

THE CONVOCATION AND DEDICATION
of STARK LEARNING CENTER
and W. B. SCHAEFFER MEMORIAL HALL
Wilkes College

Saturday, October 11, 1975 — 10:00 A.M.

- ☐ I will attend the dedication.
- ☐ I regret that I cannot attend.
- ☐ I will attend the luncheon immediately following the dedication ceremony.
- ☐ I will attend the football game at Ralston Field beginning at 2 p.m.

Name (please print) _____

Address _____

Please make reservations for _____ people at the activities indicated above.

R.S.V.P. — September 30

OFFICE OF THE PRESIDENT
WILKES COLLEGE
WILKES-BARRE, PA. 18703

The Board of Trustees
of
WILKES COLLEGE
cordially invites you to
the convocation and dedication
of
STARK LEARNING CENTER
and
W. B. SCHAEFFER MEMORIAL HALL

Saturday, October 11, 1975

10:00 A.M.

on the Wilkes College Campus

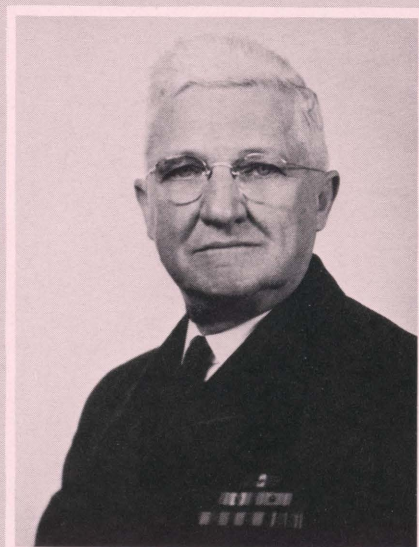
Wilkes-Barre, Pennsylvania

**STARK
LEARNING
CENTER**

**WILLIAM B.
SCHAEFFER
LECTURE
HALL**



WILKES COLLEGE
WILKES-BARRE, PENNA.



ADMIRAL HAROLD R. STARK
1880 - 1972

Stark Hall was the beginning. The new \$6.7 million Stark Learning Center is the fulfillment of a dream. Following four years of construction, campaigns and setbacks, the Wilkes College Stark Learning Center officially was ready to be dedicated to the advancement of science and higher education on Saturday, October 11, 1975.

One of the primary reasons for the success of Wilkes College over the years has been its long-range approach to development. Looking ahead and carefully planning and anticipating the changing needs of its students and community, Wilkes has been able to maintain a strong forward thrust.

In 1949, following the completion of the Franklin Street gymnasium, Dr. Eugene S. Farley, the first president of Wilkes, believed that the college needed to grow even more because Wilkes was reaching for a higher plateau.

With this idea in mind, Wilkes College decided to go forward in a progressive society.

The completion and dedication of the Harold R. Stark Hall in 1957 and the Research and Graduate Center in 1963 marked the start of the Wilkes College transition in educational techniques, experience and opportunities for the students.

Long before fire destroyed Conyngham Hall, the oldest Wilkes building, in December, 1968, plans were being formulated for the construction of urgently-needed additional classroom space.

Such space was necessary to accommodate the steady increase in enrollment to provide appropriate facilities for the expanded mathematics and nursing programs and to initiate a four-year degree program in electrical and materials engineering.

Added to these critical needs modern equipment also was needed to develop the innovative disciplines and teaching techniques, such as team teaching.

The college faced a disastrous and critical situation when Conyngham Hall was destroyed. The mathematics, engineering and art departments were forced into makeshift temporary quarters, straining the other campus facilities.

On the advice of Edward Durell Stone, internationally known architect, Wilkes College agreed to construct a quadrangular building to be attached to the three levels of the Stark Hall.

By demolishing the five old dormitories, Denison, Warner, Ashley, Barre, and Butler Halls, in front of Stark Hall, additional property purchases were not necessary.

With this beginning, construction began on the Stark Learning Center in 1972.

The entire complex was named for the late Admiral Harold R. Stark, a prominent local civic leader and the chairman of the Wilkes College Board of Trustees from June, 1960 to July, 1964.

Admiral Stark was born in Wilkes-Barre in 1880, the son of Benjamin Franklin and Frances Warner Stark. Graduating from Wilkes-Barre High School and the Harry Hilman Academy, he entered the U. S. Naval Academy, graduating in 1903.

In 1939, he was appointed Chief of Naval Operations and Commander of European Naval Forces during WWII. Throughout the war, he acted as liaison between Prime Minister Winston Churchill and President Franklin D. Roosevelt.

His service during the war years was rewarded by the Distinguished Service Medals of the Navy and the Army.

In 1937, he and his wife donated their home at 184 South River Street to the college as a memorial to Fred M. Chase and his wife, who was Admiral Stark's sister.

In 1956, friends of Admiral Stark gave more than one million dollars to Wilkes for the erection of Stark Science Hall.

The construction of the Learning Center was in two phases. During 1971-72 Phase I went into effect with the selection of land, razing of buildings and the construction of the building's girdered frame.

Phase II included the completion of the interior of the third and fourth floors of the Center and the construction of the tiered William B. Schaeffer Lecture Hall, featuring a large front elevated projection screen and sophisticated accommodations for approximately 400 students.

The Stark Learning Center marked the extension of the Wilkes electrical engineering program from two to four years, the addition of an undergraduate program in materials engineering, the extension of the nursing program, the introduction of a graduate program in mathematics, and the construction of a team-teaching faculty.

Now a reality, the team-teaching techniques at Wilkes provides the economy of large lecture sessions with small discussion groups and individual conferences for many of the college courses.

Overall, the completed building provides classrooms, studios, laboratory space as well as disciplines in environmental science, fine arts, computer science, experimental psychology, mathematics and nursing.

In 1974 the design of the Stark Learning Center by the Architect Firm, Lacy, Atherton & Davis, won "First Honors" in state-wide competition by the Pennsylvania Society of the American Institute of Architects.

During the designing process of the science building, the architects faced two unique design problems. The new structure had to be connected to Stark Hall and provide continuous circulation between the two buildings on all floors. Also it was necessary for the building to be in harmonious scale with the smaller campus buildings on each side.

The U-shaped design solved both problems and the central courtyard plan was viewed as the circulation center for daily student life.

The completed Stark Learning Center, including Stark Hall, comprises the major classroom facilities on the Wilkes College campus. The lower level of the Center houses the physics laboratory and the Art and Engineering Departments, as well as, providing numerous classrooms and a circular, tiered lecture hall.

The ground floor of the building features the ultra-modern Sordani Art Gallery, student art studios, the W. B. Schaeffer Lecture Hall, the Physics Department, an engineering section and another small tiered lecture hall.

The highlight of the second floor is the extensive Chemistry and Engineering Departments equipped with inorganic, organic, and analytical chemistry laboratories, as well as, advanced engineering, materials engineering laboratories and a photography dark room.

The Biology, General Psychology and Nursing Departments are located on the third floor. The extensive facilities available have permitted Wilkes to offer a four-year degree program in nursing. The new third floor nursing laboratory features numerous electronic self-study units or carrels, a new cardiac monitor, in addition to the complete health care materials.

Completing the Center on the fourth floor are the Mathematics and Environmental Science Departments, the computer center and the modern greenhouse, located on the roof.

In addition to the spacious classrooms in the science buildings, staff and faculty offices, graduate assistant offices and small study rooms are sprinkled throughout the structure.

With the creation and completion of the \$6.7-million Stark Learning Center, the dream of the late Dr. Farley and generous friends of the college has been realized through the growing graduate program at the college, an enlarged scholarship program for able students, the development of an educational program to enable Wilkes students to enter and successfully complete any graduate school in the country or to enter into a profession, and the ability to serve the community through educational projects.

CONVOCATION FOR DEDICATION OF
NEW STARK LEARNING CENTER

Saturday, October 11, 1975

Acting President Robert S. Capin, Presiding

INVOCATION Roy Williams, Ph.D.
Associate Professor
Philosophy and Religious Studies

NATIONAL ANTHEM The Wilkes College Choir
Janice Pedersen, directing

REMARKS Eugene S. Farley, Jr., M.D.
Professor and Director Family Medicine
University of Rochester School of
Medicine and Highland Hospital

EXPRESSIONS OF APPRECIATION:

The Honorable Daniel J. Flood . . House of Representatives
Congress of the United States

Joseph J. Savitz, Esquire Chairman, Board of Trustees
Wilkes College

Charles B. Reif, Ph.D. Chairman, Biology Department
Wilkes College

Edward Zaborney President, Student Government
Wilkes College

Donald F. Carpenter On Behalf of Donors

Andrew J. Sordoni, III On Behalf of Donors

Joseph Stephens, D.D.S. National President
Wilkes College Alumni Association

MUSICAL SELECTIONS

Dich teure Halle—from "Tannhäuser" . . . Richard Wagner
(I greet thee, hallowed hall)

Christine Donahue '74, soprano
Michael Haberkorn, piano

Rondo Capriccioso Felix Mendelssohn-Bartholdy
Andrea Bogusko '74

ADDRESS J. Douglas Brown, Ph.D.
Provost and Dean of the Faculty, Emeritus
Professor of Economics, Emeritus
Princeton University

CONFERRING OF HONORARY DEGREE Robert S. Capin
Acting President

DOCTOR OF SCIENCE. John D. MacArthur

"In recognition of his outstanding achievements in the
world of business. As a native of this region, he excelled
in the fields of insurance, real estate and other business
ventures which required creative endeavor. His accom-
plishments stand as an example and inspiration to young
people who are looking toward careers in business."

DEDICATION OF WILLIAM B. SCHAEFFER

LECTURE HALL The Honorable Max Rosenn, Judge
U. S. Court of Appeals
Third Circuit

ACCEPTANCE Robert S. Capin
Acting President

BENEDICTION Roy Williams, Ph.D.
Associate Professor
Philosophy and Religious Studies

WILLIAM B. SCHAEFFER

The upward progress of social adjustment demands persons with foresight, perception, and a knowledge of life. They must be able to inspire confidence, understand the issues of the day, and take risks. William B. Schaeffer possessed these qualities.

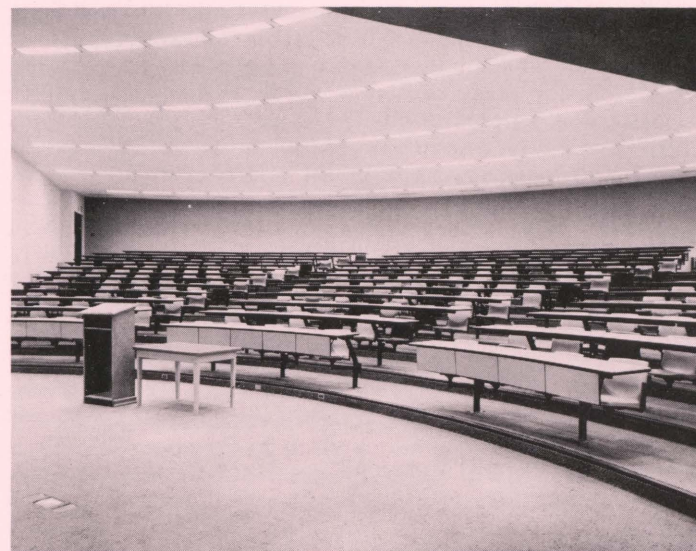
"Bill" Schaeffer, as he was known to his intimates, was not tall in physical stature, but he always made a commanding presence. He had a handsome face and impressive head; his eyes sparkled with the fire of a brilliant mind. He walked with rapid stride with his eyes always set upon new horizons.

When Mr. Schaeffer came to the Wyoming Valley in 1912 in the full vigor of life, he had already achieved a state-wide reputation as an able, skillful bank examiner and an intelligent banker. The Wyoming Valley Trust Company, a progressive banking institution located on Public Square in Wilkes-Barre, succeeded in winning him from the Wilbur Trust Company, at Bethlehem, where he had served for a number of years as Business Manager and Trust Officer. At the Wyoming Valley Trust Company, he initially served as Vice President and Treasurer during the critical years immediately preceding and following World War I.

On January 1, 1927, he became the bank's president and led it successfully through the agonizing and cruel depression period of the 1930's when hundreds of banking institutions in the State were collapsing. A number of banks in the Valley also fell by the wayside during those years, but Mr. Schaeffer organized the banking leadership in the community in a successful attempt to protect depositors and preserve many of the banking institutions. His personal efforts were largely responsible for the orderly liquidation of a number of closed banks in the area and for payment in full to their depositors.

Although the major part of his life was spent as a banker, Mr. Schaeffer was at heart an educator. He was born on August 5, 1865, in White Hall Township, Northampton County, Pennsylvania, into a family of eight children. He came by his interest in education naturally, since his family numbered within its ranks teachers, ministers, and professional men. His great-grandfather had owned a printing press in the early days of the Revolution and is reputed to have secretly printed and distributed the Proclamation of Independence and underground tracts.

Several years after completing his education in the Lehigh County Schools and Krouts Academy, Mr. Schaeffer sought employment as a school teacher. He taught for a few years before succumbing to the opportunities of the business and financial world and entering the banking profession in which he reached a preeminent position.



WILLIAM B. SCHAEFFER LECTURE HALL

As a banker, Mr. Schaeffer perceived the talents of many of his customers with an educator's eye for untapped ability and, more importantly, he understood the role that a supportive bank might play in their development. For example, he recognized the potential in an immigrant American named Amadeo Obici who operated a peanut stand on Public Square in Wilkes-Barre. Largely as a result of Mr. Schaeffer's vision, support, and guidance, Mr. Obici's business expanded in a few years into the Planters Nut and Chocolate Company. The company, as we all know, ultimately became a vast corporate enterprise of international stature. Mr. Schaeffer served on its Board of Directors thereafter for many years. There were many other people whom he similarly advised and whose more modest success can also be attributed to his interest and support.

When death overtook him on December 11, 1951, his colleagues in the Miners National Bank, where he then served as First Vice President, said of him: "He was preeminent in the field of banking, particularly as it related to the investment of bank monies and trust funds."

"His keen foresight, his intimate knowledge of financial matters, his good common sense in the investment field—all these traits made of him an invaluable counsellor and advisor.

"To him for advice and guidance came many financial concerns, large and small. Even at his advanced age, he retained a clarity of perception and intense interest in financial matters which were always a source of amazement to his associates."

Despite his success as a banker, Mr. Schaeffer remained dedicated to his early interest in education. It was evident that he thought deeply of its meaning and value as a moulding force in our society. When Wilkes College was organized, he at once saw its importance in elevating the cultural and economic life of the community and brightening the horizons of its young people. Mr. Schaeffer steadily encouraged his close friend Gilbert McClintock in his enormous labors in behalf of the College, and he personally but unobtrusively contributed substantial sums to its support during the early days. Quietly and effectively, he persuaded his friends to do likewise.

His daughter, Marian Schaeffer, survives him and resides in Dallas, Pennsylvania. She continues her father's interest in the College.



LOBBY AND ENTRANCE TO W. B. SCHAEFFER LECTURE HALL

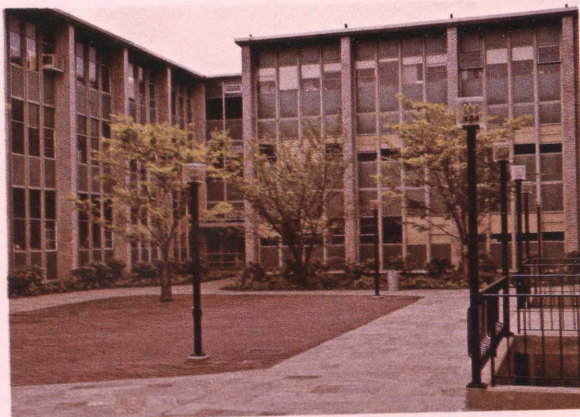
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COURTYARD NAMED IN MEMORY OF DR. ARNAUD C. MARTS



ENTRANCE TO WILLIAM B. SCHAEFFER LECTURE HALL



Before The
Committee on Ways and Means
U. S. House of Representatives

TAXATION OF INTERNATIONAL BUSINESS BY THE
UNITED STATES—THE COMPETITIVE ASPECTS OF
PROPOSED MAJOR CHANGES IN THE SYSTEM

Statement of

ARTHUR ANDERSEN & CO.

JULY 15, 1975

July 15, 1975

Honorable Al Ullman, Chairman
Committee on Ways and Means
U.S. House of Representatives

Arthur Andersen & Co. is an international accounting firm which has fifty-two offices in thirty-four countries outside of the United States. We have as clients businesses headquartered in every one of these countries, many of which carry on business activities in virtually every country in the world. As a result of our work with these clients and with the governments in these countries, we are knowledgeable in the methods and economics of international business and the taxation of such business. We have utilized that knowledge and the resources of our offices outside of the United States in the preparation of this statement. We believe the information contained herein will be useful to the Committee in its deliberations regarding the future taxation of United States-based international businesses.

This statement contains our analysis of some of the ways in which United States taxation of international business affects the operations of United States companies in relation to their non-U.S.-based competitors. These analyses and conclusions drawn from them are based upon our experience. These conclusions do not represent the views of any of our clients. The preparation of this statement was not carried out at the request or with the approval or assistance of any of our clients. It is a policy of Arthur Andersen & Co. to decline to appear on behalf of a client or clients, either for or against proposed legislation by the Congress of the United States, or for or against proposed rule making by a department or agency of the United States government. In most situations, we have clients with opposing views on proposed legislation or rule making, and it is our policy not to take sides among clients.

If you or any of the members of your Committee would like to discuss this statement or ask any questions about matters relevant to it, we would be pleased to meet at your convenience.

Respectfully Submitted,

ARTHUR ANDERSEN & CO.

TABLE OF CONTENTS

	<i>Page</i>
TRANSMITTAL	
SECTION 1 — INTRODUCTION	
GENERAL	1
CONCLUSIONS	2
Taxation of Unremitted Foreign Earnings	2
Elimination or Significant Modification of Foreign Tax Credit	5
1962 Ways and Means Decision—Still Valid	6
SECTION 2 — TAXATION OF UNREMITTED FOREIGN EARNINGS	
HOW THE SEVEN MAJOR COUNTRIES TAX FOREIGN SUBSIDIARIES AND BRANCHES	7
Foreign Subsidiaries	7
Foreign Branches	8
ILLUSTRATIONS OF POTENTIAL EFFECT ON U.S. BUSINESS IF THE LAW IS CHANGED TO TAX UNREMITTED FOREIGN EARNINGS	9
Investment in Brazil	10
Investment in Japan	11
Investment in the United Kingdom	11
Summary	12
ADDITIONAL TAX REVENUES TO BE COLLECTED BY U.S. TREASURY	12
SECTION 3 — ELIMINATION OR SUBSTANTIAL MODIFICATION OF FOREIGN TAX CREDIT	
HOW THE SEVEN MAJOR COUNTRIES RELIEVE INTERNATIONAL DOUBLE TAXATION	14

SECTION 1

INTRODUCTION

GENERAL

It has been our experience that decisions to make substantial investments in other countries generally are not primarily tax-oriented decisions. Without question, taxes are a consideration in any such decision. However, the preference among U.S. businesses is to make investments in other countries only when necessary. A basic preference exists for manufacturing and selling from the United States. Many factors are involved in such a preference, a key one being the need to carefully allocate and utilize two very scarce commodities, capital and management talent.

It is clear to us that, when business opportunities exist in other countries throughout the world, business entities from some country will take advantage of those opportunities. Thus, if economic factors, government restrictions or other considerations make it difficult or impossible for U.S. companies to make an investment and enter into business in a particular country, that opportunity will be taken advantage of by businesses of other countries such as Japan, Germany, France and Italy. Recent worldwide investment activity by companies headquartered in other industrial nations, particularly German and Japanese companies, clearly demonstrates this fact.

There are presently under consideration two major changes relative to the taxation of international business: (1) taxation of the earnings of controlled foreign subsidiaries without regard to repatriation of the earnings, and; (2) the elimination or substantial modification of the foreign tax credit. This statement analyzes the effects either or both of these changes, if enacted, would have on U.S. businesses and on the U.S. economy.

We have compared the taxation by the United States of international business of United States companies with the taxation of similar activities of their national companies by the following countries: Belgium, France, Germany, Italy, Japan, the Netherlands and the United Kingdom. It is our view that these countries represent the major commercial competitors of the United States in the international trade area. Since the businesses of these countries are those which principally compete with United States-based business, the taxation of those companies by their home countries is a very important factor in determining their ability to compete with U.S. companies.

The remaining sections of this statement provide the analysis leading to our conclusions which are stated immediately below. Section 2 describes the consequences to U.S. business of a tax on unremitted foreign earnings and Section 3 describes the consequences of elimination or substantial modification of the foreign tax credit. These sections compare the effect of the

tax laws of our major competitors with U.S. tax laws and illustrate the economic impact on the competitive position of U.S. business assuming the contemplated tax changes are made (Exhibits I through VI). Appendices A through G describe in detail how each of the seven major countries taxes foreign income. Exhibit VII illustrates the fact that foreign governments (and *not* the U.S. Treasury) would collect most of the revenue generated from the taxation of unremitted earnings.

CONCLUSIONS

Our analysis shows that most of the seven nations presently tax international earnings of their national companies substantially more favorably than does the United States. It further shows that in none of those countries do the tax laws provide more restrictive taxation of international business than does the tax law of the United States. As a result of these comparisons, we feel that if either or both of the above-described changes were enacted, United States international business would, over a period of time, lose much or all of its present ability to operate successfully in many overseas markets.

Our specific conclusions are described in detail below.

Taxation of Unremitted Foreign Earnings

If the United States imposes a tax on unremitted foreign income, as earned (and continues to allow a foreign tax credit), we believe the following will occur:

1. U.S. corporations will be required to pay a higher current tax, thereby creating a need to raise additional funds or divert funds from present productive uses.
2. Since the increased tax cost will not be applicable to foreign-owned competitors, this development will raise the relative costs and reduce the relative profitability of U.S. companies in the affected market and thus weaken their competitive position in those markets.
3. The greatest portion of the assumed additional tax revenue will be collected by foreign governments rather than the U.S. Treasury. In the long run, we question whether much revenue will be collected at all because of the negative impact of such tax changes on U.S. international business.
4. Many of the tax incentive allowances presently granted by foreign countries to U.S. businesses will, because of the absence of any real benefit, either be unused or become unavailable.
5. Foreign-based companies will be able to more effectively compete with U.S. companies due to their lower working capital needs and financing costs. Thus, foreign-owned companies will become more

successful in international markets as U.S. companies become unsuccessful. Over a period of time, this may well materially shift the balance of economic power among companies and nations.

6. In the long run, as U.S. companies lose economic base in this manner, they will become more vulnerable to a loss of position in the U.S. market also. Foreign competitors will utilize their additional economic strength to advantage to increase their overall business, initially in other international markets and ultimately the United States market.

The first four of these consequences are discussed in greater detail in later sections of this statement. Regarding conclusions five and six, because of the absence of empirical data and criteria for judging the precise impact of the first four consequences, it is not possible to make a quantitative determination of their effects on U.S.-owned businesses or on their foreign competitors. However, past experience amply demonstrates that unilaterally severe U.S. taxation policy actively assists foreign-owned competitors of U.S. companies to strengthen their position in international markets.

Initially the advantage to foreign competitors would be a direct monetary benefit, i.e., lower working capital requirements and financing costs. This will permit foreign-based companies to be more aggressive in establishing and strengthening operations in other countries, in setting prices in international commerce and to generally use the tax differential (and any other competitive advantage) to improve its position. Some U.S. companies will be forced out of a market; others will find their share of the market stagnate or drop. U.S. taxation of unremitted foreign earnings can be expected to soon result in foreign-based companies increasing their economic base throughout the world with an increase in their technical and managerial know-how at the expense of U.S.-based companies.

Foreign-based international companies selling or operating in the U.S. are already quite strong. Commerce Department statistics show that the value of foreign direct investments in the U.S. was approximately \$13-14 billion during the period 1970-72, but jumped to \$17.7 billion in 1973, the latest year for which published figures are available. This investment growth has been accompanied by a substantial increase in imports of goods produced by foreign-based companies. There have been substantial acquisitions of U.S. companies by foreign-based companies. These demonstrate quite clearly the economic muscle of many foreign-based companies and their ability to bring that economic strength to bear in the United States.

Thus far, the major foreign inroads into U.S. markets have largely been limited to a few industries such as textiles, footwear and electronics, industries in which U.S. companies have not been traditionally involved in significant investment outside of the United States, and the automobile industry which

does have significant overseas investments. Since more stringent U.S. taxation of industries with important international business would strengthen their already strong competitors in the competitors' worldwide economic activity, that new strength must eventually be felt in the U.S. markets also. The final outcome from this could not be accurately predicted, but it could not be good from the standpoint of the overall U.S. economy.

A logical way (to some people) to limit foreign competition would be to impose high duties, quotas or other restrictions on imports into the United States. It is clear, however, that protectionist actions on our part would be met by retaliatory actions on the part of other nations. The net impact on the U.S. economy of such import restrictions thus may well be a negative one. Retaliation could lead to calls for counter-retaliation and the cycle would start again. The end result could be economic disaster for the world. No serious-minded person could in good conscience advocate that such a movement should be set in motion.

Proponents of legislation to tax all unremitted earnings of foreign subsidiaries of United States companies refer to this as ending deferral of tax. Their position is that "equity" among United States taxpayers requires that concept of ability to pay be applied to all sources of income controlled by U.S. taxpayers, regardless of whether the taxpayers' relationship to the United States contributed anything to earning the income or imposed any cost on the United States government. Taxation by the United States of operations outside of the United States should not be based on such a warped idea of "equity" or "neutrality." There is no logic to imposing U.S. taxation merely because of U.S. ownership of the business operation involved. Unless the overseas operations in some way directly reduce U.S. taxes, there is no inequity in not taxing the profits which are reinvested in the overseas operation. The fact that the other government involved is less interested in collecting revenue currently than the United States would be under similar circumstances, is no reason for the U.S. investor to lose the resulting benefit.

We believe a philosophical-political question is involved in this situation, but it is not the one being debated. The real issue is not, "Is the current taxation of unremitted earnings of foreign subsidiaries necessary to achieve 'equity' among the United States taxpayers?" Instead, the issue is, "Is the United States willing to risk driving many U.S.-based companies out of a number of foreign markets and further to risk subsequent major foreign inroads into U.S. markets in pursuit of a theoretical and unrealistic concept of equity in taxation?"

In summary, the immediate taxation of all overseas earnings of U.S.-based companies or their subsidiaries would have little or no effect on overall business carried on in other countries; it would merely shift ownership of such business away from U.S.-based control. Over a period of time, this would effect a shift in the balance of economic power that would further

react to the detriment of U.S.-owned business everywhere including in the United States. As is demonstrated in Section 2 of this statement, the tax revenue generated from the proposed changes would flow primarily to foreign governments; thus, the net result to U.S. citizens and their combined interests would be a minimum of benefits at a maximum of cost.

Elimination or Significant Modification of Foreign Tax Credit

If the United States were to eliminate the foreign tax credit, the combined effective U.S. and foreign tax rates imposed on most foreign earnings of U.S. businesses would be at a prohibitive level as compared to the effective tax rates of foreign competitors. Much of U.S. investment overseas could not survive such a tax burden.

As can be seen from our summary of foreign taxation principles and the related foreign tax credit provisions described in Section 3 and Appendices A through G, competitors of U.S. companies basically are not taxed on income from their foreign operations or are given an adequate foreign tax credit. The only exception to this basic situation is Italy where only a partial foreign tax credit is allowed. Companies of those countries operating throughout the world generally would be subject to total tax rates on remitted earnings ranging from 21% to 66% (see Exhibit VII). A comparison of these percentages with those which would be applicable to U.S. companies if the tax law were changed clearly shows the economic importance of the continued existence of the U.S. foreign tax credit. As can be seen from Exhibit VII, imposing U.S. tax of 48% on the residual profits (with no foreign tax credit allowed) would make the total tax cost range from 59% to over 82%. Could there be a better illustration of prohibitive double taxation costs?

We also believe that significant modifications of the present foreign tax credit by eliminating one of the principal limitations (overall or per country) or by significantly limiting the amount of credit in some other way, would be very detrimental to that competitive position. While a comparison of our credit mechanism with that of other countries would indicate that ours is more favorable overall, that comparison does not tell the real story. The lack of a complete credit or the availability of only one limitation by other countries is of little consequence if large parts of the foreign income are not taxed. Thus, when a French company pays tax on only a limited basis on its dividends from foreign subsidiaries, the fact that French tax law does not allow a meaningful deemed tax credit and only has one tax credit limitation is of very little importance. Basically, our country taxes foreign income more broadly than most of our foreign competitor nations; we, therefore, need more flexibility in the foreign tax credit.

Under our present credit system, each of the two major limitations (per country or overall) on the foreign tax credit is necessary for certain inter-

national businesses, but neither is appropriate for all international businesses. The nature of a specific business operation dictates which limitation is most appropriate for it. Therefore, under our existing system, there is no sound basis for requiring the use of only one method by elimination of either method or for placing further important restrictions on the amount of credit allowed.

We fail to see any logical rationalization for the elimination or substantial modification of the foreign tax credit. Its time-honored objective has been to avoid double taxation. That objective is just as applicable today as it ever was. Unless the credit, as presently constituted, acts to reduce U.S. tax on *U.S. income* below what that tax would be if there were no international operations, its success should be measured by its avoidance of double taxation and there would be nothing gained in terms of equity in changing it significantly.

The major risks of higher taxation through a change in the credit are the same (only worse) as those relating to taxation of unremitted earnings described above. If the credit were to be eliminated completely and unremitted earnings were to be taxed, the result would be an immediate withdrawal of U.S. business from almost every international market. Those companies which found it essential to remain active in international operations would probably have to seek a method of removing those operations from U.S. taxing jurisdiction by selling part of the operations or by moving their headquarters outside of the United States.

If there were no current taxation of unremitted earnings, the elimination of the credit would create a withdrawal of U.S. business from basically all international markets (or a transfer of those investments from U.S. ownership) on a delayed, but still final, basis. The substantial modification of the credit would remove U.S. business from certain international markets, depending upon the industry involved, the local taxation in the market and the modification made in the credit mechanism.

Thus without the foreign tax credit in much its present form, the continued existence of foreign investment by U.S. business (in total or in significant part), which is subject to prohibitive taxation, would not be practicable. Foreign-based firms would therefore become even more capable of competing in other countries. The consequence again could be major foreign inroads into U.S. markets and further weakening of U.S. business.

1962 Ways and Means Decision—Still Valid

In summary, if unremitted earnings are taxed or our foreign tax credit is eliminated or substantially modified, foreign companies will, in most instances, end up with a substantial economic advantage from U.S. taxation of U.S. companies. As was stated by your Committee in its Report on the Revenue Act of 1962:

"Your Committee's bill does not go as far as the President's recommendations. It does not eliminate tax deferral in the case of operating businesses owned by Americans which are located in the economically-developed countries of the world. Testimony in hearings before your Committee suggested that the location of investments in these countries is an important factor in stimulating American exports to the same areas. Moreover, it appears that to impose the U.S. tax currently on the U.S. shareholders of American-owned businesses operating abroad would place such firms at a disadvantage with other firms located in the same areas not subject to U.S. tax." (H.R. Rep. No. 1447, 87th Congress, 2d Session 5708 (1962)).

We believe this statement regarding foreign competition and U.S. exports has even greater applicability in 1975 when foreign competitors of U.S. companies are infinitely stronger than in 1962 and the United States economy, at best, can be described as questionable.

SECTION 2

TAXATION OF UNREMITTED FOREIGN EARNINGS

HOW THE SEVEN MAJOR COUNTRIES TAX FOREIGN SUBSIDIARIES AND BRANCHES

Foreign Subsidiaries

Four countries (Germany, Italy, Japan and the United Kingdom) tax dividends from foreign subsidiaries of their companies but do not tax the unremitted earnings of such subsidiaries. For exchange control reasons, the Bank of England requires U.K. companies to annually remit to the U.K. two-thirds of the profits of overseas subsidiaries. The parent company, however, can select the subsidiaries from which the dividends are to be paid, thus allowing it to minimize taxation of the dividends. Two countries (Belgium and France) tax the dividends of the foreign subsidiaries, but only on a very limited basis; they also do not tax unremitted earnings of such subsidiaries. The Netherlands does not tax either foreign subsidiary dividends or unremitted earnings of those subsidiaries. In addition, Japan, Italy, Germany and France, in various ways, allow tax deductions for part or all of the losses of foreign subsidiaries of their national companies or capital investments in such subsidiaries.

Three of the countries which do tax such dividends (Germany, Japan and the United Kingdom) allow a foreign tax credit equivalent to our deemed tax credit under Section 902 of the Internal Revenue Code. Italy presently does not have a deemed tax credit but only subjects such dividends

to partial taxation and grants a credit for withholding taxes subject to some special limitations.

There are variations in the mechanics of each country's provisions relating to the determination of indirect foreign tax credits. The United Kingdom provisions are more liberal than those of the U.S. The provisions of Japan and Germany are somewhat less liberal.

The combination of existing legislation and the general government attitude in many countries encourages the utilization of tax-haven type holding companies as a way to minimize or eliminate taxation of dividends from the foreign subsidiaries in those countries. The large Japanese trading companies regularly utilize such vehicles in their operations. The attitude of the Italian government is so favorable to this approach that government-owned industrial enterprises such as Istituto Ricostruzione Industriale, Ente Nazionale Idrocarburi and Istituto Mobiliare Italiano, utilize such tax-haven holding company organizations in their corporate group. In the United Kingdom, it is possible to establish a corporation which operates and is managed totally outside the United Kingdom and which is, therefore, a nonresident. Such a corporation, although a legal entity of the U. K., is not subject to U. K. tax on its foreign income. Also, United Kingdom companies are able to utilize holding companies in tax-haven countries to own foreign subsidiaries.

Foreign Branches

While this statement does not place emphasis on the question of taxation of direct operations in another country by a U.S. corporation, the approach to such taxation by the seven countries in our study is relevant in the consideration of the competitive effect of United States tax laws, particularly as they relate to our tax credit mechanism. Further, a tax on unremitted foreign subsidiary earnings would be in effect the same as the present U.S. tax on foreign branch earnings.

Overall, the seven major countries are less restrictive than the United States in taxing foreign branches of locally incorporated companies. Japan, the Netherlands and the United Kingdom tax such branch operations in a manner similar to the United States. In each case, a foreign tax credit is given for taxes incurred in the country of operations. The Dutch credit is determined to be at the rate of the Dutch corporate income tax regardless of the rate of tax actually paid. Thus, effectively, no tax is applied by the Dutch government on the branch income.

As a general matter, by tax treaty Belgium and Germany do not tax branches of their corporations in other treaty countries. It is our understanding that eventually most of the European Common Market (EEC) countries will establish such treaty provisions with the other EEC countries. The

necessary treaty changes will probably take several years. When this occurs, it will mean that, as a general matter, only the country of operation will tax the branch. France, as a matter of tax policy, does not tax foreign branch income.

Under a new tax system applicable to foreign income adopted in 1974, Italy does not tax branch income for purposes of the local income tax if the branch has separate management and accounting; Italy does tax branch income for purposes of the national corporate tax with a foreign tax credit allowed subject to certain special limitations. Branch losses are deductible for purposes of the national tax. Thus, effectively four of the seven countries do not tax the income of foreign branches.

Both France and Germany have provisions in their laws which allow the home office to deduct start-up losses that are incurred in the otherwise nontaxable branch. In each case, there is a provision for recapturing the amount of the loss as profits are earned in later years by the branch.

ILLUSTRATIONS OF POTENTIAL EFFECT ON U.S. BUSINESS IF THE LAW IS CHANGED TO TAX UNREMITTED FOREIGN EARNINGS

In order to determine the effect on the competitive positions of United States companies of a tax on unremitted foreign earnings, we calculated the impact of such a change on a U.S. multinational company. We prepared three examples which compare the effective tax rates and rates of return on equity investments when made by United States, German and Japanese companies doing business in Brazil, Japan and the United Kingdom.

We selected Brazil, Japan and the United Kingdom as sites for foreign investment for specific reasons applicable to each country. Brazil was selected since its economy has been booming and the corporate tax rate is only 30%. Brazil is currently attracting large amounts of foreign capital. Japan was selected because the tax rate is high in relation to the U.S. tax rate; in addition, Japan has great potential as a market, which will lead companies to invest there as Japanese investment restrictions continue to be liberalized and the general world economy improves. The United Kingdom allows an investment incentive in the form of a 100% depreciation deduction in the initial year for qualifying machinery additions. Also, since the United Kingdom joined the EEC, it is a natural base from which many companies, already manufacturing there, can expand their operations to serve the larger EEC market. Each of these countries presents a different consideration today for a U.S. business desiring to sell in that market in competition with businesses from other industrial countries.

The calculations and the assumptions underlying them appear at the end of Section 3 as Exhibits I through III. Exhibit I compares the effective

tax rate and return on investment for an investment in Brazil by a German company, a Japanese company and a U.S. company. Exhibits II and III make the same comparison for investments by companies from the same three countries in Japan and the United Kingdom, respectively.

In each exhibit it is assumed that the investment is in a foreign subsidiary with identical manufacturing operations and that each investing company owns 100% of the stock of the subsidiary. All profits after tax, in the country of operation are assumed to be reinvested in the business each year.

The examples assume that the U.S. company will be required to pay U.S. tax on the unremitted earnings from each country but also will be allowed a deemed foreign tax credit under Section 902 to reduce the resulting U.S. tax. Because of the tax systems of their respective countries, the German and Japanese companies are not taxed on unremitted earnings from such investments.

Investment in Brazil

If a U.S. tax is imposed on unremitted earnings, the Brazilian profits for a U.S. investor would be subjected to an eighteen percentage points higher tax. Thus, the total U.S. and Brazilian taxes would be more than one and one-half times the tax imposed on a German and Japanese company conducting a similar operation. It would result in a rate of return on equity to a U.S. company which is 75% of the rate of return available to the Japanese or German competitor. That disadvantage would be quickly exploited by the Japanese or German competitor to increase its share of the market and to decrease the share of the market enjoyed by the U.S. company.

The rate of return for a U.S. company would be even lower in years after the first year of taxation of unremitted earnings. It would be necessary for the U.S. company to obtain cash with which to pay the U.S. taxes involved; the German and Japanese investors would not have to pay such taxes. This cash would come either from borrowed funds, thus creating an interest cost to reduce the earnings, or would be U.S. company-provided funds, thus increasing the funds invested in the Brazilian investment with no corresponding increase in Brazilian profits.

In addition to these considerations relating to Brazilian investments, Japan encourages its companies to invest in Brazil by allowing a foreign tax credit of 25% for withholding on dividends paid from Brazil even though the Brazil-Japan income tax treaty reduces the withholding tax to 10%. Japan, as part of its deemed foreign tax credit on Brazilian dividends, also allows a credit for funds in Brazil which are invested in development areas

there instead of being paid as income taxes. Germany considers the deemed tax credit on dividends from Brazil to be equal to the German tax due on the dividends. Thus, Germany effectively would not tax the dividends. Both Germany and Japan allow certain deductions for investments made in subsidiaries in developing countries such as Brazil. All of these features are not available to a U.S. investor in Brazil since United States tax law does not contain comparable provisions.

Investment in Japan

The situation with regard to an operation in Japan is somewhat different than a similar operation in Brazil since the effective Japanese corporate income tax rate, 52.6%, is slightly higher than the U.S. rate. If unremitted earnings are taxed by the United States, there will be no additional United States tax provided the U.S. company is allowed to claim a deemed foreign tax credit. The U.S. investor remains in virtually the same position as a German or Japanese company. This result will occur in all cases in which the effective foreign corporate profits tax rate equals or exceeds the U.S. rate. (See Exhibit II)

Investment in the United Kingdom

In the United Kingdom, the corporate tax rate of 52% also slightly exceeds the U.S. tax rate. But the effective tax rate and the funds needed to pay current U.K. taxes can be reduced significantly through substantial investment incentive allowances available under U.K. law. If a U.S. tax is imposed on unremitted earnings, since our law does not recognize such special allowances, the effect is to impose U.S. tax on the benefits of any special incentive allowance.

Exhibit III demonstrates the effect of U.S. taxation of unremitted foreign earnings on an investment by a U.S. company in the U.K. It compares the effective tax rate and return on investment for an investment in the U.K. for a German company, a Japanese company and a U.S. company. Since the U.K. incentive allowance replaces normal depreciation, it is necessary to look at the effect over the entire period of time over which the new equipment is utilized (in our example, 10 years).

Certain basic assumptions made in Exhibits I and II (relating to investments in Brazil and Japan) also are made in Exhibit III. The target rate of return on equity based on 1973 Commerce Department statistics is 14%. In addition, we have assumed an investment of \$5,000,000 the first year in the form of machinery and equipment. The machinery, which is added to an existing, profitable U.K. business, qualifies as an investment which is entirely deductible in the U.K. in the year of acquisition. No U.K.

tax depreciation is allowed in subsequent years on the \$5,000,000 cost deducted as an incentive allowance.

In the first year, the U.S. company is subject to a tax cost of 48% on its U.K. income which is offset by the special allowance from the new machinery while the German and Japanese companies pay no tax on that income. Over the ten years of the asset life, the combined effect of the high interest cost incurred in order to pay the U.S. tax on U.K. earnings in the first year and the inability to utilize as a U.S. foreign tax credit the entire amount of U.K. tax paid in later years (as a result of having no U.K. tax depreciation after the first year) decreases the average annual profit after taxes by 66%. The rate of return on equity is reduced to 4.73% per year as contrasted with the 14% rate of return on equity enjoyed by the German and Japanese companies, a reduction of over 60%.

The disparity in the rates of return between the U.S. investor and its foreign competitors would be so great that the competitors could reduce their prices substantially and still be more profitable than the U.S. investor.

Summary

As the calculations demonstrate, the effect on U.S. business of current taxation of unremitted earnings will vary depending upon (1) the tax rate in the foreign country and (2) the availability of special deductions such as investment incentive allowances to reduce the foreign tax. In no case that we can visualize can a U.S. company end up in a preferential position when compared to its German and Japanese competitors. In all cases, the additional tax will mean an increased cash outlay.

Based on our experience, companies do not maintain excess cash balances overseas or in the United States. In fact, at present, companies generally are very short of cash. Therefore, additional cash to pay a tax in all likelihood must come from borrowed funds. The interest costs involved would give foreign competitors of the U.S. company an advantage in terms of stronger working capital and/or lower financing costs. Over a period of years, this situation would become a significant advantage for foreign-based companies as compared to U.S.-based companies. Considering the present financial condition of some U.S. companies, that borrowing may well be difficult to obtain or even not be available. If obtained, it may put some companies in a position of being financially overextended.

ADDITIONAL TAX REVENUES TO BE COLLECTED BY U.S. TREASURY

If a tax were imposed on unremitted foreign earnings and a foreign tax credit allowed, the additional current tax cost to U.S. companies would be the amount by which the U.S. tax exceeds the creditable foreign taxes. Therefore, additional tax would be imposed only on foreign income that is

subject to effective foreign tax rates which are below the 48% U.S. rate. No additional tax would be imposed if the foreign tax rate equals or exceeds the U.S. rate. This is demonstrated above in the Japanese investment illustration (see also Exhibit II).

Our analysis indicates that while there would be a substantial additional tax cost to U.S. international companies, most of the additional tax revenues would be collected by foreign governments, rather than by the U.S. Treasury. In most countries, the combined foreign tax rate (i.e., the combination of the foreign country's profits tax rate and its withholding tax rate on dividend distributions) will exceed the U.S. tax rate. If the U.S. tax law were amended to tax unremitted foreign earnings, it also might be amended to permit an immediate credit for withholding taxes that would subsequently be payable upon actual distribution of the profits. If an imputed credit were not allowed for the withholding taxes, it is likely a substantial portion of the earnings of foreign subsidiaries would be distributed currently and immediately reinvested in order to avoid potential loss of credit for the withholding taxes paid later when distributions would otherwise be made.

Exhibit VII shows the currently applicable foreign statutory corporate profits tax rate, the related dividend withholding tax rate and the combined foreign tax rate on dividends from each of 25 foreign countries. In the year 1973 (the most current year for which data is available), these countries accounted for over 80% of the foreign earnings of the U.S. international companies. The foreign profits tax rate is lower than the U.S. rate in many of the countries, but after taking into account foreign withholding tax rates, the combined foreign tax rates are higher than the U.S. rate in all but four countries: Italy, Spain, Switzerland and Brazil. In other words, most of the additional tax on dividends would in effect be collected by foreign countries as withholding taxes.

The use of effective rates would be considered to be a better measure than statutory rates for determining the additional tax from a tax on unremitted earnings. Among other things, effective tax rates reflect the use by foreign subsidiaries of incentive measures offered by foreign governments. For two reasons, however, the use of the effective foreign tax rate data which is available is misleading as to the future revenues that would be collected by a tax on unremitted foreign earnings. First, the published data currently available reflects effective tax rates for 1970. Overseas tax rates have increased significantly in the last five years, and thus, 1970 effective tax rates would be too low to measure future impact.

Second, if current tax is imposed on unremitted earnings, it is likely that U.S. businesses will not continue to benefit from (or take advantage of) many tax incentive advantages presently available from foreign countries. U.S. companies would presumably continue to apply the benefits of foreign

country incentive measures when they are available unless to do so would eventually become a detriment. But they would have no motivation to apply for such incentives where significant red tape is involved or where significant commitments to the foreign government are involved. Further, foreign governments would have far less of a reason to grant substantial incentives to U.S.-based companies since the U.S. would collect the tax they give up; thus, governments are likely to devise methods to avoid their revenue loss by effectively requiring U.S.-based companies to pay higher taxes, such as, by allowing incentives that require advance permission and selectively disapproving incentives for U.S.-based companies. If the U.S. company did not utilize the incentive or the foreign government did not make it available to the U.S. company, the result would be to make the effective tax rate more closely approximate the statutory tax rate.

In summary, based on available data and the logical reaction of U.S. investors and foreign governments, the increase in U.S. government revenue would seem to be very small from a future tax on unremitted earnings.

SECTION 3

ELIMINATION OR SUBSTANTIAL MODIFICATION OF FOREIGN TAX CREDIT

HOW THE SEVEN MAJOR COUNTRIES RELIEVE INTERNATIONAL DOUBLE TAXATION

It is to be expected that differences will exist between the United States foreign tax credit and the credits granted by other countries because the basic system of taxation of foreign income differs substantially between countries. To illustrate, Belgium, Germany and France generally do not tax foreign branch income and, therefore, do not allow a foreign tax credit for taxes paid by those branches. The Netherlands effectively does not tax branch income. Belgium, France and the Netherlands do not tax foreign subsidiary dividends and, thus, do not allow a deemed foreign tax credit. Italy partially taxes such dividends. Many of the differences in the mechanism of the foreign tax credits of other countries from that of the U.S. foreign tax credit must be considered in the light of the countries' underlying systems of taxation of foreign income rather than as simply differences in the philosophy regarding their foreign tax credits from the philosophy applicable to the U.S. foreign tax credit.

To summarize the approach of the other seven countries, as a general matter, to the extent foreign income is taxed by each of the countries, a

foreign tax credit is allowed in order to reduce the impact of double taxation. In some cases, the credit is not for the amount of a tax actually paid, but is a presumed tax based upon a statutory formula which may be favorable or detrimental, depending on the facts in a particular situation. In other cases, the credit is based upon the actual tax which was paid.

Belgium, France, Germany, Italy and the United Kingdom have different limitation mechanisms than does the United States. Generally, they have a per country limitation. The United Kingdom has a rather restrictive per country-per type limitation, but U.K. companies are able to minimize the problem by using a foreign holding company to receive dividends and average the foreign tax credits involved, thus accomplishing an effective overall limitation. Japan and the Netherlands have an overall limitation similar to that of the United States. Japan, in its overall limitation, provides for the elimination from consideration of losses from overseas branches in determining the overall limitation, thus allowing the taxpayer to avoid one of the major problems of the U.S. overall limitation, a reduced limitation because of branch losses. This is a substantial benefit for Japanese investors. Japan has both the concept of a carry-over of unused foreign tax credit or of an unused limitation. France has a carry-over concept which applies only to certain income.

The seven countries are much less restrictive than the U.S. in the determination of the amount of the limitation. Only the Netherlands regularly requires an allocation of indirect expenses (such as general administrative costs of the corporate operation) to all foreign income in determining the allowable credit related to that income. Foreign subsidiary dividends are not taxed, however. Japan requires an allocation of certain indirect expenses but only to foreign branch income. The other countries normally do not require an allocation of indirect expenses to foreign source income. These practices contrast with the rules of the United States under Regulations to Section 861 (which are presently in proposed form) where important indirect-type costs are to be allocated against all foreign income in determining the allowable credit.

In summary, since many foreign countries do not tax either or both of the two key sources of foreign income, dividends from foreign subsidiaries and foreign branch profits, the risk of double taxation in those countries is substantially less. Thus, there is far less need for alternatives in the foreign tax credit limitations. The United States, by taxing both dividends and branch income, brings into the foreign tax credit determination two income factors which almost always produce the largest foreign income and create the greatest problem in the foreign tax credit limitation. It is clear that the U.S. foreign tax credit mechanism is very important to U.S. international business in being kept competitive with businesses of other countries.

ILLUSTRATIONS OF POTENTIAL EFFECT ON U.S. BUSINESS IF LAW IS CHANGED TO ELIMINATE FOREIGN TAX CREDIT AND TAX UNREMITTED FOREIGN EARNINGS

In order to demonstrate the effects on the competitive position of U.S. companies of both of the major proposed changes, we calculated the impact upon a U.S. multinational company of the elimination of the foreign tax credit and the current taxation of unremitted foreign earnings. These calculations appear as Exhibits IV through VI. The examples use the same facts and assumptions as Exhibits I through III (described in Section 2 above) and compare the effective tax rates and rates of return on equity investments when made by United States, German and Japanese companies doing business in Brazil, Japan and the United Kingdom.

Investment in Brazil

If the foreign tax credit were eliminated in addition to taxing unremitted earnings (see Exhibit IV), the total tax to a U.S. company would be increased by almost thirty-four percentage points. It would then be more than double the tax load of a Japanese or German competitor. The rate of return on equity would be reduced to about one-half the rate of return on equity enjoyed by Japanese and German competitors.

United States companies already have some tax disadvantages compared to German and Japanese companies in attempting to produce and sell products in Brazil as described in Section 2. If the unremitted earnings are taxed currently and the foreign tax credit is repealed, the disadvantages will be so great that U.S. companies will probably be ineffective in that market.

Investment in Japan

The situation with regard to an operation in Japan is different from a similar operation in Brazil since the effective Japanese corporate income tax rate is approximately equal to the U.S. rate. If unremitted earnings are taxed by the United States (see Exhibit II), the U.S. investor remains in virtually the same position as a German or Japanese company provided it is allowed to claim a deemed foreign tax credit. But, as Exhibit V demonstrates, if the foreign tax credit is also eliminated, the effective tax rate applicable to the U.S. company would jump from 52.6% to 75.4%. It would then be approximately 1½ times the tax rate applicable to Japanese and German competitors. The rate of return on equity would drop from 22% to 11%, a return only one-half that earned by a German or Japanese company with a similar operation in Japan. The potential economic results are obvious.

Investment in the United Kingdom

If the foreign tax credit is eliminated and taxation is imposed by the United States on U.K. unremitted earnings (see Exhibit VI), in the first year, the U.S. company will be in no worse position than it would be if unremitted earnings were taxed currently and the foreign tax credit were allowed. This result arises because the size of the U.K. investment allowance results in no U.K. tax being payable on earnings from the investment in the first year. The average of ten years' operations, however, shows an annual profit after taxes less than 20% of that earned by a German or Japanese company. The rate of return on equity would be reduced from the 14% enjoyed by the German and Japanese company to 2.49%, a decrease of 82%. A U.S. company could not compete for new business under such circumstances.

EFFECT ON U.S. BUSINESS IF LAW IS CHANGED TO SUBSTANTIALLY MODIFY FOREIGN TAX CREDIT AND TAX UNREMITTED FOREIGN EARNINGS

Proponents of tax reform have suggested modification of the United States foreign tax credit system by eliminating either the overall limitation or the per country limitation. Other proposals have included a minimum tax on foreign income, perhaps by a percentage limitation on the available foreign tax credit. It is impossible to quantify the impact of modifications of the credit without some specific detail, but it obviously lies between the U.S. 48% tax rate and the effective rates our calculations in Exhibits IV through VI show would arise from complete elimination of the credit. We have some comments on these suggestions.

The foreign tax credit limitation is basically designed to restrict the amount of a taxpayer's allowable credit so that it offsets the U.S. tax on foreign income, but does not reduce the U.S. tax on United States income. Each of the two different methods of computing the limitation (overall and per country) can be justified in principle in that there are two general ways in which U.S. investors view foreign investment. Some foreign business operations are separate investments in different countries with little or no relationship with each other. When such an investment pattern exists, the applicability of the per country limitation appears appropriate in principle since the income earned is on a single-country basis.

In many foreign operations, however, the business consists of a combined domestic and overseas operation (or a series of overseas operations) in many foreign countries. Transactions are carried on in large volumes involving two or more countries which are regularly subject to tax by more than one country. The business is taxed on a multicountry basis. In this case, the applicability of the overall limitation appears to be more ap-

propriate since it averages the multicountry taxes which apply to a unified business operation. Many businesses initiate foreign operations on an individual country basis but, as foreign business grows, they begin to operate those businesses on an integrated basis.

It is our view that in principle and in application neither the overall nor the per country limitation is appropriate for all taxpayers. Each form of limitation will produce equitable results for some taxpayers and inequitable results for others. Present law, in effect, prevents a taxpayer from switching back and forth so as to obtain the most advantageous form. We see no basis for preferring one form of limitation over the other. We do feel that to eliminate either form in favor of the other will significantly increase the overall cost of important U.S. international business operations. This increased cost would consist not only of the additional U.S. tax but also of costs involved in attempting to restructure foreign operations to try to avoid loss of credits as a result of having to switch from one limitation to another.

Present law allows foreign tax credits to offset U.S. tax up to the full U.S. tax rate. It has also been suggested the credit be restricted to some percentage of the U.S. rate. We feel this is undesirable for two reasons. First, it places an artificial distinction on foreign income where there is no logical reason, either economic or in tax theory, to do so. More importantly, such a provision would create an additional tax burden on overseas income which would have much the same practical consequence as taxation of unremitted earnings in that it would provide an economic advantage to foreign-based companies.

SUMMARY

Our calculations clearly show the competitive catastrophe which would result from the elimination of the credit. Since elimination of the credit completely would result in disastrous consequences, substantial modifications (but not complete elimination) should be viewed as creating the same potential danger. Both the elimination of either major limitation on the foreign tax credit or the imposition of a minimum tax on foreign income would be a substantial modification in our view. If the existing taxation principles or the foreign tax credit provisions are substantially modified so as to become more restrictive, this would be done at the substantial risk of restricting U.S. business in international business competition, and ultimately in the ability to compete in the United States also. The results would be the same (only worse) as the taxation of unremitted foreign earnings.

If the foreign tax credit were repealed, it is doubtful whether U.S. businesses could continue to operate overseas on any extensive basis.

ASSUMPTIONS RELATING TO EXHIBITS I THROUGH VI

Relating to Investments in Brazil and Japan (Exhibits Number I, II, IV and V)

1. A German company, a Japanese company and a U.S. company each own 100% of the stock of a foreign corporation which owns identical manufacturing operations in Brazil and Japan.
2. The investment earns \$500,000 annually before tax.
3. There are no adjustments between book income and taxable income in the local country or in the United States.
4. All profits after tax in the country of operation are reinvested in the business each year.
5. The United States currently taxes unremitted earnings on a gross-up basis. Germany and Japan do not tax unremitted earnings.
6. The income tax rates are:
 - a. Brazil—30%
 - b. Japan—52.6% (an effective rate)
7. The target rate of return on equity invested in the manufacturing business sought by each investor is 16% for Brazil and 22% for Japan. Profits after local tax, but before any tax on unremitted earnings, attain that objective. These rates of return represent the average return on capital investment of U.S.-owned manufacturing business in those countries in 1973 from statistics compiled by the U.S. Department of Commerce.
8. The results of the differences in tax treatment for a German, Japanese and United States investor are computed for only one year for purposes of illustrating rates of return. Unless profits increase in subsequent years commensurate with the additional capital provided from reinvested earnings, the rate of return will drop below the desired standard (16% or 22%).

Relating to Investment in the United Kingdom (Exhibits Number III and VI)

1. A German company, a Japanese company and a U.S. company each own 100% of the stock of a foreign corporation which owns identical manufacturing operations in the United Kingdom.
2. The target tax of return on equity invested in the business is 14%. Profits after U.K. taxes (but before any tax on unremitted earnings) accomplish that objective. This rate of return represents the average return on

capital investment of U.S.-owned manufacturing businesses in the United Kingdom in 1973 from statistics compiled by the U.S. Department of Commerce.

3. Cumulative profits after U.K. taxes paid are reinvested in the business each year and generate a pre-tax profit of 28% of the equity investment.

4. The United States currently taxes unremitted earnings on a gross-up basis. Japan and Germany do not tax unremitted earnings.

5. The business invests \$5,000,000 in new machinery as an addition to an already profitable business. This machinery qualifies as an investment which is entirely deductible in the United Kingdom in the year of acquisition. No U.K. tax depreciation is allowed in subsequent years on the \$5,000,000 cost deducted as an incentive allowance. The normal depreciable life of the machinery is 10 years. The existing U.K. business produces enough income to utilize the entire \$4,500,000 extra depreciation deduction in the first year.

6. The funds necessary to pay the U.S. tax on the unremitted earnings are borrowed at a 10% interest cost by the U.S. investor. The interest cost is reduced by the applicable U.S. tax benefit (48% rate) which results.

7. The U.K. corporate income tax rate is estimated to be 52%.

8. The excess of the U.K. tax available as a U.S. foreign tax credit in a particular year can only be utilized by the U.S. investor against the foreign income from the U.K. investment. The investor has no other foreign-source income. (Exhibit III only)

9. Reinvested earnings increase the business' capital at the beginning of the year following the year of the earnings. The business then earns additional profits in each subsequent year in the United Kingdom sufficient to keep the rate of return at the average rate of 14% on the capital available during the year in the United Kingdom. This 14% return does not consider interest costs referred to in No. 6 above or U.S. taxes. Calculations were made for the 10-year period over which the machinery is used. The average of the 10-year results is shown in the Exhibits.

EXHIBIT I

INVESTMENT IN BRAZIL
ASSUMING CURRENT UNITED STATES TAXATION OF
UNREMITTED EARNINGS AND A DEEMED FOREIGN
TAX CREDIT FOR FOREIGN TAXES PAID

Line No.	Investment by Company Incorporated in		
	United States	Germany	Japan
(1) Annual income in Brazil	\$ 500,000.00	\$ 500,000.00	\$ 500,000.00
(2) Brazilian income tax— 30%	(150,000.00)	(150,000.00)	(150,000.00)
(3) Net income in Brazil (1) – (2)	<u>\$ 350,000.00</u>	<u>\$ 350,000.00</u>	<u>\$ 350,000.00</u>
Tax on unremitted earnings—			
(4) Taxable income (1)	\$ 500,000.00	\$ —	\$ —
(5) Tax before credit—48%	\$ (240,000.00)	\$ —	\$ —
(6) Less— Foreign tax credit	150,000.00	\$ —	\$ —
(7) Additional tax due (5) – (6)	<u>\$ (90,000.00)</u>	<u>\$ —</u>	<u>\$ —</u>
(8) Total taxes (2) + (7)	<u>\$ (240,000.00)</u>	<u>\$ (150,000.00)</u>	<u>\$ (150,000.00)</u>
(9) Net income after all taxes (1) – (8)	<u>\$ 260,000.00</u>	<u>\$ 350,000.00</u>	<u>\$ 350,000.00</u>
(10) Effective rate of tax (8) ÷ (1)	<u>48.00%</u>	<u>30.00%</u>	<u>30.00%</u>
Rate of return on equity investment			
	<u>12%</u>	<u>16%</u>	<u>16%</u>

EXHIBIT II

INVESTMENT IN JAPAN
ASSUMING CURRENT UNITED STATES TAXATION OF
UNREMITTED EARNINGS AND A DEEMED FOREIGN
TAX CREDIT FOR FOREIGN TAXES PAID

Line No.	Investment by Company Incorporated in		
	United States	Germany	Japan
(1) Annual income in Japan	\$ 500,000.00	\$ 500,000.00	\$ 500,000.00
(2) Japanese income tax – 52.6%	(263,000.00)	(263,000.00)	(263,000.00)
(3) Net income in Japan (1) – (2)	<u>\$ 237,000.00</u>	<u>\$ 237,000.00</u>	<u>\$ 237,000.00</u>
Tax on unremitted earnings—			
(4) Taxable income	\$ 500,000.00	\$ —	\$ —
(5) Tax before credit – 48%	\$ (240,000.00)	\$ —	\$ —
(6) Less— Foreign tax credit	263,000.00	—	—
(7) Additional tax due (5) – (6)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
(8) Total taxes (2) + (7)	<u>\$ (263,000.00)</u>	<u>\$ (263,000.00)</u>	<u>\$ (263,000.00)</u>
(9) Net income after all taxes (1) – (8)	<u>\$ 237,000.00</u>	<u>\$ 237,000.00</u>	<u>\$ 237,000.00</u>
(10) Effective rate of tax (8) ÷ (1)	<u>52.60%</u>	<u>52.60%</u>	<u>52.60%</u>
Rate of return on equity investment			
	<u>22%</u>	<u>22%</u>	<u>22%</u>

INVESTMENT IN UNITED KINGDOM
 ASSUMING CURRENT UNITED STATES TAXATION OF
 UNREMITTED EARNINGS AND A DEEMED FOREIGN TAX CREDIT
 FOR FOREIGN TAXES PAID

Line No.	Investment by Company Incorporated in		
	United States	Germany	Japan
(1) Annual income in United Kingdom	\$ 714,000.00 ⁽¹⁾	\$ 714,000.00	\$ 714,000.00
(2) United Kingdom income tax - 52% (a)	(371,000.00)	(371,000.00)	(371,000.00)
(3) Net income in United Kingdom (1) - (2)	\$ 343,000.00 ⁽¹⁾	\$ 343,000.00	\$ 343,000.00
Tax on unremitted earnings-			
(4) Taxable income	\$1,164,000.00	\$ -	\$ -
(5) Tax before credit - 48%	\$ (559,000.00)	\$ -	\$ -
(6) Less- Foreign tax credit (a)	343,000.00	-	-
(7) Additional tax due (5) - (6)	\$ (216,000.00)	\$ -	\$ -
(8) Interest cost of additional tax (less U.S. tax effect)	(11,000.00)	-	-
(9) Total costs in U.S. (7) + (8)	\$ (227,000.00)	\$ -	\$ -
(10) Total taxes plus interest cost (2) + (9)	\$ (598,000.00)	\$ (371,000.00)	\$ (371,000.00)
(11) Net income after all taxes and interest cost (1) - (10)	\$ 116,000.00	\$ 343,000.00	\$ 343,000.00
(12) Effective rate of tax (10) ÷ (1)	83.75%	52.00%	52.00%
Rate of return on equity investment	4.73%	14.00%	14.00%

⁽¹⁾ U. S. taxable income exceeds U. K. pre-tax income because the excess of the \$5,000,000 special allowance in the first year over normal depreciation (\$500,000) is taxable for U. S. purposes. We have assumed the special allowance offsets U. K. taxable income from the existing U. K. business (see assumptions).

24

25

INVESTMENT IN BRAZIL
 ASSUMING CURRENT UNITED STATES TAXATION OF
 UNREMITTED EARNINGS AND A DEDUCTION
 FOR FOREIGN TAXES PAID

Line No.	Investment by Company Incorporated in		
	United States	Germany	Japan
(1) Annual income in Brazil	\$ 500,000.00	\$ 500,000.00	\$ 500,000.00
(2) Brazilian tax-30%	(150,000.00)	(150,000.00)	(150,000.00)
(3) Net income in Brazil (1) - (2)	\$ 350,000.00	\$ 350,000.00	\$ 350,000.00
Tax on unremitted earnings-			
(4) Taxable income (3)	\$ 350,000.00	\$ -	\$ -
(5) Tax on unremitted earnings-48%	\$ (168,000.00)	\$ -	\$ -
(6) Total taxes (2) + (5)	\$ (318,000.00)	\$ (150,000.00)	\$ (150,000.00)
(7) Net income after all taxes (1) - (6)	\$ 182,000.00	\$ 350,000.00	\$ 350,000.00
(8) Effective rate of tax (6) ÷ (1)	63.60%	30.00%	30.00%
Rate of return on equity investment	8%	16%	16%

EXHIBIT V

INVESTMENT IN JAPAN
ASSUMING CURRENT UNITED STATES TAXATION OF
UNREMITTED EARNINGS AND A DEDUCTION
FOR FOREIGN TAXES PAID

Line No.	Investment by Company Incorporated in		
	United States	Germany	Japan
(1) Annual income in Japan	\$ 500,000.00	\$ 500,000.00	\$ 500,000.00
(2) Japanese tax - 52.6%	(263,000.00)	(263,000.00)	(263,000.00)
(3) Net income in Japan (1) - (2)	\$ 237,000.00	\$ 237,000.00	\$ 237,000.00
Tax on unremitted earnings-			
(4) Taxable income	\$ 237,000.00	\$ -	\$ -
(5) Tax on unremitted earnings - 48%	\$ (113,760.00)	\$ -	\$ -
(6) Total taxes (2) + (5)	\$ (376,760.00)	\$ (263,000.00)	\$ (263,000.00)
(7) Net income after all taxes (1) - (6)	\$ 123,240.00	\$ 237,000.00	\$ 237,000.00
(8) Effective rate of tax (6) ÷ (1)	75.35%	52.6%	52.6%
Rate of return on equity investment	11%	22%	22%

EXHIBIT VI

INVESTMENT IN UNITED KINGDOM
ASSUMING CURRENT UNITED STATES TAXATION OF
UNREMITTED EARNINGS AND A DEDUCTION
FOR FOREIGN TAXES PAID

Line No.	Investment by Company Incorporated in		
	United States	Germany	Japan
(1) Annual income in United Kingdom	\$ 714,000.00	\$ 714,000.00	\$ 714,000.00
(2) United Kingdom income tax - 52% (a)	(371,000.00)	(371,000.00)	(371,000.00)
(3) Net income in United Kingdom (1) - (2)	\$ 343,000.00 ⁽¹⁾	\$ 343,000.00	\$ 343,000.00
Tax on unremitted earnings -			
(4) Taxable income	\$ 558,000.00 ⁽¹⁾	\$ -	\$ -
(5) Tax on unremitted earnings - 48%	\$ (268,000.00)	\$ -	\$ -
(6) Interest cost of additional tax (less U.S. tax benefit)	(14,000.00)	-	-
(7) Total costs in U. S. (5) + (6)	\$ (282,000.00)	\$ -	\$ -
(8) Total taxes plus interest cost (2) + (5) + (6)	\$ (653,000.00)	\$ (371,000.00)	\$ (371,000.00)
(9) Net income after all taxes and interest cost (1) - (8)	\$ 61,000.00	\$ 343,000.00	\$ 343,000.00
(10) Effective rate of tax plus interest cost (8) ÷ (1)	91.46%	52.00%	52.00%
Rate of return on equity investment	2.49%	14.00%	14.00%

⁽¹⁾ U. S. taxable income exceeds U. K. net income because the excess of the \$5,000,000 special allowance in the first year over normal depreciation (\$500,000), less the deduction for U. K. taxes thereon, is taxable in the U. S. We have assumed the special allowance offsets U. K. taxable income from the existing U. K. business (see assumptions).

STATUTORY TAX RATES IN FOREIGN COUNTRIES
(ACCOUNTING FOR 82% OF 1973 OVERSEAS EARNINGS OF U.S. COMPANIES)

	<u>C o u n t r y</u>	<u>Statutory Profits Tax Rate</u>	<u>Dividend Withholding Tax Rate</u>
1	Canada —		
1a	Manufacturing	40.00%	15%
1b	Other	48.00	15
2	United Kingdom	52.00	15
3	Belgium	42.00	15
4	Luxembourg	45.00	15
5	France	62.50	5
6	Germany	50.47	15
7	Italy	35.00	5
8	The Netherlands	48.00	5
9	Norway	49.50	10
10	Spain	32.80	15
11	Sweden	54.40	5
12	Switzerland	17.00–32.00	5
13	Japan	52.60	10
14	Australia	45.00	15
15	New Zealand	45.00	15
16	South Africa	41.00	15
17	Mexico	42.00	20
18	Argentina	45.00	35
19	Brazil	30.00	25
20	Chile	19.55	40
21	Colombia	52.64	12
22	Venezuela	50.00	15
23	Libya	60.00	13
24	India	55.00	25
25	Philippines	35.00	35
26	Middle East*	49.94	—

SOURCE: Tax rates — Latest available published statutory rates.

EXHIBIT VII

Combined Foreign Statutory Rate	Total Statutory Tax Rates (Foreign and U.S.) With Foreign Taxes Credited Against U.S. Tax		Total Statutory Tax Rates (Foreign and U.S.) With Foreign Taxes Taken as a U.S. Deduction		
	U.S. Taxes	Total Taxes	U.S. Taxes	Total Taxes	
49.00%	— %	49.00%	24.48%	73.48%	1
55.80	—	55.80	21.22	77.02	1a
59.20	—	59.20	19.58	78.78	2
50.70	—	50.70	23.66	74.36	3
53.25	—	53.25	22.44	75.69	4
64.38	—	64.38	17.10	81.48	5
57.90	—	57.90	20.21	78.11	6
38.25	9.75	48.00	29.64	67.89	7
50.60	—	50.60	23.71	74.31	8
54.55	—	54.55	21.82	76.37	9
42.88	5.12	48.00	27.42	70.30	10
56.68	—	56.68	20.79	77.47	11
21.15–35.40	26.85–12.60	48.00	37.85–31.01	59.00–66.41	12
57.34	—	57.34	20.48	77.82	13
53.25	—	53.25	22.44	75.69	14
53.25	—	53.25	22.44	75.69	15
49.85	—	49.85	24.07	73.92	16
53.60	—	53.60	22.27	75.87	17
64.25	—	64.25	17.16	81.41	18
47.50	.50	48.00	25.20	72.70	19
51.73	—	51.73	23.17	74.90	20
58.32	—	58.32	20.01	78.33	21
57.50	—	57.50	20.40	77.90	22
65.20	—	65.20	16.70	81.90	23
66.25	—	66.25	16.20	82.45	24
57.75	—	57.75	20.28	78.03	25
49.94	—	49.94	24.03	73.97	26

NOTE: The rates listed for those countries with graduated income tax rates are those for the highest level of income. *The rate shown is an average of the rates for the following Middle Eastern countries: Iran, Iraq, Israel, Kuwait, Lebanon, Saudi Arabia, and Syria. The dividend withholding rates varied with the country and in most cases were very low or zero.

APPENDIX A

TAXATION OF FOREIGN BUSINESS
OPERATIONS BY BELGIUM

Foreign Branch Operations

In principle, a company resident in Belgium which conducts business operations through a branch in another country is subject to Belgian tax on a portion of the foreign branch profits on a current basis. Conversely, losses sustained by the branch are currently deductible against the other income of the Belgian company.

If the branch is located in a country with which Belgium has an income tax treaty, the income will be exempt from Belgian tax because of the treaty. If losses from a branch in a treaty country have been deducted in Belgium and subsequent profits of the branch are not taxed in the branch country because of loss carry-overs there, those profits are fully taxed in Belgium. If the branch is located in a country which has no treaty with Belgium, the Belgian income tax applicable to this income is reduced by three-fourths. Foreign income taxes paid are deductible. The branch income may qualify for this reduction only if the branch is actually a foreign permanent establishment which maintains separate accounting records.

Foreign Subsidiary Operations

If the Belgian company operates in another country through a subsidiary rather than a branch, profits are not currently taxable and losses are not currently deductible. Tax at the normal corporate rate is imposed when dividends are distributed from the subsidiary. However, ninety-five percent of foreign dividends received, net of foreign taxes, are excluded from taxable income provided that the shares in the foreign corporation have been held for a full taxable year. The remaining five percent of foreign dividends received is considered to be the financial and administrative expenses included in the recipient corporation's deductions deemed attributable to this dividend income.

A foreign tax credit of five percent can be applied against the recipient corporation's tax liability; any excess of the credit over the liability will be refunded. The dividends subject to the 95% exclusion discussed above must be grossed-up for the amount of the 5% foreign tax credit.

If the shares of the foreign corporation have not been held for a full taxable year, the net dividend received is taxable. A credit of 45% of that amount is granted.

The overall effect is that foreign dividends flow through the Belgian corporation to its shareholders without any further corporate tax.

Foreign Tax Credit

Normally, a direct foreign tax credit is not allowed when profits from a branch operation are currently taxable in Belgium. Double taxation of such foreign income is avoided by the exclusion (or exemption) of the income from taxable income by tax treaty or through a tax rate reduction of 75% in the absence of a treaty. As described above, a limited foreign tax credit applies when foreign dividends are received.

A fixed foreign tax credit also applies when foreign interest and royalties are received, if such income was subject to taxation in a foreign country. Such interest and royalties are generally subject to the Belgian corporate tax. Applicable foreign income taxes are deductible in determining the corporate taxable income. In addition, a 15% foreign tax credit applies to such interest or royalty income. The credit is applied against the current income tax liability of the Belgian corporation. Any excess credit is unusable. No expenses need be allocated against the foreign source interest or royalty income.

APPENDIX B

TAXATION OF FOREIGN BUSINESS
OPERATIONS BY FRANCE

Foreign Branch Operations

In France, the principle of territoriality applies in that only income generated from activities in France is taxable. A company resident in France which conducts business operations through a branch in another country generally is not subject to French tax on the foreign branch profits on a current basis. Likewise, losses sustained by the branch are not currently deductible against the other income of the French company.

An exception to the general rule relating to the nontaxability of foreign profits exists for the expenses of starting foreign operations. A deductible reserve for these expenses is permitted; however, this reserve must be added back to taxable income in equal installments during the sixth to tenth years following the year of deduction. Start-up costs related to sales and information or study offices located in foreign countries generally qualify for this treatment. The total allowable reserve varies according to the foreign country involved. For European Economic Community countries, the total allowable annual reserve is equal to the losses incurred during each of the first five years, but the amount generally is limited to the capital invested during that period. For all other foreign countries, except those considered to be tax havens, the reserve is equal to the capital invested during the first five years, irrespective of the losses incurred.

A similar tax deduction is available in France for industrial operations in prescribed underdeveloped countries if prior approval is obtained from the Ministry of Economy and Finance. The amount of the deductible reserve is negotiated with the tax authorities but cannot exceed one-half of the funds invested in the first five years.

The French law also provides that a taxpayer may enter into an agreement with the Minister of Finance to permit the current inclusion of the results of foreign branch operations in taxable income. The Minister's consent is difficult to obtain, and this privilege, called "benefice mondial," has been granted to only about twenty entities in France. For these few companies, the tax paid to the foreign country is creditable against the French income tax but only to the extent of 50% of the income.

Foreign Subsidiary Operations

Generally, if the French company operates in another country through a foreign subsidiary, profits are not currently taxable and losses are not currently deductible. Dividends received from a 10% or more owned subsidiary are not taxable in France. However, expenses equal to 5% of any

dividend received are deemed to be attributable to the tax-exempt income and are included in taxable income. If the parent incurs and can prove expenses of less than 5% of the distribution, then the inclusion in taxable income is limited to this lesser amount. Dividend withholding taxes paid to the other country are not deductible.

An exception to the noninclusion of subsidiary profits in current taxable income is available in the French tax which permits the consolidation of all foreign subsidiaries and branches in a single tax return. To be included, any subsidiary must be at least 50% owned. The use of this procedure requires permission of the Minister of Finance. In practice, this permission is almost never given. A credit is allowed for foreign income taxes paid up to 50% of the foreign income.

The deduction for losses and subsequent return to taxable income (as described in the section dealing with branches) is also applicable if the foreign subsidiary is at least 50% owned. Under those circumstances, current subsidiary losses can be offset against other taxable French income. French companies operating outside of France which grant medium term loans (such as the sale of merchandise on extended terms) are allowed to establish a reserve which is deductible for tax purposes amounting to 10% of the receivable from the loans.

Royalties or the proceeds from the sale of patent rights received by a French company are taxable to French entities at a reduced rate of 15%. This rate applies to royalties resulting from agreements between affiliated entities when the licensee is a foreign company.

Foreign Tax Credit

The law in France does not provide specifically for a direct or deemed foreign tax credit, since most of the foreign income involved is not taxable. As previously discussed, there are provisions which allow for the consolidation of all foreign subsidiaries and branches or the inclusion of all branches in one tax return. In such circumstances, a credit is allowed against the French tax but may not exceed 50% of the foreign income included in the return. The limitation is computed on a per country basis. For unused credits, there is a five-year carry-over period; if the taxes are not claimed as a credit during that period, they become automatically deductible.

A foreign tax credit is allowed for certain withholding taxes applicable to taxable income if the credit is provided for in a treaty. Some treaties provide for a credit higher than the tax withheld, as an investment incentive. There is no provision for a carry-over or carry-back of an unused credit. If it cannot be utilized, it becomes immediately deductible.

There is no requirement in the French law for allocating direct or indirect expenses against foreign-source income for purposes of a foreign tax credit limitation.

APPENDIX C

TAXATION OF FOREIGN BUSINESS
OPERATIONS BY GERMANY

Foreign Branch Operations

A company resident in Germany which conducts business operations through a branch in another country is subject to German corporate income tax on the foreign branch profits on a current basis. Conversely, for corporate income tax purposes, losses sustained by the branch are currently deductible against its other income.

Generally, where Germany has entered into double taxation treaties with other countries, the right to tax profits attributable to a permanent establishment rests with the country where such permanent establishment is located. Therefore, profits from a branch which qualifies as a permanent establishment are exempt from German tax. Conversely, losses incurred by a foreign branch located in a treaty country are not deductible for German income tax purposes.

The German Foreign Investment Law allows a German resident company to apply for permission to currently deduct losses generated by a permanent establishment located in a country which has a double taxation treaty with Germany. Permission is granted if the losses are computed according to German tax and accounting standards. To the extent losses have been claimed, subsequent years' profits from the branch (which would normally be exempt from tax by treaty) are subject to German tax to the extent the foreign branch is able to utilize the prior year losses through a tax loss carry-forward in the local country. Similarly, any branch loss claimed must be included in German income in subsequent years if the foreign branch is incorporated, unless the branch loss carry-forward in the local country is lost through the incorporation.

Foreign Subsidiary Operations

If the German company operates in another country through a subsidiary, the profits are not currently taxable and losses are not deductible. Tax is normally imposed only when dividends are paid. If the operations of a foreign subsidiary are located in a "developing" country, as defined in the Developing Countries Tax Act, effectively no tax is levied on the dividends since the amount of foreign tax creditable against the income is assumed to be equal to the amount of tax attributable to the dividends.

One exception exists to the basic rule of taxing only remitted earnings. The income of foreign-base companies controlled directly or indirectly (more than 50% control) by shareholders resident in Germany, and under

certain circumstances by nonresident German citizens, is taxed currently to the shareholders without payment of dividends. A deemed foreign tax credit is allowed. Foreign-base company income is taxed if:

1. The income is subject to an effective tax rate of less than 30% in the country of operation, and
2. The Passive income of the foreign company together with foreign-base company sales and services income exceeds 10% of its total gross income. Foreign-base company income below 10% of the foreign company's total gross income is taxed if the aggregate amount, otherwise exempt, that is allocable to a German shareholder exceeds GM 120,000.

These provisions, which are similar to the United States Subpart F provisions were modeled after the U.S. provisions.

Under the German Foreign Investment Law, a domestic corporation which directly owns at least 50% of the share capital of a foreign corporation (25% if the foreign corporation is located in a "developing" country) may establish a tax deductible reserve for that portion of the foreign subsidiary's losses applicable to investments made after December 31, 1968. However, the investments made after December 31, 1968, must have (1) either increased the parent's ownership to 50% or more, or (2) when added to previous investments, increased the ownership to at least 50%, and (3) must be at least 5% of the subsidiary's capital. Unincorporated resident taxpayers may qualify for the same benefit.

There are certain other prerequisites for establishing the tax deductible reserve. The foreign subsidiary must have income from industrial or commercial activities (leasing or licensing income is nonqualifying). The subsidiary's loss must be computed under German tax accounting rules, and any foreign tax incentives claimed must be disregarded. Certain documentation must also be provided to the German tax authorities to prove the loss, and the foreign subsidiary must authorize the local tax administration to provide information to the German tax authorities upon request.

The tax-free reserve must be recaptured as taxable income to the extent subsequent profits are generated by the subsidiary. It must also be recaptured to the extent a write-down of the investment is claimed by the parent corporation or to the extent the reserve is allocable to shares sold by the domestic corporation. The parent may claim a write-down after a consistent pattern of serious losses occurs. The reserve must be recaptured in full at the end of five years.

In addition to the above reserves resulting from current losses of a foreign subsidiary, other reserves may be established for qualifying investments made in developing countries (which are covered under the Developing Countries Tax Act) after December 31, 1973, and before

January 1, 1979. A transfer of 50% to 100% of the cost of an investment to the tax-free developing country reserve is permitted for six years. At the end of six years, the reserve must be credited to taxable profits in annual installments of at least one-sixth of the reserve. For investments in labor intensive enterprises, the annual installments must equal at least one-twelfth of the reserve. This reserve may not generate or increase a tax loss of a resident. It appears that under certain circumstances a deduction may be allowed relating to the same investment under both the Foreign Investment Law and the Developing Countries Tax Act.

Foreign Tax Credit

German law provides for an extensive system of granting relief from double taxation through a foreign tax credit where income is subject to tax both in Germany and another country. The requirements for claiming the credit are similar to the U.S. rules in that the claimant must be a German resident taxpayer, and the foreign-source income must also be subject to German tax. The foreign income taxes claimed as a credit qualify only if they are national taxes as opposed to state or local taxes. All double taxation agreements concluded by Germany specify which foreign income taxes qualify for the foreign tax credit and when foreign-source income may be taxed by the source country as well as Germany.

Those taxes not qualifying for the foreign tax credit may be claimed as a deduction if allocable to income taxable in Germany.

A limitation on the allowable foreign tax credit must be computed on a per country basis, similar to the U.S. method. The credit may not exceed the German tax allocable to the item of foreign-source income. Also, qualifying foreign income taxes are creditable only to the extent they apply to taxable foreign-source income from the same tax year.

The foreign-source income includable in the German company's taxable income is determined after deduction of those expenses incurred directly in earning that income. Indirect administrative expenses normally need not be allocated against that income.

Upon application, a foreign tax credit is allowed for the taxes deemed to have been paid by a foreign corporation. The credit is allowed only if the resident corporate shareholders own 25% or more of the foreign corporation's capital shares and the profits received from the foreign corporation have been earned through the active conduct of a trade or business.

If a first-tier subsidiary, which is at least 25% owned by a German corporation, in turn owns at least 25% of the voting stock of a second-tier foreign corporation, which also pays dividends, upon application, the dividend is treated as if received directly from the second-tier subsidiary. This can

occur only if the German corporation's indirect ownership in the second-tier subsidiary through the first-tier subsidiary is at least 25%. The profits received from the second-tier subsidiary must be earned through the active conduct of a trade or business. The mechanics of computing the deemed credit for first- and second-tier subsidiaries are generally similar to the U.S. method. The German tax law requires the taxpayer to adjust the foreign subsidiary's profits to the German accounting standards. The adjustments are similar to those required by U.S. law.

The treatment of dividends received from a first-tier subsidiary, of course, depends on the treaty provisions applicable to its country of incorporation. If the second-tier subsidiary is domiciled in a treaty country, either the dividend to the first-tier subsidiary is not taxable or, if no such exemption is provided for in the treaty, the tax credit system described above applies.

APPENDIX D

TAXATION OF FOREIGN BUSINESS
OPERATIONS BY ITALY

Foreign Branch Operations

Business income in Italy is generally subject to two income taxes: a corporate tax at a rate of 35% and a local income tax at varying rates up to 14.7%. A company resident in Italy which conducts business operations through a branch in another country is subject to the corporate income tax on foreign branch profits on a current basis. The local income tax does not apply if the branch has separate management and accounting. Conversely, losses sustained by the branch are currently deductible against the other income of the company for corporate tax purposes. A foreign tax credit can be claimed against the corporate tax for income taxes paid abroad by the branch.

Foreign Subsidiary Operations

If the Italian company operates in another country through a subsidiary, undistributed profits are not currently taxable. Distributed profits are subject only to corporate income tax. Losses sustained by the foreign subsidiary are, in effect, allowed as deductions for purposes of both the corporate and local income taxes. This results from a provision in the law which allows a company to reduce the carrying value of investment not quoted on an exchange by the proportionate reduction in net book value of the subsidiary as reflected by its latest approved financial statements. If the subsidiary's stock is quoted on an exchange, a deduction is allowed to the Italian company to the extent necessary to reduce the investment to market price, based on the average price during the last quarter of the year.

Foreign Tax Credit

The foreign tax credit is a new feature of the Italian tax law that became effective January 1, 1974. Italian corporations which are subject to the Italian corporate tax on foreign-source income, i.e., dividends, branch profits, royalties, etc., may claim a credit against Italian corporate tax for foreign income taxes actually paid abroad.

The credit is allowed only to the extent that the foreign country imposing the tax reciprocally allows a foreign tax credit. It is limited to the lower of (a) the actual taxes paid, (b) two-thirds of the corporate tax when the foreign country also allows a credit on income of the same nature, or (c) 25% of the corporate tax when the foreign country does not allow

a reciprocal credit. For foreign branch operations, the credit can be claimed for foreign income taxes imposed on branch profits. For a foreign subsidiary operation, the credit can be claimed for withholding taxes on dividends paid, but not for the underlying foreign tax paid by the subsidiary itself.

APPENDIX E

TAXATION OF FOREIGN BUSINESS
OPERATIONS BY JAPAN

Foreign Branch Operations

A Japanese company which conducts business operations through a branch in another country is subject to Japanese tax on the foreign branch profits on a current basis. A foreign tax credit for taxes paid in the other country is allowed; the mechanics will be described below. Conversely, losses sustained by the branch are currently deductible against the other income of the Japanese company.

Foreign Subsidiary Operations

If the Japanese company operates in another country through a subsidiary rather than a branch, profits are not currently taxable and losses are not currently deductible. Tax at the normal corporate rate is imposed when dividends are distributed from the subsidiary with a deemed foreign tax credit generally being available.

Subsidiary losses create tax benefits recognized only upon liquidation or bankruptcy of the subsidiary or when there has been a "significant deterioration" of the value of the subsidiary. A "significant deterioration" occurs when the value of the original investment has decreased by 50%, and there is little prospect of recovery in the future. If these events occur, the parent company may, for tax purposes, write down the value of their original investment to the current value.

The parent company has the option of deducting a reserve for foreign investments. A reserve of 10% to 50% may be claimed in the initial year for investments in underdeveloped countries. A reserve of 50% to 100% is available in any country for companies organized to develop natural resources. After five years, the reserve is restored to income in five annual installments.

Foreign Tax Credit

The Japanese law provides for an extensive system of granting relief through a foreign tax credit where income is subject to taxation in Japan and another country. The requirements for claiming the credit are similar to the U.S. rules in that (1) the claimant must be a Japanese resident taxpayer, and (2) the foreign-source income must also be subject to Japanese and foreign tax. In addition, a Japanese resident company which

owns at least 25% of the voting stock of a foreign subsidiary may claim a credit for taxes deemed to have been paid by the foreign subsidiary when a dividend is received from that subsidiary. This credit is similar to the U.S. deemed credit under Section 902.

A limitation on the allowable foreign tax credits must be computed on an overall basis. Originally, Japanese tax law provided for a per country limitation; then the concept of the overall limitation was introduced and the taxpayer was permitted to elect either method. In 1963, the per country limitation was deleted from the law and only the overall limitation remains.

For purposes of computing the overall limitation, any loss incurred by a foreign branch need not reduce other foreign-source income. This provision is referred to as the "modified" overall limitation.

In practice, the Japanese authorities do not normally allocate indirect expenses to foreign income.

The deemed foreign tax credit is allowed for taxes paid by a foreign subsidiary if the Japanese parent owns at least 25% of the issued and outstanding stock for an uninterrupted period of at least six months before the dividend is received. This credit is available upon receipt of a dividend from a "qualified" foreign subsidiary. To qualify, a foreign subsidiary must carry on an active business and may not be a tax-haven-type corporation organized for the purpose of reducing income tax in Japan.

The mechanics for computing the deemed foreign tax credit are similar to those of the U.S. credit. The ratio of the dividend received to the foreign income (net of foreign taxes) is multiplied by the foreign tax to determine the tax deemed paid. The amount of foreign tax deemed paid is included in the Japanese parent's income and is included in foreign-source income when computing the overall limitation. The deemed credit is allowed only for taxes paid by directly owned subsidiaries; taxes paid by second- or third-tier subsidiaries do not qualify.

The Japanese tax law does not require the taxpayer to substantially adjust a foreign subsidiary's earnings and profits to the Japanese standards when computing the deemed credit. The profits to be used for computing the foreign tax credit are either the profits as shown by the foreign financial statements or taxable income as reflected on the tax return, whichever is greater. There are certain minor adjustments which should be made regardless of whether financial statement income or taxable income is utilized. For example, if there is any income which is not subject to foreign income tax, it must be included in foreign-source income for purposes of the deemed credit calculation.

Unused foreign tax credits may be carried forward to the five taxable years following the year in which the foreign income taxes are paid or

accrued. Also, the current year credit may be increased to the extent the foreign income limitation exceeded available credits during the five previous years. Thus, either the excess foreign tax credit or the unused limitation can be carried forward five years. Refunds of prior years' income taxes paid are not granted; instead, the procedure is simply to increase the foreign tax credit in the current year by recomputing the Japanese taxes paid on foreign-source income including that of prior years.

APPENDIX F

TAXATION OF FOREIGN BUSINESS OPERATIONS BY THE NETHERLANDS

Foreign Branch Operations

A company resident in the Netherlands which conducts business operations through a branch in another country is subject to Netherlands tax on the foreign branch profits on a current basis. However, a foreign tax credit for taxes paid in the other country is allowed; the credit can effectively make the branch profits tax exempt (the mechanics are described below). Conversely, losses sustained by the branch are currently deductible against the other income of the company. However, to the extent branch losses reduce current taxable income from Dutch sources, the losses will be recaptured against future branch profits of the next six years which might otherwise not be taxed because of the credit. If foreign branch income exceeds total net income of a Netherlands corporation, the excess may be carried forward as excludable foreign income in the six following years.

Foreign Subsidiary Operations

If the Netherlands company operates in another country through a subsidiary, the profits or losses of the subsidiary are normally not taxable or deductible. Any dividends received by the parent corporation are exempt from tax, provided the parent owns at least 5% of the share capital of the foreign subsidiary and the subsidiary is subject to some kind of foreign income tax. If the subsidiary's income is not subject to foreign tax, dividends it pays are not exempt from tax.

Foreign Tax Credit

The Netherlands has entered into numerous income tax treaties in order to avoid double taxation of income. Normally, foreign tax credits are granted in the Netherlands in accordance with the provisions of these treaties. If no treaty exists, the Netherlands law includes unilateral provisions for the avoidance of double taxation.

In theory, a Netherlands corporation is subject to Dutch corporate taxation on its worldwide income. However, if, in accordance with a tax treaty, an item of income is excluded from Dutch taxation, a tax credit is granted in order to comply with the provisions of that treaty. Generally speaking, the Dutch tax credits are limited to the Dutch tax due on the foreign income. Under most Dutch treaties, the foreign tax credit is determined by multiplying the total Dutch tax due on worldwide income by a fraction, the numerator of which is the foreign-source income and the denominator of which is worldwide income.

In cases where no tax treaty has been negotiated with a particular country, a Netherlands corporation may claim a foreign tax credit only on certain specific types of foreign income, including profits from a foreign branch or partnership, income from real estate located outside the Netherlands and income from loans secured by mortgages on real estate located outside the Netherlands. The foreign tax credit would be computed as described above. In determining the allowable foreign tax credit, an overall limitation is utilized permitting a taxpayer to group all foreign-source income, including losses.

In addition, a foreign tax credit is granted (whether a treaty exists or not) to a resident corporation against tax due on interest and royalties received from a debtor in a "development country," if the interest and/or royalties are subject to income tax in the development country. This tax credit is limited to the lower of the tax levied in the development country or the Netherlands corporate income tax due on the income. There are presently about 80 qualifying development countries.

Foreign taxes paid on any other type of foreign income are not allowed as foreign tax credits in the absence of treaties. Where foreign income is included in taxable income and no tax credit is allowed, any foreign taxes paid on the income can be claimed as a deduction.

All direct and indirect expenses of earning foreign-source income must be allocated against that income in computing the applicable foreign tax credit limitation unless an applicable tax treaty holds otherwise. There are no specific statutory guidelines on the mechanics of allocating indirect expenses.

The Netherlands law does not provide for the deemed foreign tax credit similar to the Section 902 credit in the United States, since the dividends involved are not taxed.

APPENDIX G

TAXATION OF FOREIGN BUSINESS OPERATIONS BY THE UNITED KINGDOM

Foreign Branch Operations

A company resident in the United Kingdom which conducts business operations through a branch in another country is subject to U.K. tax on the foreign branch profits on a current basis. A foreign tax credit for taxes paid in the other country is allowed; the mechanics are described below. Conversely, losses sustained by the branch are currently deductible against the other income of the U.K. company.

Foreign Subsidiary Operations

Assuming the U.K. company operates in another country through a subsidiary which is a nonresident U.K. company rather than a branch, profits are not currently taxable and losses are not currently deductible. Tax at the normal corporate rate is imposed when dividends are distributed from the subsidiary. Generally, a foreign tax credit is available (see details below).

The exchange control rules of the Bank of England require annual repatriation of two-thirds of the profits of overseas subsidiaries. The U.K. parent company may select foreign subsidiaries with high foreign tax credits from which to pay dividends, if it wishes.

Foreign Tax Credit

The U.K. law provides for an extensive system of granting "double taxation relief" through a foreign tax credit where income is subject to taxation in the United Kingdom and another country. The requirements for claiming the credit are: (1) the claimant must be a U.K. resident taxpayer, and (2) the foreign income must also be subject to U.K. tax.

In addition, a U.K. resident company directly or indirectly controlling not less than 10% of the voting power of a foreign subsidiary may also claim credit for the "underlying" corporate income tax paid by the foreign subsidiary when a dividend is paid to the parent. This credit is broadly similar to the U.S. deemed credit under Section 902.

If a foreign tax credit is not allowable or not claimed, a deduction for those taxes (withheld or underlying) may be claimed. The limitation on the allowable foreign tax credit claimed must be computed on each separate "source" of foreign income and the credit is limited to the greater of the foreign tax or the U.K. tax payable on that particular source of income. The income from each separate subsidiary or branch is consid-

ered a separate source of income. Because of this rule, there is no overall limitation in the U.K. law. However, U.K. companies with varied overseas interests commonly incorporate an overseas holding company which receives all foreign dividends from the subsidiaries and thereafter pays a single dividend to the U.K. parent company. Thus, there is only one source of income for U.K. tax purposes and, effectively, the averaging of foreign taxes (as the U.S. overall limitation allows) is possible in the United Kingdom.

The foreign-source income includable in a U.K. company's taxable income is determined after the deduction of those expenses incurred directly in earning that income. The allocation of indirect expenses against that income is not normally required in the United Kingdom.

As mentioned above, a foreign tax credit is allowed for the "underlying tax" incurred by a foreign subsidiary, provided the U.K. parent company owns not less than 10% of the voting power of the subsidiary. There is no restriction on the number of tiers of subsidiaries for which the "underlying" tax credits may be obtained, provided the 10% ownership exists at each level of the chain of ownership. Unlike the United States, the ownership requirement is examined directly at each tier level and the law is not concerned with the effective percentage of ownership. For example, if U.K. resident company A owns 10% of foreign company B which in turn owns 10% of foreign company C, company A can receive a credit for its proportionate share of the underlying taxes paid by companies B and C, provided dividends are paid through the chain of ownership.

The mechanics for computing the underlying tax credit are generally similar to the U.S. method of computing the deemed credit for a developed country corporation. The taxes in the "underlying tax" credit are normally computed on an accrual basis adjusted to the amount actually paid. The U.K. tax law does not require the taxpayer to adjust the foreign subsidiary's earnings and profits to the U.K. standards. Instead, the profits to be used for computing the foreign tax credit are distributable profits as determined from the foreign company's financial statements.

Foreign tax credit benefits may be restricted by payments of Advance Corporation Tax (ACT). ACT is collected as a percentage of dividends paid. It is creditable in arriving at the annual corporation tax liability subject to certain limits. Foreign tax credits must be taken into account before crediting ACT. The impact of the rules involved varies according to the rates of overseas taxes, the ratio of overseas to U.K. source income and the level of dividends paid. Where the U.K. business has significant foreign-source income subject to high foreign taxation, part or all of the foreign tax credits will be lost.



LIBERAL EDUCATION FOR LEADERSHIP: 1776 - 1976

"... the educational background of the members of the Continental Congress and the Constitutional Convention in 1776 and 1787 ... offer findings that give strong support for the role of liberal education for leadership for then as well as now when we need leaders as never before."

BY J. DOUGLAS BROWN
PROVOST AND DEAN OF FACULTY EMERITUS
PRINCETON UNIVERSITY

(A major address delivered on October 11, 1975, on the occasion of the Convocation and Dedication of the new Stark Learning Center on the campus of Wilkes College in Wilkes-Barre, Pennsylvania)

INTRODUCTION

Dr. J. Douglas Brown, economist, Provost and Dean of the Faculty Emeritus, at Princeton University, is one of the architects of the original Social Security legislation of 1935 and a leader in the reforms that have broadened its coverage and scope in the decades since.

In 1971, Elliot L. Richardson, Secretary of Health, Education, and Welfare, presented him the highest award of the Social Security Administration, The Arthur J. Altmeyer Award, with the citation: "His contributions in developing the principles and objectives of Social Security over a period of four decades have been basic to the program's success."

In 1967, Dean Brown withdrew from active academic life after 43 years on the Princeton faculty. He served as the University's first Provost in his last year before retirement, as Dean of the Faculty since 1946, and, pioneering in the field of personnel and industrial relations, as Director of Princeton's Industrial Relations Section from 1926 to 1955. He has been one of Princeton's chief spokesmen to the intellectual world and one of the nation's principal defenders of the tradition of liberal education.

Since retirement, Dean Brown published in 1969 *The Liberal University, an Institutional Analysis*, a book on *An American Philosophy of Social Security: Evolution and Issues* to be published in 1972.

Dean Brown's first call to public service came in 1930, when he had been director of the Industrial Relations Section for four years. As the Great Depression deepened, he was tapped by President Hoover for membership on the President's Emergency Committee for Employment.

In 1934, under a new administration, he was invited to join the staff section on old-age security under the Committee on Economic Security, a Cabinet group set up by President Roosevelt to draft a social-security program to present to Congress. With Dr. Barbara N. Armstrong and Murray W. Latimer he prepared the plan that, with minor changes, was submitted to Congress and enacted in August, 1935.

Two years later, Professor Brown was named chairman of the first Federal Advisory Council on Social Security. Under his leadership the broadly based committee reached a consensus on recommendations that led to a basic revision of the act, liberalizing its protection and improving its admin-

istration. He has been a member of all subsequent Advisory Councils that have helped shape the later development of the program including that in 1969-71.

As World War II approached, Dr. Brown was called on to perform more and more duties for the government. In 1940 he undertook at President Roosevelt's personal request a secret one-man study of the manpower problems that would face three key industries — airplanes, machine tools and steel — if the United States was drawn into the war.

In 1941 and 1942, as chief of the Priorities Branch of the Labor Division of the Office of Production Management and the War Production Board, Professor Brown played a key role in converting the American economy from civilian to war-time production. In 1942-45 he was a principal consultant on manpower to the Secretary of War and Alternate War Department member of the War Manpower Commission.

Since the war he has served, in many cases concurrently, as consulting economist to the Social Security Administration, chairman of the Federal Advisory Council for Employment Security, and member of advisory committees to the Secretary of Labor, Secretary of Health, Education, and Welfare, the Director of Defense Mobilization, and the Chief of Staff, Air Forces.

In his two decades as Princeton's Dean of the Faculty, with oversight under the President of the departments of instruction, Dr. Brown had a major part in strengthening the University's faculty and personnel administration. In the 20 years from 1946 to 1965 the number of full-time faculty members increased from 435 to 658 and the total spent for faculty salaries rose from about \$1.5 million to about \$7.6 million.

Dean Brown also emerged as a spokesman for the concept of the liberal university as an institution emphasizing "humane values and the personal development of the individual student and scholar" as opposed to what has been called the "multi-versity," which he says "assumes that values and dedication are a man's own business."

In his own scholarship, he has written numerous articles, reports and pamphlets in labor economics, social insurance and education. A symposium in his honor in June, 1967 held at Princeton was later published by McGraw-Hill as *The American System of Social Insurance*.

He is a fellow of the American Academy of Arts and Sciences, and

a member of the American Economic Association and Phi Beta Kappa. He was one of the founders and later president of the Industrial Relations Research Association, vice president of Princeton University Press, a director of the Fund for Adult Education, director of McGraw-Hill, Inc., a trustee of the University of Rochester and of the Princeton Theological Seminary, and a member of the Research Advisory Board of the Committee for Economic Development. He holds four honorary degrees.

Dr. Brown and his wife, the former, Dorothy Andrews of Eugene, Oregon, have three children, Martha Jane (Spencer), Doris Andrews (Miller), and James Douglas, Jr.

LIBERAL EDUCATION FOR LEADERSHIP: 1776-1976

In the coming months, the citizens of the United States will increasingly turn their minds back to the days of the founding of this country. For most of us, our ancestors were not here in the 1770's and 80's, but we all have benefitted more than we can ever measure by the wisdom and foresight of the small group of able men who led us to independence as a nation and, later, established the system of government under which we live.

The members of the Continental Congress of 1776 and of the Constitutional Convention of 1787 who debated, drafted and approved the Declaration of Independence and the Constitution of the United States were a most remarkable group. They came from a wide range of backgrounds in respect to occupation, home environment, and economic status. But they had one great resource in common: They had read widely and had thought deeply concerning the fundamental principles which should guide human affairs. As a group, they had the attributes of leadership to an extent seldom duplicated in the two centuries which have passed since their day.

The founders of our country in both the Continental Congress and the Constitutional Convention felt and understood that a society rose or fell according to the qualities and aspirations of the individuals within that society and not because of vast systems of management or elaborate technologies. It was a time when the individual counted and valued his freedom of self-expression and not merely his wealth, influence or social status.

Without the mounting accumulation of scientific, technological and statistical information that overwhelms us today, they were, in their thinking man-centered, not knowledge-centered. They did not try to prove things by computers, but rather by the judgment and insight gained by personal experience, intelligent discussion, and their reading of history, philosophy and classical and critical literature.

Without the glut of communications through radio, TV, news magazines and wordy newspapers, they had the time and the interest to read fundamental books. Reading for them was not merely a means of passing courses or of recreational diversion, but a way of life which continued throughout life. The private libraries of many were impressive in a time when books were scarce and expensive.

In their thinking about Man and society, the founders of our country were concerned in values, fundamental values, and not in political and economic gadgetry. The old-fashioned word was virtue. Many had studied law, which then involved far more a demanding exercise in philosophic reasoning than a mastery of an accumulation of detailed rules and procedures in a wide range of specialized fields.

Most of all, the members of the Continental Congress and the Constitutional Convention were men who were accustomed to assume responsibility, even at a relatively young age. They were dedicated to the public interest as they saw it. They didn't all think alike and there were many differences in their interests, political predispositions and social traditions. But they were willing and able to discuss issues at length in a climate of mutual respect and emotional restraint.

In a time when our country desperately needs leaders of the kind we had in our formative days, it is a valuable exercise to analyze the factors which influenced the development of that rare group of men who in a period of a dozen years established a great nation. It is easy to say that the critical events of the revolutionary period brought out talent in persons who in quieter times might have been less challenged or less influential. But America has gone through many other critical times with some outstanding leaders but seldom, if ever, with a group of leaders of the quality and effectiveness of those who started us on our way.

America today needs such leaders more than ever before. In government, we have passed through a period of moral bankruptcy in the highest offices of the nation. In a time of political and economic tensions throughout the world and in our own country, there is a paucity of able, respected leaders in all levels of government who can present and gain support for viable policies. Our cities are in trouble. Big business has become impersonal, amorphous and often suspected of questionable practices. Even our leading professions are more questioned than ever; the medical profession for using its political and economic power at the expense of the people and the legal profession for not keeping its house clean of scoundrels. We have come to realize, at long last, that a country which has placed its faith in democratic capitalism must create for itself more and more able leaders to solve its complex problems than do those countries which accept, willingly or not, subservience to an authoritarian government.

There is, of course, no single solution to the problem of developing a greater flow of wise, able, and dedicated leaders in America today. But

in our search for answers, I am convinced that we must look to the character of persons rather than to techniques, systems or procedures to find a solution. We now have a plethora of specialists in every profession or occupation, including those in managerial techniques and controls. Our lack of talent is not at the cutting edge of specialization but in the handle—character—which guides the whole.

What were the common factors in the development of the leaders in the 1770's and -80's which were most influential in preparing them for the great task of establishing our country?

Of the two great developments two hundred years ago, the Declaration of Independence was the more dramatic, but the drafting of the Constitution was the more demanding upon the judgment, intuition, foresight, sensitivity and mutual understanding of those participating. The Declaration was essentially a single political manifesto expressing in stirring language a great decision. The Constitution was a vast yet precise design of a continuing structure. For this reason the men who worked for months in Philadelphia in 1787 are the more interesting to study. We know a good deal about them. Many had been members of one or more Continental Congresses. Adams and Jefferson were abroad.

When one looks for the common factors in the development of the 55 members of the Constitutional Convention, and especially the common factors in the development of their characters and minds, one is immediately struck by the great preponderance of educated, liberally educated, men in the group. Of the 55, 31 were college graduates at a time when college graduates in America were less than one per thousand in the population. By 1776, the three largest colleges in America, Harvard, Yale and Princeton had less than 2,500 graduates alive and active. The Federal Census of 1790 gave the population of the thirteen states as three million six hundred thousand, including slaves. We know that the college graduates in the group were liberally educated; 9 were from Princeton, 5 each from Yale and William and Mary, 3 each from Harvard and Columbia and two from Pennsylvania. Several studied at Oxford and Edinburgh, and in the Middle and Inner Temples in London. The biographies of all 55 show that most were remarkably well read in legal, theological, philosophical or classical literature. The King James version of the Bible was a common source of understanding.

The program of study in the colonial colleges is well known. It differed in content from that covered by most students in liberal colleges today

because of the elaboration of the sciences and social sciences since that time and a lessened dependence upon the classics. But, compared to the best of liberal education today, the purposes, approach, methods and results were remarkably the same. The great change in American higher education in the last two hundred years is not that the liberal approach in higher education has disappeared but that it must now strive to perpetuate itself against a massive pressure toward size, impersonality, "practicality" and specialization in publicly financed higher education.

I am convinced that the survival of the liberal approach in higher education is vital not only in what it contributes to the individual whose life is enhanced by it, not only because it enriches our general way of life, but because more than any other force we know, it helps to create a flow of young persons who are willing and able to assume places of leadership in the vast range of professions, institutions and organizations which determine the effectiveness and quality of our country. Men of liberal education started us on our way. We now need, as never since then, men and women of liberal education to lead us through the mounting problems of maturity in a far more complex world.

In 1776 and 1787, the nature and purpose of liberal education were taken for granted. Now it is widely misunderstood, not only by our people generally but also by a great stream of educational specialists, technicians, and administrators who have confused the transmission of specific knowledge and skills with the essential function of developing human quality and capacity. The latter is far more difficult and costly. The former appears to give readily measurable results in credits, hours taught and examinations passed -- that is examinations which involve the testing of the retention of the specific knowledge and skills transmitted impersonally and systematically in predetermined doses.

With the great expansion of higher education, educationists have justified a departure from the central purpose of collegiate education by the pressure for mass production. In a country which marvels at the effectiveness of mass production of standardized cars and gadgets, it is easy to accept the concept in another area where demands have multiplied. Unfortunately, some educationists have defended their changed concept of higher education by a mistaken appeal to egalitarianism and an intimation that liberal education is a relic of an elite culture.

With such confusion about the nature and purpose of liberal education and to justify my argument that America needs such education as

greatly now as in 1787, it seems appropriate to define again the essential attributes of liberal education as I understand it after a half century or more of involvement in it as student, professor, and dean.

1. Liberal education is man-centered, not knowledge-centered. Its major purpose is the enhancement of the individual. It assumes that his contribution to society will grow out of what he is as a person, first, and but secondarily from what he knows and from what techniques he has learned.

2. Reflecting the most fundamental needs of the individual, liberal education is value-centered in climate and approach. It is not neutral or aloof from values. It seeks to free men from ignorance, hatred, tyranny, greed, insensitivity and cynicism, and to strengthen in the student his sense of dedication to the dignity of his fellowmen and their self-fulfillment in all things good and beautiful before God.

3. Liberal education, in enhancing the values of the individual, does not resort to indoctrination but rather seeks the development of values through a complex of interactive processes -- in the class, in the library or study, with the teacher alone, or with fellow students.

4. Liberal education emphasizes fundamental values and knowledge because such values and knowledge are the most challenging to the human mind and spirit. Knowledge is a means of education, not its end. The end is wisdom. It can be assumed that great truths stretch the mind more than detailed facts. In a time of mounting specialization, liberal education must withstand the pressures to divide and subdivide knowledge into neat little, manageable bits.

5. Liberal education must seek to help the student in his integration of knowledge, analytical thought, and sensitive evaluation in some area of special concern to him in order that he gain the satisfaction of attaining a degree of mastery and, at the same time, a sense of humility before that which remains unknown.

6. Liberal education should nurture the premise, by all possible means, that the liberally educated person should assume responsibility for more than his own private concerns and that leadership is an obligation for those who possess the talent for it.

7. In sum, the main purpose of liberal education is to draw forth and thereby enhance the potentialities of the individual student in terms of intellectual analysis, sensitivity to values, emotional restraint, maturity of judgment, and, in general, assure a personal and positive tone of attack upon

the problems he will face in life, whether in his profession, his occupation, or his participation in organized living.

These are the essential aims of liberal education at the collegiate level. One cannot expect to assume the successful attainment of these purposes with every student or in every institution. But I am convinced that the great need for wise leadership in the governments, corporations, institutions, and communities of our country demands that all of us concerned in higher education should reemphasize and vigorously sustain a long-tested approach to the education of our youth which has provided us with leadership in the past and will again in the centuries to come.



Trustees

Dear

I was delighted to receive confirmation that you will be able to attend the Convocation and Dedication of the Stark Learning Center and W. B. Schaeffer Memorial Hall on Saturday, October 11, at 10 a.m. in the courtyard of the new complex.

The Committee would appreciate it if you would plan to arrive at 9 a.m. in the lower level of the Eugene Shedden Farley Library. At that time you will be assisted in obtaining your academic garb and will have an opportunity to enjoy coffee and pastry prior to moving in the processional to the Stark Learning Center.

If you plan to drive to the campus, please use the parking area at the rear of Weckesser Hall which has been reserved for use by the trustees that day.

At the conclusion of the program, trustees and their guests will assemble in the lower level of the Library for a luncheon at 12:15 p.m.

I am looking forward to welcoming you to the campus for this very important dedication and convocation.

Kindest personal regards.

Sincerely,

Robert S. Capin
Acting President

RSC:nd

The fulfillment of an eight-year old dream will take place on the Wilkes College campus on Saturday, October 11, when the recently completed \$7-million Stark Learning Center and the William B. Schaeffer Lecture Hall will be formally dedicated.

Announcement of the convocation and dedication that will mark the official acceptance of the four-story ultra-modern brick structure by the college was made jointly by Atty. Joseph J. Savitz, chairman of the Board of Trustees, and Robert S. Capin, acting president of Wilkes College.

A special committee has been working on extensive plans for the program under the direction of Ben Badman, Jr., second vice chairman of the board, and John Chwalek, placement director at the college and general chairman.

The selection of the date for the dedication was made to coincide with the 29th Annual Wilkes College Homecoming, when it is expected that more than 1,000 of the college's 9,000 alumni will make it back to the campus for a weekend of festivities. The dedication of the learning complex has been set for 10 a.m. on Saturday as one of the highlights of the overall Homecoming Program.

Besides the nearly 1,000 alumni, it is anticipated that more than 500 others -- including many who made contributions to the building campaigns -- will pass through the massive South River Street building during the weekend when it will be open for viewing.

Acting President Capin has advised members of the college family that the entire 1975-76 academic year will be dedicated to making the public acquainted with the educational facilities and equipment that is available in the largest of the buildings on the 23-acre Wilkes campus. During the year it is anticipated that thousands of high school students and faculty members will respond to an invitation to join special tours of the facilities.

The construction of Stark Hall in 1957 was the beginning. The new \$7-million Stark Learning Center is the fulfillment of a dream.

The completion and dedication of the Harold R. Stark Hall in 1957 and the Research and Graduate Center in 1963 marked the start of the Wilkes College transition in educational techniques, experience and opportunities for the students.

More recent additions to the 23-acre Wilkes campus include: the Dorothy Dickson Darte Center for the Performing Arts and the Eugene S. Farley Library.

Long before fire destroyed Conyngham Hall, the oldest Wilkes building, in December, 1968, plans were being formulated for the construction of urgently-needed additional classroom space.

Such space was necessary to accommodate the steady increase in enrollment to

(more)

1st ad -- wilkes learning center

provide appropriate facilities for the expanded mathematics and nursing programs and to initiate a four-year degree program in electrical and materials engineering.

Added to these critical needs, modern equipment also was needed to develop the innovative disciplines and teaching techniques, such as team teaching.

The college faced a disastrous and critical situation when Conyngham Hall was destroyed. The Mathematics, Engineering and Art Departments were forced into makeshift temporary quarters, straining the other campus facilities.

With the advice of Edward Durell Stone, internationally known architect, Wilkes College agreed to construct a quadrangular building to be attached to the three levels of the Stark Hall.

By demolishing the five old dormitories, Denison, Warner, Ashley, Barre and Butler Halls, in front of Stark Hall on South River Street, additional property purchases were not necessary.

With this beginning, construction began on the Stark Learning Center in 1972.

The entire complex was named for the late Admiral Harold R. Stark, a prominent local civic leader and the chairman of the Wilkes College Board of Trustees from June, 1960 to July, 1964.

Admiral Stark was born in Wilkes-Barre in 1880, the son of Benjamin Franklin and Frances Warner Stark. Graduating from Wilkes-Barre High School and the Harry Hilman Academy, he entered the U.S. Naval Academy, graduating in 1903.

He next received a commission as Ensign in the U.S. Navy.

In 1939, he was appointed Chief of Naval Operations and Commander of European Naval Forces during World War II. Throughout the war, he acted as liaison between Prime Minister Winston Churchill and President Franklin C. Roosevelt.

His service during the war years was rewarded by the Distinguished Service Medals of the Army and the Navy.

In 1937, he and his wife donated their home at 184 South River Street to the college as a memorial to Fred M. Chase and his wife who was Admiral Stark's sister. In addition, Admiral and Mrs. Stark donated their carriage house behind their home, known as Chase Theater. Prior to its razing this summer, Chase Theater had been used as a dramatic workshop and educational department classroom.

In 1956, friends of Admiral Stark gave more than one million dollars to Wilkes for the erection of Stark Science Hall.

The construction of the Learning Center was in two phases. During 1971-72 Phase I went into effect with the selection of land, razing of buildings and the construction of the building's girded frame.

At this time the completion of the Center took on an added significance since the heavy damage to many buildings by the June, 1972 flood, uprooted many facilities.

(more)

2nd ad -- wilkes learning center

Phase II included the completion of the interior of the third and fourth floors of the Center and the construction of the tiered William B. Schaeffer Lecture Hall, featuring a large front elevated projection screen and accommodations for approximately 400 students.

The Stark Learning Center marked the extension of the Wilkes electrical engineering program from two to four years, the addition of an undergraduate program in materials engineering, the extension of the nursing program, the introduction of a graduate program in mathematics, and the construction of a team teaching faculty.

Now a reality, the team teaching techniques at Wilkes provide the economy of large lecture sessions with small discussion groups and individual conferences for many of the college courses.

Overall, the completed building provides classrooms, studios, laboratory space as well as disciplines in environmental sciences, fine arts, computer science, experimental psychology, mathematics and nursing.

Although the Stark Learning Center began at top speed, many situations caused the postponement of construction work.

For instance, Hurricane Agnes and subsequent flooding caused extra chores for the builders. Post-flood shortage of skilled labor also contributed to the construction slowdown. In addition, the flood resulted in added expense for construction.

In 1974 the design of the Stark Learning Center by the architectural firm, Lacy, Atherton & Davis, won "First Honors" in state-wide competition by the Pennsylvania Society of the American Institute of Architects.

During the designing process of the science building, the architects faced two unique design problems. The new structure had to be connected to Stark Hall and provide continuous circulation between the two buildings on all floors. Also it was necessary for the building to be in harmonious scale with the smaller campus buildings on each side.

The U-shaped design solved both problems and the central courtyard plan was viewed as the circulation center for daily campus life.

The completed Stark Learning Center, including Stark Hall, comprises the major classroom facilities on the Wilkes College campus. The lower level of the Center houses the physics laboratory and the art and engineering departments, as well as, providing numerous classrooms and a circular, tiered lecture hall.

The ground floor of the building features the ultra-modern Sordoni Art Gallery, student art studios, the William B. Schaeffer Lecture Hall, the physics department, an engineering section and another small tiered lecture hall.

The highlight of the second floor is the extensive chemistry and engineering departments equipped with inorganic, organic, and analytical chemistry laboratories, as well as, advanced engineering, materials engineering laboratories and a photography

(more)

3rd ad -- wilkes learning center

dark room.

The biology, general psychology and nursing departments are located on the third floor. The extensive facilities available have permitted Wilkes to offer a four-year degree program in nursing. The new third floor nursing laboratory features numerous electronic self-study units or carrels, a new cardiac monitor, in addition to the complete health care materials.

Completing the Center on the fourth floor are the mathematics and environmental sciences departments, the computer center and the modern green house, located on the roof.

In addition to the spacious classrooms in the science buildings, staff and faculty offices, graduate assistant offices and small study rooms are sprinkled throughout the structure.

With the creation and completion of the \$7-million Stark Learning Center, the dream of the late Dr. Eugene S. Farley, first president of Wilkes College, and generous friends of the college has been realized through the growing graduate program at the college, an enlarged scholarship program for able students, the development of an educational program to enable Wilkes students to enter and successfully complete any graduate school in the country or to enter into a profession, and the ability to serve the community through educational projects.

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GERALD A. MOFFATT
1345 AVENUE OF THE AMERICAS
NEW YORK, N.Y. 10019

December 18, 1975

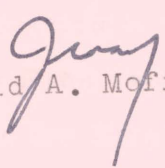
Mr. Thomas Moran
Wilkes College
Wilkes-Barre, Pennsylvania 18703

Dear Tom:

I am enclosing several pieces of information for you in connection with the publication of the J. Douglas Brown speech. First of all, I am enclosing one of our publications just for format, paper quality, etc. Secondly, I am enclosing a dummy of the booklet which was put together roughly. The original will, obviously, be a little neater and the paper on which the speech is printed, will be of a slightly heavier quality. I do anticipate, however, that this would be the approximate size of the publication. Third, I am enclosing a xerox of the printing for the publication. Keep in mind that once the master is iteked and run, the black lines will not show; but on a xerox copy, they do come through. The quality would be similar to my first enclosure.

I would appreciate any comments that you may have concerning these, and if they meet with your approval, please give me a call and I will have the speech set in type similar to what I have given you. I will clear the entire speech with you before any publication is made. If I can be of any further assistance, please do not hesitate to call me.

Yours very truly,


Gerald A. Moffatt

GAM/sp
Enclosures

Biographical Information

DR. J(ames) DOUGLAS BROWN

Provost and Dean of the Faculty, Emeritus

Professor of Economics, Emeritus

Princeton University

2 - J. Douglas Brown

INTRODUCTION

Dr. J. Douglas Brown, economist, Provost and Dean of the Faculty Emeritus, at Princeton University, is one of the architects of the original Social Security legislation of 1935 and a leader in the reforms that have broadened its coverage and scope in the decades since.

In 1971, Elliot L. Richardson, Secretary of Health, Education and Welfare, presented him the highest award of the Social Security Administration, The Arthur J. Altmeyer award, with the citation: "His contributions in developing the principles and objectives of Social Security over a period of four decades have been basic to the program's success."

In 1967, Dean Brown withdrew from active academic life after 43 years on the Princeton faculty. He served as the University's first Provost in his last year before retirement, as Dean of the Faculty since 1946, and, pioneering in the field of personnel and industrial relations, as Director of Princeton's Industrial Relations Section from 1926 to 1955. He has been one of Princeton's chief spokesmen to the intellectual world and one of the nation's principal defenders of the tradition of liberal education.

Since retirement, Dean Brown published in 1969 "The Liberal University, An Institutional Analysis," a book on "An American Philosophy of Social Security: Evolution and Issues" to be published in 1972.

Dean Brown's first call to public service came in 1930, when he had been director of the Industrial Relations Section for four years. As the Great Depression deepened, he was tapped by President Hoover for membership on the President's Emergency Committee for Employment.

In 1934, under a new administration, he was invited to join the staff section on old-age security under the Committee on Economic Security, a Cabinet group set up by President Roosevelt to draft a social-security program to present to Congress. With Dr. Barbara N. Armstrong and Murray W. Latimer he prepared the plan that, with minor changes, was submitted to Congress and enacted in August, 1935. He also assisted in drafting the New Jersey Unemployment Insurance Act.

-more-

2 - J. Douglas Brown

Two years later, Professor Brown was named chairman of the first Federal Advisory Council on Social Security. Under his leadership the broadly based committee reached a consensus on recommendations that led to a basic revision of the act, liberalizing its protection and improving its administration. He has been a member of all subsequent Advisory Councils that have helped shape the later development of the program including that in 1969-71.

As World War II approached, Dr. Brown was called on to perform more and more duties for the government. In 1940 he undertook at President Roosevelt's personal request a secret one-man study of the manpower problems that would face three key industries -- airplanes, machine tools and steel -- if the United States was drawn into the war.

In 1941 and 1942, as chief of the Priorities Branch of the Labor Division of the Office of Production Management and the War Production Board, Professor Brown played a key role in converting the American economy from civilian to war-time production. In 1942-45 he was a principal consultant on manpower to the Secretary of War and alternate War Department member of the War Manpower Commission.

Since the war he has served, in many cases concurrently, as consulting economist to the Social Security Administration, chairman of the Federal Advisory Council for Employment Security, and member of advisory committees to the Secretary of Labor, Secretary of Health, Education, and Welfare, the Director of Defense Mobilization, and the Chief of Staff, Air Forces.

When Dr. Brown became director of the Industrial Relations Section in 1926 the four-year-old Bureau, the first of its kind, faced an uncertain future. He quickly steadied it on its trail-blazing course, rounding up more support, clarifying its aims and organization and pushing its research. In time the Section gathered an endowment which now exceeds \$4 million in value; \$300,000 was provided by John D. Rockefeller, Jr., who alone had supported its early operations, and \$60,000 later by John D. Rockefeller, 3rd. Eighty corporations and eight national labor unions also contributed to the endowment.

-more-

3 - Dean J. Douglas Brown

The Section was conceived as having multiple functions. It was a library of documentary material including unpublished memoranda, reports, and plans from various companies, unions and government agencies. It was a clearing house of information and experience and a bureau devoted to policy-oriented research. And it was a center for the education of undergraduate and graduate students not only in economics but in politics, engineering and other fields.

Describing its years under Professor Brown, a recent report of the Section said:

"Almost without exception, the leading company executives in this field prior to World War II were closely associated with the research and conferences of the Section. . . The Section pioneered the idea of conferences and seminars for mid-career business executives long before the first Advanced Management Programs were started by Harvard and other graduate schools of business administration. It also inaugurated the first university seminar for staff experts in American labor unions. It developed the first specialized library reference service in industrial relations. And, naturally, it assumed a position of leadership in helping other universities establish labor and industrial relations institutions."

In his two decades as Princeton's Dean of the Faculty, with oversight under the President of the departments of instruction, Dr. Brown had a major part in strengthening the University's faculty and personnel administration. In the 20 years from 1946 to 1965 the number of full-time faculty members increased from 435 to 658 and the total spent for faculty salaries rose from about \$1.5 million to about \$7.6 million.

A tribute presented by the staff of the Industrial Relations Section said: "He has supported a broad liberal training as a preparation for life; he has sought to preserve the integrity and cohesiveness of the University as a whole; and he has striven to maintain a nice balance between stress on undergraduate teaching and on scholarly research."

One of his brainchildren was the plan to create special endowed "preceptorships" to encourage the development of teaching capacity and scholarship at the assistant professor level. Called Bicentennial Preceptorships for the University's 200th birthday celebration in 1946-47, the awards

4 - Dean J. Douglas Brown

have been credited with helping to attract and keep outstanding young faculty members. Two Presidents of Princeton, Robert F. Goheen and William G. Bowen, have served as Bicentennial Preceptors.

Dean Brown also emerged as a spokesman for the concept of the liberal university as an institution emphasizing "humane values and the personal development of the individual student and scholar" as opposed to what has been called the "multi-versity," which he says "assumes that values and dedication are a man's own business."

In his own scholarship, he has written numerous articles, reports and pamphlets in labor economics, social insurance and education. A symposium in his honor in June, 1967 held at Princeton was later published by McGraw-Hill as The American System of Social Insurance.

He is a fellow of the American Academy of Arts and Sciences, and a member of the American Economic Association and Phi Beta Kappa. He was one of the founders and later president of the Industrial Relations Research Association, vice president of Princeton University Press, a director of the Fund for Adult Education, director of McGraw-Hill, Inc., a trustee of the University of Rochester and of the Princeton Theological Seminary, and a member of the Research Advisory Board of the Committee for Economic Development. He holds four honorary degrees.

For many years he was an elder of the First Presbyterian Church in Princeton and has been on the standing Committee on Nominations of the General Assembly of the United Presbyterian Church in the U.S.A. and is a member of its Board of Pensions.

Dr. Brown, the son of James and Ella M. (Lane) Brown, was born August 11, 1898, in Somerville, N. J. He entered Princeton University in 1915 but left in 1917 to enter the Army. He was an enlisted man in the medical corps and served with the 167th Infantry, 42(Rainbow) Division, taking part in four campaigns in France.

Returning to Princeton in 1919, he completed his undergraduate work in 1920, in three academic years, though he retains membership in the Class of 1919. He continued in Princeton's Graduate School to make up, he says, for the year he missed. It was during this year that his interest in economics ignited.

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Capin - 10/11/75

INTRODUCTION OF DR. EUGENE S. FARLEY JR.

INTRODUCTION

During the year that a great man was guiding the growth
and distinguished guests and friends of Wilkes College.
On behalf of the board of trustees, the administration, faculty
and members of the student body, I welcome you to our campus
for this magnificent and historic occasion.

I am Robert Capin, acting president of Wilkes College.
I might add that I feel very humble, but extremely honored
to have the privilege of being able to greet you this morning.
As a graduate of Wilkes College and a long-time faculty
member and dean of academic affairs, I know so very well the
significance of this great day. Many of you who are in the
audience and seated here on the platform are not only equally as
aware of what this day means, but you have made it possible.
Let us begin the convocation and dedication of this
Stark Learning Center and William B. Shaeffer Hall with prayer.

were Dr. Farley and his beloved wife, Eleanor Coates Farley.

At this time it is my honor to present to you another member
(Roy Williams gives the Invocation)
of the Farley family - Dr. Eugene S. Farley Jr., who has made
a distinguished name for himself as one of the leaders in the
development and practice of Family Medicine. He is professor
and director of Family Medicine at the University of Rochester
School of Medicine and Highland Hospital.

Ladies and gentlemen, I present Dr. Eugene S. Farley Jr.

(Expressions coming up next with
Congressman Flood leading off)

INTRODUCTION OF DR. EUGENE S. FARLEY JR.

During the year that a great man was guiding the growth and development of this institution from a two-year Junior College into one of the finest independent four-year liberal arts college in the nation, there was a feeling that as long as there was a Wilkes College there would be a Dr. Eugene S. Farley.

Dr. Farley was the president of Bucknell Junior College and Wilkes College -- spanning 34 years. This great man died in September 1972 but not before he had laid the groundwork for the construction of the Stark Leaning Center and the William B. Shaeffer Hall.

All through those years of building, Dr. Farley's family played a close and vital role. They were part of the college and the campus in their younger days. And then each went off, as children are supposed to do, to make his own way in life. Remaining on the campus and continuing to project strength, understanding, and encouragement were Dr. Farley and his beloved wife, Eleanor Coates Farley.

At this time it is my honor to present to you another member of the Farley family -- Dr. Eugene S. Farley Jr., who has made a distinguished name for himself as one of the leaders in the development and practice of Family Medicine. He is professor and director of Family Medicine at the University of Rochester School of Medicine and Highland Hospital.

Ladies and gentlemen, I present Dr. Eugene S. Farley Jr.

(Expressions coming up next with
Congressman Flood leading off)

INTRODUCTION -- Dr. J. Douglas Brown
INTRODUCTION -- Congressman Daniel J. Flood

It is my honor and pleasure at this time to present a man
At this time we are pleased to be witness to expressions
who is an economist, Provost and Dean of the Faculty Emeritus
of appreciation from representative individuals from various
at Princeton University, one of the architects of the original
sources that contributed to the realization of this learning complex.
Social Security legislation of 1935, and a leader in the reforms

The first person who will address you really needs no
that have broadened its coverage and scope in the decades since.
introduction. He is not only known by everyone in what he often
In 1971, Elliott L. Richardson, then Secretary of Health,
has referred to as "our great Wyoming Valley," but his name is
Education and Welfare, presented him the highest award of the
familiar to important people throughout the nation and the world.
Social Security Administration, the Arthur J. Altmeyer Award,

A veteran member of the United States Congress, one of the
with the following citation: "His contributions in developing
key leaders on important House committees and subcommittees and
the principles and objectives of Social Security over a period
above all else -- one of the best friends that Wilkes College
of four decades have been basic to the program's success."
has....It is my privilege to present the Honorable Daniel J.
In 1967, this man withdrew from active academic life after
Flood.

having contributed almost a half century to it as a member of the
Princeton faculty. He has been one of Princeton's chief spokesmen

(No more intros until after musical selections
to the intellectual when you introduce Dr. J. Douglas Brown) ipal defenders
of the tradition of liberal education.

At this time, it is a privilege to present to you.....

Dr. J. Douglas Brown.

(Next is conferring of honorary degree.
If Mr. MacArthur is not present ad lib
a quick apology "from him" due to
a business emergency that came up
"early last evening.")

INTRODUCTION -- Dr. J. Douglas Brown

It is my honor and pleasure at this time to present a man who is an economist, Provost and Dean of the Faculty Emeritus at Princeton University, one of the architects of the original Social Security legislation of 1935, and a leader in the reforms that have broadened its coverage and scope in the decades since.

In 1971, Elliott L. Richardson, then Secretary of Health, Education and Welfare, presented him the highest award of the Social Security Administration, The Arthur J. Altmeyer Award, with the following citation: "His contributions in developing the principles and objectives of Social Security over a period of four decades have been basic to the program's success."

In 1967, this man withdrew from active academic life after having contributed almost a half century to it as a member of the Princeton faculty. He has been one of Princeton's chief spokesmen to the intellectual world and one of the nation's principal defenders of the tradition of liberal education.

At this time, it is a privilege to present to you.....
Dr. J. Douglas Brown.

(Next is conferring of honorary degree.

If Mr. MacArthur is not present ad lib

a quick apology "from him" due to

a business emergency that came up

"early last evening.")

At this time, on behalf of the Board of Trustees of Wilkes College and all members of the Wilkes College family, it is my honor to bestow upon you, John D. MacArthur, the Honorary Degree of Doctor of Science.

(W.B. Shaeffer Dedication--You introduce Judge Rosen)

CONFERRING OF HONORARY DEGREE -- John D. MacArthur

If there is one custom or tradition that is universal it is found in the joy and pride expressed by people when they are welcoming home ^eon their own who has gone off into the world and achieved success.

Some families are never blessed with that extra bit of success that brings them recognition and respect on a national scale. Some families are fortunate to have one go forth and gain such recognition. But in the case of one of the early families of this region -- the MacArthur Family -- there were two sons who became famous in totally opposite ways.

Charles MacArthur became a well known newspaperman and then collaborated with Ben Hecht, another newsman, to write the well-known play and motion picture, "Front Page." He gave rise to a new type of American drama and his creativity left a lasting impact on the American public.

Today it is our purpose to pay special tribute to the other brother, John D. MacArthur, who has led a life that is sprinkled with the excitement of having belonged to the British Flying Corps during the first World War to a tough climb in the business world that led to his ownership of one of America's largest business enterprises.

His accomplishments and those of his brother, Charles, stand as examples of what can be attained by those who have not only the imagination, but the will to work to achieve the goals they have set.

At this time, on behalf of the Board of Trustees of Wilkes College and all members of the Wilkes College family, it is my honor to ^{confer}~~bestow~~ upon you, John D. MacArthur, the Honorary Degree of Doctor of Science.

(W.B. Shaeffer Dedication--You introduce Judge Rosenn)

DEDICATION OF WILLIAM B. SCHAEFFER

ACCEPTANCE --

MEMORIAL LECTURE HALL

(Judge Max Rosenn)

One of the purposes for which we are all gathered here today is to pay tribute to an individual and a family for a major contribution to the creation of his learning center.

On the north side of the Stark Learning Center is the William B. Schaeffer Memorial Hall, a lecture facility that provides one of the College greatest needs.

At this time I would like to present an individual who has a relationship that goes back many years with the Schaeffer family. He was a personal friend of the man after whom the Hall is named.

It is my privilege at this time to present The Honorable Max Rosenn, Judge, U. S. Court of Appeals, who will preside over the dedication of this magnificent facility.

(Acceptance is next -- by you)

As the acting president of Wilkes College, I humbly and gratefully accept at this time the addition of the Stark Learning Center and the William B. Schaeffer Memorial Hall as vital parts of our educational resources. May it serve mankind through the accomplishments of the young people who use its facilities.

(Roy Williams will give benediction and then the choir will sing the Alma Mater.)

ACCEPTANCE --

It has been said that "Everything that is done in the world is done by hope."

As I listened this morning to the words of praise and tribute, I couldn't help but think of our students -- and they are what Wilkes College is all about -- because they are benefitting from these fine facilities. Students for many generations will continue to benefit as they obtain education here and turn it into wisdom that will benefit others.

And I thought, too, of how it all became possible. This was covered so eloquently by Congressman Flood, Judge Rosenn and our other distinguished speakers, who paid tribute to friends of Wilkes College.

There is little that I can really say that can surpass what you people have provided by your generosity and interest. Without your assistance, Dr. Farley and later Dr. Michelini would not have had the inspiration and courage to guide the creation of this Stark Learning Center and William B. Schaeffer Memorial Hall.

As the acting president of Wilkes College, I humbly and gratefully accept at this time the addition of the Stark Learning Center and the William B. Schaeffer Memorial Hall as vital parts of our educational resources. May it serve mankind through the accomplishments of the young people who use its facilities.

(Roy Williams will give benediction and then the choir will sing the Alma Mater.)

7. OPTIMA
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CAPS

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(WILLIAM B. SCHAEFFER)

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The upward progress of social adjustment demands persons with foresight, perception, and a knowledge of life. They must be able to inspire confidence, understand the issues of the day, and take risks. William B. Schaeffer possessed these qualities.

"Bill" Schaeffer, as he was known to his intimates, was not tall in physical stature, but he always made a commanding presence. He had a handsome face and impressive head; his eyes sparkled with the fire of a brilliant mind. He walked with rapid stride with his eyes always set upon new horizons.

When Mr. Schaeffer came to the Wyoming Valley in 1912 in the full vigor of life, he had already achieved a state-wide reputation as an able, skillful bank examiner and an intelligent banker. The Wyoming Valley Trust Company, a progressive banking institution located on Public Square in Wilkes-Barre, succeeded in winning him from the Wilbur Trust Company, at Bethlehem, where he had served for a number of years as Business Manager and Trust Officer. At the Wyoming Valley Trust Company, he initially served as Vice President and Treasurer during the critical years immediately preceding and following World War I.

On January 1, 1927, he became the bank's president and led it successfully through the agonizing and cruel

depression period of the 1930's when hundreds of banking institutions in the State were collapsing. A number of banks in the Valley also fell by the wayside during those years, but Mr. Schaeffer organized the banking leadership in the community in a successful attempt to protect depositors and preserve many of the banking institutions. His personal efforts were largely responsible for the orderly liquidation of a number of closed banks in the area and for payment in full to their depositors.

Although the major part of his life was spent as a banker, Mr. Schaeffer was at heart an educator. He was born on August 5, 1865, in White Hall Township, Northampton County, Pennsylvania, into a family of eight children. He came by his interest in education naturally, since his family numbered within its ranks teachers, ministers, and professional men. His great-grandfather had owned a printing press in the early days of the Revolution and is reputed to have secretly printed and distributed the Proclamation of Independence and underground tracts.

Several years after completing his education in the Lehigh County Schools and Krouts Academy, Mr. Schaeffer sought employment as a school teacher. He taught for a few years before succumbing to the opportunities of the business and financial world and entering the banking profession in which he reached a preeminent position.

As a banker, Mr. Scaeffler perceived the talents of many of his customers with an educator's eye for untapped ability and, more importantly, he understood the role that a supportive bank might play in their development. For example, he recognized the potential in an immigrant American named Amadeo Obici who operated a peanut stand on Public Square in Wilkes-Barre. Largely as a result of Mr. Schaeffer's vision, support, and guidance, Mr. Obici's business expanded in a few years into the Planters Nut and Chocolate Company. The company, as we all know, ultimately became a vast corporate enterprise of international stature. Mr. Schaeffer served on its Board of Directors thereafter for many years. There were many other people whom he similarly advised and whose more modest success can also be attributed to his interest and support.

When death overtook him on December 11, 1951, his colleagues in the Miners National Bank, where he then served as First Vice President, said of him: "He was preeminent in the field of banking, particularly as it related to the investment of bank monies and trust funds.

"His keen foresight, his intimate knowledge of financial matters, his good common sense in the investment field -- all these traits made of him an invaluable counsellor and advisor.

7-11-44 x [32]

"To him for advice and guidance came many financial concerns, large and small. Even at his advanced age, he retained a clarity of perception and intense interest in financial matters which were always a source of amazement to his associates."

Despite his success as a banker, Mr. Schaeffer remained dedicated to his early interest in education. It was evident that he thought deeply of its meaning and value as a moulding force in our society. When Wilkes College was organized, he at once saw its importance in elevating the cultural and economic life of the community and brightening the horizons of its young people. Mr. Schaeffer steadily encouraged his close friend Gilbert McClintock in his enormous labors in behalf of the College, and he personally but unobtrusively contributed substantial sums to its support during the early days. Quietly and effectively, he persuaded his friends to do likewise.

His daughter, Marian Schaeffer, survives him and resides in Dallas, Pennsylvania. She continues her father's interest in the College.

He initially served as Vice President and Treasurer during the critical years immediately preceding and following World War I.

On January 1, 1927, he became the bank's president and led it successfully through the agonizing and cruel

Dan Flood - Oct 11, 1975

I'm going to forego the customary salutation that occasions such as this call for and address you in a way that seems more fitting for this momentous occasion.....

We're all here with the same proud credentials..... Friends of Wilkes College.

This is truly a wonderful day for all of us who have had a long-time interest in this fine institution of higher education. It all took time and plenty of hard work under what, at times, were almost impossible circumstances.

But the reason that we are all gathered here is to dedicate this magnificent \$7-million Stark Learning Center and William B. Schaeffer Lecture Hall. Here is proof that when dedicated individuals have faith in their dreams, they can turn them into reality.

The young man who preceded me on the program -- I'll refer to him as young Gene Farley -- reminded me of the many times I was asked to perform the almost impossible by his father.

As he spoke to you, I thought back over the years to times when his late father, Dr. Eugene Farley, was only in his middle 30's and trying to convince some of the skeptics in this region that the future of this community depended upon the education of its young people.

Believe me -- and I know -- it wasn't easy for an outsider not yet near 40 to change the minds of people here. But Gene Farley was caught up in a dream that he was determined would become a reality. And he knew that if he could just show them a tiny bit of the great institution he wanted to build for them they might give him the support he needed.

And he was right. Slowly he turned the tide of those who doubted and questioned. He began to interest important and respected people who had the power of persuasion to convince others. He already had the backing of Dr. Arnaud C. Marts, after whom this beautiful courtyard is named in memoriam. But others joined him. People such as Gilbert McClintock, Admiral Harold Stark, Walter and Donald Carpenter, Andrew Sordoni, Sr., Dorothy Dickson Darte, Bill Schaeffer, Annette Evans, Charlie Waller, Lou Shaffer, Tom Kiley.....and many, many more.....I only wish I had time to mention all of them.

What a team Gene Farley put together. It will never be matched in the world of higher education. They all wanted to be part of what they could see this great man was fighting to build.

All of this.....and more.....flashed through my mind as I listened to the son of this great man stand up here just a short time ago and deliver remarks on the occasion of this Convocation and Dedication of the Stark Learning Center and the William B. Schaeffer Lecture Hall.

All of this, my dear people, just didn't happen. Some truly dedicated and generous people made it happen. They believed that this piece of our great nation had an obligation to its young people. They fully recognized what was being offered as a future in Wyoming Valley -- a lifetime in the coal mines because most of them came from families that couldn't afford to send them to college.

Believe me when I say that being a congressman wasn't easy when Gene Farley was setting his sights on the next step in the building of his college. And when he summoned the assistance of his colleagues -- such as

Harold Stark, Gilbert McClintock and the others -- they not only asked for major miracles, but never accepted less.

I am proud to say that I had the good fortune.....and, I might add, the honor and privilege.....of having been in a position where I could serve. (I will say, now that I look back, I'm still not quite sure how I was able to do some of the things they asked.)

But it all worked out, and today we are dedicating this beautiful complex named in honor of my old and dear friend, Harold Stark. And the adjoining lecture hall is a fitting tribute to the memory of my friend Bill Schaeffer. It's too bad they can't know what is taking place here today. They would have liked it and they would be pleased.

Those two men, along with the other pioneers of Wilkes College, would not have been surprised by the fact that this outstanding Learning Center actually grew out of a major setback that hurt the College. I'm referring to the fire that destroyed Conyngham Hall during a cold, wintry night a few days after Christmas of 1968. Incidentally, this building was named in honor of another great family that did so much for Wyoming Valley and Wilkes College.

Perhaps many of you aren't aware of it, but Gene Farley was preparing to move toward retirement when that tragedy struck. But the fighting spirit that moved him to build a college under almost impossible circumstances once again responded to the occasion.

Gene Farley remained in the presidency long enough to lay the groundwork for the raising of the initial funds needed to start to build something bigger and better to replace the tragic loss to his academic world.

When Gene Farley stepped down in June of 1970, it was with the satisfaction that he had once again committed the College to a course that would lead it out of trouble and upward to a higher level. Even more, he could look back with pride on the growth of a small junior college into one of the finest small liberal arts colleges in the nation.

Let me say this, though, during all the years that Gene Farley was building this College, he earned the respect and affection of all who worked with him and for him. He cajoled, badgered and begged for community and government assistance -- and he got it. I'm proud to say that many of your federal tax dollars have been brought back into the community through assistance given to the building of this great institution.

Before I close, I want to add one more chapter in how this all came about. While Gene Farley was a great builder of colleges, he was equally adept at building men -- real leaders. And when he stepped down, he had prepared a successor who would carry on -- Dr. Francis Michelini, better known to all as "Dr. Mike."

It was up to Mike to keep things moving forward and he had been prepared well by the master. Despite setbacks -- one of them the flood of 1972 -- Dr. Mike guided the construction of this Learning Center to its completion. He, too, had a major role in the reason we are all gathered here today.

My friends, I humbly submit to you that it is one of the great moments of my life to be standing here today.....taking part in reality that was built out of dreams that I pray will have no ending.

PRINCETON UNIVERSITY
PRINCETON, NEW JERSEY 08540

J. D. Brown
INDUSTRIAL RELATIONS SECTION
P. O. Box 248
PRINCETON, NEW JERSEY 08540

Provost and
Dean of the Faculty
J. DOUGLAS BROWN Emeritus

September 23, 1975

Dr. Robert S. Capin, Acting President
Wilkes College
Wilkes-Barre, Pennsylvania 18673

WILKES COLLEGE

SEP 25 1975

President's Office

Dear President Capin:

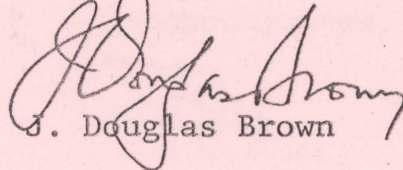
I am deeply honored to be asked to speak at the Convocation and Dedication of the Stark Learning Center on Saturday morning, October 11th. I remember with pleasure my earlier visit when Paul Bedford was alive.

Bill Sword suggested that we drive up to Wilkes-Barre in the early morning of the 11th starting at 6:00 A.M. We should arrive before 9:00 A.M. I hope this is satisfactory. If not, do tell Bill. I will bring my academic outfit.

I have written my speech. The title is "Liberal Education for Leadership: 1776-1976." With the help of Professor Frank Craven, a distinguished colonial historian here, I have been studying the educational background of the members of the Continental Congress and the Constitutional Convention in 1776 and 1787. The findings give strong support for the role of liberal education for leadership for then as well as now when we need leaders as never before. The speech will take less than twenty minutes since I realize that you have a full program.

Do let me know if you have any suggestions. If you need any information about the speaker, our News Bureau, Stanhope Hall (609-452-3606) can provide it. I look forward with pleasure to being with you on the 11th.

Sincerely,


J. Douglas Brown

JDB/ds

Copy to Mr. Moran ✓

WILKES COLLEGE
Wilkes-Barre, Pennsylvania

MORGAN STANLEY & CO.
Incorporated
1251 Avenue of the Americas
New York, N.Y. 10020

September 24, 1975

WILKES COLLEGE

OCT 9 1975

President's Office

October 6, 1975

Dean Robert Capin, Acting President
Wilkes College
Dr. J. Douglas Brown
Industrial Relations Section
Firestone Library
PRINCETON UNIVERSITY
Princeton, New Jersey 08540

Dear Dr. Brown:

J. Douglas Brown has given me a copy of his address to be delivered next Saturday at the Convocation. I said in my covering note to the address, "I have never seen a more powerful or thoughtful statement concerning the values of liberal education. Enclosed is a copy of our college bulletin and other information about the College which may be of interest to you."

We should take every opportunity to make this dedicatory statement available. Incidentally, a picture of the building that will be dedicated October 11 is on the front cover of the bulletin. You and your excellent team will design a program for wide public distribution.

I will either contact you directly or furnish, through Bill Sword, other details as they become available. Needless to say, I am really overjoyed that our distinguished friend has taken the time to make a major statement at Wilkes College. Some weeks ago I knew that we were going to get something special, but I did not know that what the good Dean would produce is something of enduring value. I look forward to meeting you October 11.

Since Dean Brown's remarks are so interesting, timely and fundamental; and since he has given us the right to publish or use the text as we wish, I suggest to you and our fellow trustees that we make a major effort to see that it is available - with appropriate representations as to where it was delivered and why - to such audiences as the Reader's Digest, Op. Ed Page, Robert S. Capin, education editors and wherever else you think it should be an effort on our part should be of real benefit to Wilkes College.

RSC:mc

Enclosures

cc: Mr. William Sword, Jr.
Mr. Thomas Moran ✓

Faithfully yours,

William Sword

MORGAN STANLEY & CO.
Incorporated
1251 Avenue of the Americas
New York, N.Y. 10020

WILKES COLLEGE

OCT 9 1975

President's Office

October 6, 1975

Dean Robert Capin, Acting President
Wilkes College
Wilkes-Barre
Pennsylvania

Dear Bob.

J. Douglas Brown has given me a copy of his address to be delivered next Saturday at the Convocation. As I have said in my covering note to the address, I have never read a more powerful or thoughtful statement concerning the values of liberal education.

We should take every opportunity to make this dedicatory statement available to the Wilkes community and to the public. Doug Brown has agreed that we may use this work in any way we wish, and I hope that you and your excellent team will design a program for wide public distribution.

Needless to say, I am really overjoyed that our distinguished friend has taken the time to make a major statement at Wilkes College. Some weeks ago I knew that we were going to get something special, but I did not know that what the good Dean would produce is something of enduring value to us at Wilkes and to a far wider audience.

Since Dean Brown's remarks are so interesting, timely and fundamental; and since he has given us the right to publish or use the text as we wish, I suggest to you and our fellow trustees that we make a major effort to see that it is available - with appropriate representations as to where it was delivered and why - to such audiences as the Reader's Digest, Op. Ed Page of the New York Times, education editors and wherever else you think it should be seen. Such an effort on our part should be of real benefit to Wilkes College.

Faithfully yours,

W
William Sword

LEARNING CENTER DONORS

\$2,500 to \$7,199

Total \$192,854.78

X Loren M. Berry Foundation

X Mrs. Grace Clift *Deceased*

X Consolidated Cigar Company

Mr. Robert C. Phelan; Gulf & Western Plaza, NY NY 10023

X Dr. Harold E. Cox

X Craft Associates

X Culp Brothers

X Dairylea Cooperative, Inc. Raymond Colgan, 429 N. Main St, Scranton 18504

X Mr. & Mrs. Edward Darling

X Mr. & Mrs. William Davidowitz

X Seymour Dimond

X Eastern Pennsylvania Supply Company

X Eberhard Faber, Inc.

X Dwight Fisher *Deceased*

→ M. Joseph Finneran

X Franklin Federal Savings & Loan Association Elmer Kim Chak 44 W Market

X A. Guy Freas Huntingdon Mills, Pa. 18622

X Hanover National Bank of Wilkes-Barre *Barre*

X Haskin & Sells John Meltale

X Raymon R. Hedden & Company

X Andrew Hourigan, Jr.

X J & H Concrete James Smith 84 Scott St. W-B

X Caroline Kutzner *Deceased* Anna Kutzner 37 N. Franklin W-B

Madam Min

Faculty

Learning Center Donor

- X Lacy, Atherton & Davis
- X Edythe Rudolph Landau '48
- X Llewellyn & McKane, Inc.
- X Marquis George MacDonald Foundation *John L. Mac Donald United Penna*
- Mr. & Mrs. Arnaud Marts
- X Esther Wargo McCormick '68 *PO Box 5710 Austin TX 78763*
- X Robert H. Melson '35
- X The Merck Company Foundation *Grace M. Winkling, Pres Rahway NJ 07065*
- X Amby Nolan *Paul Nolan*
- X Northeastern Bank of Pennsylvania
- X Mr. & Mrs. Adrian Pearsall '51
- X Mrs. Elizabeth Peruzzi
- X Emma L. Reed *Deceased*
- X Rosenn, Jenkins & Greenwald
- X Rowlands Refrigeration Service
- X Mr. & Mrs. Joseph J. Savitz '48
- X Marvin Schub
- X ~~Sears Roebuck Foundation~~ *THE SEARS-ROEBUCK FOUNDATION*
- X Mr. & Mrs. Louis Shaffer
- X George B. Sordoni '69
- X Sunday Independent
- X J. L. Turner Company
- X UGI Corporation
- X Mr. & Mrs. Charles Waller *40 W. River St.*
- X M. W. Wood Catering

Trustees -- Dedication, luncheon, football game

	<u>Dedication</u>	<u>Luncheon</u>	<u>Game</u>
Adonizio, Mr. James	N/R	N/R	N/R
Badman, Mr. Ben	2	2	-
Bixby, Dr. Edward	N/R	N/R	N/R
Burns, Dr. Charles	N/R	N/R	N/R
Carpenter, Mr. Donald	2	2	-
Caverly, Mr. Noel	N/R	N/R	N/R
Conyngham, Mr. William	N/R	N/R	N/R
Davidowitz, Mrs. William	1	N/R	N/R
Diener, Mrs. Walter	1	1	-
Ehret, Mrs. Richard	1	1	-
Faber, Mrs. Eberhard	1	1	1
Glover, Dr. Alan	-	-	-
Hourigan, Atty. Andrew	N/R	N/R	N/R
Jones, Mr. Robert	N/R 3	N/R 3	N/R 3
Kiley, Mr. Thomas	-	-	-
Kosik, The Hon. Edwin	-	-	-
Maslow, Mr. Richard	-	-	-
Melson, Mr. Robert	-	-	-
Miner, Atty. Charles	2	2	-
Moffatt, Mr. Gerald	1	1	-
Parkhurst, Mr. F. E.	2	2	2
Pearsall, Mr. Richard	1	N/R 2	N/R
Pinola, The Hon. Frank	N/R	N/R	N/R
Rosenn, The Hon. Max	2	2	-
Ross, Mr. Richard	1	1	1
Royer, Mr. Robert	N/R	N/R	N/R
Savitz, Atty. Joseph	1	N/R 2	N/R 2
Shaffer, Mr. Louis	1	1	1

	<u>Dedication</u>	<u>Luncheon</u>	<u>Game</u>
Simms, Mr. Ronald	2	2	2
Sword, Mr. William	N/R	N/R	N/R
Trabant, Dr. E. A.	-	-	-
Umphred, Mr. William	1	1	1
Weiss, Mr. Norman	2	2	2
Wiendl, Mr. Joseph	N/R	N/R	N/R
Caverty, Mr. Noel	N/R	N/R	N/R
Traynor, Mr. William	N/R	N/R	N/R
Totals -----	<u>24</u> 29	<u>21</u> 28	<u>10</u> 15
Werner, Mrs. Walter	1	1	1
Whet, Mrs. Richard	1	1	1
Wiser, Mrs. Edward	1	1	1
Woods, Dr. John	1	1	1
Woulgate, Atty. George	N/R	N/R	N/R
Jones, Mr. Robert	N/R	N/R	N/R
Wiley, Mr. Thomas	-	-	-
Woolk, The Hon. Edwin	-	-	-
Woolow, Mr. Richard	1	1	1
Wolton, Mr. Robert	1	1	1
Winer, Atty. Charles	1	1	1
Woffatt, Mr. Gerald	1	1	1
Warkhurst, Mr. F. E.	1	1	1
Wearrell, Mr. Richard	1	N/R	N/R
Wigala, The Hon. Frank	N/R	N/R	N/R
Worren, The Hon. Max	1	1	1
Woss, Mr. Richard	1	1	1
Woyner, Mr. Robert	N/R	N/R	N/R
Wavits, Atty. Joseph	1	N/R	N/R
Shaffar, Mr. Louis	1	1	1

Friday a.m.

STARK LEARNING CENTER DEDICATION

2. WILLIAM B. SCHAEFFER
Total number of people attending the dedication..... 407

VIPs..... 106
Faculty..... 157
Others..... 144
407

3. SORDONI
Major Donors..... 38

Will be represented..... 11
Will not be represented..... 11
Did not respond..... 16
38

4. STARK
Trustees..... 34

Will attend the dedication..... 19
Will not attend the dedication..... 7
Did not respond..... 8
34

5. COMMONWEALTH TELEPHONE COMPANY

Total expected at the luncheon..... 83

Trustees and guests..... 30
Donors and guests..... 39
Alumni, faculty and student representatives..... 3
Acting President and wife..... 2
Others..... 9
83

10. ARNAUD C. MARTS

Mrs. Arnaud C. Marts

11. DONORS

Mrs. Donald F. Carpenter

Mr. Andrew J. Sordoni, III

Major Donors being represented at the dedication:

	Dedication	Luncheon	Coffee
1. WILLIAM B. SCHAEFFER			
Adm. Miss Marian Schaeffer and guests		N/R	N/R
2. P. P. & L.			
Mr. J. J. McBrearty	N/R	N/R	N/R
3. SORDONI			
Mr. and Mrs. Andrew J. Sordoni, III	N/R	N/R	N/R
4. EUGENE and ELEANOR C. FARLEY			
Mrs. Ethel Farley Douglass			
Dr. and Mrs. Eugene S. Farley, Jr.			
5. STARK			
Mrs. Edwin Semans			
Mrs. Harold P. Gillespie			
6. FIRST EASTERN BANK N/A			
Mr. Richard M. Ross			
7. COMMONWEALTH TELEPHONE COMPANY			
Mr. William J. Umphred			
8. POMEROY'S			
Mr. Thomas Carlson			
9. MRS. EBERHARD L. FABER			
Mrs. Eberhard L. Faber		N/R	N/R
10. ARNAUD C. MARTS			
Mrs. Arnaud C. Marts			
11. DONORS			
Mr. Donald F. Carpenter		N/R	N/R
Mr. Andrew J. Sordoni, III			
Mr. Louis			

Trustees -- Dedication, luncheon, football game

	<u>Dedication</u>	<u>Luncheon</u>	<u>Game</u>
Adonizio, Mr. James	N/R	N/R	N/R
Badman, Mr. Ben	2	2	-
Bixby, Dr. Edward	N/R	N/R	N/R
Burns, Dr. Charles	N/R	N/R	N/R
Carpenter, Mr. Donald	2	2	-
Caverly, Mr. Noel	N/R	N/R	N/R
Conyngham, Mr. William	N/R	N/R	N/R
Davidowitz, Mrs. William	1	N/R	N/R
Diener, Mrs. Walter	1	1	-
Ehret, Mrs. Richard	1	1	-
Faber, Mrs. Eberhard	1	1	1
Glover, Dr. Alan	-	-	-
Hourigan, Atty. Andrew	N/R	N/R	N/R
Jones, Mr. Robert	N/R	N/R	N/R
Kiley, Mr. Thomas	-	-	-
Kosik, The Hon. Edwin	-	-	-
Maslow, Mr. Richard	-	-	-
Melson, Mr. Robert	-	-	-
Miner, Atty. Charles	2	2	-
Moffatt, Mr. Gerald	1	1	-
Parkhurst, Mr. F. E.	2	2	2
Pearsall, Mr. Richard	1	N/R	N/R
Pinola, The Hon. Frank	N/R	N/R	N/R
Rosenn, The Hon. Max	2	2	-
Ross, Mr. Richard	1	1	1
Royer, Mr. Robert	N/R	N/R	N/R
Savitz, Atty. Joseph	1	N/R	N/R
Shaffer, Mr. Louis	1	1	1

	<u>Dedication</u>	<u>Luncheon</u>	<u>Game</u>
Simms, Mr. Ronald	2	2	2
Sword, Mr. William	N/R	N/R	N/R
Trabant, Dr. E. A.	-	-	-
Umphred, Mr. William	1	1	1
Weiss, Mr. Norman	2	2	2
Wiendl, Mr. Joseph	N/R	N/R	N/R
Totals -----	<u>24</u>	<u>21</u>	<u>10</u>

WILKES COLLEGE
WILKES-BARRE
PENNSYLVANIA 18703

ESTIMATED EXPENDITURES FOR CONVOCATION

Saturday, October 11, 1975

Academic garb - 180 x \$9 =		\$ 1,620
Expenses for Speakers		
Travel)		
Hotel)	\$250	
Honorarium	<u>500</u>	750
Invitations (1200)		200
Postage (one way postage - 1200 invites)		120
Decorations		150
Chair rental (500 incl. set-up)		175
Speaker system (Jim Berg)		No charge
Coffee, punch, cookies		300
Luncheon - 243 x \$7		1,701
✓ 34 Trustees & spouses	- 68	
✓ Donors & spouses	- 141	
✓ Speakers & wives	- 4	
✓ Chairman of Board & wife	- 2	
✓ Acting President & wife	- 2	
✓ Judges, Legislators & wives	20	
Committee chairmen & wives	4	
Others (Pres. of Alumni Association & wife)	- 2	
	<u>243</u>	
Miscellaneous		<u>500</u>
TOTAL		<u>\$ 5,516</u>

Sept. 4, 1975

For Nancy -

CONVOCATION INVITEES

I. DONOR RECOGNITION LIST, STARK LEARNING CENTER

Add the following names:

1. Mr. Steve Sordoni
2. Hon. & Mrs. Robert English (the former Barney Sordoni, mother of the Sordoni boys)

[Note: This appears as item 7 on the above list.]

II. On item 31 of the above list, add the following after Metropolitan Wire Corporation:

1. Mrs. Louis Maslow (Mother of Richard and widow of the former founder and President of Metropolitan Wire Corporation).

III. Item 32 of the above list re Gift of Leslie Fay, Inc.

Add the name of the present President, Mr. John Pomerantz

~~and~~

Mr. & Mrs. Sanford Mazer, Mountain Top, Pennsylvania (the present Vice President and Plant Manager of the local Leslie Fay plant).

IV. Board of Trustees

I believe that former Trustees should be invited, even as guests:

1. Mr. & Mrs. Alfred Eisenpreis
2. Mr. Ruben H. Levy
3. Miss Mary Koons

[Note: There are other former Trustees, but I believe their names appear under other designations on the various lists].

V. Judges of the Court of Common Pleas of Luzerne County:

1. President Judge Bernard Brominski
2. Richard Bigelow
3. Robert Hourigan
4. Edward Lopatto
5. Peter Paul Olszewski
6. Bernard Podcasy
7. Arthur Dalessandro

RETIRING FACULTY MEMBERS

CONVOCATION INVITEES (cont'd)

VI. Federal Judges in the U. S. Middle District Court Area:

1. Chief Judge Michael Sheridan
2. William J. Nealon
3. Malcom Muir
4. R. Dixon Herman
5. Bankruptcy Judge, Thomas C. Gibbons

On each of the above list, add the following after Metropolitan Wire Corporation:

Mrs. Louis Maslow (Mother of Richard and widow of the former founder and President of Metropolitan Wire Corporation)

On each of the above list as Gift of Leslie Fay, Inc.

and the name of the present President, Mr. John Pomerantz

Mr. & Mrs. Sanford Green, Norristown, Pa., Pennsylvania (the present Vice President and Plant Manager of the local Leslie Fay plant)

Board of Trustees

I believe that former Trustees should be invited, as follows:

1. Mr. & Mrs. Alfred Gierowski
2. Mr. Ruben M. Levy
3. Miss Mary Evans

Notes: There are other former Trustees, but I believe their names appear under other designations on the various lists.

Judges of the Court of Common Pleas of Lehigh County:

1. President Judge Bernard Hinkowski
2. Richard Blawie
3. Robert M. Light
4. Edward Lopatin
5. Judge Paul Gierowski
6. Bernard Polansky
7. Arthur Balogh

LEARNING CENTER DONORS

\$2,500 to \$7,199

Total
\$192,854.78

Loren M. Berry Foundation

Mrs. Grace Clift

Consolidated Cigar Company

Dr. Harold E. Cox

Craft Associates

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Dairylea Cooperative, Inc.

Mr. & Mrs. Edward Darling

Mr. & Mrs. William Davidowitz

Seymour Dimond

* Eastern Pennsylvania Supply Company

Eberhard Faber, Inc.

Dwight Fisher

M. Joseph Finneran

Franklin Federal Savings & Loan Association

A. Guy Freas

Hanover National Bank of Wilkes-Barre

Haskin & Sells

Raymon R. Hedden & Company

Andrew Hourigan, Jr.

J & H Concrete

Caroline Kutzner

Learning Center Donor

Lacy, Atherton & Davis

Edythe Rudolph Landau '48

Llewellyn & McKane, Inc.

Marquis George MacDonald Foundation

Mr. & Mrs. Arnaud Marts

Esther Wargo McCormick '68

Robert H. Melson '35

The Merck Company Foundation

Amby Nolan

Northeastern Bank of Pennsylvania

Mr. & Mrs.* Adrian Pearsall '51

Mrs. Elizabeth Peruzzi

Emma L. Reed

Rosenn, Jenkins & Greenwald

Rowlands Refrigeration Service

Mr.* & Mrs. Joseph J. Savitz '48

Marvin Schub

Sears Roebuck Foundation

Mr. & Mrs. Louis Shaffer

George B. Sordoni '69

Sunday Independent

J. L. Turner Company

UGI Corporation

Mr. & Mrs. Charles Waller

M. W. Wood Catering

Princeton Dean Speaks

Wilkes Dedicates Learning Center

Higher education was charged with the responsibility of preparing the nation's youth to fill a gap in national leadership in an address delivered Saturday morning at the convocation and dedication of the \$7-million Stark Learning Center and the William B. Schaeffer Memorial Hall on the Wilkes College campus.

Dr. J. Douglas Brown, provost and dean of the faculty emeritus at Princeton University, was the keynote speaker at the morning ceremony that drew more than 500 donors and friends of the college to the courtyard of the new educational facility.

Many of those who attended were graduates of Wilkes College, who are back on the campus this weekend for the 28th annual Homecoming.

Dr. Brown, who spent almost a half century in higher education and as an economist was one of the designers of the nation's Social Security program, spoke out strongly for the advantages of a liberal education at the collegiate level.

"I am convinced," he told the group, "that the great need for wise leadership in the governments, corporations, institutions, and communities of our country demands that all of us concerned in higher education should reemphasize and vigorously sustain a long-tested approach to the education of our youth which has provided us with leadership in the past and will again in the centuries to come."

The Princeton educator was honored in 1971 when Elliott L. Richardson, then Secretary of Health, awarded him the highest award of the Social Security Administration, the Arthur J. Altmeyer Award, for his contributions to Social System updating over four decades.

Dr. Brown related his address to the Bicentennial theme as he spoke on "Liberal Education for Leadership: 1776-1976."

"The founders of our country in both the Continental Congress and the Constitutional Convention felt and understood that a society rose or fell according to the qualities and aspirations of the individual within that society and not because of vast systems of management or elaborate technologies," he said. "It was a time when the individual counted and valued his freedom of self-expression and not merely his wealth, influence or social status."

Dr. Brown traced the educational qualifications of those who drew up the Declaration of Independence and the Constitution and pointed out that 31 of the 55 involved in the Constitutional Convention were college graduates with liberal educations.

"The program of study in the colonial colleges is well known," he explained. "It differed in content from that covered by most students in liberal colleges today because of the develop-

ment of the sciences and social sciences since that time and a lessened dependence upon the classics.

"But, compared to the best of liberal education today, the purposes, approach, methods and results were remarkably the same," he said. "The great change in American higher education in the last 200 years is not that the liberal approach in higher education has disappeared but that it must now strive to perpetuate itself against a massive pressure toward size, impersonality, 'practicality' and specialization in publicly financed higher education."

Acting President of Wilkes College Robert S. Capin presided over the almost two-hour ceremony, introduced the distinguished guests who were on the program for expressions of appreciation, and then closed the program by accepting the new learning complex as the chief executive officer of the college.

The acceptance became formally official when Mr. Capin said: "As the acting president of Wilkes College, I humbly and gratefully accept at this time the addition of the Stark Learning Center and the William B. Schaeffer Memorial Hall as vital parts of our educational resources. May it serve mankind through the accomplishments of the young people who use its facilities."

Congressman Daniel J. Flood, a long-time friend of the college, headed those who made remarks. He traced the de-

velopment of the learning center from the time a need for it was created by a major fire in 1968. And he paid tribute to the late Dr. Eugene S. Farley, first president of Wilkes College, and his successor, Dr. Francis J. Michelini, "for pursuing a determined course that led to the realization of a dream."

The Honorable Max Rosenn, judge in the U.S. Court of Appeals and a member of the Wilkes College Board of Trustees, presided over the special dedication for the William B. Schaeffer Memorial Hall.

Judge Rosenn, a long-time friend of the late Mr. Schaeffer, paid tribute to the man after whom the lecture hall was named. He cited his interest in education, particularly his friendship and concern for Wilkes College.

"When Wilkes College was organized," Judge Rosenn said, "he (Mr. Schaeffer) at once saw its importance in elevating the cultural and economic life of the community and brightening the horizons of its young people. He personally but unobtrusively contributed substantial sums to its support during the early days. Quietly and effectively, he persuaded his friends to do likewise."

Dr. Eugene S. Farley Jr., son of the late first president of Wilkes College, was one of the featured speakers. Dr. Farley paid tribute to those who followed through on his late father's dream of having a major learning

center complex on the Wilkes campus and addressed himself to the needs of science in an ever-changing world.

An honorary doctor of science degree was conferred upon John D. MacArthur, a native of this region, who has built one of the largest business empires in the nation and is reputed to be worth in excess of \$900 million.

In conferring the degree, Acting President Capin referred to Mr. MacArthur as one who has demonstrated what can be attained by those who have not only the imagination, but the will to work to achieve goals they have set. Tribute was also paid to Mr. MacArthur's brother, Charles, who gained fame in his own right as the author who collaborated with Ben Hecht in the writing of the play "Front Page."

Expressions of appreciation were made by Atty. Joseph J. Savitz, chairman of the Wilkes College Board of Trustees; Dr. Charles B. Reif, chairman of the Biology Department at Wilkes; Edward Zaborney, president of the Wilkes College Student Government; Donald F. Carpenter and Andrew J. Sordani III, on behalf of the donors; and Dr. Joseph Stephens, national president of the Wilkes College Alumni Association. Invocation and Benediction were given by the Rev. Roy Williams, Ph.D., associate professor of Philosophy and Religious Studies at Wilkes.