious and political adjustments, priority judgments and compromise, and trade-offs between national growth and the way people want to live. These high costs will have to be paid both in money and in loss of freedom. These costs should be levied on the principle that the polluter

should pay for the remedy. This principle may not be feasible. Back of the different types of pollution, air, water, soil, natural beauty, the fundamental cause is man, his number, his distribution, his mode of living.

The scale and rapidity of world population growth is frightening. The president of Population Reference Bureau in his annual report estimates that at the current growth rates there will be another billion people in the decade of the '70's. The National Academy of Science study committee said that the present world population of 3.5 billion would probably double to 7 billion by the year 2,000. Unfortunately it is the less developed countries which have the fastest growth rates. The populations of Mexico and many countries of Latin America, Africa and Asia are increasing about 3.5% each year so that most of them will double in the next 20 years. Mexico has 52 million today, and if the present trend continues, will have 84 million in 1985. This increase of people is so much greater than the development of new jobs that it is sending thousands of wetbacks across the United States' border. Pakistan's population grows so fast that it took only 35 to 40 days to replace the half million people killed by the recent tidal wave. Of the world's seven giant nations, Russia, the United States and Japan have reduced drastically their birth rates. The other four, China, India, Pakistan, Indonesia plus 22 other nations now have government sponsored birth control programs. There are 16 more countries which may soon have government sponsored family planning programs. To regulate and control population will prove the most difficult of the environmental problems. Opposition comes from economic, social, political, racial, and religious taboos. William Graham Sumner in his book "Folkways" tells in shocking detail the methods with which homo sapiens have experimented in his search for the best possible world on his long climb from the cave to the skyscraper.

By some planned effective measures population growth on our planet must be limited or the human species is heading for disaster. What we can do in other

countries may be little. United States' efforts to promote more vigorous population programs in the U. N. have been resisted by the representatives of some developing countries who have questioned American motives. Nevertheless, the Federal government has made funds available to foreign nations to aid in family planning and birth control education. Perhaps our foreign economic aid should be conditioned upon the recipient country's halting a population growth that more than off-sets the benefit of our aid. Should the doctors and nurses aboard the ship "Hope" on arrival at a foreign port teach family planning, birth control and abortion methods rather than the treatment of infectious diseases? Certainly our racial and economic problems with the Puerto Ricans, both on their home island and in this country, would now be considerably less if after our occupation of that island our public health services had devoted themselves to curtailing population growth instead of improving sanitation and health conditions. While population growth is more rampant and poses a more pressing problem in other countries, there is an increasing conviction that we, here in the United States, although to a lesser degree are confronted with the same danger.

On March 16, 1970 as President Nixon signed a bill creating the Commission on Population Growth and the American Future he estimated the nation's population, now 200 million, would have reached 300 million by the year 2,000. The President in naming John D. Rockefeller, III as chairman of the 24 member commission said, "Perhaps no person in the world has been more closely or longer identified with this problem." With reference to the Commission's work Mr. Rockefeller said, "The important thing in this field is the enrichment of life. It's really building for human dignity and the attainment by the individual of his full potential."

In June 1970 in Chicago a First National Conference on Optimum Population and Environment began a 4-day meeting. Present were representatives of numerous academic, scientific and welfare organizations to discuss where and how to initiate a systematic slowdown in

population growth. The prevalent feeling was that the problem could be solved by voluntary action based upon improved information and education but the possibility of governmental, stringent, mandatory measures in the future was not ruled out. Mr. Rockefeller's Commission in an interim report in March 1971 said the United States must choose a national policy on population growth and urged widespread, rational, unemotional public discussion. This report had no specific recommendations, leaving those for the final report in March 1972. The report did indicate some points for consideration: If families average 2 children and immigration remains the same, our present population of 206 million would reach 266 million in the year 2,000 and 340 million in 2071. If families average 3 children the population would be 321 million by 2,000 and nearly 1 billion by 2071.

According to a report from the Census Bureau issued in November 1971 the birth rate in 1971 turned down and in July and August of that year almost reached the zero growth rate. So far the demographic experts have no satisfactory explanation for such a dramatic change nor are they willing to predict that the slowdown will continue. A stable population size could bring important social changes since the average age would rise from 28 to 37, and there would be as many people over 60 as under 15. Miss Betty Rollin, a senior editor of *Look Magazine*, spoke at a public hearing held by the National Commission on Population Growth and the American Future. She contended that birth control programs would not be effective until our cultural attitude toward motherhood is changed. Girls, she said, are indoctrinated with the idea that they will grow up to be wives and mothers. For more women than anyone wants to admit, motherhood can be not glorious but miserable.

On April 9, 1970 in a bitter and dramatic session the New York Legislature passed an abortion reform law. The pressure on the lawmakers was direct, personal and threatening. According to the *New York Times*, George M. Michaels, an Auburn Democrat, gave the most anguished evidence of this in his tear-filled last minute

change of vote which saved the reform bill from defeat. Wiping his eyes, he spoke of the need of peace in his family, noting that one of his sons had called him a "whore" for voting against reform previously. As he prepared to change his vote to favor reform he said he realized he was committing political suicide. This proved to be an accurate prophecy as he was defeated in the fall election. Hulan E. Jack from Harlem changed his vote from "Yes" to "No". In explanation he said "My Monsignor raised cane with me, he practically lived with me." Mary Ann Kruprak, an up-state Democrat, who switched twice on the issue but finally voted "Yes" was cited by her Bishop on the steps of the state Capitol as in need of prayer. L. Brent Bozell, editor of *Triumph Magazine*, a Catholic monthly published in Washington, D.C. wrote, "America is embarked on a rampage against life, potentially far more extensive and already far sicker, than any of the great genocides of history. The killing is direct and open and lawful—is abortion. The Nazis are believed to have killed 6 million Jews in less than a decade. The Americans, if current projections are borne out, will have killed 6 million unborn babies in less than 3 years." In spite of such determined opposition the new law became effective July 1, 1970. There was at first some confusion on the part of hospitals, doctors and medical attendants. However, the New York City Hospitals reported 24 abortions on the first day and 49 on the next day. 15 other hospitals in the city reported 84 on the first day and 78 on the second. There has been a steady growth in the number of women registering for this operation and judging by the press there has been a widening acceptance of the new practice by the general public. In the first year under the new law New York City doctors reported 165,000 abortions. In other parts of the state there were only 40,000 cases.

City Health officials were happy with some of the trends which they observed: (a) More women were seeking abortions in early pregnancy when procedure is safest, easiest and least costly. In the first two months that the law was effective 68.6% of the operations were

done before the 13th week of pregnancy. By the end of the year this percentage had risen to 80%. (b) Medical complications associated with legal abortions had dropped from 12.4 per 1,000 operations at the beginning to 8.7 per 1,000 by the 12th month. (c) In the last 4 months there were no deaths reported after abortions under legal auspices. (d) Non-white and poor women who had little access to legal abortions prior to July 1, 1970 were getting them without much difficulty. In the first 6 months, non-whites and Puerto Ricans received half of the abortions done on the women in the city, and in the first 9 months 31% of New York City abortions on state residents were reimbursable under Medicaid. (e) Health officials reported illegal abortions had dropped, maternal mortality rate had declined to a record low, and illegitimate birth also decreased for the first time in more than a decade. In the light of New York's experience active steps are being taken to liberalize abortion laws in other states.

The development and widespread use of "the pill" has been a great aid toward reducing the number of unwanted births. At a meeting in New York in September 1970 of scientists from around the world, drugs called prostaglandins were a subject of keen and intense discussion. It is thought that prostaglandins may have therapeutic usefulness in many areas but it has been successfully used in Sweden to induce labor — a natural abortion. A doctor in that country citing studies among 30 women who used prostaglandins as their only means of birth control said, "something has finally come along that is very close to a non-toxic, self-administerable, completely effective contraceptive that can be used with the practice of hindsight."

Many Americans have adopted the one certain method of insuring against unwanted children; namely, sterilization. It is estimated that in 1970 some 750,000 Americans were sterilized. Voluntary sterilization is thus probably the fastest growing method of birth control. The number choosing this plan last year was about 7 times as large as that of any earlier year. Today, contrary to

past practice, the records show more men than women undergoing the operation. Vasectomies — sterilization of the male — are generally done in the doctor's office under local anesthetic, requires about 20 minutes, without more than a day or two away from work. In New York the usual cost ranges from \$50 to \$150. Sterilization in the female, called tubal ligation, is more complicated, more costly, and must be done in a hospital. Some doctors are using a new technique called laparoscopy on an experimental basis. This permits the operation to be done on an out-patient arrangement. Several large follow-up studies of sterilized men and some of sterilized women show that 90% of both sexes are pleased with the operation. There are two marked deterrents to the growing popularity of sterilization. One is the reluctance of doctors to get involved because of possible legal complications. The second restraining factor is that in general the operation is irreversible. This deterrent may soon disappear. As early as 1776 it was found that human sperm could be frozen and then thawed and revived. Since then some biologists have toyed with the idea of trying to improve the human race. But with an entirely different purpose in mind in 1970 Genetics Laboratories, Inc. opened in Minneapolis as the country's first commercial sperm bank. The next year it opened a branch in New York and plans a chain to include Chicago, San Francisco, Houston and Miami. The charge to deposit a sample is \$55 plus \$15 a year storage. The frozen semen remains the property of the individual client and will be delivered only to him.

In the fall of 1971 the Office of Economic Opportunity provided \$240,000 for research clinics, counseling, and sterilization for 50 men and 150 women, beginning in the hill country of Anderson County, Tennessee. This site was chosen for the federal project because of the Family Planning Act passed by the Tennessee Legislature on May 25, 1971. Section 4 of this Act provides: "(a) All medically acceptable contraceptive procedures, supplies, and information shall be readily and practically available to each and every person desirous of the same

regardless of sex, race, age, income, number of children, marital status, citizenship, or motive." "(b) Contraceptive procedures, including medical procedure for permanent sterilization when performed by a physician on a requesting and consenting patient, are consistent with public policy." Section 9. "Subject to the rules of law applicable generally to negligence, no physician or surgeon licensed by this state shall be liable civilly or criminally by reason of having performed surgical interruption of vas deferens or Fallopian tubes, as the case may be, authorized by the provisions of this chapter upon any person in this state." Thus, in Tennessee at least, the reluctance on the part of doctors to perform sterilization operations for fear of legal liability should disappear. Regardless of the point to which our population increases—even if we succeed in slowing to a zero growth rate—its location and concentration will pose a problem. In the crowded central cores of the big cities dilapidated housing, unsanitary living conditions, disease and crime create a situation which tends to affect the whole community. The last census showed how residents have been leaving the cities and moving to the suburbs. Recently a number of our large corporations have moved or decided to move their head offices entirely away from the central city. IBM, General Foods, Remington-Rand, Continental Bakeries, and General Electric have chosen Westchester County and Connecticut.

To avoid and prevent the disadvantage associated with the metropolis a new idea—contrary to American tradition and Chamber of Commerce aims—is taking hold. Undesirable growth and development are to be limited by positive action. Wholly new cities, established beyond the commuting area of any big city, are to be planned for a definite fixed population, say 100,000 to 250,000, planned for people of all economic classes to make it a self-sustaining viable community. Reston and Columbia are already in existence. David Rockefeller, Chairman of the Chase Manhattan Bank, in a speech to the Regional Planning Association said the country would need 500 such cities and that the bank would help to develop

them. In the Commercial Appeal of April 11, 1971 appeared a news item that Winthrop Rockefeller is planning to build a new city in the foothills of the Ouachita Mountains of Arkansas.

Pressures for new cities will come from two directions. As small farms and ranches vanish throughout the Great Plains states more land becomes available in the open West. In Montana and Wyoming there has already been a boom in prices for land in scenic, sporting and recreational areas.

Secondly, there is a small but rapidly increasing feeling on the part of established communities that continued growth is not synonymous with progress. Suffolk County, Long Island, about half suburban, half rural, commissioned a study to see how much population it could hold without exhausting its water and other resources. Preliminary reports indicated that unless prevented by some political measure the population in 2020 would exceed by 1 million people the number which could be properly served. California has adopted the master zoning plan for the entire California-Nevada Lake Tahoe Region. The report says the resources of the region can reasonably support a population of 280,000 but estimates that under present zoning laws full development would lead to 700,000. So the plan sets a new goal, a change in zoning which would permit only 220,000—just 65,000 more than the present population. "Vermont for Vermonters" is the spirit that led to the state's new Act 250 which sets up what is probably the first state-wide zoning system based upon a "land capability plan."

If as urged by Mr. Rockefeller's Commission there is to be widespread public discussion on slowing population growth, I suggest that among others the following questions be debated: 1. Would limiting the population growth be a form of genocide as some of the blacks contend? 2. Would a reduced birth rate materially lessen our chances of producing outstanding individuals, an Abraham Lincoln or a Thomas Edison? 3. If the number of

American babies is to be limited, should we cut off the annual entry of 400,000 immigrants? 4. Would the need for a zero growth rate become great enough to justify legally limiting each woman to only two children? 5. Should any state, region or city be permitted to limit legally the number of people who may reside there?

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**THE ADULT EDUCATED IN THE UNITED STATES:
A NEW GENERATION OF PIONEERS**

by William L. Bowden

Read before The Egyptians, February 17, 1972

One of the most dramatic developments in twentieth-century America is the changing public attitude toward adult education. Americans no longer expect to acquire in their early years all the knowledge and skills required for them to live and work and be useful the rest of their lives. Today, more adults are continuing their education than in any previous period of history. These are "the adult educated," a new generation in our population who are making education a life-long process.

Public acceptance of the concept of lifelong learning reflects a distinct shift away from the old attitude that education is something to get over during childhood like the chicken pox or the mumps. This change in attitude has caused a shift in public policy toward supporting the concept of continuing education for adults.

Most of us today can expect to live a period of 50 years as adults. That's a long time. It is significant that leadership in the United States is recognizing that a society cannot lavish attention solely upon the education of children. Public policy increasingly supports adult education as a means to combat human obsolescence in a rapidly changing society and economy.

Public policy further reflects the growing conviction that no nation in peace or war can ignore the continuing education of its adults. To do so invites reducing a nation's ability to survive. It is an exciting fact that this generation of citizens in business, industry, education, the professions and government are begin-

ning to make adult education a central rather than a marginal concern.

In the last decade the U.S. Congress has enacted some 20 major pieces of legislation in support of adult education. These acts support continuing education in health, education, welfare, commerce, labor, urban affairs, justice, agriculture, and national defense. Today there are some 130 federal programs concerned with specific areas of continuing or extension education of adults administered by some 40 departments, bureaus, and agencies of the U.S. government.

The Higher Education Act is aiding universities in grappling with community development problems. The Elementary and Secondary Education Act is enabling the public schools to lead a frontal attack on the deep-rooted national problem of basic literary education for disadvantaged adults. The State Technical Services Act assisted the continuing education of scientists, engineers, technical managers and business administration personnel. The Older Americans Act provides support for training older citizens for useful careers in their senior years. The Manpower Development and Training Act provides occupational training for the unemployed and underemployed. These are only a few of the federal acts now assisting adult education.

The achievements of our adult population have undergone kaleidoscopic change during the swift-paced 50's and the rocketing 60's. Adults have speculated on, investigated, and discovered secrets of nature and the universe at a rate never realized in all of prior history. Man has procreated, researched, governed, philosophized and pioneered on a scale and scope that has dazzled the most sophisticated dreamers of human progress.

A remarkable last third of this twentieth century in America looms ahead. Change, as we know it today, will become so supercharged that we will be swept along paths we have never known and at a pace so swift that possibly we will find it difficult to comprehend our own evolution.

The technologies and sciences and professions and arts that have emerged in the past 20 years will continue to evolve and undergo change on such a scale that we can only guess at the ultimate form of graduate education, adult education, higher education and public school education of the future.

Human fertility in America during the 40's and 50's filled the nation's playpens and sandpiles. Young Americans blissfully created gleeful chaos in our nursery schools, submerged our kindergartens with a sea of well-scrubbed urchins, and produced a flood crest of youth for our public schools that still brims full at the windowsills. The high tide continues to flow into our high schools and colleges and universities.

Today's Generation of the Adult Educated

Today's adolescents and college youth are the young adults of the 70's and 80's, the mature adults in positions of leadership in the 90's and beyond. They will influence public issues as they marry, raise families, pursue careers, and act on political and social affairs. They are the next generation of adults.

But what about the present generation of adults? They will be around a long time, too. No previous period of American or world history can match the present unprecedented adult population of this country in terms of its educational preparation, social awareness, economic security, political intelligence, or ability to seek and adapt to change. This is the generation of the adult educated. Our contemporaries are pioneering new frontiers with a facility never before equaled.

Anne W. Simon wrote about "The Vintage Mind" in a magazine article a few years ago. It is a sampling of her book, *The New Years: A New Middle Age* published by Alfred A. Knopf. She talks about the "pioneer generation," the adults that are in the mainstream of life today, who have the benefits of a rich and varied adult education never before available on such a scale. Ann Simon's concepts of the "vintage mind" and "the

new generation" and "adult pioneers" are refreshing phrases and stimulating ways to look at ourselves and our ongoing process of learning throughout life.

Adulthood today truly is a new time of life and experience. It is increasingly important to be an adult, even an older adult. There are expanding opportunities to use our intelligence, knowledge, creativity, personality and imagination. Our human condition gives us many more choices about work, homelife, vocations and avocations. We have new opportunities to stretch ourselves intellectually. We are a fortunate generation. As a group, today's adults will live longer at a time when each phase of life will be subject to new and challenging change every few years.

Husbands and wives will have more years to enjoy being together than any previous generation. Most married couples can look forward to a 16-year companionship after their children are grown; to new freedoms that a booming technology will permit; to the discovery of new family relationships with parents and with grandchildren; to new decisions about the wise use of leisure time and of money.

The crucial discovery that has bred this present generation of the adult educated is that intelligence does not change appreciably until the late years of adult life. Our intelligence is a characteristic that we have the rest of our lives, like blue eyes or a deep voice.

We do change in what we think is important. We do change in how we behave. When we grow up we utilize knowledge, make decisions after deliberation, and act with a confidence that is based on our years of experience and wisdom. We replace the rash action of childhood and quick experimentation of youth with the tested habits of mature years. We acquire, store, retrieve, and utilize wisdom, as needed, better than any computer.

Our psychological knowledge of adult ability or intelligence of the adult is limited to what the scientists can measure. No one yet has been able to measure the

size of an adult's wisdom, his capacity for humor, the extent of his experience, the weight of his compassion, the poundage of his love, his sense of justice, or how he maintains dignity when he is under pressure.

Dr. Harvey Lehman of the University of Ohio has spent a lifetime studying genius and the production of great works of art by famous men. He has studied a group of 800 persons who have been accomplished in the arts, sciences and professions, and who have lived past 80 years of age. These people have rather distinct curves of productivity, often with several peaks of creativity. He has found that artists do their best work between ages 30 and 40, but novelists write their best books in their 50's. Scientists achieve best in the years 40 to 60. Historians, philosophers, and related scholars achieve at top levels from ages 40 to past 70.

In a study of 667 champion chess players, it was revealed that they played as well at age 63 as they did at age 21, but most reached their top form between 30 and 40 years of age.

Research into the psychology of adulthood and adult learning during the past half-century has confirmed the fact that adults learn quite effectively into their late years. The important point that this research has revealed is that the average adult retains rather than loses his ability to learn most of his life. It is the skill or speed of learning that declines if the practice of learning is neglected. The skill of learning is like the skill of playing a piano—such skills will get rusty if they are not practiced. Here then is the cornerstone of adult education—the need for adults to practice the learning skill in order to continue their education throughout life.

Motivating Adults to Learn

The proliferating study of adult psychology in the past years has revealed a number of basic insights about adults that are helpful to teachers and leaders of adult groups. Teachers can expect quality intellectual performance from adults, even in complex and difficult con-

tent. However, adults must be provided somewhat more time than youth to perform such work. Lessons must be planned with due regard for speed capabilities of adult groups.

New content must be presented logically. Instructional aids must be used to repeat and reinforce important concepts and relationships. Demonstrations, summaries and group discussion often develop and reinforce basic ideas for adults.

Adults need to be reassured that they can learn. They are more conscious of the possibility of failure than children. Adults need to see the relationship of what they are studying to their personal objectives. Adults are motivated to learn if they can perceive the utility of what they are learning. The adult is a serious, objective student when his learning is related to his own goals.

Adults are volunteers for learning. They are not required to attend adult education programs. They invest hard-earned money and their time to study and learn in their spare hours. The adult will stop coming if he does not get what he comes for.

Using Adults' Ability to Learn

Adults do not want "busy work." They want to utilize their time so that results of their efforts will emerge in the form of overt skills, understandings, appreciations, insights and knowledge. They prefer group discussion: the seminar and other group techniques are usually the more effective devices for teaching.

One of the limitations of past research into adult learning psychology has been the fact that groups were tested at only one point in their lives. Research results have tended to be single photographs of adult intelligence.

Recent studies have been made of samples of groups at successive age levels who have been tested and retested over a period of years. The groups tested have been comprised of persons actively engaged in the main-

stream of life. The results of this research suggests that in cases where adults maintain or practice their skill of learning, their capacity to learn does not decline. Indeed, there is some evidence that adult capacity or ability to learn can be maintained well into the late years.

In modern times, world leadership has utilized the ability of adults to learn and to adapt in order to change national destinies. The Workers' Educational Association of Great Britain developed a continuing education program for adult laborers so effectively that the effort produced today's Labour Party and the present Labour government.

Denmark, little more than a sand dune protruding into the North Sea, was a poverty-stricken nation a hundred years ago. The little country established folk-schools in communities throughout the land in order to educate its adult farm population during the long winter months. Practical courses in agriculture soon were followed by courses in languages, politics, economics, social sciences and humanities. As the population grew literate and farm products multiplied, the nation's export trade flourished. Today, Denmark is one of the richest nations per capita in the world.

Russia supports adult education as a matter of national policy. The Russian citizen is highly motivated to "get ahead," so he studies and attends adult education classes both on the job and during his spare time.

How Adult Education Developed

Adult education grew up with the United States in a bewildering variety of forms. Jamestown as the scene of apprentice training, the world's oldest form of organized adult education. Private vocational schools were established. Churches developed mid-week adult lectures. The New England town meeting became colonial America's most famous innovation for the education of mature citizens.

Benjamin Franklin was one of America's earliest advocates for adult education. He founded the Philadel-

phia Junto, an urban continuing education center for adult group discussion. Franklin also developed the subscription library. Soon libraries and institutes for adult education sprang up in the cities—the Mechanics Apprentice Library in Boston, The New York Mercantile Library, the Franklin Institute in Philadelphia, the Lowell Institute of Boston, the Cooper Union of New York. Free public libraries evolved later. Andrew Carnegie's unique philanthropy to cities and adult education helped create 1,679 libraries by 1910.

Josiah Holbrook was the moving spirit behind a national network of adult study groups. They became the lyceum movement in America. Lyceums influenced the growth of women's clubs, parent-teacher associations, the Great Books movement, civic and service clubs, lecture and forum series, and correspondence study.

Perhaps the most characteristically American of all adult education movements was Chautauqua, founded by leaders in the Methodist Church. Chautauqua began as an organized retreat for the continuing education of Sunday school teachers and for the liberal arts education of adults. Chautauqua was the seedbed for then novel adult education methods such as the "summer session" and "correspondence home study," ideas that William Rainey Harper utilized when he organized the University of Chicago in 1892. Chautauqua influenced the universal education movement and the creation of normal schools for the training of teachers.

The cooperative Agricultural Extension Service evolved as the world's most spectacular and successful adult education movement. In little more than half a century, it changed this nation from a primitive farming society to the most productive and scientific food-producing nation in the history of man. The adult education devices of county agents, home demonstration agents, experimental stations, and demonstration farm experiments still serve as models for university personnel who are grappling with today's problems of big cities and community populations in the midst of change.

The creative adult education experiments during the depression years under the Works Progress Administration produced much of the practical knowledge that we use today in dealing with adult groups and community development. The several G.I. Bills of Rights that have been enacted by Congress since World War II have repaid the original appropriations many times over in the form of well-educated young adults who are producers for our economy and society.

American business and industry today invest over 17 billion dollars in continuing education for their adult personnel every year. A recent national study revealed that over 25,000,000 adults were active during a single year in continuing their education. Over a thousand professors and administrators have been granted professional doctoral degrees in adult education to help produce more trained manpower for the field.

No Rest for the Educators

University and college sponsored adult education will be one of the nation's major enterprises by 1990. America's 110 million adults in 1965 will increase to 160 million in 1990 and 180 million in 2000. Conservative projections indicate that university adult education registrations will increase as much as 800 per cent during the same period, from 2.6 million in 1960 to a staggering 21.8 million in 2000.

In the 70's, we are now adding 3,000,000 people to the population every year; 30,000,000 during the decade. By the end of the 70's, there will be more babies than ever before—some 24,000,000 under the age of 5. If the old adage is true that "there is no rest for the wicked," we should have the most wicked collection of teachers and educators in the world. There will be no rest for the educational profession at any level for the remainder of this century.

In this decade, school children (5-14) will total about the same as now. High school youth (15-19) will be up a few million. Young adults (20-25) will increase

a staggering 40 per cent. Mature adults (25 and older) will constitute about 52 per cent of the total American population. Adults in the prime years of maturity (35-55) will not increase significantly, but it is this sector of the population that will carry the responsibilities and workload for the nation. Adults in their later maturity (55 and older) will continue to grow rapidly in number and in importance.

The Most Privileged Population

Clearly we are living in a nation comprising not only more children but also more adults of all ages. Clearly we are living at a time when this generation of adults is the most privileged and accomplished human population on earth. Today's adult educated truly are unique, for never have so many known so much about so many things, and continue to need and demand and require so much more knowledge.

What our new generation of adult educated needs is innovation in the organization and focus of programs for adults. Pioneering in programming should be as much or more visible in institutions and organizations for adult education as in other levels of education. Such programs should inspire adults to strive for social, economic, political, cultural, and civic literacy. Program pioneering in cities and communities should serve adult abilities and needs by means of comprehensive offerings in broad areas.

Innovative Programs for Adults

There should be programs in arts and sciences for urban citizens. There should be comprehensive presentation of major ideas from the arts and sciences that are regarded as basic to the education to the effective citizen and leader. Such programs should include: (a) major ideas drawn from the humanities and the social sciences; (b) important philosophic guidelines from the great religions of the world; (c) ideas from the principal mathematicians and economists; (d) ideas from important civic leaders of the present and the past generations; and

(e) ideas from scientists with special attention to space, nuclear, computing and life sciences.

There should be programs for gifted adults. There should be special sequences of seminars and studies representing new concepts in educational comprehensiveness for talented persons. Emphasis should be centered on individual study aimed at cultivating precious but widely dispersed and diverse human talent. Such programs should serve persons with superior philosophic and analytical reasoning who pursue occupations in the arts, literature, science, the professions, business, languages and politics.

There should be programs for adults who are engaged in new or changing areas of science, industry and research. There should be systematic continuing education for adults who are employed in occupations that depend upon new or changing areas of learning. Comprehensive efforts must be made to serve personnel in business, industry, the professions, and the arts by acquainting them periodically with advances in pertinent fields.

There should be programs for urban service and domestic groups. New programs are needed for leaders of urban, professional, business, service and domestic groups. Here emphasis should be placed on a combination of work and study, based on year-round schedules of seminars and self-study. Vocational, professional, social service and cultural groups must be served.

These tasks call for prudent, unceasing, and possibly heroic efforts by enthusiasts for adult education, but they should be greeted with a sense of adventure and tackled with the zest of the pioneer. Continuing learning for our adults will enrich and sustain our nation and advance our humanity. Our adult educated, the pioneers of our present generation, will determine the course of our future.

BASIC BIOMEDICAL RESEARCH AND THE PUBLIC WEAL

Roland H. Alden

(Presented—Meeting of Egyptians, 1972)

Anyone pondering the history of man on earth can hardly escape wondering how he has advanced himself as far as he has when you consider how frequently new ideas, new techniques — indeed, advances of nearly all sorts—have been opposed, if not by the majority, at last by an influential and vocal segment of the people—regardless of the century.

Listen to the words of a state commission evaluating a proposal:

“The committee judged the promises and offers of this mission to be impossible, vain and worthy of rejection: that it was not proper to favor an affair that rested on such weak foundations and which appeared uncertain and impossible to any educated person, however little learning he might have.”

Thus spoke the Talavera Commission in 1491 considering a proposal by one Christopher Columbus.

On Thursday, May 21, 1964, the Honorable Louis C. Wyman, Congressman of New Hampshire, raised his voice in the House of Representatives and spoke these words:

“One thing is certain amidst all uncertainties . . . This is that the 1970 target date (to put a man on the moon) is foolish. The moon is no place for man. It is a hostile environment to human life. The moon-shot glamour is no voyage of Christopher Columbus. We can see the lunar surface . . . Isabella could only imagine what lay beyond the horizon . . .

“I do not believe this cost is worth the loss . . . of

demonstrable societal benefits that we are denied because of the fantastic drain in . . . billions in a space program targeted at civilian scientific exploration of the moon. . . ."

The good solon did not lack for supporters; from many corners of the land critics have called—and still call—for reduction or elimination of space exploration in order to fund social action programs directed toward solving our many existing problems here on earth and ask "why are we shooting all that money out into space?"

Well, we spent \$4.2 billion on space programs in 1969 and \$65.2 billion on social action programs; in 1970, space program expenditures dropped to \$3.7 billion and social action program expenditures rose to \$75.4 billion; this year space is to get \$3.2 billion, social action programs, \$100 billion. Over the past decade our space program has cost this nation less than one-half of one percent of the Gross National Product (GNP). Does anyone seriously think that when we are spending over thirty times as much on social action program as we are on space that the addition of \$3 billion of space dollars to 100 billion of social action dollars will solve anything?

Undoubtedly the space program was the dominant influence in history's most explosive decade in technological advance—the 60's. The breadth of the program demanded continual probing of new research frontiers, not simply in aerospace, but across the spectrum of almost every scientific and technological discipline. The extraordinary requirements of space goals have served to spur integrated research on a hundred separate fronts. And this integrated reservoir of knowledge is now being tapped to help solve many of the nation's problems—not only those involving communication, weather forecasting, pollution control, waste disposal, transportation, food supply, and many others, but the biomedical field also is becoming a prime beneficiary of space research. The necessity of monitoring the physiological status of astronauts during all phases of space flight has led to the development of many techniques of recording, monitor-

ing and evaluating physiological variables that are proving adaptable to earthbound research and patient care.

A device produced to monitor astronaut's heart action, and telemeter the results to earth, is being applied to cardiac patients while en route to hospitals; a sensor developed for measuring pressure distribution in a miniature wind tunnel is smaller than the head of a pin—and so can be inserted through a hypodermic needle into a blood vessel to measure blood pressure without interfering with circulation; a canopy designed to prevent spacecraft from icing is being adapted as a cradle cover to afford precise temperature control for premature infants; an electric switch that is controlled by the eyes (thus giving the astronaut an extra pair of hands) has been adapted to permit the paralytic to operate a motor-driven wheel chair. And one could cite dozens of similar benefits. Just as exploration of our western frontier was opposed by leaders of government as a waste of the taxpayer's money, so the exploration of biomedical frontiers is now threatened by similar myopic judgments. But I am getting ahead of myself.

We are living in an age that historians will likely label The Age of Science. History will also have to report that, following the devastation wrought in lands across the seas by two world wars, leadership in science shifted from Europe to the United States. Wars, whatever their manifold evils, do give impetus to scientific advances. On that fateful July day in 1945, when an awesome explosion in the New Mexico desert demonstrated man's capacity to deal with matter in a fashion scarcely before dreamed of, another kind of chain reaction was released that has continued for two decades: I refer to the steady expansion of support for scientific research—research in all fields of science, but my remarks for the most part will be limited to research in the biomedical sciences; for while the era just past might well represent the apogee of the physical sciences, the era we are entering will belong to the biological sciences. We are today manipulating the very stuff of which life is made.

Health and health care are now national concerns. President Johnson, in a Message to Congress in 1967, established as a national goal, "good health for every citizen to the limits of our country's capacity to provide it." Expressions of the nation's leaders, both business and labor, and actions by the country's lawmakers attest to a rising tide of public expectation for better health care and protection, the creation of an environment that promotes maximally a life that is healthful and productive.

We are inclined, with reason, to hold the conviction that we have not done badly in this area of endeavor. Within the lifetime of most of us here the health record in this country has improved at a rate that has not been approached by any other large nation in recorded history. More than twenty years have been added to the life expectancy of the newborn child in this period—a greater increase than that provided by all the researches of the previous 200 years! To be sure such advances, while eliminating old problems, have created new ones that place increasing strain on our ingenuity; for example, while infant mortality dropped 49 percent between 1936-1950 and 15 percent between 1950-64, there has been little change since.

Some consider it a curious fact that, in spite of great progress in the fight against disease, the need for biomedical research is substantially greater than it was 30 years' ago. Actually this is not hard to explain: as the circle of knowledge enlarges, its boundary with the unknown becomes ever larger. The solution of old problems frequently, if not usually, raise more questions than have been answered—often more difficult questions. In the past quarter century we have greatly increased the number of trained scientists working in biomedical research who can see new problems and new methods for their solution that become revealed in the solution of old ones.

It has been said that 90 percent of the scientists who have ever lived are alive today. To this should be added, "and 90 percent of the scientific problems ever known to

us remain to be solved." But the years since the Second World War have seen a vast expansion in the facilities in which research can be carried out. Not only are their number increased, but new tools and techniques have become available and offer new possibilities for research of almost limitless dimensions. In a word, we have an inexhaustible supply of problems; but we have enormously expanded resources to meet these problems. What are some of these resources? Among the important ones is money.

When I came to Memphis (30 years' ago) the total expenditure of this nation for *all* biomedical research from *all* sources — government, philanthropic agencies and private enterprise totaled less than \$20 million. In 1970, all sources of support provided something over \$2.7 billion; about two-thirds (\$1.6 billion) came from the Federal Government; one-fifth (\$.74 billion), from industry; other private contributors provided one-tenth (\$.27 billion). I mention these statistics to emphasize the commanding role of the Federal program of biomedical research support. Furthermore, most of the biomedical research is concentrated in the laboratories and clinics of the country's institutions of higher education, hospitals and research institutes. They account for 55 percent (\$1.1 billion dollars' worth) of all medical research performed in the nation and 50 cents of the Federal biomedical dollar goes to these institutions.

While \$2.7 billion dollars is a lot of money, it represents but 9 percent of the nation's investment in all categories of research and development (R & D). And it is relevant to consider that the total investment in all R & D for the nation (including military, space agency and atomic energy), a sum estimated at \$25 billion dollars represents less than 3 percent of the GNP. The \$2.7 billion dedicated to health-related research, then, amounts to less than 0.3 of 1 percent of the GNP. Federal support of biomedical research—in any one year—has yet to reach 1 percent of the Federal budget (0.23 percent in 1956 to 0.84 percent in 1970). Parenthetically, let us keep in mind that \$2.7 billion dollars would not pay one

month's cost of peak military operations in Vietnam.

One must consider that expenditures for total health care in the United States have risen from \$13 billion in 1950 to \$60 billion in 1969 and are projected to reach \$100 billion during the 'seventies. Therefore, any research culminating in reduced cost of medical care may be likened to a return on an investment. We should also recognize that while the Federal Government has, in the past 20 years, supplied a total of some \$20 billion for biomedical research, private industry has not been idle. Biomedical research activities financed by profit-making organizations have totaled cumulatively more than \$6.0 billion during this period, a 14 percent annual growth from \$35 million in 1947 to about \$740 million in 1970. The manufacturers of ethical pharmaceutical products have been the major industrial performers of medical research, but in recent years the nation's electronics, chemical, medical supply and related industries have become increasingly active in this field.

If, of the \$2.7 billion of health-related research support provided, two-thirds comes from the Federal treasury, you will recognize, first, that the Federal Government plays the commanding role in health research today and, second, this role is played with your money and mine. Who manages all this money? Where does it all go? Is it all worth it?

The National Institutes of Health of the United States Public Health Service, a constituent of the Department of Health, Education and Welfare, is the major health agency of this nation and in recent years, in carrying out its mandate (the "advancement of health and well-being of the American people through scientific effort") has become a pervasive influence in the national, as well as the Federal, development and expansion of biomedical research.

At the time of the closing months of World War II, the Federal instrumentalities for support of research were modest by present day standards and those that existed were mission-oriented and related to wartime

requirements—such as the Manhattan project directed toward the production of the atom bomb. Biomedical research was also directed at specific problems, such as the development of new anti-malarial drugs; nevertheless a considerable momentum in research was built up during these war years. As the result of a penetrating study by a group of brilliant scientists and laymen (Science, "The Endless Frontier," Bush, 1945), the National Institutes of Health was given the responsibility for the development of a national biomedical research program. Thus, in 1946 this organization was being asked to lead an attack on a wide spectrum of health problems that had been accumulating for centuries. The Cancer Institute was the first to be established and the annual budget for it that year was about \$400,000. The President's budget for FY '73 asks for over 400 million for this Institute alone—and there are now nine other Institutes; the budget for the eight Institutes existing in 1967 reached one billion dollars and is projected at \$1.6 billion for 1973 for the present ten Institutes. These Institutes now account for 75 percent of all Federal biomedical research funds going to institutions of higher learning.

What has happened is that a very productive partnership has developed between the universities of this country and the Federal government. And while this partnership has not been one without fumbblings and errors on both sides, it has not, as was feared, led to the domination of the university by the Federal Government and it has enormously strengthened the capabilities of about 1,200 of the nation's universities in meeting responsibilities in research and research training. To a great extent because of Federally supported programs during the past 25 years we have in the United States some 70,000 senior researchers now at work; 30,000 individuals being supported for advanced training in the basic sciences and clinical specialties; 17 million square feet of space has been added to this country's research and research training plant.

In a very general way the activity of these persons

can be divided into that directed toward providing fundamentally new data or testing the meaning and significance of ideas based on data already at hand and that which attempts to make application of new knowledge. One is generally called basic or pure research; the other, applied research. These are not precise terms. Both kinds of research are essential, and while there is no consensus as to how much of one or the other is needed at a particular time, there is, for obvious reasons, a better public understanding of applied research.

Pure or basic research is, in essence, a response to curiosity—and the public is generally unsympathetic to curiosity. Curiosity killed a cat, they say; they speak of idle curiosity, though the curious are seldom idle. Parents strive to extinguish curiosity in their offspring in the hope of reducing the daily string of unanswerable questions. Furthermore, many people look upon basic research as purposeless—and therefore view it with some suspicion. The mountain climber can get away with the explanation that his motive for having climbed the mountain is “because it is there.” The historian is prone to explain his researches into the past as making it possible to understand the present, or mold the future rather than admitting that something happened long ago and he is simply incurably curious about it. Einstein was curious about energy and matter; he was not trying to build a better bomb. Medical scholars would like to stamp out a dread disease, but this is often less of a motive than is simple curiosity about living matter.

Another cause of public disquiet about basic research is that it is, by its very nature, subversive. The search for the truth (which somehow sounds better than idle curiosity) is often dangerous and subversive. Since so many respectable people assure us that they know what the truth is, it would seem that search for it would not be dangerous. But it is. It has often overturned institutions and beliefs—and mankind generally does not take kindly to having its pet beliefs overturned. Hence scholars are often found to be rather defensive about preserving their right to be curious despite the consequences

of their search—and about keeping the university as a place where the world's hostility to curiosity can be defied.

The founders and early leaders of the National Institutes of Health were wise indeed in establishing policies which, while recognizing that each Institute, by its very name, was mission-oriented (Heart Institute; Cancer Institute; Institute of Neurological Diseases, etc.) recognized the essentiality of continuous expansion of fundamental biomedical knowledge. For approximately twenty years these policies prevailed and those biomedical researchers who were idly curious received adequate Federal support when, and only when, their proposals survived a double peer review system.

But about mid-1966 things began to change. On June 15th of that year (at the launching of the Medicare program) President Lyndon B. Johnson said:

“A great deal of basic research has been done . . . But I think the time has come to zero in on the targets by trying to get our knowledge fully applied. There are hundreds of millions of dollars spent on laboratory research that may be made useful to human beings if large-scale trials on patients are initiated in programming areas. Now, Presidents, in my judgment, need to show more interest in what the specific results of medical research are during their lifetime and during their administration. I am going to show an interest in the results . . . We will go down their checklist and see what specific efforts can be made to reduce deaths among the leading killers. . . .”

And again, on June 27, 1966, the President said:

“The National Institutes of Health are spending more than \$800 million a year on biomedical research. I am keenly interested to learn not only what knowledge this buys but what are the payoffs in terms of healthy lives for our citizens.”

Dr. Ivan L. Bennett, Jr., the then Deputy Director of the Office of Science and Technology, in reference to these words of the President, said: ". . . this White House view contains important lessons for all of us in the so-called biomedical research community."

The lesson the biomedical research community judged it was being taught was, to quote one editor, that "a 20-year honeymoon for science [was] drawing to a close." One science writer observed that there exists a "widespread impression that the scientific community has grown rich and rotten on Government subsidy."

By mid-1967 the situation prompted one informed scientist-educator (Dr. Lee DuBridge, then President of California Institute of Technology) to comment: "The nation's program of basic research in science is at a critical juncture. Its future progress is by no means assured, and much will depend on the debates now in progress. Pressures for reducing . . . research budgets are evident."

A New York Times News Service article appeared in the *Commercial Appeal* in December of 1971 with this headline: "De-Emphasis in Basic Research Called 'Frightening.'" The article noted, among other things, that there were now ten times as many American college students enrolled in astrology as in astro-physics.

The present Administration has given even greater emphasis to former President Johnson's call for targeted research—and has rocked and divided the scientific community with its promotion of a \$100 million special cancer appropriation and subsequent effort to implement its expenditure outside the National Cancer Institute—and under direct management of the White House.

There would appear to be a conviction in certain quarters that, as with production of the atomic bomb, massed money and management can bring about a cure for cancer. But in the former case we had the benefit of the Curies, the Rutherfords, the Bohrs, the Einsteins,

whose genius provided the data base that was essential to the success of the effort. In the biomedical field geniuses of this order have not appeared.

In and out of government and in all segments of society there appears growing evidence that science is no longer trusted as before. It is not easy to pinpoint the cause of this change—and certainly there is no single cause. The widespread disenchantment with science and technology in general is attributed to such disparate causes as Rachel Carson's *Silent Spring* and the Vietnam tragedy—and, of course, to the ever-present threat of nuclear war. Unfortunately, it is not possible to completely separate the benefits of science from the risks. Furthermore, in biomedical research, it is often not understood that the achievement of a new therapeutic modality is rarely a *de novo* "breakthrough." New advances, when examined in historical perspective, are seen to have resulted from a diversity of observations that are wholly unrelated and preceded the final triumph by many years.

To many in this room (but to virtually no present-day medical students) the terror which almost annually swept one or another parts of the country during poliomyelitis epidemics—and the resulting thousands of children suffering varying degrees of paralyses—are real, if dimming, memories. There is no way to portray the dread scenes in isolation wards with row upon row of iron lungs; the incredibly painful rehabilitation of the survivors; the agonizing orthopedic surgery and years—often a lifetime—in braces.

Why did it take nearly half a century (1909-1955) to complete what nearly all reasonable men acknowledge as a triumph of biomedical research? The answer is, that until 1950, the data base for producing an effective vaccine was insufficient for the task.

The responsible organism was discovered by Landsteiner in 1909. But very little was known about viruses then—even less of their role in disease—and only one satisfactory biological model for experimentation was

known, and this required the use of monkeys. Information concerning inactivation and attenuation of viruses, the specificity of antigens and antibodies, was crude in 1935, when the first attempt to produce a vaccine failed. In retrospect it is relatively easy to identify the diverse packets of knowledge that were required to provide the necessary data base for final resolution of the problem.

In the early 1900's the manner of origin of the nerve fiber was still disputed. In 1906 Ross Harrison was trying to test the hypothesis that the axone is a product of the neuroblast itself. To do this he explanted a portion of the brain of a frog larva—at a stage before axones had formed—into clotted lymph in a hanging drop. And he was able to observe microscopically the outgrowth of the fibers from the individual neuroblasts during the course of their production—an epoch-marking discovery. Having settled the problem for which he developed the technique, he went on to other things; but his students—and others as well—perfected the technique and out of it came the enormously important specialized field of tissue culture that was, by 1949, ready for adaptation to the polio problem.

By this time there had also been substantial advances in the sophistication of the field of virology, due in large measure to the Rockefeller Foundation's efforts in yellow fever and influenza. The electron microscope had been developed and this permitted the polio virus to be visualized.

Also by 1949 Bodian had completed the monumental task of showing that more than a single agent was involved in polio causation, but that antigenically all could be grouped into three types. In this same year Enders had adapted the use of tissue culture to the production of viruses—and the way was open to mount a determined and coordinated effort to develop a vaccine. The National Foundation and Federal Government support was now concentrated in a major push—and the rest is history. In the first half of the 'fifties, there were approximately 30,000 cases of polio per year re-

ported in this country; twenty-five hundred of these died of the disease. In the last half of the 'fifties there were about 60 cases per year (a 99 percent reduction); and, in the last year of this five-year period, not one case was reported!

A few millions of dollars went into the support of all aspects of the research that led to the vaccine. If one considers that patient care alone amounted to many millions of dollars a year and if one adds to this the lifetime earnings of those who predictably would have had the disease—and add to this the production losses—many billions of dollars have been saved by the investment of a few million. And this does not take into consideration the health personnel and health facilities that have been freed for other needs.

Who, in or out of government, going down a "checklist," would have picked young Harrison's puttering about with larval frog's brain, as deserving of Federal support, because the knowledge such support would "buy" would pay off "in terms of healthy lives for our citizens."? Who among us has such wisdom?

The public weal will be ill-served, indeed, if, in the enthusiasm for targeted research, support for the idly curious is diminished.

**YOUTH SEARCH FOR INNER IDENTITY
It's Effect Upon Our Society**

By Theron S. Hill, M.D.

Read Before The Egyptians, April 20, 1972

Out of one of several huts, used to house refugees from East Germany at the close of the Second World War, there emerges a man who had been a soldier. He is one of five who have been living in the hut for three years.

The man once had a wife, two children, many relatives and had possessed a home and a well stocked farm. Now he possesses only that which he carries with him. Society has provided him with a roof over his head, a job and food.

He is forty-five years old. His hair is grey. He bears an expression suggesting ironic laughter as if it were frozen stiff. It varies only on those occasions when he breaks silence and speaks of a dead world, that is about his wife, children and former home which exist now only in memory. As he soon again lapses into silence, he always ends with the same question:

"Well, tell me, who am I, then, and what am I living for, and what is the sense of it all?"

He expects no answer nor do the others in his hut who pose essentially the same question after they have given a circumstantial account of their lives.

This abstract of a scene presented by Haus Zehrer in the English translation of his book "Man in This World" portrays vividly the tragic efforts of an identity crisis where there was a sense of loss of identity.

At a conference on Health and Human Relations held at Hiddesen near Detwold, Germany in August of 1951, Manfred Wodrick reported on a group of fifteen year old young Germans who had been used as auxiliaries in

the Air Force. After the war they were placed in a prison camp outside of Germany. Without warning they were suddenly told about the division of Germany into zones occupied by different countries. Many could see no possibility of a return home. For those unable to do so it was said, "They lost the memories which were to have been their guides into the future." The lack of such brought a traumatic identity crises, with a loss of basic trust accompanied by an actual devaluation of the significance of language. As Erik Erikson commented work with them had to proceed silently "until they had regained some of that basic trust which makes language a reliable means of communication."

There are numerous examples of identity crises in men of great potential for creativity or outstanding leadership, wherein dissatisfaction with an existing identity results in a replacement that provides for new courses of action and full expression of latent potential. George Bernard Shaw, Sigmund Freud, and Charles Darwin among others may serve as illustrations.

With some the change has been sudden and by conversion as with St. Paul, whereas with Martin Luther his illuminating revelation followed upon two previous identity crises which changed the course of his life and history.

Simple curiosity, minor doubts and concerns about personal identity are not uncommonly expressed by children or recalled as childhood experiences by adults. Thus the nine year old girl while standing and having her hair combed by her mother asks "who am I, why am I here, where did I come from." She shares the thoughts with no one until sixty-two years later when in doing so she puzzled that the time, place and feeling tone of the experience could have remained so vivid throughout the years.

Again a girl of eleven looking out at the star filled heavens is strangely stirred while wondering who she really is and where she fits into the great universe. A

strange sense of insecurity is experienced and clearly remembered some twenty years later.

Not uncommon are the doubts about personal and family identity of the adopted child. Thus with Tom, the ten year old who states, especially when frustrated and scolded, "I wonder who I am and why I was adopted, since father shows little interest in me and mother screams at me so often and unfairly." In essence he is asking am I unlovable or perhaps unworthy to be loved?

The term "identity crisis" was first used clinically during the Second World War. It was applied then to those patients who were neither shell shocked nor malingerers, but who through the exigences of war had lost a sense of personal sameness and historical continuity. There was impairment of a central control over themselves. The inner agency of personality structure held responsible for this was the ego and hence the disorder represented a loss of ego identity.

A similar type of disturbance was found to occur in young people with severe inner conflict where the resulting sense of confusion was due to a "war within themselves." This was true also among delinquents and young militant rebels who destructively attack their society.

As further study was given to these identity confusional states or crises, it was found that they appeared not alone in more pathological states but also as a more normative crisis related to a particular stage of individual development. It was during adolescence and young adulthood that such normative "identity crises" appeared with such frequency as to represent a phase of development closely associated with youth's striving for emancipation from pre-existing adult authority restrictions.

Man has been described as the animal that can say "I" with the awareness of himself as a separate entity. Other animals live within nature and do not transcend it. Man with his capacity for reasoning and imagination and further having lost his original unity with nature, needs a concept of himself wherein he can both feel and

say, "I am I." Erich Fromm avers that his need for a sense of identity is so vital and imperative "that if he could find no way of satisfying it, he could not remain sane."

Erik Erikson, one of the leading contemporary students of Identity and Youth Crisis refers to a letter by William James to his wife as a good illustration of what he would call a sense of identity. Said James, "A man's character is discernable in the mental or moral attitude in which when it came upon him, he felt himself most deeply and intensely active and alive. At such moments there is a voice inside which speaks and says: "This is the real me!"

The only time that Freud used the term identity in more than a casual way was in an address given to the Society of B'nai B'rith in Vienna in 1926 when he sought to assert a unity of personal and cultural identity in his ancient people's fate. In this he said: "What bound me to Jewery was (I am ashamed to admit) neither faith nor national pride, for I have always been an unbeliever and was brought up without any religion though not without a respect for what are called the "ethical standards" of human civilization. Whenever I felt an inclination to national enthusiasm I strove to suppress it as being harmful and wrong, alarmed by the warning examples of the peoples among whom we Jews live. But plenty of other things remained over to make the attraction of Jewery and Jews irresistible—many obscure emotional forces, which were the more powerful the less they could be expressed in words, as well as a clear *consciousness of inner identity*, the safe privacy of a common mental construction. And beyond this there was a perception that it was to my Jewish nature alone that I owed two characteristics that had become indispensable to me in the difficult course of my life. Because I was a Jew I found myself free from many prejudices which restricted others in the use of their intellect; and as a Jew I was prepared to join the opposition and do without agreement with "the compact majority." "

In these two illustrations, either by implication or direct statement can be seen the evolution of the most personal sense of inner identity and also that the participation of others plays an essential role. It is only after the newly born infant gains an awareness of his anatomical limits and his separateness from mother that he emerges from the "primary bonds" that tie him to nature and mother. Only as he comes to conceive of the outer world as being separate and different from himself does he become aware of himself as a distinct being with a sense of identity that ultimately enables him to refer to himself as "I."

The process of identity formation then begins at that point where baby and mother meeting as two persons touch and recognize each other. It continues as an always changing and developing process with increasing differentiation and awareness of the widening circle of others important to him extending from mother to "mankind." Personal growth and cultural change cannot be separated. The identity crisis in individual life and contemporary crisis in historical development may relate closely one to another. For as Erikson has said, "the whole process of identity formation is "located" in the core of the individual and yet also in the core of his communal culture, a process which establishes, in fact, the identity of those two identities." In the aggregate of a person's identity units and fragments both personal and group identities are intermingled.

It is during adolescence and early adulthood that the strain on identity sensing is greatly increased thus contributing to a normative crisis in inner personal identity, sexual identity, or group identity. He or she may entertain many doubts and struggle inwardly or overtly with many questions.

In our country's present historical crisis youth's queries are many and varied, such as:

Who am I really? What am I here for? Where can I go? Will I be killed in war before I can reach my goals? If

this is a likely possibility what is the use of planning? What use then all of this education? Am I truly of any worth to others or to myself? What about love? In today's world where life may be cut short should we not experience it to "the fullest" while we can? Should not the old codes for sexual behavior be by-passed or abandoned? Are not we in the midst of a social and historical crisis? If so who is responsible? What source of authority is reliable?—that of our parents, our teachers, the church, the government, or that of our peers? Where do we fit in? Whom can we trust?

As we listen to such questions and many others it becomes apparent that many questions go beyond those previously considered normal for youth's stage of growth wherein he seeks emancipation from parental authority. Many of these reflect all too clearly the effect our present disturbed and unstable society is having upon youth's development. Youth no longer so readily accepts society's critiques and expectations as was true in the past.

With the disillusionment in structure and functioning of our culture which has arisen within a large segment of the young generation, youth has become justifiably critical and is giving voice to its expectations. The loss of basic trust which had been so important in the earliest formation of his inner sense of identity has resulted in bringing a renewed search for an identity relationship wherein newly acquired basic mistrust can be lessened. The Ego, man's organ of reality testing, had helped youth to synthesize and subsume in fewer and fewer images and personified configurations (Gestalten) the fragments and loose ends of all infantile and childhood identifications. However, the crisis of adolescence in the current state of our society has seriously disrupted this process and along therewith the *balance* of youth's basic trust versus mistrust.

Three authors within the past two years have attempted to portray the present features of American Culture which have led to an increase in distrust and

consequent rejection by youth of much that heretofore had been considered sacrosanct.

Charles A. Reich, Professor of Law at Yale, in "The Greening of America" has endeavored to show why and how youth is in revolution and trying to make America again livable. Alvin Toffler, who has been editor, correspondent, author and teacher, has in "Future Shock" depicted the adverse effects of the seemingly irreversible acceleration of technological advance on the pace of life both in the present and for the future. The "disease of change" he has called future shock and has indicated the manner in which youth has been alienated thereby. Philip E. Slater in his book "The Pursuit of Loneliness: American Culture at the Breaking Point" describes the forces, primarily social and psychological which are pulling the American Society apart and contributing to two cultures the old and the counter culture of youth.

What then are some of the characteristics of the American Culture against which a significant proportion of youth are rebelling? Certainly the participation in three wars within two decades with a growing devaluation of the importance of human life and a feeling that wars are just a necessary part of intercultural relationships. There is an increasing resentment against the daily use of cold mortality and injury statistics which serve to depersonalize, dehumanize and also to becloud the fundamental evil of war. There exists deep concern for the questionable motivation for our engagement in the Vietnam conflict as well as about the placement of responsibility for committing our country to war. There is rising resentment against America's apparent endorsement of undisciplined killing in war with its contribution to non-military violence so often accompanied by destruction of property, an assault upon cherished human rights and at times by killing.

Youth is appalled by the gargantuan growth of technology and its industrial and military application in which machines *must* operate smoothly and be well oiled while their operators become extensions thereof and

servicing but as supplementary "cogs" lose their personal identity and receive treatment as things not persons. The use of instruments of technology to rape the land, and indiscriminantly pollute the air and water has only recently been decried. By many this has been viewed as the unbridled use or private power without adequate concern for the general good.

Slater has indicated that there are striking differences in the priorities which would be selected by this Old Culture as compared to the New. Thus for the Old Culture it would be property rights over personal rights, technological requirements over human needs; competition over cooperation; violence over sexuality; concentration over distribution; producer over consumer; means over ends; secrecy over openness; social forms over communal law. Youth sees the rift between the two cultures based upon such a polarity of interests becoming ever wider.

Perhaps, as pointed out by Reich, the most devastating impoverishment, not alone of ethnic groups but of youth as a whole is produced by the loss of self—that deprivation of identity imposed by a society in which education is seen to be obsolescent, the church non-relevant, the professions less rewarding, and in which the primary aim is to prepare the emerging adult to be "a productive unit for a mass technological society," thus leaving him to no small extent stripped of his personal uniqueness, imagination and creativity.

The modes of resisting the demands and pressures of what Reich has called the Corporate State have been varied and changeable.

The early hippie subculture with its ethic of make love not war and its philosophy of abandonment of the usual modes of gainful employment has shown a considerable growth in numbers, and has assumed different patterns of organization. Since its first high priest Timothy Leary as a pied piper lead many down the pathway of drug usage and abuse, the adoption of drugs to provide new mind altering experiences has

spread alarmingly and far beyond the hippie culture. Dr. Donald E. Smith, Founder and Director of the Haight-Ashbury Free Medical Clinic has reported this month on the Sexual Practices in the Hippie Culture. He reports a spread of the "hippie psychedelic philosophy" throughout the country in urban centers, on almost all college campuses, and in hundreds of rural communes. The subculture he states consists of "celibate spiritual gurus, activist diggers, communal group marriages, orgie-oriented motor cyclists, promiscuous teeny boppers and monogamous hippie couples." The increase in their promiscuity has led to a major increase in venereal disease.

The militant segment of the youth counter culture which stresses confrontation, a demand in decision making, violence if necessary be it in the ghetto or on the campus is all too familiar. Its methods of action and the effects thereof have been well reported to us by John Maloney in his paper entitled "How to Wreck a University." Between the two extremes of drop out and militant activist other life styles have been adopted. There is the drop out who after quitting school just lives on the periphery of things. With others a new line of work is chosen permitting of a remunerative career and being a life style consonant with his rejection of the demands of a machine age culture.

The changing attitudes toward sex among many young people is related to a shift toward life values that make the individual and his experience preeminent. There has certainly been an increase in premarital sexual relations and the development of a new morality. With advent of "the pill" women have gained a new sense of freedom and a capacity to broaden the enjoyment of sex. It is the opinion of Carlfred B. Broderick, Associate Professor of Family Relations, at Pennsylvania State University that despite their creation of a new morality young people are not abandoning marriage for in 1971 we had the highest marriage rate in the United States since 1946. He finds also that although the divorce rate is high those who are divorcing tend to remarry.

What percentage of young people are in protest and following any of the aforementioned life styles is difficult to determine. However, their use of dress, hair-do and new forms of music to declare their new identity indicates that the total number is not to be ignored.

The youth counter culture revolution has been one of the factors which has forced Americans to more critically and honestly look at the course they are traveling, the values they have established and the dishonesty and hypocrisy which has been theirs. For this we owe youth a debt of gratitude.

There are evidences of America awakening. Such was the first National Congress on the Quality of Life March put on in Chicago last month by the American Medical Association in cooperation with 57 other national agencies. Using more than a hundred speakers representing medicine, fields of government, sociology, education, law and theology, emphasis was given to the need to make children the nation's number one priority.

New publications are aiding people to know themselves better and to see what people are doing to themselves and to others including their offspring. Examples of these are "Games People Play" by Eric Berne and "I'm OK—You're OK" by Thomas Harris. The knowledge they present can help to break down the barriers to communications between generations and dissident groups for to do so is imperative in order to bring understanding and balance between the cultures Old and New. With whatever methods may be devised to achieve understanding the ability *to listen* to another person in interpersonal exchange becomes a primary prerequisite. To listen, that is, and to gather information *without* reacting along the lines of one's own experiences or point of view.

A CONSERVATIVE IN PIXIELAND

By McDonald K. Horne, Jr.

Read to The Egyptians, May 18, 1972

There is a whimsical pixie sitting on the shoulder of each of us. We may seldom think of him, but he is there. He peers right into the human mind and does remarkable things with it. He tells us what to observe and what to ignore, what to remember and what to forget. To some extent he tells us what to believe.

The name of this little creature sounds so un-pixie-like that I can hardly bear to reveal it. The name is *Rationalization*.

Thinkers in many fields have made pungent comments on the tendency of human beings to believe what they want to believe.

Paul Samuelson, of economics textbook fame, says at the outset of a recent edition: "To a degree we are all prisoners of our theoretical preconceptions . . . how we perceive the observed facts depends on the theoretical spectacles we wear." He illustrates with a figure sketch borrowed from psychology, which can be recognized equally well as a bird facing to the left or an antelope facing to the right.*

The poet Alexander Pope put it with characteristic sharpness:

"The ruling passion, be it what it will,
The ruling passion conquers reason still."

It was Shakespeare who said something about the wish being father to the thought, and it would have been typical of the Bard if he borrowed the idea from other thinkers of long before him.

**Economics*: 8th Edition (McGraw-Hill, New York, N.Y. 1970) pp. 9-10.

Where rationalization began we do not know, unless we care to believe that it was in the Garden of Eden, when Eve spoke unto the Lord and said (in modern translation): "The Serpent made me do it."

I think it was H. L. Mencken who said, "There never was a successful demagogue who wasn't sincere." What a powerful insight into human nature! If you think of McGovern, Wallace and Agnew, you will have in mind at least one or two men with whom you disagree rather passionately. How could individuals hold such unspeakable viewpoints? In our immaturity, we tend to think it is because they are wicked or stupid or both. As we mature, if we do, we come to realize that they may be quite well-intentioned and intelligent. Neither Agnew nor McGovern nor Wallace could have achieved his present measure of success without the driving force of a belief in what he is doing. They are all quite sincere. They just have different pixies.

According to Webster, the verb *to rationalize* means "to attribute one's actions to rational and creditable motives without analysis of the true, especially the unconscious, motives."

Inside each of us is a churning mixture of motivations, some reaching up toward heaven and some down toward hell. We require those which are decent, creative, altruistic and beautiful to make life worth living. But we also have selfishness, laziness, fear and pride. When we are governed by these baser parts of our nature, the pixie often gives us reasons for believing that our thoughts and actions are noble enough.

This juggling of reasons in our subconscious minds is done with the information which we actually possess. But underlying this is a tendency of the mind to monitor the very information itself. We tend to screen the observations which go into our minds, so as to make them conform with our individual predilections and biases.

If a hundred people see the same event, they will all see it with different shades of emphasis and mean-

ing. In a meeting as large as this one tonight, there is a myriad of sights and sounds and nuances to be observed, and each mind observes those to which it is especially attuned. Our capacity to observe is conditioned by what we believe. We are most sensitive to things which reaffirm our beliefs.

Thus across years of mental conditioning, both in the information they receive and the reasoning they accept, two equally fine and intelligent men may come to have utterly contrasting philosophies. Each may believe that he stands firmly on the level ground of truth and observes the whole passing scene with complete objectivity; but both of them may be deeply biased, albeit in opposite directions.

It should not be assumed that a person with a brilliant and highly cultivated intellect can rise above the rationalization of personal biases. On the contrary, the sharper the brain and the greater the reservoir of knowledge, the easier it becomes to marshal the facts and logic with which to convince oneself of whatever one wants to believe.

Certainly it must be presumed that a great deal of truly objective thinking does occur. This must apply in considerable measure to such fields as mathematics, the various natural sciences, and (we hope) medicine. And there are great differences in the mental and spiritual breadth of individuals.

But when we come to economics and the big social issues of our time, it often seems that the whole world is awash on a sea of rationalization.

In economics, we all are biased. There seem to be no heights of professional respectability which will keep a man from rationalizing his particular emotional commitments where money matters are concerned. The economic world seems infinite in its vastness and complexity. It is inexhaustible in its store of evidence to support any position which one wishes to take.

It is virtually impossible to see the whole picture in adequate perspective, and few people seriously try. One of our human cravings is for simplicity. Accordingly we select those aspects of the picture which suit our individual predilections, and generalize them into an economic world that fits our emotional requirements. We are far more likely to get truthful insights from a man who admits his biases and examines them carefully and often, than from some self-deluded intellectual who believes that he stands above the storm.

I am an early Twentieth Century product of the Mississippi hills. I am no "racist" (whatever that means) and no biblical fundamentalist, and I do not fit the stereotype which liberals happily design for conservatives. But I hold very dear some of the traditions and values of my time and place. They contained the seeds of great progress, and I believe that we understood the seeds of progress better than this pixified generation understands the fruits of progress—or where they came from, or how to keep them.

There is another reason, quite selfish, for my bias toward conservatism. When a man faces old age today, he sees the economic rules which he lived by and planned by during his whole life as an income-earner, crumbling rapidly away. If he is a poor man, the politics of the time will at least sustain him at his present real income level. This is evident in the trends of Social Security and of many new proposals for assisting old people. But if he has had a moderately successful life and is now moderately well-off, the trends of social policy are pressing harder upon him than upon any other stratum of society. The eager reformers want to take from the rich and give to the poor, but in actual practice nearly all the taking is done, and must continue to be done, from the man in the middle. If you are still a young income-earner, you can ride with the tide by having your own earnings increase. But if your earning days are over, you have little recourse against confiscation through inflation and taxes. The chief remaining avenue of escape is through investment in common stocks, but the pres-

ures for so-called reform have reduced this avenue to a narrow, winding, hazardous tunnel.

These are the economic biases which I tend to rationalize, insofar as I can understand. Rather than attempt to hide them, I would have every one look at them and judge my economic analysis in the light of them.

There will be boys and girls voting in the elections this fall who were one year old when Eisenhower sent the first military advisers to Vietnam, and were still in puberty when Nixon became President.

I was born the year William Howard Taft was inaugurated. I was quite a growing boy when the first automobile came to Winona, Mississippi—and the first yowling radio. I was a graduate student, subsisting on a tiny fellowship and wondering what the future could bring, when I first heard President Roosevelt state on the radio that the federal government had both the capacity and the responsibility to get us out of the Great Depression. It never did, but the concept was revolutionary.

When today's young people become tomorrow's old people, they will realize that it was not so much the young as the old, who were misunderstood. There is much to be learned in the perspective of time and experience.

The foundation of economics is the law of supply and demand, which was developed by the neo-classical writers into an elaborate theoretical system. The price of nearly everything would go up if its demand rose, down if its demand fell, down if its supply rose, and up if its supply fell. The economy would respond by producing more of what was high-priced and less of what was low-priced, thus keeping itself in a sort of self-regulated balance. Prices would guide production, and the lure of income would provide the incentive to produce.

There was never any general agreement that this

system could work very well. Its proponents tended to believe that it was in harmony with the whole order of nature and with the idea of progress, and in time this came to be looked upon as the conservative viewpoint. Its detractors came to view the system as a rationalized plan for keeping the rich and powerful rich and powerful.

In any case, the march of events has almost buried this theoretical system in economic complexity. Economists have found the overall picture so perplexing that many have retreated into specialized parts of it. Many have escaped into the beautiful, orderly, simplistic domain of computers and models and mathematical formulae, where a given problem can be abstracted out of the real world into a sort of laboratory world which permits cause-and-effect relationships to be observed in theoretical (and generally useless) isolation.

The great Harvard economist, Joseph Schumpeter, paid his respects to this kind of thing in a footnote to his book on *Capitalism, Socialism and Democracy*, as follows:

“...the ability to see things in their correct perspective may be and often is divorced from the ability to reason correctly, and vice versa.”
(p. 76)

The same thing is said more effectively in the homely little story of the school teacher who asked: “If 43 birds are sitting on a telephone wire, and you shoot 17 of them, how many are left?”

The sharp little analyst on the front row shot up his hand and answered, “Twenty-six.”

But a little fellow from the real world was sitting on the back row. He raised his hand more slowly and said, “After one shoot of the gun, there wouldn’t be any left.”

At my age, I have a strong bias toward the viewpoint of the boy on the back row. The kind of free mark-

et system which was built upon the law of supply and demand has not been invalidated on theoretical grounds during my lifetime. Rather I feel that it has been engulfed under four great waves of politico-economic change.

The first of these is what has happened to the profit incentive. If we may believe the official statistics, the per capita real personal income of this country last year stood at 241 percent of the level it held in 1929, the last year of prosperity before the Great Depression. This figure discounts the effect of inflation and of population increase. What it says, in some over-simplification, is that the average American is nearly two and one-half times as well off today, in the buying power of his income, as was the average American in the prosperous year when I became a college senior.

The effect has been to downgrade the importance of making money in the eyes of many Americans, especially the young generation of college graduates. It is still important, but far less so than to my generation, who often could not afford to get an education, or get married, or own a cheap home or automobile, much less take a trip to Europe. This generation has no real conception of economic insecurity, except at the lowest levels, and no experience by which to appreciate the new situation. Furthermore, much of the challenge has gone out of money-making, because it no longer elevates a person to the place of prestige and distinction which it once could bestow.

Nevertheless I rate this as the least important of the four great waves of change. The profit incentive was always over-rated as the driving force of human achievement. It was, and is, a universal force of considerable significance. But beneath the profit motive are deeper motives. Among the more fortunate people, it is transcended by the urge to be creative, to do good works, to achieve recognition, and to be comfortable and happy. Among the less fortunate, who live along the edge of real want, experience shows that their work incentive

sometimes drops off sharply when they get a few meals ahead. Now that real income is generally more available, the deeper motives, underlying the profit motive, are even more decisive than formerly, and thus the whole system is more complicated than it was before.

The second wave of change has been the rise of monopoly to a position of rather complete dominance in our economy. From the beginning, the main weakness of the free market theory was that it tended to treat monopoly and competition as two clear-cut, completely different situations. Gradually it has been realized that monopoly exists in an infinite variety of degrees and forms. The utilities are fairly simple cases, where the need for government control is obvious. But when it comes to deciding which industrial corporations should be broken up in the social interest, there is no clear dividing point between the good and the bad. Monopoly tends to go hand in hand with the economies of scale, which are basic to our industrial efficiency. There is no conceivable way to eliminate all harmful monopoly without damaging the economy beyond recognition.

For example, what do you do in this modern day when a big corporation is in direct, head-to-head competition with thousands of little farmers in production for the same market? The du Pont Company gets more revenue from selling fiber than all the 300,000 cotton farmers in the entire country. That is a rather extreme kind of monopolistic advantage. It is the real essence of the cotton problem. Yet it is seldom even mentioned as a problem of monopoly and competition, except by cotton people.

Since there is no hope for restoring the kind of competition which the classical writers had in mind, the emphasis is more and more on trying to patch up the situation by having the government give direct help to the little fellows or by encouraging them to organize so as to get some monopolistic strength of their own.

Unorganized labor is at a bargaining disadvantage

except under very enlightened management. But organized labor, as we have it today, frequently emerges as the worst kind of monopoly in the country with the George Meanys and the Harry Bridgeses flaunting their power to close down the whole economy. It does the consumer little good for the government to control corporate monopoly when the union can force an enormous wage hike upon an entire industry and the management of the industry is thereby enabled to pass the cost along to the purchaser of its products.

Under classical theory there was a principle, called marginal productivity, which supposed to set the level of a fair and proper wage. Under today's system there is no principle whatever except raw bargaining power. There is no principle setting the limits on what a monopolist can charge, if he has a vital product and a stranglehold on its supply.

The trend of the times is not to stop monopoly, but to get aboard. The school teachers of all people! The policemen and firmen and hospital workers. The baseball players! Now the farmers, noting the success of the dairymen and others, are clamoring for tight bargaining organizations of their own. As long as a product will continue to be bought at higher and higher prices, a monopoly can get away with charging them. There are some limits to this, as school teachers and ball players may learn; but still the end of the trend to monopoly seems nowhere in sight. I will begin to feel otherwise when I hear Ralph Nader, that great champion of the consumer, breathe his first word of protest against the consumer's worst enemy, the labor monopoly.

The third wave of change has been the rising force of government as a part of the economy. The government has obliged to move into it at many places for many reasons, some of which have been mentioned. But the sum of the whole development is awesome.

In 1929 our government at all levels, federal, state and local, spent \$10.3 billion, and that was one-tenth of

the gross national product. Last year it spent \$341 billion, and that was just about one-third of the GNP. Federal expenditures alone were 2½ percent of the GNP in 1929 and 21 percent of it in 1971. Government not only controls our economy in a multitude of ways. Government is a vast part of it—the biggest, most uncontrollable monopoly of all.

The critical demands for more government spending are all around us, and irresistible. We all see many of the needs and find them imperative.

Government transfer payments (mainly Social Security and Welfare) are three times as great as total corporate dividends and are much larger than all the earnings of professional people, farmers, and unincorporated business men combined. Federal subsidies now apply to 40 percent of all housing starts, and the National Association of Home Builders is urging more.

Government payrolls in the first quarter exceeded one-fifth of all the private payrolls from every source. Salary levels in government are set without reference to anybody's profit and loss statement. The ultimate accountability is only to voters, of whom probably one in every five or six is himself a government employee or a dependent thereof.

Our present inflation is of the cost-push type, in which rising wages have been the predominant problem. In assessing the blame, we should give *second* place to our big labor unions. *First* place should go to our elected federal officials, who increased the salaries of Congressmen 41 percent and of the President 100 percent at the very moment when they, of all people, had the top responsibility for setting the right example. And to pile insult on injury, they contrived a scheme to make it appear that they were not really responsible for the increases.

This undermined their moral position for controlling big wage increases not only in the private sector but in the public as well. One of the real public scandals

of recent years has been the sky-rocketing wage levels of federal employees. For example, the base salary of a so-called Grade 18, which was \$18,000 in 1962, is \$36,000 today. Our bureaucrats have become plutocrats. Moreover, the government exceeds most of the private sector by far in the generosity of its fringe benefits, which are relatively concealed from public view. Federal employees belong to that very elite class of citizens whose pension plans are rigged to go up automatically in correlation with the consumer price index. Whatever this costs, the taxpayer will pay it. We must ask whether this policy puts our public servants in the right frame of mind to oppose inflation as vigorously as they should.

Yet if the pixie on your shoulder is inclined to convince you that all this is justified, he can supply you with some very fine reasons. So it is in our complex economy, cut loose from the principles of the past and washed by the waves of change.

The fourth great wave of change has been the forward surge of pure democracy—one man, one vote. Our founding fathers did not believe in it, but step by step at an accelerating pace we have enfranchised more and more groups—the poor, the women, the blacks, and now the kids.

No man in public life can raise his voice to express reservations. We do have a relatively educated, youthful, highly representative electorate today. But I doubt that our electorate was ever more subject to brainwashing on the facts of public issues. The new voters may be ever so imbued with peace, justice and equality—but O, what pixies they have! Idealism can sometimes be a rationalized cover for political and economic opportunism, narrow-minded selfishness, innate rebelliousness, ignorance, laziness, cowardice, and a yen for a place in the sun.

Take, for example, the issue of unemployment. Our politicians seem to be making hay with the argument that our employment rate, hovering around 5.9 percent,

reveals a callous lack of official concern or the problem. Yet if you are in the labor market, trying to hire somebody, you are likely to find it very tight. Actually an overall rate of 5.9 percent is fairly low by the standard of all past experience except in war-time. It is particularly low for a period in which inflation is a great problem, needing to be curbed.

Insofar as we have any unemployment problem, it is not general but structural in nature, reflecting the situation of special groups. In April there was a 9.6 percent unemployment rate among blacks and 17.3 percent among teenagers. Neither of these problems can be effectively solved by steaming up the whole economy in an effort to reduce the overall 5.9 percent rate. The most revealing figure is the rate for married men, of all types, which is only 2.9 percent. Here is the mass of the qualified workers who seriously want to work.

We might turn to the other side of the coin and realize that the total number of jobs has increased unusually fast in recent years and that the reported unemployment would be lower except for a remarkable increase in the number of people reportedly desiring employment. The main increase has been in women, many of whom are just barely willing to consider working if the right job comes along.

The greatest phenomenon of recent months has been the rise of so-called "Populism," which means in some vague way that the little guy feels he is being imposed on by the big guy, and therefore he wants "reform." The broad facts just do not support this kind of feeling today, as they did in the 19th century.

There will always be Machiavellian types in our big corporate managements, who can be used as political campaign material; but the broad fact is that corporate profits in recent years have shown a very weak trend as compared with the huge growth in wages.

The broad fact is that the overall distribution of income in this country has been moving for many years

in a direction more favorable to the poor people. This becomes apparent to any one who will dig deeply into the recent report on this subject prepared for the Joint Economic Committee of the Congress,* although the actual presentation of the report is somewhat redolent of left-wing bias.

The broad fact is that most of the really important so-called tax breaks which we give to big business and wealthy individuals reflect careful concern for the needs and welfare of the whole economy. Eliminating them might do more harm than good to the little man. In any case, if we appropriated all the income of the rich people in this country, it would have only a very limited effect upon the federal budget. If the government is to give important further tax breaks to people in the lowest income brackets, the difference will not be made up by curbing expenditures or by taxing the rich. The difference will be made up by people like you and me.

What makes the little guy feel the burden of today's tax load is not favoritism for the larger guys, but just the sheer fact that government spending has been increasing at a terrific rate and already amounts to about one-third of all that this country produces.

Washed here and there, as we all are, by these four great waves of change, it is not easy to think one's way to an economic philosophy which is anything more than pragmatism, guided by the pixie,

Certainly we have great social problems—poverty, poor housing, racial discrimination, war's incredible horror, inept treatment of criminals, defective consumer goods, the decay of our physical environment, traffic congestion, and on and on.

But what do we do to correct these things? If you read the *Greening of America* and *Future Shock*, and

*Thurow and Lucas, *The American Distribution of Income: A Structural Problem* (U.S. Government Printing Office, 1972)

listen to the voices of the left, you get the feeling that all we need is for our democracy to take hold of its riches and use them for its own good. Technology is enabling us to produce all that we need. Alvin Toffler cites as proof a report from Stanford Research Institute which refers to our nation as one "where all essential material needs can be filled by perhaps no more than three-fourths or even half of the productive capacity."*

All our essential needs? The needs of the poor, the sick, the ill-housed? The needs of education, of national defense, of crime control, of pollution control, of transportation?

From where I sit, this tendency to take our fabulous productivity for granted is the great economic illusion of our time.

A rather sharp illustration is right here in our cotton economy. The American people have the idea that cotton is a crop in perpetual surplus and that the problem is how to hold it back. They do not know that we are struggling right now with a critical shortage. They are wedded to the idea that the subsidy is paid to farmers for *not* producing—an idea which has been 180 degrees wrong for some years. They think of it as a kind of welfare payment which should go only to the poor. They have no idea that the problem is that of getting production and that it is economic folly to discriminate against the large and efficient producers.

The government statistics which indicate a continued rise in our real per capita income are becoming more and more suspect in my mind. I am suspicious that the per capita productivity of this country has already leveled off and that we face a terrible challenge in turning it upward again.

The figures do not measure the decline in our general quality of life. They make New York City, for ex-

**Future Shock* (Bantam Books, New York, N.Y., 1971) p. 234.

ample, look like one of the richer spots in the country, when in fact it has become a chamber of economic and social horrors.

The figures do not allow for the decline in all kinds of services and all kinds of workmanship.

They do not fully reflect the growth of a widespread inclination to work less and demand more by the use of monopolistic or political power.

They do not reflect the decline in our resources of natural gas and petroleum or the tendency of the Middle Eastern countries to exact a larger price for our imports.

Most of all, they fail to reflect the great turnaround in our economic relationship to the rest of the world—the fact that we are propping up our standard of living by importing more and more of what we need and by exporting relatively less, thus putting the foreign value of our currency on a downward course, for which no one has yet really seen the end.

We may be able to overcome all this by great strides in technology and great application of all our talents toward higher productivity. But surely our future is in the balance.

The elaborate old theories of a market system have been washed over by the waves of change, but the concept of balancing demand with supply cannot be long submerged. This is still the basic law of economics.

I believe that the liberals, helped along by their pixies, will keep us quite alert to most things on the demand side of the equation. My concern is with whether we can supply them, and my bias is toward the critical need for higher productivity. This, I believe, is the correct economic philosophy for a modern-day conservative.

So say I, while glancing cautiously at my own pixie.