



BY CLEM MORGELLO

WALL STREET

WHAT WALL STREET WANTS

Wall Street got its "resignation rally" last week, but it wasn't quite what was expected. In the months before the fate of President Nixon moved to its climax, brokers speculated that a resignation would be good for at least 100 points on the Dow Jones industrial average. What they got was 45 points in the three rumor-filled days before Nixon announced his resignation—encouraging, but not spectacular. Volume wasn't impressive, although odd-lot sales were among the buyers for the first time in months. Profit-taking set in on the day of the actual announcement.

The simple fact is that Nixon's departure has taken care of only one of the so-called "Three I's" that have been bothering the market—impeachment, inflation and interest rates. The air has been cleared. That is obviously an event of great psychological importance, but it doesn't provide the answers to the inflation and interest problems. And, in truth, most brokers have very little in the way of new advice to offer President Ford about these matters. They think the government should continue its policy of moderate credit and budgetary restraint—and from all indications Ford is inclined to do so.

Beyond these macro-economic considerations, investment men do hope that the Ford Administration will make some constructive moves in an area of vital

concern to all industry as well as to Wall Street—the capital markets. According to one savvy estimate, the nation must invest \$4.5 trillion during the next ten years on plant and equipment, inventories and housing; that's triple the amount laid out during the past decade. As much as \$65 billion of the \$4.5 trillion may have to be raised from stocks and many times that from bonds.

EQUAL TO THE TASK?

How close America comes to meeting these boxcar numbers will, of course, determine the number of new jobs that are created and the level of the nation's standard of living. Unfortunately, the fear is now growing that the U.S. capital markets may not be equal to the task. The ability of industry to raise money has been deteriorating, a trend most noticeable among electric utilities. Beyond this, Wall Street's ability to market securities is being constricted by the attrition among brokerage firms. The willingness of public and institutional investors to buy has also diminished sharply.

To help remedy this situation, leading Wall Street men would like to see the Ford Administration create a central office to coordinate government activities relating to the capital markets, with a view toward insuring their health. There is no organization to do for the capital markets what the Federal Reserve

Board does for credit, for example.

A small delegation of powerful Wall Street executives recently urged their views on Administration officials. One of the delegates, president Donald Marron of Mitchell, Hutchins, suggests other, more specific, ways the markets could be strengthened.

■ Increase the amount of capital losses that an individual can deduct from ordinary income in a single year. The current limit is \$1,000. Marron suggests that raising that limit to \$4,000 or \$5,000 would tempt more individuals to take a chance on stocks and provide the liquidity Wall Street so badly needs.

■ Allow brokerage houses to set aside tax-free reserves out of current income. The reserves could be used to tide the brokers over lean periods in their brutally cyclical business. The ultimate objective, of course, is an improved ability to market industry's stocks and bonds.

■ Clear up the legislative and regulatory uncertainty surrounding issues such as negotiated rates and the central market. Marron believes that many brokers are discouraged from making future plans because matters are up in the air.

Such measures would obviously help fatten the profits of Wall Street firms. But it would be worth the price if they also strengthened the ability of industry to raise the money it so badly needs.

THE WEEK'S ACTION			AUG. 5-9
	Close	Point Change	Volume in millions of shares
DOW JONES Industrials	777.30	+24.72	
NYSE Composite	42.39	+1.22	66.6
AMEX	79.05	+2.39	7.4
NASDAQ Composite	70.69	+1.29	16.8