

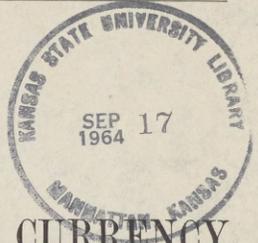
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HEARING BEFORE THE COMMITTEE ON BANKING AND CURRENCY UNITED STATES SENATE EIGHTY-EIGHTH CONGRESS SECOND SESSION ON

THE NOMINATIONS OF FRANCIS M. WHEAT TO BE A MEMBER
OF THE SECURITIES AND EXCHANGE COMMISSION, AND OTTO
ECKSTEIN TO BE A MEMBER OF THE COUNCIL OF ECONOMIC
ADVISERS

AUGUST 13, 1964

Printed for the use of the
Committee on Banking and Currency



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HEARING

BEFORE THE

COMMITTEE ON BANKING AND CURRENCY

UNITED STATES SENATE

EIGHTY-EIGHTH CONGRESS

SECOND SESSION

70

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NOMINATIONS OF WHEAT AND ECKSTEIN

THURSDAY, AUGUST 13, 1964

U.S. SENATE,
COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C.

The committee met at 10 a.m., in room 5302, New Senate Office Building, Senator A. Willis Robertson (chairman of the committee) presiding.

Present: Senators Robertson, Douglas, Proxmire, Simpson, and Dominick.

The CHAIRMAN. The committee will please come to order.

The committee, as you know, is meeting to consider two nominations today. The first one we will take up is the nomination of the Honorable Francis M. Wheat, of California, to be a member of the Securities and Exchange Commission for the remainder of the term expiring June 5, 1966, to succeed the Chairman, William L. Cary, who is to resume his teaching position.

Without objection, I will file in the record at this time a biographical sketch of Mr. Wheat.

(The biographical sketch follows:)

BIOGRAPHICAL SKETCH OF FRANCIS M. WHEAT

Born in Los Angeles, Calif., February 4, 1921; son of Carl I. Wheat, retired lawyer, and Helen Millspaugh Wheat.

Secondary education in Palo Alto, Los Angeles, and Washington, D.C. A.B., Pomona College, Claremont, Calif., 1942; LL.B., Harvard Law School, 1948 (cum laude; member of Harvard Legal Aid Bureau).

Married since 1944 to Nancy Loring Warner, formerly of Columbus, Ohio. Three children: Douglas, aged 16, a junior in high school; Carl, aged 15, a sophomore in high school; and Gordon, aged 10, a fifth-grader.

Served as lieutenant, U.S. Naval Reserve, on active duty, 1942-46, with destroyers of Atlantic and Pacific Fleets.

Joined the Los Angeles law firm of Gibson, Dunn & Crutcher in 1948, upon graduation from law school; associate 1948-56; partner since 1956. Area of practice included primarily corporation and business law, including securities offerings registered with the SEC.

Chairman, Committee on the Juvenile Court (1958) and Committee on Corporations (1962-) of the Los Angeles County Bar Association; chairman of the Subcommittee on Investment Companies and Investment Advisers, Committee on Federal Regulation of Securities, American Bar Association Banking and Business Law Section (1962-).

Publications include:

"Guideposts for a First Public Offering," the Business Lawyer, April 1960 (with George A. Blackstone).

"Federal Regulation of Securities" and "Issuance of Securities Under the California Corporate Securities Law," chapters in "Advising California Business Enterprises" (University of California, Continuing Education of the Bar, 1958).

"Regulation of Securities of Real Estate Investment Trusts," the Business Lawyer, July 1961 (with Arthur O. Armstrong).

"Financial and Legal Aspects of Acquisitions and Mergers," chapter in "Functions of Corporate Legal Departments" (University of California, Continuing Education of the Bar, 1961) (with Richard M. Link).

President, the Neighborhood Church of Pasadena (Congregational and Unitarian) (1961); president, Pomona College Alumni Association (1964-); chairman, Pomona College Alumni fund (1962-63); presently trustee or director of the Southwest Museum, the Honnold Library Society, the United Nations Association of Los Angeles, Max Factor & Co., the Cosmodyne Corp., R. V. Weatherford Co.
 Residence: 2030 Oak Knoll Avenue, San Marino, Calif.
 Office: 634 South Spring Street, Los Angeles, Calif.

The CHAIRMAN. It seems Mr. Wheat was born, bred, and partially educated in California, and he went to Harvard for his LL.B. degree. At the present time he is connected with a large law firm in Los Angeles.

The Chair feels sure that this nominee is well qualified to serve in this position.

The two U.S. Senators from California have endorsed Mr. Wheat. They have both expressed regret that they could not personally be here.

As members of the committee know, the Senate meets at 10 o'clock, but we have permission to be in session until 12 o'clock, which will give us time enough to hear these nominees and to vote on their confirmation.

The Chair is pleased to recognize at this time Mr. Wheat. Mr. Wheat, will you tell us something of your interest in laws pertaining to the operation of the Securities and Exchange Commission?

**STATEMENT OF FRANCIS M. WHEAT, OF CALIFORNIA, NOMINEE,
 TO BE A MEMBER OF THE SECURITIES AND EXCHANGE COM-
 MISSION**

Mr. WHEAT. Thank you, Senator.

I suppose my interest in the work of the Securities and Exchange Commission probably can best be traced to my practice, which has been heavily involved in securities work for about the last 12 to 14 years. I have come over these years to have a high regard for the competence of the men of the Commission staff and on the Commission, whom I have met and whom I have worked with.

I think the Commission has done a fine job and is a very necessary part of our regulatory system. I would deem it quite an honor to be connected with its work.

The CHAIRMAN. Have you filed with the clerk of the committee a statement—confidential, of course—showing your holdings, to indicate that there would be no conflict of interest in the discharge of your duties?

Mr. WHEAT. Yes, Senator, and I have considered this very carefully. I have had the benefit of helpful conversations with the present Chairman of the Commission, Mr. Cary, who has given me his advice on the subject.

I have also carefully studied the Commission's regulations on the subject of the conduct of members of the staff and Commission members and their securities transactions. I do own some securities. My wife owns a few securities. These securities have been derived from savings and investments over a period of many years.

I owned a few securities of investment companies, but I have sold those securities. The other securities I own are all of industrial and commercial companies, except for some bonds and some interests in a few small real estate developments.

It was my conclusion, upon studying the matter carefully, that it would be improper to retain any securities of a company directly regulated by the Securities and Exchange Commission, such as an investment company regulated under the Investment Company Act of 1940, or a public utility holding company, or any brokerage firm or any investment advisory firm, among others.

I do not hold any securities of any such firm. The securities that I do hold are held entirely for investment purposes.

I will, of course, give a complete list of these securities to the Securities and Exchange Commission upon taking the oath of office. I intend to make no changes in these holdings except for investment purposes and only upon giving a full report immediately to the Commission's chief of personnel.

Under these circumstances it was my conclusion that these holdings do not involve a prohibited conflict of interest, or one which would seriously impede the work of a Commission member.

The CHAIRMAN. The chief clerk of the committee tells me that he has examined your statement, that your holdings are in standard industrial corporations which are fully covered by the law, which wouldn't involve any particular yes or no on your part, and he indicates that there is no inconsistency in the holdings you have with the duties that you will be called upon to perform.

There are a few who would like for you to give to the public and publish on the front page of every newspaper everything that you own. The chairman of this committee doesn't see any good purpose to be served by that. Your statement will be examined confidentially and put in our files, and it will not be open to the public.

Senator SIMPSON. Will the chairman yield?

The CHAIRMAN. I yield.

Senator SIMPSON. There seems to be a double standard on these disclosure matters. I believe when persons such as Mr. Wheat—and I have a number of complimentary letters about the gentleman from friends of mine and his—have acquired a stake in America and then, because they have acquired a stake in America—

The CHAIRMAN. They must have stolen somebody's money.

Senator SIMPSON. They must have stolen somebody's money is the attitude of people who want them to disclose the things they have and hold. I congratulate Mr. Wheat on his attitude with respect to his securities. I think he has a stake in America and wants to keep it.

The CHAIRMAN. I must say that I succeeded the author of our Federal Reserve Bank Act, Carter Glass, who sat in Congress for a long time; prior to Senator Byrd, longer than anybody from Virginia. He owned the two papers published in his hometown of Lynchburg, and he made a lot of money publishing those newspapers.

Carter Glass was known for two things: One, his irrefutable courage. The other, his impeccable personal honesty. Nobody ever thought that we had better look into the way Senator Glass is voting on some of this bank legislation, to see what bank stock he has, that he may be doublecrossing us, or something of that kind. To me this proposal that States can't be depended upon to pick honest men to represent them, and that we must have a committee of the Congress, or a committee of something, to pass upon the ethical conduct and propriety of the actions of the Members of the Senate, is utterly absurd. It is in my opinion a general program to downgrade the Senate, to destroy confidence, and to upgrade the power of the

executive, plus unrestrained legislative action on the part of the judiciary. That is what I believe. I don't know whether they taught you any of that at Harvard or not. You received your LL.B. degree cum laude from Harvard.

Mr. WHEAT. I think the Senator noted that I received most of my education in California.

The CHAIRMAN. Are there any further questions?

Senator SIMPSON. The logical conclusion might be, Mr. Chairman, that only those who qualify with a social security income are eligible for any high position in the U.S. Government. I am one who believes that—

The CHAIRMAN. And they couldn't stay here unless they wore the yoke of some pressure group financing them.

Senator SIMPSON. I am glad to see a person with a lot of faith in investments in America. I am proud of the ones I have. I worked for them.

I congratulate you, Mr. Wheat, on your disclosure here.

The CHAIRMAN. If there are no other questions we thank you very much.

Mr. WHEAT. Thank you, Senator.

The CHAIRMAN. The next nominee is Dr. Otto Eckstein, of Massachusetts, to be a member of the Council of Economic Advisers. He is another product of Harvard.

Without objection, I will file his biographical sketch.

(The biographical sketch follows:)

BIOGRAPHICAL SKETCH OF OTTO ECKSTEIN

Personal: Born Ulm, Germany, August 1, 1927; immigrated into the United States, December 27, 1939; became citizen in May, 1945; married the former Harriett Mirkir, June 27, 1954; two children.

Education: Princeton University, A.B., 1951; Harvard University, A.M., 1952, Ph. D., 1955.

Military Service: U.S. Army, Signal Corps, February 1946 to November 1947, serving in Japan.

Employment: Harvard University, instructor, 1955-57; assistant professor, 1957-60; associate professor, 1960-63; professor, 1963-; U.S. Congress, Joint Economic Committee, technical director, study of employment, growth, and price levels, 1959-60; consultant, the Rand Corp., 1957; consultant, Resources for the Future, Inc., 1956.

Other professional activities: Consultant, Committee for Economic Development, 1958-59, 1963-64; director, economics of public expenditures program, Harvard University, 1961-; editor, the Review of Economics and Statistics, 1962-; editor, Foundations of Modern Economics Series, Prentice Hall, Inc., 1961-; Guggenheim fellow, 1960.

Publications: Books: "Water Resource Development" (Harvard University Press, 1957); (with others) "Economic Policy in Our Time—An International Comparison" (North Holland, 1963); "Public Finance" (Prentice Hall, 1964). Papers on taxation, public expenditures, wages, and prices.

Affiliations: American Economic Association, Econometric Society, Regional Science Association, American Association of University Professors.

Residence: 24 Barberrry Road, Lexington, Mass.

The CHAIRMAN. Before he went to Harvard he attended another good school called Princeton, where he received an A.B. degree. Then he went to Harvard and he got both an A.M. and Ph. D. He got the full treatment.

He is to be a member of the President's Council to advise him. What are you going to advise him on?

**TESTIMONY OF OTTO ECKSTEIN, OF MASSACHUSETTS, NOMINEE,
TO BE A MEMBER OF THE COUNCIL OF ECONOMIC ADVISERS**

Mr. ECKSTEIN. I will advise him on those things he wants advice on. And I assume those are questions of fiscal policy and related matters.

The CHAIRMAN. I can say that you are highly educated, and if you have the judgment to translate all the theories you have studied into current-day problems, you ought to give the President some mighty good advice.

Are there any questions?

We have here one of our colleagues from Wisconsin.

Senator PROXMIER. I have the greatest admiration for Dr. Eckstein. He is a brilliant economist who testified before the Joint Economic Committee many, many times. He has been a great help to us. He is a particularly outstanding authority on water resource development. His book, which I had an opportunity to study in great detail, is one of the greatest which has ever been written in this field.

I am delighted. I think it is a fine appointment.

Mr. ECKSTEIN. Thank you, Senator.

The CHAIRMAN. Are there any further questions or observations?

The Chair would like to insert in the record a letter from our very distinguished and beloved colleague from Massachusetts, the Honorable Edward M. Kennedy. We regret that he was injured and hope that he will be with us soon. He says that this nominee has extensive experience and a broad background in the economic field and that he is well qualified, that he is a writer, an educator, and he has testified, as the Senator from Wisconsin has indicated, before congressional committees on various economic problems.

(The letter from Senator Kennedy follows:)

U.S. SENATE,
COMMITTEE ON LABOR AND PUBLIC WELFARE,
August 12, 1964.

HON. A. WILLIS ROBERTSON,
*Chairman, Senate Committee on Banking and Currency,
New Senate Office Building, Washington, D.C.*

DEAR MR. CHAIRMAN: In connection with the hearing being held by the Senate Committee on Banking and Currency on August 13, I would like to take this opportunity to express my approval of the nomination of Prof. Otto Eckstein, of Lexington, Mass., to be a member of the Council of Economic Advisers.

Dr. Eckstein's extensive experience and broad background in this field are eminent qualifications for this post. His work as a writer, as an educator, and in government bear strong witness to the important contributions he would make as a member of the Council of Economic Advisers.

It is with pleasure that I convey to the committee my support for his nomination.

Sincerely,

EDWARD M. KENNEDY.

The CHAIRMAN. We have with our committee the distinguished gentleman from Illinois, who at one time majored in economics. Maybe he would like to ask some questions?

Senator DOUGLAS. I have no questions, Mr. Chairman. As the chairman knows, I am alternating chairman of the Joint Economic Committee. In 1959 Mr. Eckstein joined us as director of research for the study of employment, growth, and price levels.

He did an amazing job in assembling a competent staff, publishing a treatise of very valuable monographs, and preparing a very comprehensive and able report. I regard him as one of the most brilliant economists in the country and a man of extremely high character. The Federal Government would be very fortunate in my judgment to have his services. I only wish he could work permanently for the Government. He is one of the best economists in the Nation and eminently qualified for appointment to this position.

Mr. ECKSTEIN. Thank you, Senator.

The CHAIRMAN. There is no doubt about the fact that he is smart. I am sure that from the standpoint of education, training, and native ability, he is well qualified. I just hope that he is headed in the right direction from the standpoint of overall policies.

I like to think of this in terms of the horse-and-buggy days. A man was on a bicycle going to Edinburgh. He asked a Scotsman, "Is this the road to Edinburgh?"

He replied, "Yes, my friend, but you will get there sooner if you will turn around and go in the other direction."

I hope you are headed right.

Thank you very much.

The committee will now go into executive session.

(Whereupon, at 10:18 a.m., the committee went into executive session.)

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