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March 9, 1973

Mr. William Simon
Deputy Secretary of the Treasury
Fifteenth Street and
Pennsylvania Avenue, N.W.
Washington, D. C. 20220

Dear Bill:

You may be interested in the enclosed tentative draft of a proposed Petition to the Cost of Living Council requesting a ruling that Employee Stock Ownership Plan financing, because it builds capital ownership into employees, and thus raises their productivity on a man-by-man basis, is specifically excluded from the provisions of the Economic Stabilization Act of 1970, as Amended, by Section 203(f)(3) of that Act.

As you will quickly perceive, the theory behind this Petition is:

-- Nothing has occurred to reduce the causes of inflation in the U.S. economy. Thus, its continuance is probable, if not inevitable.

-- So the administration will probably be forced to clamp on tight controls again in the near future.

-- But controls are contrary to the very idea of a free society and are simply un-American, a leap backwards in history. If emergency conditions require -- and they likely will -- the use of controls should be combined with measures to attack the fundamental defect in the economy which contributes so heavily to inflation.

-- That defect is the non-ownership of capital by 95% of U. S. households. We will need controls forever if this is not changed. Furthermore, the Economic Stabilization Act itself recognizes, in Section 203(f)(3) that the only way out of our dilemma is to effectively increase the productivity of each worker. The true way to increase his productivity is to enable each worker to become an owner of capital.

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-- Thus it seems to me that the interpretation sought in the proposed Petition is the only possible way out of the economic bind which offers a way of coping with the coming emergency and still promises a brighter future both for the workers and for the U. S. economy.

I am sending copies of this tentative Petition to each member of the Cost of Living Council purely for information and criticism. No date for filing it has been set, and indeed, if a majority of the Council were persuaded of the soundness of the argument, it might not be necessary to file it at all.

I hope you will find yourself generally in agreement and I would most welcome any comments.

With best regards,

Sincerely,



Louis O. Kelso,
General Counsel

LOK:eg
Enclosure