

# The Future Of The European Capital Markets

## AN AMERICAN INVESTOR'S VIEW

Address by JOHN J. BRENNAN, *Chairman, The Vanguard Group*

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It's a pleasure to be here today in Amsterdam, one of the world's great financial centers, and the home of one of the world's oldest stock exchanges. Amsterdam's Dutch East India and West India companies played an important role in the spread of commerce and capitalism around the world. And who knows? If history had gone a little differently and the Dutch had held onto a little settlement in the New World, America's leading stock exchange today might be called the New Amsterdam Stock Exchange, and I might be here speaking to you in Dutch.

I've been asked to offer an American investor's perspective this morning on the future of the European capital markets. Judging from what we hear in the media, what many American investors want most from any stock market is something very simple: Double-digit returns. A recent cartoon in the *New Yorker* magazine summed it up well. Two parents are gazing down at the bed where their child sleeps peacefully, and one says to the other, "Of course he looks peaceful. He's lived his entire life in the bull market." Indeed, things have been going remarkably well — just this month, we established a record for the longest economic expansion in America's history.

Cartoons aside, what investors really want goes far deeper than double-digit returns. And actually, it is much more of a qualitative issue than a quantitative one. But before I get at the question of what investors want, I'd like to point out that this is a question that wouldn't have even been asked 30 years ago. The very fact that you are raising the question at your conference says something quite important about a new paradigm in investing. A revolution has been quietly taking place. In America, we've taken a nation of savers and turned them into a nation of investors. In the process, the power in the investing transaction has shifted from the sell side to the buy side ... it has moved from the broker ... or the market maker ... or the specialist ... to the investor. And that change is irreversible in the U.S. and will spread worldwide. Revolutions never go backward.

By their sheer numbers alone, individual investors constitute a tremendous force in the capital markets these days. Let me make the point with a few U.S. statistics. Nearly half of American households (over 48 million households) own equities either in mutual funds or in individual securities — a dramatic rise from the 6% of households (less than 5 million) that owned them in 1980. The U.S. mutual fund industry manages nearly \$7 trillion. The \$7 trillion includes \$278 billion invested in overseas markets through U.S. mutual funds with an international investment objective — and \$22 billion of that is invested in European region funds (as of November).

Today, of course, many of the decisions about when and where and how to invest people's money are being made by huge institutions. Institutional investors — mutual funds, pension funds, and insurance companies — now manage more than two-fifths of American households' financial assets, twice as much as in 1980. Mutual fund companies are a particularly visible force in the markets because so many people have switched from buying individual securities to investing in funds. Mutual

funds have become the largest consumer financial business in the United States, surpassing the traditional savings institutions — retail banking, retail insurance, and the savings-and-loan industry.

At the same time, we've developed an increasingly strong equity culture in the United States. Americans have realized they must invest for retirement instead of relying on government or employers to provide for them. Assets held in equity mutual funds have gone up 800% since 1990, from roughly \$246 billion to almost \$2 trillion today. Will a strong equity culture take root in Europe? I think it's bound to. It's an economic necessity given Europe's demographics.

To pay for their retirement in the future, people in America and Europe will have to generate meaningful real returns, and equities are the way to do so. As my friend Koen De Ryck of Pragma Consulting notes, in a new report for the European Commission on best practices for European pension funds, people have begun to live longer, healthier lives in the last 50 years. In the United Kingdom, men and women live on average 19 years in retirement, due to a combination of longevity and earlier retirement; just after World War II, in contrast, men on average lived one year past retirement. And to go back still further, the Pragma report points out that when Germany started the Bismarck-type social security retirement system just a little over a century ago, only one out of six people reached normal retirement age.

So, as far as the capital markets are concerned, you might say that individual investors, because of their dollars, their growing passion for equities, and their need to fund secure retirements, have become the proverbial 800-pound gorilla — a creature that has a way of getting and keeping your attention. I'm thinking of both the individual and the institutional investor this morning as I offer my view of the five fundamental qualities that investors are seeking from the markets and from financial-services companies.

### I. Easy access

Investors today want easy access to the financial markets. They want it because the Internet has taught them to expect anytime/anywhere access to everything. Investors who've gotten used to being able to shop for books or toys or bid on airline tickets on the Internet also want to be able to invest online. The Internet brings buyers and sellers together conveniently and cheaply — with minimal assistance from middlemen.

So we've seen brokerage firms and mutual fund companies race to provide that anytime/anywhere access. And we now see the securities markets expanding their trading hours to enable worldwide trading and to accommodate investors who want to transact outside of the traditional trading day.

The evidence suggests that investors who trade in stocks directly have been faster to take to the Internet than mutual fund investors have. Online brokerage accounts are expected to reach 20.4 million in three years, up from 5.4 million at the end of 1999. Of course, the idea of trading stocks anytime and any-

where can lead to ridiculous extremes. Business Week reports that one U.S. brokerage firm has even made online trading available on the Colorado ski slopes — the trading kiosks were set up in lodges halfway down the ski runs at Vail.

Technology is also revolutionizing the institutional investor's view of the markets. Technology has led to the rise of cheap electronic communication networks (ECNs), which threaten to put the old-style securities marketplaces out of business. Many of your markets are much further along than ours are in the evolution toward electronic trading, so you must be watching turmoil at the U.S. stock exchanges with great interest — and a bit of amusement. There's currently a great ferment as our established stock exchanges try to reconstitute themselves. Thus, both the New York Stock Exchange and Nasdaq want to go public to raise capital to make themselves more competitive. The NYSE and several major brokerage houses are investing in ECNs. Meanwhile, a number of ECNs have applied to obtain exchange status so they can trade the full universe of New York Stock Exchange stocks. All in all, it makes for what one of my colleagues at the Securities Industry Association calls a "spaghetti chart" of firms increasingly playing the roles of competitors, customers, and colleagues.

What's revealing about this trend is that the real impetus for easier access to the markets has come not from the established players in these markets, but from "outside forces" — ECNs are a major one — abetted by regulatory changes, which have encouraged greater competition. Where are we headed?

For a bit of perspective, think back to the original information highway that linked American and European capital markets: the transatlantic telegraph cable that was laid across the ocean floor between Ireland and Newfoundland in the second half of the 19th century. Before the cable, it took weeks to send a buy or sell order by mailboat — the original snail mail! — between London and New York; afterward, the same communication took just minutes. The cable, permanently established in 1866, enabled financiers to move quickly in and out of the markets in response to news events — an important breakthrough that attracted more European capital to the expanding American economy, which back then was just another emerging market. But when the cable was first laid, the future was unimaginable. J.P. Morgan's father, Junius, told him from London at the time: "None of us can properly estimate the effect of this success upon the world, nor do we really grasp in our minds the magnitude of what has been accomplished."

Like Junius Morgan, I believe that none of us at this point can properly estimate the ultimate effect of the Internet and electronic trading upon the world, nor do we really grasp in our minds the magnitude of the accomplishment. But it's clear that the technology is erasing the geographic boundaries between our existing markets and creating some enticing new possibilities. Why maintain a physical trading floor for what is essentially an electronic business? In the future, we are likely to be doing our investing through cybermarkets that consist of exchanges integrated globally through high-speed data lines and satellite uplinks. Large companies will list their shares globally and trade around the clock. And it will be as easy — and cost-effective — to buy Microsoft from Frankfurt as it is from Philadelphia, where Vanguard is based.

There's no doubt in my mind that increased access to the markets will prove liberating in the long-term, but I do think it has the potential to be disruptive in the short-term. The risk that most concerns me is the potential for fragmentation of the mar-

kets in this transitional period if each entrepreneurial ECN venture is developed in a vacuum. As markets move toward a new business model, the risk in letting 1,000 flowers blossom is that competition could siphon liquidity from our traditional markets, to the detriment of investors and the markets. The tension between fragmentation and competition has existed for years. It's simply accentuated by the speed of change today. I am of the opinion that the number of these new markets can proliferate, but to promote fair access, they must be linked through a central facility, or limit order book, that preserves price and time priority. It is essential that careful planning be done to keep these new markets linked together.

Think of the business model created by the American website, Priceline.com, which allows consumers to bid online for cars, airline tickets, mortgage rates, and other products. Today, on Priceline's website, I can enter a bid for a four-star hotel room in Paris and wait to hear whether my offer has been accepted. (Of course, for now, "Paris" on Priceline means only Paris, Texas, or any of the 23 other Parises that you've never heard of in the United States!) But I think the Priceline.com business model is a great hypothetical for the markets. Perhaps someday, in the not-too-distant future, investors will be buying stocks in a Priceline.com fashion. (Actually, this really is what a limit order book is today. You stick a bid out there and wait to see if anyone is willing to hit it.)

In short, the message may be written digitally in cyberspace, but it's as clear as any handwriting on a wall: Markets that adapt and shift from the trading floor to the trading screen will be the winners. The losers will be those that rely on full service, a high-cost infrastructure, and face-to-face interaction.

## II. Transparency in Pricing/Free Flow of Information

The second thing that American investors desire from the markets is free flow of information and transparency in pricing — that is, timely price data, visible and understandable to all participants. Thanks again to the explosion of financial information that has occurred over the Internet and via traditional news media, today's individual investor has unprecedented access to information — the sort that was once available only to institutional investors. Instead of checking a stock price in the morning newspaper, an investor can go to the World Wide Web to check stock prices through real-time stock tickers. Corporate announcements, securities prices, and financial statistics are all a few clicks of the mouse away. The Nasdaq Stock Market's full quote display, once for dealers only, is now available to individual investors through many online brokers. And thousands of investors every day sift through the quarterly and annual filings of American corporations thanks to the SEC's EDGAR database.

The U.S. markets are about to make a long-overdue move to pricing stocks in decimals instead of fractions — something that happened here nearly 200 years ago. SEC Chairman Arthur Levitt has called this change "nothing less than a watershed for our markets." The use of decimals will create much greater price transparency and much narrower bid/ask spreads among the largest stocks in our markets, and more individuals may choose to become investors once the prices are easier to understand. This does not come without some potential costs, however. It is very possible that liquidity could decrease. We are going to have to watch this carefully as we move forward at a deliberate pace.

Thanks to Bloomberg, we're also benefiting from greater transparency in the bond markets. Before Bloomberg, you

needed a research department and a trading department to obtain bond market data and sophisticated analysis. Now, news and information and literally thousands of analytic functions are at your fingertips with a Bloomberg box on your desk. The number of billable terminals worldwide has grown to 126,000 from 10,000 ten years ago. In that time, the bond markets have become far more efficient. Interestingly, from our perspective as bond fund managers, that has made it much more difficult for actively managed bond funds to outperform the indexes.

The pressure to clarify pricing has again come from outside the established markets. The American brokerages fought the decimal change for years, long after the rest of the world converted. It took Bloomberg, a newcomer, to revolutionize the bond markets. Regulatory bodies have also played an important role in the drive toward greater transparency. The SEC's crackdown on price-fixing in the Nasdaq has led to a more efficient over-the-counter market. (There is still plenty of room for improvement, though.) The SEC made sweeping changes in its rules governing share trading, and Nasdaq was required to make public many prices that previously were offered exclusively via electronic systems for big orders.

Is there a downside to greater transparency? Yes. We know it as information overload. The availability of information tends to make investors think they should act on it. Yet, trading on every bit of information they receive is bound to be a losing strategy for most people. And individual investors aren't the only ones seduced by short-term thinking. Sometimes we see even large, sophisticated institutional clients abandon their long-term perspective in favor of market-timing. Does information feed speculative fever? Is it the perfect growth medium for another outbreak of Tulipmania — 400 years after the first frenzy?

This may be an inevitable side effect of an information explosion. Indeed, a similar sort of thing occurred with the advent of the telegraph, according to a new book about the Rothschild family. As early as 1851, James Rothschild was grouching that "anyone can get the news. Every day at 12 they send a dispatch, even for trivial deals," he complained. A hundred and fifty years later, investors seem to be displaying similar tendencies. There's no question that investors must learn how to make the most prudent use of all the information that's available — they must learn to distinguish what's important from what's just noise. They must also start to realize their limitations.

In the long term, the free flow of information is good for investors and good for the markets. Investors making decisions about buying and selling securities want to know that the information they rely on is as good as it can be. When individual investors have tools that were once available only to professionals, it does a great deal to level the playing field. Ultimately, what transparency in pricing and the free flow of information are about is fairness. Transparent markets are markets that will attract more investors. The meltdowns in Asian and Russian markets in recent years are proof of what happens when investors don't get adequate information.

I would like to call special attention to one transparency issue that particularly concerns us all. Accounting is the language that businesses use to communicate financial data to prospective investors. To sort out the numbers in financial reports from different countries, there must be a common language for communicating that information — an international accounting version of Esperanto, if you will. How important is this issue? The Economist tells us that in 1993, Daimler-Benz reported a profit of 168 million Deutschmarks, according to Ger-

man accounting standards. But under U.S. GAAP, the company had a loss of almost a billion Deutschmarks for the same period. The International Accounting Standards Committee (IASC) has been working to develop a common, worldwide language for financial reporting. From an investor's point of view, it's critical that we have the highest common denominator among accounting standards for our worldwide standard.

### III. Lower Costs.

In addition to easy access and transparency, investors want the best execution at the best possible price from the markets. What best execution is really about is lower costs. When you can get discounts on everything from cars to computers, why would you want to pay more than you need to make an investment? Investors, both individuals and professionals, have become increasingly aware of the importance of costs in recent years. From my perspective as the head of a company that has repeated the mantra "Costs matter!" for 25 years, cost awareness is still not as widespread as it should be. In recent years, the drumbeat about costs has been drowned out somewhat by the outsized returns investors have been reaping from the markets. Still, the news about costs is more good than bad for institutional and individual investors.

First, the cost picture in mutual fund investing: In recent years, the most rapid growth in assets has occurred at the lowest-cost fund groups in the United States — a tribute to a lot of things, one of which is the value-consciousness and intelligence of U.S. fund investors. We believe, too, that this is a trend that will take hold in other markets.

American investors who buy and sell stocks online are benefiting from a great price war among the online brokerages these days. Costs are expected to drop further. Already, online brokerages are actually offering free trading to high-net-worth clients. Even Merrill Lynch finally joined the fray last year and decided to offer discounted Web trading. The message from investors to the brokerage community is this: Agents who execute buy and sell orders are providing a commodity service, and they have no justification for charging high commissions.

A quieter price war is being waged by institutional investors. A few months ago, Institutional Investor magazine reported the results of its annual survey of execution costs. Overall, the magazine found dramatic improvements in the cost of trading on stock markets worldwide in 1998. In the United States, the average cost of executing a trade on the Nasdaq Stock Market, as measured by the bid/offer spread, fell by 23% in 1998 — to 29.9 basis points of the trade's value from 39 basis points, the third straight year of decline. On the NYSE, execution fell even more — by 25%, from 31.5 basis points to 23.6 basis points. The magazine said NYSE-listed shares had the cheapest execution costs in the world. Execution costs also have dropped sharply here in Europe in recent years, but Institutional Investor said that this trend slowed in 1998. Worldwide, institutions paid an average of 10% less to execute a trade in 1998 than they did in 1997 — total costs came down from 65.9 basis points to 59.6 basis points.

No single force has done more to bring down costs for institutional investors than the electronic communications networks — again, a newcomer on the scene. Instinet, the largest ECN, had an average daily transaction volume of 170 million shares last year. Instinet and eight other electronic networks commanded roughly 30% of Nasdaq volume in 1999. Within a few years, experts predict they could take 50% of Nasdaq's business. We think cost pressures are sure to grow stronger as

the globalization of the markets continues. Fragmented markets are particularly wide open to competition from ECNs.

#### IV. Performance Accountability

The fourth thing that investors want from the markets is accountability for performance. Increasingly, accountability means relative predictability of performance. Mutual fund investors are more benchmark-sensitive than ever before. The torrent of dollars into index, or tracker, funds proves the point. Index funds provide the market return, or very close to it, which eliminates the manager risk and stock selection risk that go with active fund management. In a volatile market, index funds can seem like a relatively safe haven compared with investing in individual securities or in actively managed funds.

Institutional investors were the first to discover the benefits of index investing, but the strategy has now been embraced by the public. Last year, nearly 40% of U.S. mutual fund cash inflows went to index funds, compared with just 11% in 1996. In the interest of full disclosure, I should remind you that my firm, Vanguard, dominates the tracker mutual fund business in the States, with more than 60% of the market.

Some critics say that indexing is a short-term phenomenon — just a fad that will fade away once momentum leaves the large-cap stocks in the S&P 500 Index. But this is too narrow a view of indexing. Indexing is not limited to the S&P 500; it is a low-cost method of gaining exposure to nearly any market segment and any market. We think indexing's attractions are enduring ones, and we think indexing is a strategy that will continue to gain ground in the United States. It is already winning acceptance in Holland and elsewhere in Europe; we think it will continue to win converts worldwide as markets become increasingly efficient.

Interestingly, indexing has become such a force in setting investor expectations that it is now affecting the behavior of active fund managers. The "market return" used to be a theoretical topic. But market return has become quite real now, thanks to the high visibility of low-cost, well-managed index funds. And the ability of investors to obtain the market return by purchasing one or more index funds has put additional pressure on traditional investment-management firms to do better than the market — if they can. Mutual fund companies know that today's investors are less likely to stick with a fund that's underperforming. (A tell-tale sign is the "closet indexing" of a number of big actively managed funds. The managers of those funds invest most of their assets in the stocks that make up the bulk of the S&P 500 — and yet charge their investors fees that are three to ten times as high as those of a basic index fund!)

#### V. Consistent and Intelligent Rules

There's one final thing that investors want from the securities markets, and although it's the last one I'll discuss, it is by no means the least important of the five: Investors want consistent and intelligent rules.

Investors want to be treated fairly and uniformly. They expect that the markets will be orderly and the rules will be consistent for everyone, no matter how, where, or with whom they are trading or whether they're institutions or individuals. Unfortunately, the reality is that we confront a multitude of an array of markets, each run according to a different view of what's consistent and intelligent in rulemaking. As globalization progresses, there's no question that the markets will have to move toward greater consistency in their rules and rulemaking.

I'm not about to stand up here this morning and pontificate on what those rules should be. There's an old story about the

man who, on leaving the modern art museum, said, "I don't know much about modern art, but I know what I like." I'll take a similar approach when it comes to the complexities of regulatory issues across a global economy.

We can all recall occasions when the rules didn't work. To cite just one incident, remember the panic that ensued when the Malaysian government imposed capital controls in 1998? Malaysia was expelled from global benchmark indexes, and although it's now being returned to the Morgan Stanley Capital International indexes, we all probably feel "once bitten, twice shy" — to use an old English saying.

That investors have found the rules in the American financial markets to be generally fair and consistent — and ever-improving — is due in large part to the way in which our industry is governed. Ours is largely a self-regulated environment, with the Securities and Exchange Commission serving as a sort of a guiding hand. As you may know, the SEC was created by Congress after the 1929 stock market crash to restore and maintain public confidence. As such, the SEC's primary mission is to safeguard investor interests — not the interests of the stock exchanges or the interests of corporate financial officers or the interests of Wall Street firms. Although the SEC possesses regulatory and enforcement authority, the agency has, whenever possible, allowed free-market forces to solve market problems. The self-regulatory aspect of our system also rests on the exchanges and the National Association of Securities Dealers, which establish legal and ethical standards of conduct for their members.

Has it worked? The market capitalization of the American stock market tells you something about the high degree of trust the U.S. markets enjoy with investors from all over the world. (We could debate whether current prices suggest that investors have too much confidence in those markets, but perhaps that topic is best left for another time.) In any case, the world's investors have a tremendous amount of confidence in the American markets.

And let's take this one more step. Consider the fact that mutual funds have essentially supplanted commercial banks as the preferred place for American families to keep their short-term cash reserves. Commercial banks held half of household financial assets in 1950 — that portion is barely one-fifth today, according to *The Economist*. Households have shifted their money from bank accounts — which are insured for up to \$100,000 by the U.S. federal government — to money market mutual funds — which are not insured by the government at all. It is possible to lose money, as we point out in every money market fund prospectus we write. But money market funds have not needed a government guarantee to win the confidence of investors.

I mention the American system of rules not to hold it out as the only model for European or other countries, but to make the point that consistent and intelligent rules protect investors and encourage innovation. No matter how the financial markets arrive at their rules as globalization progresses, they should have two goals in mind: Protect the investors, and encourage innovation. It's not only the right thing to do; it's the profitable thing.

This morning I've outlined five critical success factors for markets, based on my point of view as an individual and institutional American investor. To recapitulate, investors want these five things: easy access to the markets, transparency, relative predictability of returns, low costs, and consistent rules. You've

probably noticed that, in discussing the fifth item, I've mentioned the notion of public confidence in the structure of the markets.

The fact is, you can have a market without the easy access made possible by silicon chips and fiber-optic cables. You can have a market without the transparency of prices and the free flow of information. You can have a market without providing relatively predictable returns to investors ... you can have a market that's oblivious to cost concerns ... and you can have a market with unintelligent and inconsistent rules. But you can't have a market without investor confidence.

For a market, at its most basic level, is a place where a buyer and a seller meet. And the markets ultimately rely on one asset

to attract both buyers and sellers: confidence in the markets' integrity and processes. Over and over again, the world has seen what happens when investors suddenly and dramatically lose confidence in a particular market. Whether we're talking about the structures of the U.S. markets or the European markets or the emerging markets, none of them works unless investors believe that they're getting a fair shake.

Investor confidence in the markets is good for the markets, and it's good for the corporations that raise capital in the stock markets. Ultimately, it invites a broader array of investors to participate in the markets — and to borrow John F. Kennedy's analogy, that's a rising tide that lifts all boats.

Thank you.

# Mental Health Services In Rural America

## IMPROVEMENTS IN MENTAL HEALTH CARE

Address by BERNARD ARONS, *Director of the Center for Mental Health Services*

*Delivered to the National Advisory Committee on Rural Health, Washington, D.C., February 8, 2000*

I thank you for the invitation to join you this morning, and for your decision to include mental health and substance abuse issues in your consideration of the health needs of rural America.

One in five Americans suffers from a mental illness, short-term or long-term. Contrary to public sentiment about the benefits of fresh air and open space, that number is not substantially smaller in rural areas than in our cities. But people in sparsely populated areas are far less likely to receive mental health care, and I will outline some of the reasons for that today.

Because I know you consider the source of your information — as well you should — let me just take a moment to introduce the Center for Mental Health Services.

We are one of the three Centers of SAMHSA, the Substance Abuse and Mental Health Services Administration, which was created in 1992. Our primary mission is to find better ways to deliver mental health services. We study promising techniques, and when those studies show that a practice produces better outcomes or produces them more efficiently, we don't put that information on the shelf to gather dust.

We may fund additional research to see, for instance, how a practice that worked well in the city performs in a rural area. Or how a technique that worked well for a Latino community performs for a largely white population. In seven years, we have developed a strong reputation for coming up with ideas that work. For instance, states from California to Rhode Island are now restructuring their children's service programs to incorporate ideas that were developed by CMHS.

Another vital mission of CMHS is to increase access to mental health services. There are many obstacles between Americans who need those services and the people who deliver them, and no one faces more obstacles than the citizens of our rural areas.

By some definitions, nearly 25 percent of the American population lives in rural areas. One in four Americans. Yet as Joel Dyer, author of *Harvest of Shame*, says: "Rural people feel powerless and disenfranchised because they are powerless and disenfranchised." In part because their voting power is dispersed, in part because they remain unorganized around most issues except perhaps farming. In part because a growing share

of their political leaders have no first-hand knowledge of rural life.

So when we contend that one of five of those people will, at some point, need mental health care — which has, historically, been another low priority in our government — it is hard to imagine who is going to come to their aid.

I am going to proceed to outline four basic issues in rural mental health, but they are simply for your understanding of the problem. They're not new. They were included in the report on rural mental health done by the U.S. Department of Health Education and Welfare in 1969 — more than 30 years ago. They were reiterated ten years later in the report of the President's Commission on Mental Health. Reports have been written, but little attention has been paid.

What can we do to change that? After I review these four basic issues, that's what I'd like to talk about today.

The most pressing issue in rural mental health care delivery is one with which you are regrettably familiar, and that is simply inadequate resources. A population of seven or even 27 people per square mile cannot support a mental health counselor with a doctoral degree. They cannot achieve the economies of scale needed to support a mental health clinic.

For that reason, rural mental health care has always depended on public funding. Excluding government employees, fewer than 10 percent of U.S. counties with populations of less than 2,500 have a psychiatrist. Fewer than 20 percent have a licensed social worker.

And the trend today is away from subsidizing social services with public funds.

There are other trends that do not bode well for rural mental health care. The trend toward specialization continues in health training and credentialing, oblivious to the recommendations in all those reports that have called for more generalists in rural areas — and for interdisciplinary post-graduate training to broaden the skills of all those specialists.

Another trend, of course is toward managed care, and managed care systems are too often the brainchild of city-dwellers who never had to drive 40 miles north to get a referral to see another doctor whose office is 40 miles south. Managed care is often a burden of paperwork imposed on a health care system