its share of total U.S. factory employment fell below its share of the U.S. population. Since the mid-'Fifties, added the Committee, this sector of the state's economy has plunged more than 20%, leading to a loss of over 400,000 jobs. Out-migration and plant relocation mount apace. "The situation is drastic."

Nor are reasons far to seek. While the Committee cites several, including lack of industrial space, labor attitudes and out-of-state incentives, it points a clear-cut finger of blame at the deteriorating business climate. In explaining their reasons for leaving, corporate spokesman repeatedly cited such adverse factors as unemployment insurance for strikers and the high tax burden on middle-income and upper-bracket executives (which, by the way, the Committee would like to see lowered). Since Rocky's departure, the state's legislature has made several sensible moves—repealing the so-called cardboard tax, doubling the investment tax credit and amending the state sales tax to broaden further the manufacturing exemption. If campaign speeches are any guide, whoever captures the governor's mansion come November, whether Republican or Democrat, will try to keep the legislative pendulum swinging the right way. New York State, in sum, already has gained by Rockefeller's departure. Its gain should not be the nation's loss.

# SENATE—*Wednesday, August 21, 1974*

The Senate met at 9:30 a.m. and was called to order by Hon. SAM NUNN, a Senator from the State of Georgia.

## PRAYER

The Chaplain, the Reverend Edward L. R. Elson, D.D., offered the following prayer:

Eternal Father, who has watched over this Nation in the times past, we pray that our deliberations on this high hill of the Nation's life, may begin, continue, and end in Thee. May we enter the day's work through the gateway of prayer and then worship while we work.

Correct our faulty perspectives by the view of broader horizons. Spare us from fondling past evils and from lugging ancient failures into the future. Let Thy refining fire sweep through the Nation, forgiving our sins, healing our brokenness, and cleansing the roots of our national life.

We beseech Thee, O God, to lead our leaders, teach our teachers, guide our legislators, inspire our Chief Executive. Give us a part in the rebuilding of the Nation on the sure foundation of God and righteousness, that we may be a bastion of moral and spiritual power and a beacon of light for the coming of Thy kingdom of justice and peace.

Through Jesus Christ our Lord. Amen.

## APPOINTMENT OF ACTING PRESIDENT PRO TEMPORE

The PRESIDING OFFICER. The clerk will please read a communication to the Senate from the President pro tempore (Mr. EASTLAND).

The second assistant legislative clerk read the following letter:

U.S. SENATE,
PRESIDENT PRO TEMPORE,
*Washington, D.C., August 21, 1974.*

*To the Senate:*

Being temporarily absent from the Senate on official duties, I appoint Hon. SAM NUNN, a Senator from the State of Georgia, to perform the duties of the Chair during my absence.

JAMES O. EASTLAND,
*President pro tempore.*

Mr. NUNN thereupon took the chair as Acting President pro tempore.

## THE JOURNAL

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the reading of the Journal of the proceedings of Tuesday, August 20, 1974, be dispensed with.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

## COMMITTEE MEETINGS DURING SENATE SESSION

Mr. MANSFIELD. Mr. President, I ask unanimous consent that all committees may be authorized to meet during the session of the Senate today.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

## CONSIDERATION OF CERTAIN MATTERS ON THE CALENDAR

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate turn to Calendar Nos. 1057 and 1059.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered. The clerk will state the first bill by title.

## AUTHORIZATION TO TRANSFER CERTAIN LANDS IN THE STATE OF COLORADO FOR INCLUSION IN THE ARAPAHO NATIONAL FOREST

The Senate proceeded to consider the bill (S. 3615) to authorize the Secretary of the Interior to transfer certain lands in the State of Colorado to the Secretary of Agriculture for inclusion in the boundaries of the Arapaho National Forest, Colo., which had been reported from the Committee on Interior and Insular Affairs with an amendment on page 1, in line 6, strike out the words "and directed" so as to make the bill read:

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That to insure consolidation of lands in the Arapaho National Forest, Colorado, and to afford the opportunity for better management of those lands, the Secretary of the Interior is hereby authorized to transfer certain lands under his jurisdiction and adjacent to the existing boundary of said national forest to the Secretary of Agriculture. Pursuant to this Act, the exterior boundaries of the Arapaho National Forest, Colorado, shall be extended to include all of the lands not presently within such boundaries lying in township 3 south, range 78 west, township 4 south, range 78 west, township 2 south, range 79 west, township 3 south, range 79 west, and township 2 south, range 80 west, sections 7 through 18, and sections 20 through 28, all of the sixth principal meridian.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

## REMOVAL OF CLOUD ON TITLE OF CERTAIN LANDS IN THE STATE OF NEVADA

The Senate proceeded to consider the bill (S. 3518) to remove the cloud on title with respect to certain lands in the State of Nevada which had been reported from the Committee on Interior and Insular Affairs with amendments on page 1, in line 7, after the word "under" insert the words "section 7".

On page 1, in line 9, after "(13 Stat. 30)," strike out the following language: "and which were contained on 'Clear Lists' transmitted to the State of Nevada by the Department of the Interior,".

On page 2, in line 4, after the word "issue" insert "to the State of Nevada". so as to make the bill read:

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That notwithstanding any other provision of law, all right, title, and interest of the United States in and to all lands which the State of Nevada, prior to the date of the enactment of the Act of June 16, 1880 (21 Stat. 287), sold and patented on the basis of the grant to it under section 7 of the Act of March 21, 1964 (Nevada Enabling Act) (13 Stat. 30), shall be deemed to have been vested in the State of Nevada as of the time such lands were so sold and patented.

SEC. 2. The Secretary of the Interior is authorized to issue to the State of Nevada such documents or other instruments as may be necessary to carry out the purposes of this Act.

The amendments were agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

## EXECUTIVE SESSION

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate go into executive session to consider nominations on the calender.

The Senate proceeded to the consideration of executive business.

The ACTING PRESIDENT pro tempore. The nominations on the Executive Calendar will be stated.

## FEDERAL ENERGY ADMINISTRATION

The second assistant legislative clerk read the nomination of Roger West Sant, of California, to be an Assistant Administrator of the Federal Energy Administration.

The ACTING PRESIDENT pro tem-

pore. Without objection, the nomination is confirmed.

## DEPARTMENT OF STATE

The second assistant legislative clerk proceeded to read sundry nominations in the Department of State.

Mr. MANSFIELD. Mr. President. I ask unanimous consent that the nominations be considered en bloc.

The ACTING PRESIDENT pro tempore. Without objection, the nominations are considered and confirmed en bloc.

## NOMINATIONS ON THE SECRETARY'S DESK

The second assistant legislative clerk proceeded to read sundry nominations in the Coast Guard.

Mr. MANSFIELD. Mr. President. I ask unanimous consent that the nominations be considered en bloc.

The ACTING PRESIDENT pro tempore. Without objection, the nominations are considered and confirmed en bloc.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the President be notified of the confirmation of these nominations.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

## LEGISLATIVE SESSION

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate return to the consideration of legislative business.

There being no objection, the Senate resumed the consideration of legislative business.

## VICE-PRESIDENT-DESIGNATE NELSON A. ROCKEFELLER

Mr. HUGH SCOTT. Mr. President, it is very gratifying that the designation by President Ford of former Gov. Nelson A. Rockefeller of New York to be Vice President has met with such broad general approval.

His unquestioned ability to attract talent to various enterprises can be greatly useful to the Federal Government. His familiarity with the processes of government is of enormous benefit to all of us. He was for long the most respected of all the Governors of the Union. He has a common touch, an unusual characteristic for one who is also blessed with such affluence, but who has met the demands of affluence by recognition of broad civic duty, of intense interest and compassion, and a determination carried out throughout his life to help those who are less advantaged.

As one who recommended his selection as my first choice, and said so publicly, I am very pleased, indeed, that we will all have the benefit of this fine man's ability. So I commend the choice.

I am a member of the Committee on Rules and Administration which will begin hearings, I am sure, as soon as the FBI report is available. I would assume that the House Judiciary Committee will also act promptly. I think it is necessary to act as expeditiously as we can in both houses so that no one may charge us with any ulterior motives whatsoever, because I think none exists; and I hope we can dispose of any such feeling that there is any desire for delay on the part of any person.

I, myself, shall do my best to help expedite consideration of the nomination for confirmation.

## ORDER OF BUSINESS

The PRESIDING OFFICER (Mr. MANSFIELD). Under the previous order the Senator from Oklahoma (Mr. BARTLETT) is recognized for not to exceed 15 minutes.

## FPC NATIONAL RATE DECISION

Mr. BARTLETT. Mr. President, the recent action of the Federal Power Commission in setting a single, national rate of 42 cents per million cubic feet for interstate sales of natural gas is not the answer to our Nation's growing natural gas shortage. This action is not in the interest of the consumer, because it will not stimulate enough exploration to provide adequate supplies of this clean-burning fuel.

The Commission's action is nothing more than a repeat of the price fixing mechanism that has proved to be a failure for 20 years. It will neither spur needed exploration and development of new natural gas reserves, nor slow down the increasing shortages and curtailments of natural gas for interstate shipment throughout the Nation. In short, it does not solve our natural gas dilemma.

If the interstate prices would be held only 1 or 2 cents below the intrastate prices—which are now in the 65 cents per million cubic feet to $1 per million cubic foot range—there still would be no significant commitments to the interstate market. The intrastate market would outbid interstate pipelines for the available supplies of natural gas. Presently, with the recent FPC set price of 42 cents, the interstate supplies are living on borrowed time.

On the supply side, exploratory drilling for gas has declined 50 percent over the last two decades. Reserves have decreased steadily to where they are today—at their lowest level since the late 1950's. Supplies in the lower 48 States have dropped from a 23-year supply in 1956 to an 8-year supply in 1973.

The FPC action, setting a national ceiling of 42 cents per million cubic feet with a 1 cent per year escalation, falls far short of the needed incentive to increase supplies—it is like trying to thread a needle blindfolded.

An MIT study shows that even if the new gas price was 42.7 cents per million cubic feet in 1975 with a 3.1 cents per million cubic feet annual increase, the natural gas shortage would still be 10.8 trillion cubic feet in 1980—current demand is 23.3 trillion cubic feet—more than one-third our total energy requirement.

The study further showed that with a new contract field price of 64.6 cents per million cubic feet in 1975 and a 5.1 cents per million cubic feet annual increase the natural gas shortage would disappear by 1980.

The need for natural gas currently is nearly 2 trillion cubic feet greater than available supplies. John Nassikas, Chairman of the Federal Power Commission, recently announced in hearings before the Senate Subcommittee on Agriculture that curtailments of natural gas supplies will be 81 percent greater—totaling 0.768 trillion cubic feet—in the winter of 1974–75 than they were in the previous winter. Nearly all States' utilities are facing from small to severe curtailments this winter.

The impact of these sharply increased cutbacks in natural gas supplies will affect the economies of many areas of the country and the jobs of thousands of workers. We need look no further away than Maryland. In hearings conducted by our distinguished colleague from Maryland, Senator BEALL, the record was made clear that curtailment of natural gas supplies for industrial users could put thousands of employees out of work this winter.

Examples of possible unemployment caused by companies facing curtailments are numerous.

For instance, South Jersey Gas Co., supplied by Transco, is presently receiving 27 percent below contract entitlement because of curtailments. For the winter these curtailments could rise to as high as 60 percent over a 90-day period—that is for a normal winter. The 19 plants supplied by South Jersey employ approximately 25,000 people who face unemployment for as long as 3 months.

Stauffer Chemical Co., which itself employs only 500–600 people in its Delaware plant, supplies a customer with critical $CS_2$—carbon disulfide—who in turn produces approximately 50 percent of the Nation's rayon and employs approximately 40,000 people. Also, the cellophane industry depends upon the Delaware plant for 50 percent of its $CS_2$.

Philadelphia Electric Co. is now facing 11.96 percent curtailments with the prospect of 34 percent curtailments by the spring of 1975.

Piedmont Natural Gas, which serves North and South Carolina, is anticipating that delivery this winter will be 27 percent below contract entitlement from its major supplier. Five or six of its largest industrial customers with "firm" requirements will probably be curtailed 3 or 4 days during the winter.

Alcoa Aluminium Co. has said that 10,000 jobs are threatened by natural gas curtailments and stated further:

> We feel every effort should be made to increase the supply of natural gas. To accomplish this the sale of interstate gas should be deregulated at the wellhead.

A review of the Commission's announcement of the uniform national rate provides me with no confidence that the 20-year downward trend in natural gas reserves and upward trend in natural gas shortages and curtailments will

be reversed. My lack of confidence is sustained by a number of statements made by Commission members themselves at the time the decision was announced.

First, the Commission admitted that it could not predict or quantify how much new supplies would be brought to market by the adoption of the uniform rate scheme. In effect, the Commission is saying that continued natural gas price fixing will not redress the widening natural gas supply/demand gap.

Second, the Commission said, in determining the national rate, that it considered a number of related factors including intrastate market prices. The Commission members clearly know that intrastate natural gas prices range as high as $1 per thousand cubic feet or more. The continued wide disparity between the price fixed interstate rate and the free market intrastate price will certainly do nothing to funnel greatly needed large volumes of additional natural gas to the interstate market.

Third, one of the Commissioners who voted with the majority apparently did so only because he felt any action was better than the hodgepodge price mechanism existing up to now. He stated, however, that:

The legacy of wellhead rate regulation, initiated during a time of plentiful supplies in a "buyer's market" and now completely unresponsive to shortages, has been worsening chronic gas supply.

Indeed, he called the prescribed rate "mischief."

Fourth, another Commissioner who concurred with the majority decision, also seemed to have had deep reservations about the wisdom of his actions. His views, too, are worth quoting. He said:

The decision . . . may be incompatible with our goal of securing long term supplies for a long range problem, and inhibits development of a methodology of adequately pricing new gas.

And he added that—

The price determined for gas from wells drilled after January 1, 1973, may be inadequate to encourage reinvestment of the funds so generated.

In fact, the FPC national ceiling is not truly cost based. The Commission has ignored the capital cost of dry holes and Federal income tax in its determinations of adequate return on capital, that is, the costs used to determine the national area rate are understated.

Ironically, and inconsistently, the FPC does allow pipelines to employ full cost accounting which provides for a return on dry holes for pipeline production. This places independent producers at a competitive disadvantage compared to integrated operations.

Consider the following example: Two exploration and development operations, one owned by a pipeline and the other by an independent producer, are underway in the same gas field in the vicinity of a pipeline. The same amount of capital for these operations must be raised and invested by the producer as by the pipeline. Following expenditure of this capital in the world drilling operations, the producer and the pipeline achieve the same degree of drilling success and incur the same cost per thousand cubic feet for their efforts.

The pipeline's imputed "rate" for this gas is figured on a full-cost-accounting basis which will include a return to the pipeline on the total cost prudently incurred in its exploration and development effort. The producer, on the other hand, must sell his gas to the pipeline at a price no higher than the area rate. If that rate includes no component for return on dry hole costs, the independent producer earns only 60 percent of the return earned by the pipeline on its own production. Therefore, the Federal Power Commission decision is discriminatory and reduces competition.

Finally and perhaps the most telling of the Commission's statements announcing the uniform national rate actually flies in the face of its decision. The Commission admitted that:

The "cost" of new gas supplies "is an imprecise and elusive quantity."

And, yet the Commission, by mandate of the Congress and the courts, must continue to chase this "imprecise and elusive" goal, because of the fallacious belief that the subjective judgment of Government regulators is superior to the objective forces of the marketplace.

It is apparent that John Nassikas, Chairman, and the other members of the FPC responsible for current natural gas pricing are most knowledgeable of all aspects of domestic natural gas.

They candidly predict sharp curtailments of natural gas to industry and other users this winter—they know this means a serious loss of jobs when unemployment is already anticipated to be high.

They know their actions on the price of natural gas will lead to greater curtailments of natural gas and unemployment in the following year—and the next year—and so on as long as they continue their unworkable system.

They admit privately and publicly that their pricing programs have not and will not work. They know that a possible coal strike and possible oil refinery strikes this winter could create an energy crisis of panic proportions.

They know the only answer to the worsening natural gas shortage lies with domestic natural gas and not synthetics, imports, other conventional fuels or alternate sources of energy.

They know that a free market for new natural gas will in time, and it will take time, produce sufficient natural gas for the interstate market.

They know that until there is a price for new natural gas that is equivalent to the free market intrastate price for new natural gas that they and Congress, public servants to a great nation, are unequivocal hypocrites.

Significant support for some form of deregulation has been emerging from the major users of natural gas and from gas utilities. The American Gas Association, which represents most of the gas utilities in the country; the New England Gas Association, which represents 42 utilities and more than 200 supporting companies; the Connecticut Natural Gas Co.; the Columbia Gas System, the largest group of gas utilities in the country; the American Textile Manufacture's Institute; the Manufacturing Chemists Association; the Indiana Gas Co.; the Department of Agriculture; and the Fertilizer Institute have expressed support for some form of deregulation.

Congress must address itself soon to this critical situation. We can best do this by moving, precisely, toward adopting legislation now before us to deregulate—once and for all—the interstate wellhead price of this most needed, clean burning and convenient source of energy.

Congress must act now—Congress must deregulate natural gas so the free market forces of thousands of transactions will establish a fair market price and a sufficient supply.

Mr. President, I yield the floor.

## ROUTINE MORNING BUSINESS

The PRESIDING OFFICER (Mr. HARTKE). Under the previous order, there will now be a period for the transaction of routine morning business, not to extend beyond the hour of 10 a.m., with statements therein limited to 3 minutes.

## TOBACCO MARKETING QUOTA PROVISIONS

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1058, H.R. 6485, which has been cleared on both sides.

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will report.

The second assistant legislative clerk read the bill by title, as follows:

A bill (H.R. 6485) to amend the tobacco marketing quota provisions of the Agricultural Adjustment Act of 1938.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the bill was considered, ordered to a third reading, read the third time, and passed.

## ORDER TO PRINT H.R. 11510, ENERGY REORGANIZATION ACT OF 1974, AS PASSED

Mr. RIBICOFF. Mr. President, I ask unanimous consent that H.R. 11510, the Energy Reorganization Act of 1974, be printed as passed by the Senate on August 15, 1974.

The PRESIDING OFFICER. Without objection, it is so ordered.

## QUORUM CALL

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

## MESSAGES FROM THE HOUSE

At 9:33 a.m., a message from the House of Representatives by Mr. Berry, one of its reading clerks, announced that the House has passed without amendment the bill (S. 3919) to authorize the establishment of a Council on Wage and Price Stability.

The message also announced that the House has passed the bill (S. 3320) to extend the appropriation authorization for reporting of weather modification activities, with an amendment, in which it requests the concurrence of the Senate.

The message further announced that the House has agreed to the following concurrent resolutions, in which it requests the concurrence of the Senate:

H. Con. Res. 609. A concurrent resolution directing the Clerk of the House of Representatives to make corrections in the enrollment of H.R. 2; and

H. Con. Res. 611. A concurrent resolution directing the Clerk of the House of Representatives in the enrollment of H.R. 15842 to make certain corrections.

The message also announced that the House has passed the following bills in which it requests the concurrence of the Senate:

H.R. 15205. An act to amend the Natural Gas Pipeline Safety Act of 1968, as amended, to authorize additional appropriations, and for other purposes; and

H.R. 16102. An act to amend the Emergency Daylight Saving Time Energy Conservation Act of 1973 to exempt from its provisions the period from the last Sunday in October 1974 through the last Sunday in February 1975.

### ENROLLED BILLS AND JOINT RESOLUTIONS SIGNED

The message further announced that the Speaker has affixed his signature to the following enrolled bill and joint resolutions:

H.R. 15581. An act making appropriations for the government of the District of Columbia and other activities chargeable in whole or in part against the revenues of said District for the fiscal year ending June 30, 1975, and for other purposes;

S.J. Res. 66. A joint resolution to authorize the erection of a monument to the dead of the First Infantry Division, U.S. Forces in Vietnam;

S.J. Res. 220. A joint resolution to provide for the reappointment of Dr. William A. M. Burden as citizen regent of the Board of Regents of the Smithsonian Institution;

S.J. Res. 222. A joint resolution to provide for the appointment of Dr. Murray Gell-Mann as citizen regent of the Board of Regents of the Smithsonian Institution; and

S.J. Res. 221. A joint resolution to provide for the reappointment of Dr. Caryl P. Haskins as citizen regent of the Board of Regents of the Smithsonian Institution.

The enrolled bill and joint resolutions were subsequently signed by the President pro tempore.

At 1:48 p.m., a message from the House of Representatives by Mr. Hackney, one of its reading clerks, announced that the Speaker has affixed his signature to the following enrolled bills and joint resolution:

H.R. 3620. An act to establish the Great Dismal Swamp National Wildlife Refuge;

H.R. 16027. An act making appropriations for the Department of the Interior and related agencies for the fiscal year ending June 30, 1975, and for other purposes; and

H.J. Res. 1105. A joint resolution designating August 26, 1974, as "Woman's Equality Day".

The enrolled bills and joint resolution was subsequently signed by the President pro tempore.

### CONFERENCE REPORTS

At 4:05 p.m., a message from the House of Representatives by Mr. Berry, one of its reading clerks, announced that the House agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 11864) to provide for the early commercial demonstration of the technology of solar heating by the National Aeronautics and Space Administration and the Department of Housing and Urban Development, in cooperation with the National Bureau of Standards, the National Science Foundation, the General Services Administration, and other Federal agencies, and for the early development and commercial demonstration of technology for combined solar heating and cooling.

The message also announced that the House agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 14920) to further the conduct of research, development, and demonstrations in geothermal energy technologies, to establish a Geothermal Energy Coordination and Management Project, to amend the National Science Foundation Act of 1950 to provide for the funding of activities relating to geothermal energy, to amend the National Aeronautics and Space Act of 1958 to provide for the carrying out of research and development in geothermal energy technology, to carry out a program of demonstrations in technologies for the utilization of geothermal resources, and for other purposes.

The message further announced that the House agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 821) to improve the quality of juvenile justice in the United States and to provide a comprehensive, coordinated approach to the problems of juvenile delinquency, and for other purposes.

## HOUSE BILL REFERRED

The bill (H.R. 16102) to amend the Emergency Daylight Saving Time Energy Conservation Act of 1973 to exempt from its provisions the period from the last Sunday in October 1974 through the last Sunday in February 1975 was read twice by its title and referred to the Committee on Commerce.

## COMMUNICATIONS FROM EXECUTIVE DEPARTMENTS, ETC.

The ACTING PRESIDENT pro tempore (Mr. NUNN) laid before the Senate the following letters, which were referred as indicated:

### PROPOSED AMENDMENTS TO THE BUDGET, 1975, FOR THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE (S. DOC. 93-103)

A communication from the President of the United States, transmitting proposed amendments to the request for appropriations transmitted in the budget for the fiscal year 1975 in the amount of $537,355,000 for the Department of Health, Education, and Welfare (with accompanying papers). Referred to the Committee on Appropriations, and ordered to be printed.

### SALE OF WHEAT TO EGYPT

A letter from the Assistant Secretary of State for Congressional Relations, reporting, pursuant to law, on a proposed sale of wheat to Egypt (with accompanying papers). Referred to the Committee on Agriculture and Forestry.

### REPORT OF THE DEPARTMENT OF THE NAVY

A letter from the Deputy Chief of Naval Material of the Department of the Navy transmitting, pursuant to law, a report of research and development procurement actions of $50,000 and over covering the period July 1, 1973, through June 30, 1974 (with an accompanying report). Referred to the Committee on Armed Services.

### PROPOSED LEGISLATION BY THE DEPARTMENT OF THE ARMY

A letter from the Secretary of the Army transmitting a draft of proposed legislation to permit the assignment of members of the armed forces who have completed basic training and training in a military specialty as is prescribed by the Secretary concerned to overseas areas free from hostile fire, and to permit the release of Reserve component enlistees from their initial active duty for training upon completion of basic training and training in a military specialty as is prescribed by the Secretary concerned (with accompanying papers). Referred to the Committee on Armed Services.

### REPORT OF THE COST ACCOUNTING STANDARDS BOARD

A letter from the Chairman of the Cost Accounting Standards Board transmitting, pursuant to law, a progress report for the year ending June 30, 1974 (with an accompanying report). Referred to the Committee on Banking, Housing and Urban Affairs.

### REPORT OF THE NATIONAL MARINE FISHERIES SERVICE

A letter from the Secretary of Commerce transmitting, pursuant to law, the report of the National Marine Fisheries Service for the calendar year 1973 (with an accompanying report). Referred to the Committee on Commerce.

### PROPOSED LEGISLATION BY THE DEPARTMENT OF TRANSPORTATION

A letter from the Secretary of Transportation transmitting a draft of proposed legislation to provide for standard time during the winter of 1974-75, and for other purposes (with accompanying papers). Referred to the Committee on Commerce.

### TAXICAB SERVICE AND REGULATION IN THE DISTRICT OF COLUMBIA

A letter from the Chairman of the Transportation Committee of the City Council of Washington, D.C., reporting, pursuant to law, on a study of the adequacy of taxicab service and regulation in the District of Columbia. Referred to the Committee on the District of Columbia.

### REPORT OF THE FEDERAL ENERGY ADMINISTRATION

A letter from the Administrator of the Federal Energy Administration transmitting, pursuant to law, a report entitled "Progress Report on the Retailing of Gasoline" (with an accompanying report). Referred to the Committee on Interior and Insular Affairs.

REPORTS OF THE IMMIGRATION AND NATURALIZATION SERVICE

A letter from the Commissioner of the Immigration and Naturalization Service transmitting, pursuant to law, reports concerning visa petitions which have been approved (with accompanying papers). Referred to the Committee on the Judiciary.

PROPOSED FACILITIES IN FORT LAUDERDALE, FLA.

A letter from the Administrator of General Services transmitting, pursuant to law, a prospectus regarding the acquisition of space in a building proposed to be constructed in Fort Lauderdale, Florida (with accompanying papers). Referred to the Committee on Public Works.

## REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. MAGNUSON, from the Committee on Commerce, with an amendment:

S. 1939. A bill to prohibit pyramid sales transactions, and for other purposes (Rept. No. 93-1114).

By Mr. ERVIN, from the Committee on Government Operations:

S. Res. 389. An original resolution authorizing supplemental expenditures by the Committee on Government Operations (Rept. No. 93-1115) (Referred to the Committee on Rules and Administration.)

By Mr. METCALF, from the Committee on Interior and Insular Affairs, with an amendment:

S. 1134. A bill to provide the Secretary of the Interior with authority to promote the conservation and orderly development of the hard mineral resources of the deep seabed, pending adoption of an international regime therefor (Rept. No. 93-1116).

Mr. METCALF. Mr. President, I am today filing the unanimous report of the Senate Committee on Interior and Insular Affairs on an amendment in the nature of a substitute for S. 1134, the Deep Seabed Hard Minerals Act.

The legislation is designed to promote the conservation and orderly development of the manganese nodule resources of the deep seabed by those subject to the jurisdiction of the United States.

It is interim legislation, which expressly provides that it will be superseded by the terms of any international agreement binding on the United States. Negotiations toward such an agreement are continuing at the Third United Nations Conference on the Law of the Sea.

Mr. President, we have recently had one example of what happens when foreign suppliers of an essential commodity band together to increase their economic and political clout. In the case of oil, the United States relies on imports for an increasing fraction of our needs. Now it is about one-third. We are in a far more vulnerable position on other minerals, such as those needed to make steel. Of these, we import most, if not all. Their cost is astronomical. In 1973, the estimated U.S. deficit in the balance of payments for minerals and processed materials of mineral origin was $8 billion.

At the same time, we have a source of mineral supply at the bottom of the ocean. And we are at least reasonably sure we know how to get it—and process it—with due regard to the other uses of the ocean.

The bill has three basic provisions.

First, U.S. nationals would have to obtain licenses from the Secretary of the Interior before they could engage in exploration for or commercial recovery of manganese nodules on the deep seabed. Licenses would limit the area to be mined by any one company and would contain provisions to protect the marine environment. There is no other existing basis for such licensing under either international law or Federal statute.

Second, the legislation recognizes the need for an international legal system for all the uses of the oceans, including ocean mining. No licenses would be issued under the bill once a new treaty becomes binding on the United States. This bill provides an orderly transition from the present situation of no regulation of ocean mining to U.S. regulation of its nationals who conduct ocean mining and then to a new international system which could result if a Law of the Sea treaty is agreed upon, ratified and enters into force.

Third, the bill would stabilize the presently uncertain investment climate in the ocean mining industry caused by the fact that the United States has indicated its willingness to agree to change the present international law which permits unrestricted deep seabed mineral development. Prospective ocean miners are faced with the possibility that new internationally agreed upon terms and conditions may be imposed on them in the near future which would deny access by private industry to manganese nodule deposits entirely. Delay in investment could result in loss of American industry's current technological advantage and increased dependence on foreign sources of minerals.

I commend to my colleagues this report and this legislation on a subject vital to the United States. The committee will defer plans for action on this legislation until we have heard from those who have so capably represented the United States at the Law of the Sea Conference in Caracas. This hearing is scheduled for September 17.

By Mr. HASKELL, from the Committee on Interior and Insular Affairs, with an amendment:

H.R. 6395. An act to designate certain lands in the Okefenokee National Wildlife Refuge, Georgia, as wilderness (Rept. No. 93-1117).

By Mr. BARTLETT, from the Committee on Interior and Insular Affairs, with an amendment:

S. 2888. A bill to convey certain land of the United States to the Inter-Tribal Council, Inc., Miami, Oklahoma (Rept. No. 93-1118).

By Mr. CANNON, from the Committee on Rules and Administration, without amendments:

S. Res. 360. A resolution authorizing supplemental expenditures by the Special Committee on Aging for inquiries and investigations (Rept. No. 93-1119).

By Mr. McINTYRE, from the Committee on Banking, Housing and Urban Affairs, with amendments:

S. 3838. A bill to authorize the regulation of obligations issued by financial institution holding companies, and for other purposes (together with additional views) (Rept. No. 93-1120).

By Mr. INOUYE, from the Committee on Commerce:

S. 3942. An original bill to authorize appropriations to the Secretary of Commerce for the promotion of tourist travel in the United States (Rept. No. 93-1121).

By Mr. CANNON, from the Committee on Rules and Administration, without amendment:

S. Res. 358. A resolution authorizing supplemental expenditures by the Committee on the Judiciary for an inquiry and investigation relating to citizens' interests (Rept. No. 93-1122).

S. Res. 365. A resolution relating to the printing of legislative proceedings with respect to the death of former Senator Wayne L. Morse (Rept. No. 93-1123).

## INTRODUCTION OF BILLS AND JOINT RESOLUTIONS

The following bills and joint resolutions were introduced, read the first time and, by unanimous consent, the second time, and refered as indicated:

By Mr. MONTOYA (for himself and Mr. WEICKER):

S. 3935. A bill to amend the Internal Revenue Code of 1954 to prohibit disclosure of tax returns without consent of the taxpayer, and for other purposes. Referred to the Committee on Finance.

By Mr. BUCKLEY (for himself, Mr. HARRY F. BYRD, JR., Mr. CURTIS, Mr. PROXMIRE, Mr. PACKWOOD, Mr. ROTH, Mr. GOLDWATER, Mr. GURNEY, Mr. HELMS, Mr. THURMOND, and Mr. BROCK):

S. 3936. A bill to authorize the President to reduce Federal expenditures for fiscal year 1975 to $295,000,000,000. Referred to the Committee on Government Operations.

By Mr. TAFT:

S. 3937. A bill to require that States, which receive Federal payments with respect to any State welfare program, consent to suit in the Federal courts in actions brought against the State by claimants for the aid or assistance provided under such program. Referred to the Committee on the Judiciary.

By Mr. TUNNEY:

S. 3938. A bill to amend the Federal Trade Commission Act to provide for the disclosure of annual operating costs of new buildings and for other purposes. Referred to the Committee on Commerce.

By Mr. GOLDWATER (for himself and Mr. TOWER):

S. 3939. A bill to amend section 1401(e) of title 10, United States Code, to preclude a military member from receiving less retired pay by continued active service. Referred to the Committee on Armed Services.

By Mr. HASKELL:

S. 3940. A bill for the relief of Nestor Manuel Lara-Otoya. Referred to the Committee on the Judiciary.

By Mr. DOMENICI (for himself, Mr. HUMPHREY, Mr. SCHWEIKER, Mr. METZENBAUM, and Mr. Moss):

S. 3941. A bill to amend title XVIII of the Social Security Act to provide for the coverage, under the Supplementary Medical Insurance Benefits program established by part B of such title, of one routine physical checkup each year and for preventive care for individuals insured under such program. Referred to the Committee on Finance.

By Mr. INOUYE, from the Committee on Commerce:

S. 3942. An original bill to authorize appropriations to the Secretary of Commerce for the promotion of tourist travel in the United States. Ordered placed on the calendar.

STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS

By Mr. MONTOYA (for himself and Mr. WEICKER):

S. 3935. A bill to amend the Internal Revenue Code of 1954 to prohibit disclosure of tax returns without consent to the taxpayer, and for other purposes. Referred to the Committee on Finance.

Mr. MONTOYA. Mr. President, we Americans take great pride in the strength and power of our leaders and of our Government.

There is one American, however, who seldom is honored by commentators or speakers, although his importance is really far greater than that of any other leader, no matter how wise or successful. That American, so often ignored, is the American taxpayer.

Without him nothing in Government would work, no defense would be possible against our enemies, no government programs would operate, no congressional salaries could be paid, no White House advisors would be hired, no foreign aid would be possible and the dreams and hopes of most of the free world would wither away.

Without the American taxpayer, American Government would not exist at all and we would, indeed, live in the jungle of anarchy.

Throughout our history as a Nation, this one great American—the taxpayer—has stood firm behind every forward step we have taken. His—and her—dedication to duty, patience, and faith in our institutions of government, have made possible the development and growth of this Nation. It is significant that through all the years of that service to the Nation and the world, and with a minimum of credit and approval, the American taxpayer has for the most part, assessed himself—that is, he has figured what tax he owes, filed whatever forms have been designed for him, and paid his tax bill voluntarily when it was due.

However, a growing number of American taxpayers are beginning to question the fairness and decency with which their own tax system operates. I believe that it is essential for this Congress to move quickly to stop the erosion of trust which that questioning represents. Today, Senator WEICKER and I are introducing legislation which we hope will remove some of those questions and stop that erosion of trust. I appreciate the support of Senator LOWELL WEICKER in joining me in proposing this legislation, and in preparing other corrective legislation in this area of government concern.

In the past 2 years my Appropriations Subcommittee has heard lengthy testimony concerning the administration of our tax laws. As I have said in my reports to the Senate on those hearings, I have been astounded and deeply concerned by the anger, despair and cynicism which many citizens now express about the IRS and its field operations, procedures, and attitudes.

There is, of course, always some complaint about the size of taxes themselves, about loopholes or about inequities. However, the surprising element which surfaced in our hearings was the fact that most of those who came to Washington to testify before us were angry about what they saw as an invasion of privacy, a lack of fairness and courtesy in procedures or the ignoring of due process in disputes between the tax payer and IRS.

Clearly, most taxpayers are still firmly supportive of the tax system. In addition, I believe that the IRS, its current Commissioner, and many IRS employees want to do a good job and want to improve tax service and taxpayer confidence. In some instances, IRS itself has requested changes in the law in order to enable them to provide better service or to better protect citizens from invasions of privacy.

However, it is also clear that for an increasing number of taxpayers, there is a need for immediate changes in the law in order to protect both rights and privacy, in order to provide tax assistance information with greater efficiency, and in order to allow for better public information about the tax system.

The legislation which Senator WEICKER and I are proposing would protect the taxpayer's right to privacy by making it mandatory that he be notified in writing of any request for information reported on his tax returns, and by requiring that he give his consent before release of that information. This regulation would apply to all persons or agencies of Government with the exception of IRS itself, the Department of Justice in a criminal case, or the Joint Committee on Internal Revenue taxation. These are the only agencies which routinely have need of tax report information and they already operate under strict regulations concerning the confidentiality of such information.

This proposed legislation would make the unauthorized delivery or receipt of tax information a felony, with a fine of up to $10,000 and/or imprisonment of up to 5 years.

The taxpayer would, Mr. President, be assured that information reported by him on his tax return was, and would remain, confidential. That seems an extraordinary simple protection for this Congress to offer the American taxpayer, and it is one I am sure my colleagues will support. I believe that speedy passage would go a long way toward returning trust in the IRS to taxpayers.

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By Mr. BUCKLEY (for himself, Mr. HARRY F. BYRD, JR., Mr. CURTIS, Mr. PROXMIRE, Mr. PACKWOOD, Mr. ROTH, Mr. GOLDWATER, Mr. GURNEY, Mr. HELMS, Mr. THURMOND, and Mr. BROCK):

S. 3936. A bill to authorize the President to reduce Federal expenditures for fiscal year 1975 to $295,000,000,000. Referred to the Committee on Government Operations.

Mr. BUCKLEY. Mr. President, the President, the Congress, and the American people are in full agreement that the most important domestic task before us today is to bring inflation under control. Attempts to help the aged, provide for the poor, or to expand housing are frustrated at the outset by the prospect of continuing inflation at current rates. Moreover, the disincentive to saving caused by inflationary expectations compounds the problems of finding the capital necessary to expand prodution to meet demand.

There is now a broad consensus that continued Federal deficits are the primary cause of the current inflation, and that the most important anti-inflationary step that can be taken by the Federal Government at the present time is to make a substantial cut in expenditures projected for fiscal year 1975. The Chairman of the Federal Reserve Board, Dr. Burns, has recommended that expenditures be kept to $295 billion. This is the same ceiling proposed by Senator PROXMIRE in an amendment to the depository insurance bill that was adopted by a vote of 74 to 12 on June 13.

Since 1969, the Nation's economic system has been forced to pay the price of the Great Society's extravagances of the 1960's. From the founding of our country, no Congress has succeeded in spending $100 billion in a single fiscal year until 1962. In only 9 years—1971—the Congress succeeded in breaking the 200-billion-dollar mark. It has taken only 4 more years—fiscal year 1975—for projected Government spending to exceed $300 billion.

In the process of this spending, an enormous deficit of more than $110 billion has been incurred since 1969; and it has been the financing of this deficit that has been the primary contributor to the current high rate of inflation. As a practical matter, a substantial part of this deficit has been financed by the Treasury by borrowing in the ordinary private capital markets—the same capital markets in which homeowners compete for mortgage money, small businessmen compete for equity-capital, major business firms finance their long term growth, and State and local governments finance their basic capital improvements. By being forced to borrow in such huge volumes, the Federal Government has absorbed most of the new funds which would normally be available to private individuals, businesses, and State and local governments. As a result, the normal private users of the capital markets have been forced to seek funds on a short-term basis until sufficient funds are available in the capital markets to meet their needs. Most of these organizations seeking funds have had to borrow them on a short-term basis from commercial banks.

The Federal Reserve System has been faced with a dilemma: if they accommodated the borrowers in the commercial banking system by increasing the money supply, they would almost certainly fuel inflation at ever higher rates 9 to 12 months hence. If they did not provide the funds to the commercial banks to meet this loan demand, business would face a severe Government-induced "crunch" because of an inability to finance their activities. The only solution to this immediate problem is to reduce the aggregate Federal deficit, and consequently Federal borrowings.

There is a broad consensus in support of the proposition that the most effective way of meeting our most urgent domestic problems is to establish an immediate goal of reducing expenditures in the cur-

rent fiscal year to $295 billion. The question that remains to be resolved is how the necessary reductions are to be achieved.

Unfortunately, we are too far along in this legislative year for the kind of review of appropriations that would enable the Congress to make, in enough instances, the ultimate decision as to where the cuts should be made. Yet if the goal of $295 billion is to be achieved, the budgetary request of $305 billion will have to be cut by a significant margin. Whereas there is reason to believe that the growing concern over ever-expanding Federal expenditures may result in meaningful cutbacks in appropriation bills that have not yet been acted upon, as a practical matter there is little prospect of sending those already acted upon back to the shop.

If it is to keep faith with the public and with itself, the Congress has no choice but to delegate the necessary cutting authority to the Executive. This can be done in a manner that does not provide the Executive with the eqivalent of a line veto.

It is with this in mind that I send to the desk, for appropriate referral, a bill that will authorize the President to hold total Federal expenditures during fiscal year 1975 to $295 billion, provided:

First, expenditures for any given program will not be reduced by more than 15 percent below budgeted requests; and

Second, expenditures will not be reduced for any program funded by an appropriation bill the total expenditures of which are at 95 percent or less of budget requests, except after 30 days written notice to each House of the Congress identifying the program where such further reducitons are intended to be made, and detailing the reasons therefore. In such event, either House of the Congress may disallow or modify the proposed reduction by a majority vote of its Members.

The effect of this bill will be to reserve to the Congress the right to determine where the necessary cuts are to be made with respect to programs covered by those appropriation bills where a special effort was made to achieve anti-inflationary reductions in spending. In other words, the President would not be allowed to substitute his judgment for that of the Congress where the amount of a given appropriation bill reflects a 5-percent cut or more over anticipated spending.

This approach to fiscal responsibility is not unprecedented. In fact, in October of 1972, each House adopted legislation providing the President with comparable powers to hold spending to the level of $248 billion, but were unable to agree as to the details of the authority to be delegated. The President, in the absence of specific directions from the Congress, proceeded to achieve a significant reduction in expenditures through pocket vetoes and impoundments. The latter course of action, however, has been outlawed by the recently enacted budget reform bill, which makes the adoption of the measure we introduced today that much more essential if we are to do something practical and immediate to bring Federal expenditures under responsible control.

Having said this, I would be less than candid if I failed to observe that in my judgment it will be difficult for the Executive to make responsible reductions in spending sufficient to achieve the goal of a $295 billion ceiling because the Congress has seen fit to allow so large a proportion of the Federal budget to escape the discipline of annual appropriations. I speak of the items now described as "uncontrollable expenditures," items that now amount to more than 70 percent of the 1975 budget. As a practical matter, therefore, most of the cuts that would be required to achieve the $295 billion goal would have to come from less than one-third of the budget, although the schedule of payments, as in general revenue sharing, could be stretched out over a longer period. This fact underscores the urgent need for the Congress to reexamine each of the uncontrollable items in an attempt to regain fiscal control over as many of them as possible; and it should also serve notice to the Congress that new "uncontrollables" ought not to be created, whatever the immediate pressures to do so.

I urge my colleagues to act quickly on this legislation. It is responsible, it is essential. We have done more than enough talking about our intention to do something meaningful to curb inflation. This is our opportunity to translate rhetoric into action. It is, in fact, the only effective action that is available to us if we intend to do something about inflation now, and not 1 year from now when our newly established budgetary machinery comes into full effect.

I submit, also, that adoption by the Congress of this legislation, and action by the Executive under its authority will do more than anything else to persuade the American public that we are in fact taking responsible action to restore stability to the dollar.

Mr. ROTH. Mr. President, I am today joining Senators BUCKLEY, BYRD, CURTIS, PROXMIRE, and others Senators in introducing a bill to authorize the President to reduce fiscal year 1975 Federal expenditures to $295 billion. This bill will authorize the President to cut Federal spending by approximately $10 billion to achieve a balanced budget, subject to adequate safeguards.

An immediate cut in Federal spending is essential if inflation is to be brought under control. The deficit spending we have experienced for 14 out of the last 15 years has siphoned money away from commercial, mortgage, and small business loans, driven interest rates up to record levels, and fueled the fires of inflation.

In 1960, the Federal Government was spending $92 billion. In 1965, the figure had grown to $118 billion. By 1971, the Government was spending over $211 billion, and this year's budget is over $305 billion. Unless we take action now to hold spending down to $295 billion, next year's budget could be as high as $350 billion.

The massive increase in Federal spending in the last 15 years has resulted in the creation of more and more Federal programs that are considered both beneficial and necessary. The programs sounded good, our constituents back home liked them, and we voted more and more funds each year.

But this massive increase in Federal spending has also been responsible for today's inflation. And we can either continue spending at these deficit levels and fuel further inflation, or we can make some hard choices, reduce spending and restrain inflation.

President Ford has pledged to make a reduction in Federal spending his No. 1 priority. Many of my distinguished colleagues in the Senate have spoken out time after time on the need to control Federal spending.

If Members of Congress are serious about cutting Federal spending and reducing inflation, we must take coordinated action now.

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By Mr. TAFT:

S. 3937. A bill to require that States, which receive Federal payments with respect to any State welfare program, consent to suit in the Federal courts in actions brought against the State by claimants for the aid or assistance provided under such program. Referred to the Committee on the Judiciary.

Mr. TAFT. Mr. President, today I am introducing legislation designed to close a legal loophole which leaves intended beneficiaries of State administered, federally funded assistance programs helpless to recover benefits denied by States in clear violation of Federal laws.

This legislation is made necessary by an unfortunate 5 to 4 Supreme Court decision rendered last March 25, in which the Court ruled that the 11th amendment to the Constitution bars Federal courts from ordering State officials to pay retroactive program benefits even if it recognizes that the State officials acted unlawfully in withholding these benefits. The Court said that Federal courts would have the power only to order the State officials to comply with Federal law in the future.

The case was brought as a class action by John Jordan, an elderly Chicago beneficiary of aid to the aged, who wished to protect himself and others receiving aid from delays in the provision of assistance which were held to be illegal by the district court—a ruling which was not contested by higher courts. His case was predicated on the simple concept assumed valid, in my judgment by the vast majority of us, that a State which participates voluntarily in federally funded programs certainly must abide by Federal laws and regulations governing the administration of the program.

The 11th amendment literally prevents suits against States in Federal courts by foreign citizens or citizens of other States. Mr. Justice Brennan expressed his belief that it is not applicable to suits against a State by citizens of the same State, as in Jordan. Furthermore, the Court's decision was an express overruling of recent decisions in which it has held for other reasons that courts could order States to pay retroactive benefits withheld in violation of Federal law.

These decisions were based on the proposition that "when a State leaves a sphere that is exclusively its own and enters into activities subject to congressional regulation, it subjects itself to that regulation as fully as if it were a private person or corporation." *Parden v. Terminal R. Co.*, 377 U.S. 184, at 196.

Such rulings, coupled with reinforcing statutes—as noted in Mr Justice Douglas' dissent to Jordan, which I will have printed at the end of my remarks—and the voluntary nature of State participation in these federally funded programs, led Mr. Justice Douglas, Mr. Justice Marshall, and Mr. Justice Blackmun to conclude that by agreeing to participate in the aid to the aged program, States automatically waive whatever immunity they might otherwise have from Federal court orders requiring retroactive payment of benefits.

The effects of the Supreme Court decision on the operation of the Federal assistance programs affected could, unfortunately, be extremely serious. As Mr. Justice Marshall and Mr. Justice Blackmun noted, no remedy other than the Court's power to order retroactive payment of benefits can effectively deter States from the strong temptation to cut welfare budgets by circumventing the stringent requirements of Federal law. Unless this loophole is closed, State bureaucrats will be able to violate Federal regulations freely, without fear that effective action will be taken against their State.

The Court's argument in the Jordan case rested largely on the premise that because Congress did not specifically require the State to waive its immunity to suit in Federal court as a condition for participation in the aid for the aged program and the State did not take specific voluntary action to do so, the State retained that immunity. My bill would restore the legal rights of affected program beneficiaries, by requiring States to waive immunity to suit as a condition for future Federal financial participation in State administered assistance programs. These programs would include aid for dependent children, medicaid, and food stamps.

I am hopeful that Congress will act quickly and favorably on this measure. In my view, the issue has nothing to do with congressional support or lack thereof for specific provisions of the assistance programs. Rather, my bill is necessary to insure that once the Congress has decided what those laws are, the citizens we have decided to assist will have appropriate recourse against States which do not comply with those laws.

I ask unanimous consent that an April 3, 1974, Washington Post editorial on this subject be printed in the RECORD at this point. Because of the importance of the Supreme Court's decision to my bill, I also ask unanimous consent that the slip opinion be printed in the RECORD. Furthermore, I ask unanimous consent that following those materials, the text of my bill be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

WELFARE AND THE COURTS

John Jordan, an elderly Chicago indigent, made a simple assumption about equitable justice in the United States and went to court to test it. Last week Mr. Jordan learned that his assumption was wrong. What he assumed is that if a state is conducting a program that involves federal funds, and if the state violates the federal regulations under which the program was established by Congress, then those who are entitled to the benefits of the program are also entitled to sue the state officials and receive the benefits that had been withheld.

What the Supreme Court said in the case, *Edelman v. Jordan*, is that the 11th Amendment to the Constitution bars the federal courts from ordering state officials to pay retroactive benefits, even if it recognizes that the state officials acted unlawfully in withholding the benefits. The Court said it could order the state officials to behave legally in the future, but it could not order the state to pay back benefits.

Mr. Jordan was eligible for benefits under the Assistance to the Aged, Blind and Disabled program. He applied for them, only to discover that Illinois had a regulation that resulted in long delays before such benefits were paid. The federal regulations called for payment to Mr. Jordan within 30 days. Mr. Jordan was told he would have to wait much longer. And so he sued. His class action was intended to do more than recover the $195.00 he would have received if Illinois had obeyed the federal regulations. He wanted to protect the interests of others in the state who had also been victimized by the delays.

Mr. Jordan won in the federal district court and in the Seventh Circuit of the U.S. Court of Appeals. At the Circuit Court level, Illinois asserted its rights under the 11th Amendment, which has been held to bar suits in federal courts brought by residents against their states. The amendment, adopted in 1798, was originally designed to prevent the federal courts from being able to enforce the claims of foreigners against individual states. It has since become a tricky current in the law and has produced a variety of conflicting holdings.

The Supreme Court's most recent interpretation in *Jordan* is that residents of states who are eligible for aid from federally assisted programs cannot sue the state officials in federal court for violating the regulations laid down by federal agencies or by Congress. The Court held that it could enjoin the state officials from future violation of the regulations, but it could not grant the back benefits that had been denied. The Seventh Circuit held that Illinois waited too long to assert its 11th Amendment right, but the Supreme Court ruled that the 11th Amendment is such a grave bar against federal jurisdiction in such cases that it had to be entertained, no matter how late the hour at which it was invoked.

The implications of this case for the public welfare system are serious. If welfare agencies can withhold funds until the courts tell them to stop, many welfare lawyers fear that delay in the processing of applications could well become the rule rather than the exception. The reason for demanding restitution of lost benefits in the Jordan case is to prevent state bureaucrats from discouraging welfare applicants by putting them through long processes. The federal regulations requiring that applications be processed within 30 days for the elderly indigent, the blind and the disabled were intended to guard against just such bureaucratic delay. The Supreme Court has now removed the federal courts from their equity role in such matters.

The court has said that unless a state consents to such a suit in federal court, the court cannot award back benefits. The court rested its decision on the absence of any specific language in the law requiring states to give up their immunity against such suits as a condition of participation in the program. Since the courts no longer have the power to protect recipients, and since the Congress has left the bureaucrats so large a loophole, it is the Congress that must make its intent clearer.

We are here concerned with the interests of the poorest of our citizens who are elderly, disabled or blind. To leave them at the mercy of the agencies that have already demonstrated their lack of concern is unfair and cannot have been the intent of Congress. What is required now is an amendment of the Social Security Act that would take a simple step to right a wrong. Congress can require that any state that participates in a federal welfare program must waive its immunity against suit under the 11th Amendment. Otherwise, an illegally operated program can continue to be in violation until it is enjoined. And at that, its officials will feel no pressure to do anything other than to begin operating legally from the point at which an injunction has been issued.

The reason for the welfare program is to assist those who are unable to help themselves. It is designed to grant "minimal subsistence" in cases of indigence, infirmity or disability. We give to the John Jordans of this country just enough to stay alive. We require the states to do a simple thing—assist them promptly when they are in need. Since the Supreme Court in *Edleman v. Jordan* has removed the courts from their traditional equity function in welfare cases, the Congress should act to protect the least among us.

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EDELMAN, DIRECTOR, DEPARTMENT OF PUBLIC AID OF ILLINOIS v. JORDAN

SYLLABUS

Certiorari to the United States Court of Appeals for the Seventh Circuit; No. 72-1410. Argued December 12, 1973—Decided March 25, 1974)

Respondent brought this class action for injunctive and declaratory relief against the Illinois officials administering the federal-state programs of Aid to the Aged, Blind, and Disabled (AABD), which are funded equally by the State and Federal Governments, contending that they were violating federal law and denying equal protection of the laws by following state regulations that did not comply with the federal time limits within which participating States had to process and make grants with respect to AABD applications. The District Court by a permanent injunction required compliance with the federal time limits and also ordered the state officials to release and remit AABD benefits wrongfully withheld to all persons found eligible who had applied therefor between July 1, 1968, the date of the federal regulations, and April 16, 1971, the date of the Court's preliminary injunction. The Court of Appeals affirmed, rejecting the state officials' contentions that the Eleventh Amendment barred the award of the retroactive benefits and that the judgment of inconsistency between federal regulations and state porvisions could be given only prospective effect. *Held:* The Eleventh Amendment of the Constitution bars that portion of the District Court's decree that ordered retroactive payment of benefits. Pp. 7–26.

(a) A suit by private parties seeking to impose a liability payable from public funds in the state treasury is foreclosed by the Amendment if the State does not consent to suit. P. 11.

(b) The Court of Appeals erred in holding that *Ex parte Young*, 209 U.S. 123, which awarded only prospective relief, did not preclude the retroactive monetary award here on the ground that it was an "equitable restitution," since that award, though on its

face directed against the state official individually, as a practical matter could be satisfied only from the general revenues of the State and was indistinguishable from an award of damages against the State. *Ford Motor Co.* v. *Department of Treasury*, 323 U.S. 459, followed. *Shapiro* v. *Thompson*, 394 U.S. 168; *State Dept. of Health and Rehabilitation Services* v. *Zarate*, 407 U.S. 918; *Sterrett* v. *Mothers' & Children's Rights Organization*, 409 U.S. 809; *Wyman* v. *Bowens*, 397 U.S. 49, disapproved to extent that their holdings do not comport with the holding in the instant case on the Eleventh Amendment issue. Pp. 12–20.

(c) The State of Illinois did not waive its Eleventh Amendment immunity and consent to the bringing of respondent's suit by participating in the federal AABD program. *Parden* v. *Terminal R. Co.*, 377 U.S. 184, and *Petty* v. *Tennessee-Missouri Bridge Comm'n*, 359 U.S. 275, distinguished. Nor does the mere fact that a State participates in a program partially funded by the Federal Government manifest consent by the State to be sued in federal courts. Pp. 20–22.

(d) The Court of Appeals properly considered the Eleventh Amendment defense, which the state officials did not assert in the District Court, since that defense partakes of the nature of a jurisdictional bar. *Ford Motor Co.* v. *Department of Treasury*, *supra*. Pp. 24–25.

472 F. 2d 985, reversed and remanded.

REHNQUIST, J., delivered the opinion of the Court, in which BURGER, C. J., and STEWART, WHITE, and POWELL, JJ., joined. DOUGLAS and BRENNAN, JJ., filed dissenting opinions. MARSHALL, J., filed a dissenting opinion in which BLACKMUN, J., joined.

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EDELMAN VERSUS JORDAN

Mr. JUSTICE REHNQUIST delivered the opinion of the Court.

Respondent John Jordan filed a complaint in the United States District Court for the Northern District of Illinois, individually and as a representative of a class, seeking declaratory and injunctive relief against two former directors of the Illinois Department of Public Aid, the director of the Cook County Department of Public Aid, and the comptroller of Cook County. Respondent alleged that these state officials were administering the federal-state programs of Aid to the Aged, Blind and Disabled (AABD) in a manner inconsistent with various federal regulations and with the Fourteenth Amendment to the Constitution.[1]

AABD is one of the categorical aid programs administered by the Illinois Department of Public Aid pursuant to the Illinois Public Aid Code, Ill. Rev. Stat. c. 23, §§ 3–1 through 3–12 (1971). Under the Social Security Act, the program is funded equally by the State and the Federal Government. 42 U.S.C. § 1381–1385 (1969 ed.).[2] The Department of Health, Education, and Welfare (HEW), which administers these payments for the Federal Government, issued regulations prescribing maximum permissible time standards within which States participating in the program must process AABD applications. Those regulations, originally issued in 1968, required, at the time of the institution of this suit, that eligibility determinations must be made by the States within 30 days of receipt of applications for aid to the aged and blind, and within 45 days of receipt of applications for aid to the disabled. For those persons found eligible, the assistance check was required to be received by them within the applicable time period. 45 CFR § 206.10(a)(3).[3]

During the period in which the federal regulations went into effect, Illinois public aid officials were administering the benefits pursuant to their own regulations as provided in the Categorical Assistance Manual of the Illinois Department of Public Aid.[4] Respondent's complaint charged that the Illinois defendants, operating under those regulations, were improperly authorizing grants to commence only with the month in which an application was approved and not including prior eligibility months for which an applicant was entitled to aid under federal law. The complaint also alleged that the Illinois defendants were not processing the applications within the applicable time requirements of the federal regulations; specifically, respondent alleged that his own application for disability benefits was not acted on by the Illinois Department of Public Aid for almost four months. Such actions of the Illinois officials were alleged to violate federal law and deny the equal protection of the laws. Respondent's prayer requested declaratory and injunctive relief, and specifically requested "a permanent injunction enjoining the defendants to award to the entire class of plaintiffs all AABD benefits wrongfully withheld."

In its judgment of March 15, 1972, the District Court declared § 4004 of the Illinois Manual to be invalid insofar as it was inconsistent with the federal regulations found in 45 CFR § 206.10(a)(3), and granted a permanent injunction requiring compliance with the federal time limits for processing and paying AABD applicants. The District Court, in paragraph 5 of its judgment, also ordered the state officials to "release and remit AABD benefits wrongfully withheld to all applicants for AABD in the State of Illinois who applied between July 1, 1968 [the date of the federal regulations] and April 16, 197[1] [the date of the preliminary injunction issued by the District Court] and were found eligible . . . ."[5]

On appeal to the United States Court of Appeals for the Seventh Circuit, the Illinois' officials contended, *inter alia*, that the eleventh Amendment barred the award of retroactive benefits, that the judgment of inconsistency between the federal regulations and the provisions of the Illinois Categorical Assistance Manual could be given prospective effect only, and that the federal regulations in question were inconsistent with the Social Security Act itself. The Court of Appeals rejected these contentions and affirmed the judgment of the District Court. *Jordan* v. *Weaver*, 472 F. 2d 985 (1973).[6] Because of an apparent conflict on the Eleventh Amendment issue with the decision of the Court of Appeals for the Second Circuit in *Rothstein* v. *Wyman*, 467 F. 2d 226 (1972), we granted the petition for certiorari filed by petitioner Joel Edelman, who is the present Director of the Illinois Department of Public Aid, and successor to the former directors sued below. *Sub nom.* 412 U.S. 937 (1973). The petition for certiorari raised the same contentions urged by the petitioner in the Court of Appeals.[7] Because we believe the Court of Appeals erred in its disposition of the Eleventh Amendment claim, we reverse that portion of the Court of Appeals decision which affirmed the District Court's order that retroactive benefits be paid by the Illinois state officials.[8]

The historical basis of the Eleventh Amendment has been oft-stated, and it represents one of the more dramatic examples of this Court's effort to derive meaning from the document given to the Nation by the Framers nearly 200 years ago. A leading historian of the Court tells us:

"The right of the Federal Judiciary to summon a State as defendant and to adjudicate its rights and liabilities had been the subject of deep apprehension and of active debate at the time of the adoption of the Constitution; but the existence of any such right had been disclaimed by many of the most eminent advocates of the new Federal Government, and it was largely owing to their successful dissipation of the fear of the existence of such Federal power that the Constitution was finally adopted." 1 C. Warren, The Supreme Court in United States History 91 (Rev. ed. 1957).

Despite such disclaimers,[9] the very first suit entered in this Court at its February Term in 1791 was brought against the State of Maryland by a firm of Dutch bankers as creditors. *Ibid.*; *Vanstophorst* v. *Maryland*. The subsequent year brought the institution of additional suits against other States, and caused considerable alarm and consternation in the country.

The issue was squarely presented to the Court in a suit brought at the August 1792 Term by two citizens of South Carolina, executors of a British creditor, against the State of Georgia. After a year's postponement for preparation on the part of the State of Georgia, the Court, after argument, rendered in February 1793, its short-lived decision in *Chisholm* v. *Georgia*, 2 U.S. (2 Dall.) 419 (1793). The decision in that case, that a State was liable to suit by a citizen of another State or of a foreign country, literally shocked the Nation. Sentiment for passage of a constitutional amendment to override the decision rapidly gained momentum, and five years after *Chisholm* the Eleventh Amendment was ratified by the final State necessary for passage. As ratified in 1798, and unchanged since, the Amendment provides:

"The judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State."

While the Amendment by its terms does not bar suits against a State by its own citizens, this Court has consistently held that an unconsenting State is immune from suits brought in federal courts by her own citizens as well as by citizens of another State. *Hans* v. *Louisiana*, 134 U.S. 1 (1890); *Duhne* v. *New Jersey*, 251 U.S. 311 (1920); *Great Northern Life Insurance Co.* v. *Read*, 322 U.S. 47 (1945); *Parden* v. *Terminal R. Co.*, 377 U.S. 184 (1964); *Employees* v. *Department of Public Health and Welfare*, 411 U.S. 279 (1973). It is also well established that even though a State is not named a party to the action, the suit may nonetheless be barred by the Eleventh Amendment. In *Ford Motor Co.* v. *Department of Treasury*, 323 U.S. 459 (1945), the Court said:

"[W]hen the action is in essence one for the recovery of money from the state, the state is the real, substantial party in interest and is entitled to invoke its sovereign immunity from suit even though individual officials are nominal defendants." *Id.*, at 464.

Thus the rule has evolved that a suit by private parties seeking to impose a liability which must be paid from public funds in the state treasury is barred by the Eleventh Amendment. *Great Northern Life Insurance Co.* v. *Read*, *supra*; *Kennecott Copper Corp.* v. *State Tax Comm'n*, 327 U.S. 573 (1946).

The Court of Appeals in this case, while recognizing that the *Hans* line of cases permitted the State to raise the Eleventh Amendment as a defense to suit by its own citizens, nevertheless concluded that the Amendment did not bar the award of retroactive payments to statutory benefits found to have been wrongfully withheld. The Court of Appeals held that the above cited cases, when read in light of the Court's landmark decision in *Ex parte Young*, 209 U.S. 123 (1908), do not preclude the grant of such a monetary award in the nature of equitable restitution.

Petitioner concedes that *Ex parte Young*, *supra*, is no bar to that part of the District Court's judgment that prospectively enjoined petitioner's predecessors from failing to process applications within the time limits established by the federal regulations. Petitioner argues, however, that *Ex parte Young* does not extend so far as to permit a

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suit which seeks the award of an accrued monetary liability which must be met from the general revenues of a State, absent consent or waiver by the State of its Eleventh Amendment immunity, and that therefore the award of retroactive benefits by the District Court was improper.

*Ex parte Young* was a watershed case in which this Court held that the Eleventh Amendment did not bar an action in the federal courts seeking to enjoin the Attorney General of Minnesota from enforcing a statute claimed to violate the Fourteenth Amendment of the United States Constitution. This holding has permitted the Civil War Amendments to the Constitution to serve as a sword, rather than merely as a shield, for those whom they were designed to protect. But the relief awarded in *Ex parte Young* was prospective only; the Attorney General of Minnesota was enjoined to conform his future conduct of that office to the requirement of the Fourteenth Amendment. Such relief is analogous to that awarded by the District Court in the prospective portion of its order under review in this case.

But the retroactive portion of the District Court's order here, which requires the payment of a very substantial amount of money which that court held should have been paid, but was not, stands on quite a different footing. These funds will obviously not be paid out of the pocket of petitioner Edelman. Addressing himself to a similar situation in *Rothstein* v. *Wyman*, 467 F. 2d 226 (CA2 1972), cert. denied, 411 U.S. 921 (1973), Judge McGowan [10] observed for the court:

"It is not pretended that these payments are to come from the personal resources of these appellants. Appellees expressly contemplate that they will, rather, involve substantial expenditures from the public funds of the state . . .

"It is one thing to tell the Commissioner of Social Services that he must comply with the federal standards for the future if the state is to have the benefit of federal funds in the programs he administers. It is quite another thing to order the Commissioner to use state funds to make reparation for the past. The latter would appear to us to fall afoul of the Eleventh Amendment if that basic constitutional provision is to be conceived of as having any present force." *Id.*, at 236-237 (footnotes omitted).

We agree with Judge McGowan's observations. The funds to satisfy the award in this case must inevitably come from the general revenues of the State of Illinois, and thus the award against the State itself, *Ford Motor Co.* v. *Department of Treasury*, *supra*, than it does the prospective injunctive relief awarded in *Ex parte Young*.

The Court of Appeals, in upholding the award in this case, held that it was permissible because it was in the form of "equitable restitution" instead of damages, and therefore capable of being tailored in such a way as to minimize disruptions of the state program of categorical assistance. But we must judge the award actually made in this case, and not one which might have been differently tailored in a different case, and we must judge it in the context of the important constitutional principle embodied in the Eleventh Amendment.[11]

We do not read *Ex parte Young* or subsequent holdings of this Court to indicate that any form of relief may be awarded against a state officer, no matter how closely it may in practice resemble a money judgment payable out of the state treasury, so long as the relief may be labeled "equitable" in nature. The Court's opinion in *Ex parte Young* hewed to no such line. Its citation of *Hagood* v. *Southern*, 117 U.S. 52 (1886), and *In re Ayers*, 123 U.S. 443 (1887), which were both actions against state officers for specific performance of a contract to which the State was a party, demonstrate that equitable relief may be barred by the Eleventh Amendment.

As in most areas of the law, the difference between the type of relief barred by the Eleventh Amendment and that permitted under *Ex parte Young* will not in many instances be that between day and night. The injunction issued in *Ex parte Young* was not totally without effect on the State's revenues, since the state law which the Attorney General was enjoined from enforcing provided substantial monetary penalties against railroads which did not conform to its provisions. Later cases from this Court have authorized equitable relief which has probably had greater impact on state treasuries than did that awarded in *Ex parte Young*. In *Graham* v. *Richardson*, 403 U.S. 365 (1971), Arizona and Pennsylvania welfare officials were prohibited from denying welfare benefits to otherwise qualified recipients who were aliens. In *Goldberg* v. *Kelly*, 397 U.S. 254 (1970), New York City welfare officials were enjoined from following New York State procedures which authorized the termination of benefits paid to welfare recipients without prior hearing.[12] But the fiscal consequences to state treasuries in these cases were the necessary result of compliance with decrees which by their terms were prospective in nature. State officials, in order to shape their official conduct to the mandate of the Court's decrees, would more likely have to spend money from the state treasury than if they had been left free to pursue their previous course of conduct. Such an ancillary effect on the state treasury is a permissible and often an inevitable consequence of the principle announced in *Ex parte Young*, *supra*.

But that portion of the District Court's decree which petitioners challenge on Eleventh Amendment grounds goes much further than any of the cases cited. It requires payment of state funds, not as a necessary consequence of compliance in the future with a substantive federal question determination, but as a form of compensation to those whose applications were processed on the slower time schedule at a time when petitioners were under no court-imposed obligation to conform to a different standard. While the Court of Appeals described this retroactive award of monetary relief as a form of "equitable restitution," it is in practical effect indistinguishable in many aspects from an award of damages against the State. It will to a virtual certainty be paid from state funds, and not from the pocket of the individual state official who was the defendant in the action. It is measured in terms of a monetary loss resulting from a past breach of a legal duty on the part of the defendant state officials.

Were we to uphold this portion of the District Court's decree, we would be obligated to overrule the Court's holding in *Ford Motor Co.* v. *Department of Treasury*, *supra*. There a taxpayer, who had, under protest, paid taxes to the State of Indiana, sought a refund of those taxes from the Indiana state officials who were charged with their collection. The taxpayer claimed that the tax had been imposed in violation of the United States Constitution. The term "equitable restitution" would seem even more applicable to the relief sought in that case, since the taxpayer had at one time had the money, and paid it over to the State pursuant to an allegedly unconstitutional tax exaction. Yet this Court has no hesitation in holding that the taxpayer's action was a suit against the State, and barred by the Eleventh Amendment. We reach a similar conclusion with respect to the retroactive portion of the relief awarded by the District Court in this case.

The Court of Appeals expressed the view that its conclusion on the Eleventh Amendment issue was supported by this Court's holding in *Department of Employment* v. *United States*, 385 U.S. 355 (1966). There the United States was held entitled to sue the Colorado Department of Employment in the United States District Court for refund of unemployment compensation taxes paid under protest by the American National Red Cross, an instrumentality of the United States. The discussion of the State's Eleventh Amendment claim is confined to the following sentence in the opinion:

"With respect to appellants' contention that the State of Colorado has not consented to suit in a Federal forum even where the plaintiff is the United States, see *Monaco* v. *Mississippi*, 292 U.S. 313 (1934), and *Ex parte Young*, 209 U.S. 123 (1908)." 385 U.S., at 358.

*Monaco* v. *Mississippi*, *supra*, reaffirmed the principle that the Eleventh Amendment was no bar to a suit by the United States against a State. 292 U.S., at 329. In view of Mr. Chief Justice Hughes' vigorous reaffirmation in *Monaco* of the principles of the Eleventh Amendment and sovereign immunity, we think it unlikely that the Court in *Department of Employment* v. *United States*, in citing *Ex parte Young* as well as *Monaco*, intended to foreshadow a departure from the rule to which we adhere today.

Three fairly recent District Court judgments requiring state directors of public aid to make the type of retroactive payment involved here have been summarily affirmed by this Court notwithstanding the Eleventh Amendment contentions made by state officers who were appealing from the District Court judgment.[13] *Shapiro* v. *Thompson*, 394 U.S. 168 (1969), is the only instance in which the Eleventh Amendment objection to such retroactive relief was actually presented to this Court in a case which was orally argued. The three-judge District Court in that case had ordered the retroactive payment of welfare benefits found by that court to have been unlawfully withheld because of residency requirements held violative of equal protection. *Thompson* v. *Shapiro*, 270 F. Supp. 331, 338, n. 5 (Conn. 1967). This Court, while affirming the judgment, did not in its opinion refer to or substantively treat the Eleventh Amendment argument. Nor, of course, did the summary dispositions of the three District Court cases contain any substantive discussion of this or any other issues raised by the parties.

This case, therefore, is the first opportunity the Court has taken to fully explore and treat the Eleventh Amendment aspects of such relief in a written opinion. *Shapiro* v. *Thompson* and these three summary affirmances obviously are of precedental value in support of the contention that the Eleventh Amendment does not bar the relief awarded by the District Court in this case. Equally obviously they are not of the same precedental value as would be an opinion of this Court treating the question on the merits. Since we deal with a constitutional question, we are less constrained by the principle of *stare decisis* than we are in other areas of the law.[14] Having now had an opportunity to more fully consider the Eleventh Amendment issue after briefing and argument, we disapprove the Eleventh Amendment holdings of those cases to the extent that they are inconsistent with our holding today.

The Court of Appeals held in the alternative that even if the Eleventh Amendment be deemed a bar to the retroactive relief awarded respondent in this case, the State of Illinois had waived its Eleventh Amendment immunity and consented to the bringing of such a suit by participating in the federal AABD program. The Court of Appeals relied upon our holdings in *Parden* v. *Terminal R. Co.*, 337 U. S. 184 (1964), and *Petty* v. *Tennessee-Missouri Bridge Comm'n*, 359 U. S. 275 (1959), and on the dissenting opinion of

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Judge Bright in *Employees of Department of Public Health and Welfare* v. *Department of Public Health and Welfare*, 452 F. 2. 820, 827 (CA8 1971). While the holding in the latter case was ultimately affirmed by this Court in *Employees* v. *Department of Public Health and Welfare*, 411 U. S. 279 (1973), we do not think that the answer to the waiver question turns on the distinction between *Parden, supra*, and *Employees, supra*. Both *Parden* and *Employees* involved a congressional enactment which by its terms authorized suit by designated plaintiffs against a general class of defendants which literally included States or state instrumentalities. Similarly, *Petty* v. *Tennessee-Missouri Bridge Comm'n, supra*, involved congressional approval, pursuant to the Compact Clause, of a compact between Tennessee and Missouri, which provided that each compacting State would have the power "to contract, to sue, and be sued in its own name." The question of waiver or consent under the Eleventh Amendment was found in those cases to turn on whether Congress had intended to abrogate the immunity in question, and whether the State by its participation in the program authorized by Congress had in effect consented to the abrogation of that immunity.

But in this case the threshold fact of congressional authorization to sue a class of defendants which literally includes States is wholly absent. Thus respondent is not only precluded from relying on this Court's holding in *Employees*, but on this Court's holdings in *Parden* and *Petty* as well.[15]

The Court of Appeals held that as a matter of federal law Illinois had "constructively consented" to this suit by participating in the federal AABD program and agreeing to administer federal and state funds in compliance with federal law. Constructive consent is not a doctrine commonly associated with the surrender of constitutional rights, and we see no place for it here. In deciding whether a State has waived its constitutional protection under the Eleventh Amendment, we will find waiver only where stated "by the most express language or by such overwhelming implications from the text as will leave no room for any other reasonable construction." *Murray* v. *Wilson Distilling Co.*, 213 U.S. 151, 171 (1909). We see no reason to retreat from the Court's statement in *Great Northern Insurance Co.* v. *Reed*, 322 U.S. 47, 54 (1945) (footnote omitted):

"[W]hen we are dealing with the sovereign exemption from judicial interference in the vital filed of financial administration a clear declaration of the state's intention to submit its fiscal problems to other courts than those of its own creation must be found."

The mere fact that a State participates in a program through which the Federal Government provides assistance for the operation by the State of a system of public aid is not sufficient to establish consent on the part of the State to be sued in the federal courts. And while this Court has, in cases such *J. I. Case Co.* v. *Borak*, 377 U. S. 426 (1964), authorized suits by one private party against another in order to effectuate a statutory purpose, it has never done so in the context of the Eleventh Amendment and a state defendant. Since *Employees, supra*, where Congress had expressly authorized suits against a general class of defendants and the only thing left to implication was whether the described class of defendants included States, was decided adversely to the putative plaintiffs on the waiver question, surely this respondent must also fail on that issue. The only language in the Social Security Act which purports to provide a federal sanction against a State which does not comply with federal requirements for the distribution of federal monies is found in 42 U. S. C. § 1384, which provides for termination of future allocations of federal funds when a participating State fails to conform with federal law.[16] This provision by its terms does not authorize suit against anyone, and standing alone, falls far short of a waiver by a participating State of its Eleventh Amendment immunity.

Our Brother MARSHALL argues in dissent, and the Court of Appeals held, that although the Social Security Act itself does not create a private cause of action, the cause of action created by 42 U.S.C. § 1983, coupled with the enactment of the AABD program, and the issuance by HEW of regulations which require the States to make corrective payments after successful "fair hearings" and provide for federal matching funds to satisfy federal court orders of retroactive payments, indicate that Congress intended a cause of action for public aid recipients such as respondent.[17] It is of course true that *Rosado* v. *Wyman*, 397 U.S. 397 (1970), held that suits in federal court under § 1983 are proper to secure compliance with the provisions of the Social Security Act on the part of participating States.[18] But it has not heretofore been suggested that § 1983 was intended to create a waiver of a State's Eleventh Amendment immunity merely because an action could be brought under that section against state officers, rather than against the State itself. Though a § 1983 action may be instituted by public aid recipients such as respondent, a federal court's remedial power, consistent with the Eleventh Amendment, is necessarily limited to prospective injunctive relief, *Ex parte Young, supra*, and may not include a retroactive award which requires the payment of funds from the state treasury, *Ford Motor Co.* v. *Department of Treasury, supra*.

Respondent urges that since the various Illinois officials sued in the District Court failed to raise the Eleventh Amendment as a defense to the relief sought by respondents, petitioner is therefore barred[19] from raising the Eleventh Amendment defense in the Court of Appeals or in this Court. The Court of Appeals apparently felt the defense was properly presented, and dealt with it on the merits. We approve of this resolution, since it has been well-settled since the decision in *Ford Motor Co.* v. *Department of Treasury, supra*, that the Eleventh Amendment defense sufficiently partakes of the nature of a jurisdictional bar so that it need not be raised in the trial court:

"[The Attorney General of Indiana] appeared in the federal District Court and the Circuit Court of Appeals and defended the suit on the merits. The objection to petitioner's suit as a violation of the Eleventh Amendment was first made and argued by Indiana in this Court. This was in time, however. The Eleventh Amendment declares a policy and sets forth an explicit limitation on federal judicial power of such compelling force that this Court will consider the issue arising under this Amendment in this case even though urged for the first time in this Court." 323 U.S., at 466–467.

For the foregoing reasons we decide that the Court of Appeals was wrong in holding that the Eleventh Amendment did not constitute a bar to that portion of the District Court decree which ordered retroactive payments of benefits found to have been wrongfully withheld. The judgment of the Court of Appeals is therefore reversed and the cause remanded for further proceedings consistent with this opinion.

*So ordered.*

FOOTNOTES

[1] In his complaint in the District Court, respondent claimed that the Illinois Department of Public Aid was not complying with federal regulations in its processing of public aid applications, and also that its refusal to process and allow respondent's claim for a period of four months, while processing and alowing the claims of those similarly situated, violated the Equal Protection Clause of the Fourteenth Amendment. Respondent asserted that the District Court could exercise jurisdiction over the cause by virtue of 28 U.S.C. §§ 1331 and 1343(3) and (4). Though not briefed by the parties before this Court, we think that under our decision in *Hagans* v. *Lavine*, No. 72-6476. —— U.S. —— (1974), the equal protection claim cannot be said to be "wholly insubstantial," and that therefore the District Court was correct in exercising pendent jurisdiction over the statutory claim.

[2] Effective January 1, 1974, the AABD program has been replaced. See 42 U.S.C. § 1331 *et seq.* (Supp. 1973).

[3] CFR § 206.10(a)(3) (1973) provides in pertinent part: "(a) *State plan requirements.* A State plan . . . must provide that. . . .

"(3) A decision will be made promptly on applications, pursuant to reasonable State-established time standards not in excess of 45 days for [aid to aged and blind] and 60 days [for aid to the disabled]. Under this requirement, the applicant is informed of the agency's time standard in acting on applications which covers the time from date of application to the date that the assistance check, or notification of denial of assistance or change of award, or the eligibility decision with respect to medical assistance, is mailed to the applicant or recipient."

When originally issued in 1968 the regulation provided that the applications for aid to the aged and blind be processed within 30 days and that aid to the disabled be processed within 45 days of reciept. They also provided that the person determined to be eligible must *receive* his assistance check within the applicable time period. The amendment to 60 days for aid to the disabled occurred in 1971, as did the change to require mailing instead of receipt of the assistance check within the applicable time period; effective Oct. 15, 1973, the time for processing aged and blind applications became 45 days.

In addition, 45 CFR § 206.10(a)(6) provides in pertinent part:

"(6) Entitlement will begin as specified in the State plan, which (i) for financial assistance must be no later than the date of authorization of payment. . . ."

[4] The Illinois regulations, found in the Illinois Categorica Assistance Manual of the Illinois Department of Public Aid, provide in pertinent parts:

"4004.1

"Except for [disability] cases which have a time standard of 45 days, the time standard for disposition of applications is 30 days from the date of application to the date the applicants are determined eligible and the effective date of their first assistance or are determined ineligible and receive a notice of denial of assistance. . . .

"8255. Initial Awards

"Initial awards may be new grants, reinstatements, or certain types of resumptions. They can be effective for the month in which Form FO-550 is signed but for no prior period except [under conditions not relevant to this case].

"8255.1 New Grants

"A new grant [is the first grant authorized after an application has been accepted in a case which has not previously received assistance under the same assistance program. It may be authorized for the month in which Form FO-550 is signed but not for any prior period unless it meets [exceptions not relevant to this case]."

[5] Paragraph 5 of the District Court's judgment provided:

"That the defendant EDWARD T. WEAVER, Director, Illinois Department of Public Aid, his agents, including all of the County Departments of Public Aid in the State of Illinois, and employees, and all per-

sons in active concert and participation with them, are hereby enjoined to release and remit AABD benefits wrongfully withheld to all applicants for AABD in the State of Illinois who applied between July 1, 1968 and April 16, 1972 [*sic*] [should read "1971"], and were determined eligible, as follows:

"(a) For those aged and blind applicants whose first full AABD check was not mailed within thirty days from the date of application, AABD assistance for the period beginning with the thirtieth day from the date of application to the date the applicant's entitlement to AABD became effective;

"(b)(i) For those disabled applicants who applied between July 1, 1968 and December 31, 1970, whose first full AABD check was not mailed within forty-five days from the date of application, AABD assistance for the period beginning with the forty-fifth day from the date of application to the date the applicant's entitlement became effective;

"(ii) For those disabled applicants who applied between January 1, 1971 and April 16, 1971, whose first full AABD check was not mailed within sixty days from the date of application, AABD assistance for the period beginning with the sixtieth day from the date of application to the date the applicant's entitlement became effective.

"These AABD benefits shall be mailed to those persons currently receiving AABD within eight months with an explanatory letter having been first approved by plaintiff's attorney. Any AABD benefits received pursuant to this paragraph shall not be deemed income or resources under Article III of the Illinois Public Aid Code.

"For those persons not presently receiving AABD:

"(a) A certified letter (return receipt requested), said letter having been first approved by plaintiffs' attorney, shall be sent to the last known address of the person, informing him in concise and easily understandable terms that he is entitled to a specified amount of AABD benefits wrongfully withheld, and that he may claim such amount by contacting the County Department of Public Aid at a specified address, within 45 days from the receipt of said letter.

"(b) If the County Department of Public Aid does not receive a claim for the AABD benefits within 45 days from the date of actual notice to the person, the right to said AABD benefits shall be forfeited and the file shall be closed. Persons who do not receive actual notice do not forfeit their rights to AABD benefits wrongfully withheld under this provision."

Paragraph 6 of the District Court's judgment provided:

"Within 15 days from the date of this decree, defendant Edward T. Weaver, Director, Illinois Department of Public Aid, shall submit a detailed statement as to the method of effectuating the relief required by paragraph 5, *supra*, of this Decree. Any disputes between the parties as to whether the the procedures and steps outlined by the defendant Weaver will fulfill the requirements of this Decree will be resolved by the Court."

On July 19, 1973, the author of this opinion stayed until further order of this Court these two paragraphs of the District Court's judgment. 414 U.S. 1301 (1973).

[6] Respondent appealed from the District Court's judgment insofar as it held him not entitled to receive benefits from the date of his applications (as opposed to the date of authorization of benefits as provided by the federal regulations) and insofar as it failed to award punitive damages. The Court of Appeals upheld the District Court's decision against respondent on those points and they are not at issue here. 472 F. 2d, at 997–999.

[7] Citing *Chevron Oil Co.* v. *Huson*, 404 U. S. 97 (1971), petitioner also contends in this Court that the Court of Appeals erred in refusing to give the District Court's judgment prospective effect only. Brief for the Petitioner, at p. 37, incorporating arguments made in petitioner's petition for Certiorari, at pp. 18–22. The Court of Appeals concluded that this ground was "not presented to the district judge before entry of judgment, so that it comes too late." 472 F. 2d, at 995. The Court of Appeals went on, however, to conclude that "[e]ven if the ground had been timely presented, defendant's contention would be meritless." *Ibid.* Noting that one of three tests established by our decision in *Huson* for determining the retroactivity of court decisions was that "the decision to be applied non-retroactively *must* establish a new principle of law, either by overruling clear past precedent on which litigants may have relied . . . or [have decided] an issue of first impression whose resolution was not clearly foreshadowed . . . .", *Chevron Oil Co.* v. *Huson, supra*, 404 U. S., at 106, the Court of Appeals found that the petitioner had not satisfied this test, since the "federal time requirements for processing applications and paying eligible AABD applicants were made effective July 1, 1968, and defendants were well aware of these mandatory maximum permissible time standards." 474 F. 2d, at 996.

In light of our disposition of this case on the Eleventh Amendment issue we see no reason to address this contention.

[8] 42 U.S.C. § 1382(a)(8) provides in pertinent part:

"(a) Contents.

"A State plan for aid to the aged, blind, or disabled, or for aid to the aged, blind, or disabled and medical assistance for the aged, must—

"(8) provide that all individuals wishing to make application for aid or assistance under the plan shall have opportunity to do so, and that such aid or assistance shall be furnished with reasonable promptness to all eligible individuals."

HEW, pursuant to authority granted to it by 42 U.S.C. § 1302, has promulgated regulations, see n. 3, *supra*, which require that decisions be made promptly on applications within 45 days for the aged and blind and within 60 days for the disabled, and that initiation of payments to the eligible be made within the same periods. Petitioner renews in this Court the contention made in the Court of Appeals that these time limitations in the regulations are inconsistent with the statute and therefore an unlawful abuse of the rulemaking authority. Brief for the petitioner, at p. 37, incorporating arguments made in petitioner's Petition for Certiorari, at pp. 22–28. Specifically, petitioner argues that the "establishment of arbitrary [forty-five] and sixty day maximums in the HEW regulations for determination of eligibility and initiation of payments without taking into consideration the efficient administration of the Act by the State agencies is inconsistent with the 'reasonable promptness' requirement and must therefore be declared unlawful. . . ." Petition for Certiorari, at p. 23. The Court of Appeals rejected this contention, holding that "these requirements, binding on state welfare officials, are an appropriate intepretation of the Congressional mandate of 'reasonable promptness.'" 472 F. 2d, at 996. We agree with the Court of Appeals.

[9] While the debates of the Constitutional Convention itself do not disclose a discussion of the question, the prevailing view at the time of the ratification of the Constitution was stated by various of the Framers in the writings and debates of the period. Examples of these views have been assembled by Mr. Chief Justice Hughes: ". . . Madison, in the Virginia Convention, answering objections to the ratification of the Constitution, clearly stated his view as to the purpose and effect of the provision conferring jurisdiction over controversies between States of the Union and foreign States. That purpose was suitably to provide for adjudication in such cases if consent should be given but not otherwise. Madison said: 'The next case provides for disputes between a foreign state and one of our states, should such a case ever arise; and between a citizen and a foreign citizen or subject. I do not conceive that any controversy can ever be decided, in these courts, between an American state and a foreign state, without the consent of the parties. If they consent, provision is here made.' 3 Elliot's Debates, 533.

"Marshall, in the same Convention, expressed a similar view. Replying to an objection as to the admissibility of a suit by a foreign state, Marshall said: 'He objects, in the next place, to its jurisdiction in controversies between a state and a foreign state. Suppose, says he, in such a suit, a foreign state is cast; will she be bound by the decision? If a foreign state brought a suit against the commonwealth of Virginia, would she not be barred from the claim if the federal judiciary thought it unjust? The previous consent of the parties is necessary; and, as the federal judiciary will decide, each party will acquiesce.' 3 Elliot's Debates, 557.

"Hamilton, in The Federalist, No. 81, made the following emphatic statement of the general principle of immunity: 'It is inherent in the nature of sovereignty not to be amenable to the suit of an individual *without its consent*. This is the general sense and the general practice of mankind; and the exemption, as one of the attributes of sovereignty, is now enjoyed by the government of every State in the Union. Unless therefore, there is a surrender of this immunity in the plan of the convention, it will remain with the States, and the danger intimated must be merely ideal. The circumstances which are necessary to produce an alienation of State sovereignty were discussed in considering the article of taxation and need not be repeated here. A recurrence to the principles there established will satisfy us that there is no color to pretend that the State governments would by the adoption of that plan be divested of the privilege of paying their own debts in their own way, free from every constraint but that which flows from the obligations of good faith. The contracts between a nation and individuals are only binding on the conscience of the sovereign, and have no pretensions to a compulsive force. They confer no right of action independent of the sovereign will. To what purpose would it be to authorize suits against States for the debts they owe? How could recoveries be enforced? It is evident it could not be done without waging war against the contracting State; and to ascribe to the federal courts by mere implication, and in destruction of a preexisting right of the State governments, a power which would involve such a consequence would be altogether forced and unwarrantable.'" *Monaco* v. *Mississippi*, 292 U.S. 313, 323–325 (1934) (footnotes omitted).

[10] Of the Court of Appeals for the District of Columbia Circuit, sitting by designation on the Court of Appeals for the Second Circuit.

[11] It may be true, as stated by our Brother DOUGLAS in dissent, that "[m]ost welfare decisions by the federal courts have a financial impact on the States." *Post*, at p. —. But we cannot agree that such a financial impact is the same where a federal court applies *Ex parte Young* to grant prospective declaratory and injunctive relief, as opposed to an order of retroactive payments as was made in the instant case. It is not necessarily true that "[w]hether the decree is prospective only or requires payments for the weeks or months wrongfully skipped over by state officials, the nature of the impact on the state treasury is precisely the same." Opinion of MR. JUSTICE DOUGLAS, *post*, at p. —. This argument neglects the fact that where the State has a definable allocation to be used in the payment of public aid benefits, and pursues

a certain course of action such as the processing of applications within certain time periods as did Illinois here, the subsequent ordering by a federal court of retroactive payments to correct delays in such processing will invariably mean there is less money available for payments for the continuing obligations of the public aid system.

As stated by Judge McGowan in *Rothstein v. Wyman*, 467 F. 2d 226, 235 (CA2 1972):

"The second federal policy which might arguably be furthered by retroactive payments is the fundamental goal of congressional welfare legislation—the satisfaction of the ascertained needs of impovished persons. Federal standards are designed to ensure that those needs are equitably met; and there may perhaps be cases in which the *prompt* payment of funds wrongfully withheld will serve that end. As time goes by, however, retroactive payments become compensatory rather than remedial; the coincidence between previously ascertained and existing needs becomes less clear."

[12] The Court of Appeals considered the Court's decision in *Griffin* v. *School Board*, 377 U.S. 218 (1964), to be of like import. But as may be seen from *Griffin's* citation of *Lincoln County* v. *Luning*, 133 U.S. 529 (1890), a county does not occupy the same position as a State for purposes of the Eleventh Amendment. See also *Moor* v. *County of Alameda*, 411 U.S. 633 (1973). The fact that the county policies executed by the county officials in *Griffin* were subject to the commands of the Fourteenth Amendment, but the county was not able to invoke the protection of the Eleventh Amendment, is no more than a recognition of the long established rule that while county action is generally state action for purposes of the Fourteenth Amendment, a county defendant is not necessarily a state defendant for purposes of the Eleventh Amendment.

[13] Brief for the Respondent, at pp. 15–18. Decisions of this Court in which we summarily affirmed a decision of a lower federal court which ordered the payment of retroactive awards and in which the jurisdictional statement filed in this Court raised the Eleventh Amendment defense include: *State Dep't of Health and Rehabilitative Services* v. *Zarate*, 407 U.S. 918 (1972), aff'g 347 F. Supp. 1004 (SD Fla. 1971); *Sterrett* v. *Mothers and Children's Rights Organization*, 409 U.S. 809 (1972), aff'g unreported order and judgment of N.D. Ind. 1972, on remand from *Carpenter* v. *Sterrett*, 405 U.S. 971 (1971); *Gaddis* v. *Wyman*, 304 F. Supp. 717 (SDNY 1968) (order at CCH Pov. L. Rptr. Transfer Binder ¶ 10,506), aff'd *per curiam sub nom. Wyman* v. *Bowens*, 397 U.S. 49 (1969).

[14] In the words of Mr. Justice Brandeis: "*Stare decisis* is usually the wise policy, because in most matters it is more important that the applicable rule of law be settled than that it be settled right. . . . This is commonly true even where the error is a matter of serious concern, provided correction can be had by legislation. But in cases involving the Federal Constitution, where correction through legislative action is practically impossible, this Court has often overruled its earlier decisions. The Court bows to the lessons of experience and the force of better reasoning, recognizing that the process of trial and error, so fruitful in the physical sciences, is appropriate also in the judicial function." *Burnet* v. *Colorado Oil & Gas Co.*, 285 U.S. 393, 406–408 (1932) (dissenting opinion) (footnotes omitted).

[15] Respondents urge that the traditionally broad power of a federal court sitting as a court of equity to fashion appropriate remedies as are necessary to effect congressional purposes requires that the District Court's award of retroactive benefits be upheld. Respondent places principal reliance on our prior decisions in *Porter* v. *Warner Holding Co.*, 328 U.S. 295 (1946), and *Mitchell* v. *DeMario Jewelry*, 361 U.S. 288 (1960). Both cases dealt with the power of a federal court to grant equitable relief for violations of federal law; the decision in *Mitchell* indicated that a federal court could provide equitable relief "complete . . . in light of the statutory purposes." 361 U.S., at 291–292. Since neither of these cases involved a suit against a State or a state official, they did not purport to decide the availability of equitable relief consistent with the Eleventh Amendment.

[16] HEW sought passage of a bill in the 91st Congress, H.R. 16311, 91st Cong., 2d Sess., c. 169–170 (1970), which would have given it authority to require retroactive payments to eligible persons denied such benefits. The bill failed to pass the House of Representatives.

[17] 45 CFR § 205.10(b) (2) and (3) provide:

"(b) *Federal financial participation.* Federal financial participation is available for the following items:

"(2) Payments of assistance made to carry out hearing decisions, or to take corrective action after an appeal but prior to hearing, or to extend the benefit of a hearing decision or court order to others in the same situation as those directly affected by the decision or order. Such payments may be retroactive in accordance with applicable Federal policies on corrective payments.

"(3) Payments of assistance within the scope of Federally aided public assistance programs made in accordance with a court order."

The Court of Appeals felt that § 1983, the enactment of the AABD program and the issuance by HEW of the above regulation, indicated that Congress intended to include within the Social Security Act the remedy of "effective judicial review" and "the remedy of restoration of benefits withheld in violation of federal law." 472 F. 2d. at 994–995 & n. 15. But the adoption of regulations by HEW to permit the use of federal funds in the satisfaction of judicial awards is not determinative of the constitutional issues here presented.

[18] Mr. Justice Marshall, and both the Court of Appeals and the respondent herein, refer to language in *Rosado* v. *Wyman*, 397 U. S., at 420, to the effect that Congress in legislating the Social Security Act has not "closed the avenue of effective judicial review to those individuals most directly affected by the administration of its program." The Court in *Rosado* was concerned with the compatibility of a provision of New York law which decreased benefits to some eligible public aid recipients and amendments to the federal act which required cost-of-living increases. The case did not purport to decide the Eleventh Amendment issue we resolve today. In finding the New York law inconsistent with the federal law, Mr. Justice Harlan stated:

"New York is, of course, in no way prohibited from using only *state* funds according to whatever plan it chooses, providing it violates no provision of the Constitution. It follows, however, from our conclusion that New York's program is incompatible with § 402(a)(23), that petitioners are entitled to declaratory relief and an appropriate injunction against the payment of *federal* monies according to the new schedules, should the State not develop a conforming plan within a reasonable period of time.

"We have considered and rejected the argument that a federal court is without power to review state welfare provisions or prohibit the use of federal funds by the States in view of the fact that Congress has lodged in the Department of HEW the power to cut off federal funds for noncompliance with statutory requirements. We are most reluctant to assume Congress has closed the avenue of effective judicial review to those individuals most directly affected by the administration of its program. . . . We adhere to *King* v. *Smith*, 392 U. S. 309 (1968), which implicitly rejected the argument that the statutory provisions for HEW review of plans should be read to curtail judicial relief and held Alabama's 'substitute father' regulation to be inconsistent with the federal statute. While *King* did not avert specifically to the remedial problem, the unarticulated premise was that the State had alternative choices of assuming the additional cost of paying benefits to families with substitute fathers or not using federal funds to pay welfare benefits according to a plan that was inconsistent with federal requirements." 397 U. S., at 420–421.

Respondent urges that this language is "tantamount to a finding that Congress conditioned the participation of a state in the categorical assistance program on the forfeiture of immunity from suit in a federal forum . . . irrespective of the relief sought, [since] the intent of Congress remains constant." Brief for the Respondent, at p. 42–43. Petitioner contends that this language, coupled with the fact that the Court in *Rosado* remanded the case to the District Court to "afford New York an opportunity to revise its program . . . or, should New York choose [not to revise its program], issue its order restraining the further use of federal monies pursuant to the present statute," 397 U.S., at 421–422, indicates that the Court felt that retroactive relief was not a permissible remedy. Brief for the Petitioner, at pp. 17–20. We do not regard *Rosado* as controlling either way since the Court was not faced with a district court judgment ordering retroactive payments nor with a challenge based on the Eleventh Amendment.

[19] Respondent urges that the State of Illinois has abolished its common-law sovereign immunity in its state courts, and appears to argue that suit in a federal court against the State may thus be maintained. Brief for the Respondent, at p. 23. Petitioner contends that sovereign immunity has not been abolished in Illinois as to this type of case. Brief for the Petitioner, at pp. 31–36. Whether Illinois permits such a suit to be brought against the State in its own courts is not determinative of whether Illinois has relinquished its Eleventh Amendment immunity from suit in the federal courts. *Chandler* v. *Dix*, 194 U.S. 590, 591–592 (1904).

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EDELMAN VERSUS JORDAN

Mr. Justice Douglas, dissenting.

Congress provided in 42 U.S.C. § 1983 that:

"Every person who, under color of any statute, ordinance, regulation, custom, or usage, of any State or Territory, subjects, or causes to be subjected, any citizen of the United States or other person within the jurisdiction thereof to the deprivation of any rights, privileges, or immunities secured by the Constitution and laws, shall be liable to the party injured in an action at law, suit in equity, or other proper proceeding for redress."

In this class action respondent sought to enforce against state aid officials of Illinois a provision of the Social Security Act, 42 U.S.C. §§ 1381–1385, known as Aid to the Aged, Blind, or Disabled (AABD).[1] The complaint alleges violations of the Equal Protection Clause of the Fourteenth Amendment and also violations of the Social Security Act. Hence § 1983 is satisfied *in haec verba*, for a deprivation of "rights" which are "secured by the Constitution and laws" is alleged. The Court of Appeals, though ruling that the alleged constitutional violations had not occurred, sustained federal jurisdiction because federal "rights" were violated. The main issue tendered us is whether that ruling of the Court of Appeals is consistent with the Eleventh Amendment.[2]

Once the federal court had jurisdiction over the case, the fact that it ruled adversely to the claimant on the constitutional claim did not deprive it of its pendent jurisdic-

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Footnotes at end of article.

tion over the statutory claim. *United States* v. *Georgia Pub. Serv. Comm'n*, 371 U.S. 285, 287–288.

In *Ex parte Young*, 209 U.S. 123, a suit by stockholders of a railroad was brought in a federal court against state officials to enjoin the imposition of confiscatory rates on the railroad in violation of the Fourteenth Amendment. The Eleventh Amendment was interposed as a defense. The Court rejected the defense saying that state officials with authority to enforce state laws—"who threaten and are about to commence proceedings, either of a civil or criminal nature, to enforce against parties affected an unconstitutional act, violating the Federal Constitution, may be enjoined by a Federal court of equity from such action." *Id.*, at 156. The Court went on to say that a state official seeking to enforce in the name of a State an unconstitutional act "comes into conflict with the superior authority of that Constitution, and he is in that case stripped of his official or representative character and is subjected in his person to the consequence of his individual conduct. The State has no power to impart to him any immunity from responsibility to the supreme authority of the United States." *Id.*, at 159–160.

As the complaint in the instant case alleges violations by officials of Illinois of the Equal Protection Clause of the Fourteenth Amendment, it seems that the case is governed by *Ex parte Young* so far as injunctive relief is concerned. The main thrust of the argument is that the instant case asks for relief which is granted would affect the treasury of the State.

Most welfare decisions by federal courts have a financial impact on the States. Under the existing federal-state cooperative system, a state desiring to participate, submits a "state plan" to HEW for approval; once HEW approves the plan the State is locked into the cooperative scheme until it withdraws,[1] all as described in *King* v. *Smith*, 392 U. S. 309, 316 *et seq.* The welfare cases coming here have involved ultimately the financial responsibility of the State to beneficiaries claiming they were deprived of federal rights. *King* v. *Smith* required payment to children even though their mother was cohabitating with a man who could not pass muster as a "parent." *Rosado* v. *Wyman*, 397 U. S. 397, held that under this state-federal co-operative program a State could not reduce its standard of need in conflict with the federal standard. It is true that *Rosado* did not involve retroactive payments as are involved here. But the distinction is not relevant or material because the result in every welfare case coming here is to increase or reduce the financial responsibility of the participating State. In on case when the responsibility of the State is increased to meet the lawful demand of the beneficiary, is there any levy on state funds. Whether the decree is prospective only or requires payments for the weeks or months wrongfully skipped over by the state officials, the nature of the impact on the state treasury is precisely the same.

We have granted relief in other welfare cases which included retroactive assistance or payments. In *State Dept.* v. *Zarate*, 407 U. S. 918, the sole issue presented to us was whether the Eleventh Amendment barred a judgment against state officers for retroactive welfare assistance benefits or payments. That had been ordered by the lower court and we summarily affirmed, only MR. JUSTICE WHITE voting to note probable jurisdiction. We also summarily affirmed the judgment in *Sterrett* v. *Mother's Rights Org.*, 409 U.S. 809, where one of the two questions[2] was whether payment of benefits retroactively violated the Eleventh Amendment. In *Wyman* v. *Bowens*, 397 U.S. 49, we affirmed a judgment where payments were awarded in spite of the argument that the order was an incursion on the Eleventh Amendment.[3] In *Shapiro* v. *Thompson*, 394 U. S. 618, we affirmed a judgment which ordered payment of benefits wrongfully withheld;[4] and while we did not specifically refer to the point, the lower court had expressly rejected the Eleventh Amendment argument.[5]

As stated in *Gaither* v. *Sterrett*, 346 F. Supp. 1095, 1099, whose judgment we affirmed,[6] 409 U. S. 809, the court said:

"[T]his court would note that if defendants' position regarding the jurisdictional bar of the Eleventh Amendment is correct, a great number of federal district court judgments are void, and the Supreme Court has affirmed many of these void judgments."

The Seventh Circuit Court of Appeals is in line with that view; the opposed view of *Rothstein* v. *Wyman*, 467 F. 2d 226, from the Second Circuit Court of Appeals is out of harmony with the established law.

What is asked by the instant case is minor compared to the relief granted in *Griffin* v. *School Board*, 377 U.S. 218. In that case we authorized entry of an order putting an end to a segregated school system. We held, *inter alia*, "the District Court may, if necessary to prevent further racial discrimination, require the Supervisors to exercise the power that is theirs to levy taxes to raise funds adequate to reopen, operate, and maintain without racial discrimination a public school system in Prince Edward County like that operated in other counties in Virginia." *Id.*, at 233. We so held against vigorous contentions of the state officials that the Eleventh Amendment protected the State; and in reply we cited *Lincoln County* v. *Luning*, 133 U.S. 529, and *Kennecott Copper Corp.* v. *State Tax Comm'n*, 327 U.S. 573, 579, to support the proposition that "actions against a county can be maintained in United States courts in order to vindicate federally guaranteed rights." *Ibid.*

*Griffin* is sought to be distinguished on the ground that a "county" is not the "state" for purposes of the Eleventh Amendment. But constitutionally the county in *Griffin* was exercising state policy as are the counties here, because otherwise the claim of denial of equal protection would be of no avail.

Counties are citizens of their State for purposes of diversity of citizenship. *Bullard* v. *City of Cisco*, 290 U.S. 179; *Moor* v. *County of Alameda*, 411 U.S. 693, 718–719. And they are not States for purposes of 28 U.S.C. § 1251 (a) which gives this Court original and exclusive jurisdiction of: "(1) All controversies between two or more states. . . ." *Illinois* v. *City of Milwaukee*, 406 U.S. 91, 98. But, being citizens of their State, suits against them by another State are in our original but not exclusive jurisdiction under 28 U.S.C. § 1251(b)(3). *Ibid.* Yet, as agencies of the State whether in carrying out educational policies or otherwise, they are the State, as *Griffin* held, for purposes of the Fourteenth Amendment. And *Griffin*, like the present case, dealt only with liability to citizens for state policy and state action.

Yet petitioner asserts that money damages may not be awarded against state offenses as such a judgment will expend itself on the state treasury. But we are unable to say that Illinois on entering the federal-state welfare program waived her immunity to suit for injunctions but did not waive her immunity for compensatory awards which remedy her willful defaults of obligations undertaken when she joined the co-operative venture.

It is said however, that the Eleventh Amendment is concerned not with immunity of States from suit but with the jurisdiction of the federal courts to entertain the suit. The Eleventh Amendment does not speak of "jurisdiction"; it withholds the "judicial power" of federal courts "to any suit in law or equity . . . against one of the United States. . . ." If that "judicial power," or "jurisdiction" if one prefers that concept, may not be exercised even in "any suit in . . . equity" then *Ex parte Young* should be overruled. But there is none eager to take the step. Where a State has consented to join a federal-state co-operative project, it is realistic to conclude that the State has agreed to assume its obligations under that legislation. There is nothing in the Eleventh Amendment to suggest a difference between suits at law and suits in equity, for it treats the two without distinction. If common sense has any role to play in constitutional adjudication, once there is a waiver for immunity it must be true that it is complete so far as effective operation of the state-federal joint welfare program is concerned.

We have not always been unanimous in concluding when a State has waived its immunity. In *Parden* v. *Terminal R. Co.*, 377 U.S. 184, where Alabama was sued by some of its citizens for injuries suffered in the interstate operation of an Alabama railroad, the State defended on the grounds of the Eleventh Amendment. The Court held that Alabama was liable as a carrier under the Federal Employees Liability Act, saying,

"Our conclusion is simply that Alabama, when it began operation of an interstate railroad approximately 20 years after enactment of the FELA, necessarily consented to such suit as was authorized by that Act," *id.*, at 192.

The Court added:

"Our conclusion that this suit may be maintained is in accord with the common sense of this Nation's federalism. A State's immunity from suit by an individual without its consent has been fully recognized by the Eleventh Amendment and by subsequent decisions of this Court. But when a State leaves the sphere that is exclusively its own and enters into activities subject to congressional regulation, it subjects itself to that regulation as fully as if it were a private person or corporation." *Id.*, at 196.

As the Court of Appeals in the instant case concluded, Illinois by entering into the joint federal-state welfare plan just as surely "left the sphere that is exclusively its own," 377 U.S., at 196.

It is argued that participation in the program of federal financial assistance is not sufficient to establish consent on the part of the State to be sued in federal courts. But it is not merely participation which supports a finding of Eleventh Amendment waiver, but participation in light of the existing state of the law as exhibited in such decisions as *Shapiro* v. *Thompson*, 394 U.S. 618, which affirmed judgments ordering retroactive payments. Today's holding that the Eleventh Amendment forbids court-ordered retroactive payments, as the Court recognizes, necessitates an express overruling of several of our recent decisions. But it was against the background of those decisions that Illinois continued its participation in the federal program, and it can hardly be claimed that such participation was in ignorance of the possibility of court-ordered retroactive payments. The decision to participate against that background of precedent can only be viewed as a waiver of immunity from such judgments.

I would affirm this judgment.

FOOTNOTES

[1] Effective January 1, 1974, the AABD program was replaced by a similar program. See 42 U.S.C. §§ 801–805 (1973 Supp.). The program in Illinois is administered by the Department of Public Aid. Ill. Rev. Stat. c. 23, §§ 3–1 to 3–12 (1971). The program is funded 50% by the State and 50% by the Federal Government, 42 U.S.C. §§ 303–306, 1201–1206, 1351–1355, 1381–1385.

[2] Amendment XI—The Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State,

or by Citizens or Subjects of any Foreign State.

As the Court, speaking through MR. JUSTICE BRENNAN, said in *Parden* v. *Terminal R. Co.*, 377 U.S. 184, 186: "Although the Eleventh Amendment is not in terms applicable here, since petitioners are citizens of Alabama, this Court has recognized that an unconsenting State is immune from federal-court suits brought by its own citizens as well as by citizens of another State. *Hans* v. *Louisiana*, 134 U.S. 1; *Duhne* v. New Jersey, 251 U.S. 311; *Great Northern Life Ins. Co* v. *Read*, 322 U.S. 47, 51; *Fitts* v. *McGhee*, 172 U.S. 516, 524. See also *Monaco* v. *Mississippi*, 292 U.S. 313."

[2] The Social Security Act states what a "state plan" must provide. At the time this suit was brought, 42 U.S.C. § 1382(a) provided: "A state plan for aid to the aged, blind, or disabled and medical assistance for the aged, must . . . .

"(5) provide (A) such methods of administration . . . as are found by the Secretary to be necessary for the proper and efficient operation of the plan . . .;

"(8) provide that all individuals wishing to make application for aid or assistance under the plan shall have opportunity to do so, and that such aid or assistance shall be furnished with reasonable promptness to all eligible individuals;

"(13) include reasonable standards, consistent with the objectives of this subchapter for determining eligibility for and the extent of aid or assistance under the plan."

Nearly identical provisions are now found at 42 U.S.C. § 802(a) (1973 Supp.)

The Secretary of HEW issued mandatory federal time standard regulations. Handbook Public Assistance Administration, Pt. IV, §§ 2200(b)(3), 2300(b)(5); 45 CFR § 206.10 (a)(3). Illinois adopted a 30-day standard for aged and blind applicants (Ill. Categ. Assistance Manual § 4004.1) as contrasted to HEW's 60-day period, § 2200, *supra*. It is that conflict which exposes the merits of the controversy.

[4] The lower court's opinion is found in 347 F. Supp. 1004.

[5] The jurisdictional statement had as its second question the following:

"Whether a federal court is precluded by the Eleventh Amendment to the United States Constitution from ordering a state agency to pay money from the state treasury and from further ordering the state agency to perform certain specified acts which would otherwise be in the discretion of the agency."

[6] The lower court's opinion is found in 304 F. Supp. 717. Retroactive payments were challenged in question 2 of the jurisdictional statement.

[7] The lower court's opinion is found in 270 F. Supp. 331.

[8] *Id.*, at 338 n. 5. The award of money damages was alleged to be a violation of the Eleventh Amendment in Part V of the jurisdictional statement.

[9] The jurisdictional statement in the Sterrett case explicitly urged that the decree below violated the Eleventh Amendment since it would expand itself in the public treasury—the second question in the jurisdictional statement.

[10] We settled in *Rosado* v. *Wyman*, 397 U.S. 397, the question whether the grant of authority under the Social Security Act to HEW to cut of federal funds for noncompliance with statutory requirements provides the exclusive procedure and remedy for violations of the Act. We said, "We are most reluctant to assume Congress has closed the avenue of effective judicial review to those individuals most directly affected by the administration of its program." *Id.*, at 420.

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EDELMAN VERSUS JORDAN

MR. JUSTICE MARSHALL, with whom MR. JUSTICE BLACKMUN joins, dissenting.

The Social Security Act's categorical assistance programs, including the Aid to the Aged, Blind, and Disabled (AABD) program involved here, are fundamentally different from most federal legislation. Unlike the Fair Labor Standards Act involved in last Term's decision in *Employees* v. *Department of Public Health & Welfare*, 411 U.S. 279 (1973), or the FELA at issue in *Parden* v. *Terminal Railway*, 377 U.S. 184 (1964), the Social Security Act does not impose federal standards and liability upon all who engage in certain regulated activities, including often-unwilling state agencies. Instead, the Act seeks to induce state participation in the federal welfare programs by offering federal matching funds in exchange for the State's voluntary assumption of the Act's requirements. I find this basic distinction crucial: It leads me to conclude that by participation in the programs, the States waive whatever immunity they might otherwise have from federal court orders requiring retroactive payment of welfare benefits.[1]

In its contacts with the Social Security Act's assistance programs in recent years, the Court has frequently described the Act as a "scheme of cooperative federalism." See, *e.g.*, *King* v. *Smith*, 392 U.S. 309, 316 (1968); *Jefferson* v. *Hackney*, 406 U.S. 535, 542 (1972). While this phrase captures a number of the unique characteristics of these programs, for present purposes it serves to emphasize that the State's decision to participate in the programs is a voluntary one. In deciding to participate, however, the States necessarily give up their freedom to operate assistance programs for the needy as they see fit, and bind themselves to conform their programs to the requirements of the federal statute and regulations. As the Court explained in *King* v. *Smith*, *supra*, 392 U.S., at 316–317 (citations omitted):

"States are not required to participate in these programs, but those which desire to take advantage of the substantial federal funds available for distribution to needy children [or needy aged, blind or disabled] are required to submit an AFDC [or AABD] plan for the approval of the Secretary of Health, Education, and Welfare (HEW). The plan must conform with several requirements of the Social Security Act and with rules and regulations promulgated by HEW."

So here, Illinois has elected to participate in the AABD program, and has received and expended substantial federal funds in the years at issue. It has thereby obligated itself to comply with federal law, including the requirement of 42 U.S.C. § 1382(a)(8) (1970) that "such aid or assistance shall be furnished with reasonable promptness to all eligible individuals." In *Townsend* v. *Swank*, 404 U.S. 282, 286 (1971), we held that participating States must strictly comply with the requirement that aid be furnished "to all eligible individuals," and that the States have no power to impose additional eligibility requirements which exclude persons eligible for assistance under federal standards. Today's decision, *ante*, at 7–8 n. 8, properly emphasizes that participating States must also comply strictly with the "reasonable promptness" requirement and the more detailed regulations adding content to it.

In agreeing to comply with the requirements of the Social Security Act and HEW regulations, I believe that Illinois has also agreed to subject itself to suit in the federal courts to enforce these obligations. I recognize, of course, that the Social Security Act does not itself provide for a cause of action to enforce its obligations. As the Court points out the *only* sanction expressly provided in the Act for a participating State's failure to comply with federal requirements is the cut-off of federal funding by the Secretary of HEW. 42 U.S.C. § 1384 (1970).

But a cause of action is clearly provided by 42 U.S.C. § 1983 (1970), which in terms authorizes suits to redress deprivations of rights secured by the "laws" of the United States. And we have already rejected the argument that Congress intended the funding-cutoff to be the sole remedy for noncompliance with federal requirements. In *Rosado* v. Wyman, 397 U.S. 397, 420–423 (1970), we held that suits in federal court under § 1983 were proper to enforce the provisions of the Social Security Act against participating States. Mr. Justice Harlan, writing for the Court, examined the legislative history and found "not the slightest indication" that Congress intended to prohibit suits in federal court to enforce compliance with federal standards. *Id.*, at 422.

I believe that Congress also intended the full panoply of traditional judicial remedies to be available to the federal courts in these § 1983 suits. There is surely no indication of any congressional intent to restrict the courts' equitable jurisdiction. Yet the Court has held that "[u]nless a statute in so many words, or by a necessary and inescapable inference, restricts the court's jurisdiction in equity, the full scope of that jurisdiction is to be recognized and applied." *Porter* v. *Warner Holding Co.*, 328 U.S. 395, 398 (1946). "When Congress entrusts to an equity court the enforcement of prohibitions contained in a regulatory enactment, it must be taken to have acted cognizant of the historic power of equity to provide complete relief in light of the statutory purposes." *Mitchell* v. *DeMario Jewelry, Inc.*, 361 U.S. 288, 291–292 (1960).

In particular, I am firmly convinced that Congress intended the restitution of wrongfully withheld assistance payments to be a remedy available to the federal courts in these suits. Benefits under the categorical assistance programs "are a matter of statutory entitlement for persons qualified to receive them." *Goldberg* v. *Kelly*, 397 U.S. 254, 262 (1970). Retroactive payment of benefits secures for recipients this entitlement which was withheld in violation of federal law. Equally important, the courts' power to order retroactive payments is an essential remedy to insure future state compliance with federal requirements. See *Porter* v. *Wagner Holding Co.*, *supra*, 328 U.S., at 400. No other remedy can effectively deter States from the strong temptation to cut welfare budgets by circumventing the stringent requirements of federal law. The funding cut-off is a drastic sanction, one which HEW has proven unwilling or unable to employ to compel strict compliance with the Act and regulations. See *Rosado v. Wyman*, *supra*, 397 U.S., at 426 (DOUGLAS, J., concurring). Moreover, the cutoff operates only prospectively: It in no way deters the States from even a flagrant violation of the Act's requirements for as long as HEW does not discover the violation and threaten to take such action.

Absent any remedy which may act with retroactive effect, state welfare officials have everything to gain and nothing to lose by failing to comply with the congressional mandate that assistance be paid with reasonable promptness to all eligible individuals. This is not idle speculation without basis in practical experience. In this very case, for example, Illinois officials have knowingly violated since 1968 a federal regulation on the strength of an argument as to its invalidity which even the majority deems unworthy of discussion. *Ante*, at 7–8 n. 8. Without a retroactive payment remedy, we are indeed faced with the spectre of a state, perhaps calculatingly, defying federal law and thereby depriving welfare recipients of the financial assistance Congress thought it was giving them." *Jordan* v. *Weaver*, 472 F. 2d 985, 995 (CA7 1972). Like the Court of Appeals, I cannot believe that Congress could possibly have intended any such result.

Such indicia of congressional intent as can

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Footnotes at end of article.

be gleaned from the statute confirm that Congress intended to authorize retroactive payment of assistance benefits unlawfully withheld. Availability of such payments is implicit in the "fair hearing" requirement, 42 U.S.C. § 1382(a)(4) (1970), which permits welfare recipients to challenge the denial of assistance. The regulations which *require* States to make corrective payments retroactively in the event of a successful fair hearing challenge, 45 CFR § 205.10(a)(18) (1974), merely confirm the obvious statutory intent. HEW regulations also authorize federal matching funds for retroactive assistance payments made pursuant to court order, 45 CFR §§ 205.10 (b)(2), (b)(3) (1974). We should not lightly disregard this explicit recognition by the agency charged with administration of the statute that such a remedy was authorized by Congress. See *Griggs* v. *Duke Power Co.*, 401 U.S. 424, 433–434 (1971).

Illinois chose to participate in the AABD program with its eyes wide open. Drawn by the lure of federal funds, it voluntarily obligated itself to comply with the Social Security Act and HEW regulations, with full knowledge that Congress had authorized assistance recipients to go into federal court to enforce these obligations and to recover benefits wrongfully denied. Any doubts on this score must surely have been removed by our decisions in *Rosado* v. *Wyman, supra*, and *Shapiro* v. *Thompson*, 394 U.S. 618 (1969), where we affirmed a district court retroactive payment order. I cannot avoid the conclusion that, by virtue of its knowing and voluntary decision to nevertheless participate in the program, the State necessarily consented to subject itself to these suits. I have no quarrel with the Court's view that waiver of constitutional rights should not lightly be inferred. But I simply cannot believe that the State could have entered into this essentially contractual agreement with the Federal Government without recognizing that it was subjecting itself to the full scope of the § 1983 remedy provided by Congress to enforce the terms of the agreement.

Of course, § 1983 suits are nominally brought against state officers, rather than the State itself, and do not ordinarily raise Eleventh Amendment problems in view of this Court's decision in *Ex parte Young*, 209 U.S. 123 (1908). But to the extent that the relief authorized by Congress in an action under § 1983 may be open to Eleventh Amendment objections,[2] these objections are waived when the State agrees to comply with federal requirements enforceable in such an action. I do not find persuasive the Court's reliance in this case on the fact that "congressional authorization to sue a class of defendants which literally includes States" is absent. *Ante*, at 21. While true, this fact is irrelevant here, for this is simply not a case "literally" against the State. While the Court successfully knocks down the strawman it has thus set up, it never comes to grips with the undeniable fact that Congress has "literally" authorized this suit within the terms of § 1983. Since there is every reason to believe that Congress intended the full panoply of judicial remedies to be available in § 1983 equitable actions to enforce the Social Security Act, I think the conclusion is inescapable that Congress authorized and the State consented to § 1983 actions in which the relief might otherwise be questioned on Eleventh Amendment grounds.

My conclusion that the State has waived its Eleventh Amendment objections to court ordered retroactive assistance payments is fully consistent with last Term's decision in *Employees* v. *Department of Public Health and Welfare*, 411 U.S. 279 (1973). As I emphasized in my concurring opinion, there was no voluntary action by the State in *Employees* which could reasonably be construed as evidencing its consent to suit in a federal forum.

"The State was fully engaged in the operation of the affected hospitals and schools at the time of the 1966 amendments. To suggest that the State had the choice of either ceasing operation of these vital public services or 'consenting' to federal suit suffices, I believe, to demonstrate that the State had no true choice at all and thereby that the State did not voluntarily consent to the exercise of federal jurisdiction . . . ." *Id.*, at 296.

A finding of waiver here is also consistent with the reasoning of the majority of *Employees*, which relied on a distinction between "governmental" and "proprietary" functions of state government. *Id.* at 284–285. This distinction apparently recognizes that if sovereign immunity is to be at all meaningful, the Court must be reluctant to hold a State to have waived its immunity simply by acting in its sovereign capacity—*i.e.*, by merely performing its "governmental" functions. On the other hand, in launching a profitmaking enterprise, "a State leaves the sphere that is exclusively its own," *Parden* v. *Terminal Railway, supra*, 377 U.S., at 196, and a voluntary waiver of sovereign immunity can more easily be found. While conducting an assistance program for the needy is surely a "governmental" function, the State here has done far more than operate its own program in its sovereign capacity. It has voluntarily subordinated its sovereignty in this matter to that of the Federal Government, and agreed to comply with the conditions imposed by Congress upon the expenditure of federal funds. In entering this federal-state cooperative program, the State again "leaves the sphere that is exclusively its own," and similarly may more readily be found to have voluntarily waived its immunity.

Indeed, this is the lesson to be drawn from this Court's decision in *Petty* v. *Tennessee-Missouri Bridge Comm'n*, 359 U.S. 275 (1959), where the Court found that the States had waived the sovereign immunity of the Commission by joining in an interstate compact subject to the approval of Congress. The Court in *Petty* emphasized that it was "called upon to interpret not unilateral state action but the terms of a consensual agreement" between the States and Congress, *id.*, at 279, and held that the States who join such a consensual agreement, "by accepting it and acting under it assume the conditions that Congress under the Constitution attached." *Id.*, at 281–282. Although the congressional intent regarding the sue-and-be-sued clause was by no means certain, the Court held that the surrounding conditions made it clear that the States accepting it waived their sovereign immunity, *id.*, at 280, especially since this interpretation was necessary to keep the compact "a living interstate agreement which performs high functions in our federalism." *Id.*, at 279.

I find the approach in *Petty* controlling here. As even the dissent in that case recognized, *id.*, at 285 (Frankfurter, J., dissenting), Congress undoubtedly has the power to insist upon a waiver of sovereign immunity as a condition of its consent to such a federal-state agreement. Since I am satisfied that Congress has in fact done so here, at least to the extent that the federal courts may do "complete rather than truncated justice," *Porter* v. *Warner Holding Co., supra*, 328 U.S., at 398, in § 1983 actions authorized by Congress against state welfare authorities, I respectfully dissent.

FOOTNOTES

[1] In view of my conclusion on this issue, I find it unnecessary to consider whether the Court correctly treats this suit as one against the State rather than as a suit against a state officer permissible under the rationale of *Ex parte Young*, 209 U.S. 123 (1908).

[2] It should be noted that there has been no determination in this case that state action is unconstitutional under the Fourteenth Amendment. Thus, the Court necessarily does not decide whether the States' Eleventh Amendment sovereign immunity may have been limited by the later enactment of the Fourteenth Amendment to the extent that such a limitation is necessary to effectuate the purposes of that Amendment, an argument advanced by an *amicus* in this case. In view of my conclusion that any sovereign immunity which may exist has been waived, I also need not reach this issue.

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EDELMAN VERSUS JORDAN

[March 25, 1974]

MR. JUSTICE BRENNAN, dissenting.

This suit is brought by Illinois citizens against Illinois officials. In that circumstance, Illinois may not invoke the Eleventh Amendment, since that Amendment bars only federal court suits against States by citizens of other States. Rather, the question is whether Illinois may avail itself of the nonconstitutional but ancient doctrine of sovereign immunity as a bar to responents' claim for retroactive AABD payments. In my view Illinois may not assert sovereign immunity for the reason I expressed in dissent in *Employees* v. *Department of Public Health and Welfare*, 411 U.S. 279, 298, (1973): the States surrendered that immunity in Hamilton's words, "in the plan of the Convention," that formed the Union, at least insofar as the States granted Congress specifically enumerated powers. See *id.*, at 319 n. 7; *Parden* v. *Terminal Railway*, 377 U.S. 184 (1964). Congressional authority to enact the Social Security Act, of which AABD is a part, 42 U.S.C. §§ 1381–1385, is to be found in Art. I, § 8, cl. 1, one of the enumerated powers granted Congress by the States in the Constitution. I remain of the opinion that "because of its surrender, no immunity exists that can be the subject of a congressional declaration or a voluntary waiver." 411 U.S., at 300, and thus have no occasion to inquire whether or not Congress authorized an action for AABD retroactive benefits, or whether or not Illinois voluntarily waived the immunity by its continued participation in the program against the background of precedent which sustained judgment ordering retroactive payments.

I would affirm the judgment of the Court of Appeals.

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S. 3937

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That (a) in addition to any other requirement imposed by law as a condition of Federal financial participation in any State welfare program (as defined in subsection (c)), there is hereby imposed the requirement that the State give its consent (thereby waiving any immunity to suit conferred upon the State by Amendment XI of the Constitution) to the exercise of the judicial power of the United States in any suit brought against the State by or on behalf of any claimant (or class of claimants) for the aid or assistance provided under such program.

(b) The acceptance, on or after the effective date of this Act, by a State of any Federal payment made to the State for or with respect to any State welfare program (or with respect to any expenditures incurred under such program) shall constitute, with respect to suits brought against the State by or on behalf of claimants for aid or assistance provided under such program, the consent to suit described in subsection (a).

(c) the term "State welfare program" means a program which is instituted and operated by the State for the purpose of providing to needy and individuals and families aid or assistance (whether in terms of money payments, services, or other benefits), and under which individuals and families meeting the conditions for the receipt of

such aid or assistance are legally entitled thereto.

(d) The provisions of this Act shall become effective on the first day of the first calendar quarter which commences more than 60 days after the date of enactment of this Act; except that nothing in this Act shall be construed to require consent to suit by any State with respect to any claim for aid or assistance for any period prior to the effective date of this Act.

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By Mr. TUNNEY:

S. 3938. A bill to amend the Federal Trade Commission Act to provide for the disclosure of annual operating costs of new buildings and for other purposes. Referred to the Committee on Commerce.

THE TRUTH IN ENERGY ACT OF 1974

Mr. TUNNEY. Mr. President, the energy crisis is not over. Although the end of the Arab oil embargo has temporarily eased the problem, we should never forget that the Arab States can turn off the spigots whenever it suits their advantage.

Already the American consumer is faced with skyrocketing energy costs. In mid-1973, for example, prior to major increases in energy prices, the average family in this country spent about 7 percent of its annual income of $743 per year on energy. Considering the 50 percent increase in the cost of petroleum products, this figure has now probably increased to over $1,000. Therefore, the American consumer is being bludgeoned first by energy shortages and now by ever-increasing energy goals.

I am convinced that one of the most effective ways to meet this double challenge is to commit overselves to an imaginative and far-reaching policy to foster energy conservation.

An important element of a national energy conservation program is to inform consumers of the energy consumption and associated financial implications of their purchase decisions, and to provide engineers and manufacturers with incentives to develop energy efficient products and systems.

Last spring, as a first step in this effort I introduced S. 1327, the Truth in Energy Act of 1973. It required that major household appliances have annual average operating costs disclosed on their labels. This legislation, along with a similar provision requiring operating cost labeling for automobiles, passed the Senate last December as part of S. 2176, the National Fuels and Energy Conservation Act.

Mr. President, today, in order to extend the principle of energy cost disclosure, I am introducing for appropriate reference, S. 3938, the Truth in Energy Act of 1974. This bill will require that individuals be informed of the estimated annual operating costs of new homes and buildings which they are purchasing and leasing. It also establishes a demonstration program involving retrofitting of existing Federal buildings with energy conservation equipment.

This legislation can quickly save this Nation additional millions of barrels of oil a year by creating incentives for the development of energy efficient buildings. Energy efficient buildings can also save consumers billions of dollars that would otherwise be wasted on unnecessarily inflated fuel bills.

Heating and cooling of residential and commercial buildings accounts for 20 percent of the energy consumed in this country. According to a recent report by the American Institute of Architects, energy conservation practices can reduce energy consumption in new buildings by as much as 35 to 50 percent in comparison to present levels. Furthermore, the report states that these savings can be attained using existing technology and without sacrificing needed amenities or services.

There is a vast potential for energy savings in the more than 2 million houses which are constructed in the United States each year—not to speak of the enormous number of factories and commercial buildings.

The average builder is often not motivated to construct buildings that are energy efficient. In fact, as our hearings and extensive discussions with experts in the field have demonstrated, many builders presently attempt to minimize the initial purchase price of a building through such means as skimping on insulation, providing inadequate weather stripping, or by installing inexpensive but inefficient heating and cooling equipment. Consequently, too many Americans are finding that their so-called bargain "dream home" turns out to be an energy gobbling nightmare.

Once the builder is required to disclose estimates of annual heating and cooling costs to prospective purchasers and lessees of new buildings, there will be an enormous incentive to develop energy efficient buildings whose low operating costs will greatly increase marketability.

Careful investigations have disclosed that reliable estimates of operating cost can be made readily available to the consumer. Within the past few years, the Bureau of Standards, private consulting firms, and heating and air-conditioning equipment manufacturers, have developed computer programs that permit the accurate determination of the energy requirements of buildings. Provisions have been made in this bill for the development and promulgation of uniformly acceptable methods for the designers of the heating and cooling systems to calculate and disclose the estimated annual operating costs to the owner of the building, who in turn would then be responsible for disclosing them to potential customers.

Prospective purchasers and lessess of building will then have adequate information on the long term costs of the building, and can balance such costs against the initial purchase price before deciding which building represents the wisest investment.

I am confident that once the consumer is given adequate information, the forces of the marketplace will create the conditions for the rapid adoption of energy conservation techniques in building construction.

Finally, Mr. President I believe that the U.S. Government, which manages more than 10,000 buildings, should begin to take a leadership role by retrofitting Federal buildings to demonstrate available energy conservation methods. The buildings should be selected in order to offer a wide range of circumstances and opportunities for implementation of energy conservation measures which can be justified on a lifecycle cost basis. Over and over again the American public has been exhorted to be energy conscious; it is now time that the Federal Government demonstrates its own commitment by beginning to rectify energy wasting practices in Federal buildings.

Mr. President, I ask unanimous consent that the text of S. 3938 be printed in the RECORD at this point.

There being no objection, the bill was ordered to be printed in the RECORD, as follows:

S. 3938

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as "Truth in Energy Act of 1974".

TITLE I—TRUTH IN ENERGY

SEC. 101. (a) The Federal Trade Commission Act (15 U.S.C. 41 et seq.) is amended by—

(1) striking out section 18 thereof in its entirety;

(2) amending section 1 thereof by inserting at the beginning of the first sentence thereof the following "(b)";

(3) inserting a new section 1(a) thereof as follows:

"(a) This Act may be cited as the 'Federal Trade Commission Act'."; and

(4) adding at the end thereof the following new sections:

"SEC. 18. FINDINGS AND PURPOSE.—(a) The Congress finds and declares that—

"(1) The Nation is facing an energy shortage of acute proportions in the decade following the date of enactment of this section. The problem has already manifested itself in different geographical areas in the form of power blackouts and brownouts, school closings because of a scarcity of fuel, and shortages of gasoline for automobiles and fuel for farm equipment.

"(2) A significant easing of the energy problem can be achieved by elimination of wasteful uses of energy, promotion of more effective uses of energy, and education of consumers as to the importance of conserving energy.

"(3) Climate conditioning systems use significant quantities of energy. Substantial reductions are possible in the energy consumption of many of these systems if more attention is paid to energy usage in their design and in their use by consumers.

"(4) Many owners and lessees of buildings equipped with climate conditioning systems do not know nor can they readily discover prior to purchase or lease how much each such system will cost each year to operate (in terms of energy charges) nor are they able to compare, in terms of operating cost, competing systems using different energy sources.

"(b) Since informed consumers are essential to the fair working of the free enterprise system and to the maintenance of balance between the supply of and the demand for energy, it is hereby declared to be the intent of Congress to assure, through a uniform national system, noncompliance with which shall be an unfair or deceptive act or practice, meaningful disclosure of the estimated annual operating cost of climate conditioning systems, so that consumers can readily compare them and thereby avoid purchasing or leasing buildings equipped with climate conditioning systems which unnecessarily waste energy.

"SEC. 19. DEFINITIONS.—As used in sections 18 through 23 of this Act—

"(1) 'Building' means any physical enclosure or portion thereof which is designed for use or used for residential, commercial, industrial, governmental, or public accommodation purposes, including mobile homes, and which is provided or designed to be provided with a climate conditioning system.

"(2) 'Climate conditioning system' means any system which is designed to be installed or is installed in a previously unoccupied building for the purpose of artifically controlling temperature or humidity levels within such building or portion thereof. Such systems include electric resistance heating systems and systems composed of a number of components (such as piping, ducting, furnaces, boilers, fans, heaters, compressors, pumps, controls, and working fluids, such as air, other gases, water, steam, oils, and refrigerants) which are not designed for or are incapable of controlling temperature or humidity levels within such building until and unless they are connected or combined together.

"(3) 'Estimated annual operating cost' means, with respect to a climate conditioning system, the estimated cost of electricity or fuel needed for normal usage during a calendar year as determined in accordance with the provisions of section 20 of this Act.

"(4) 'Fuel' means butane, coal, diesel oil, fuel oil, gasoline, natural gas, propane, or steam obtained from a central source; or any other substance which, when utilized, is capable of powering a climate conditioning system.

"(5) 'Lease' means the act or agreement by which (A) a person conveys a building or portion thereof for a period of at least one year to a second party (lessee); and (B) a second party (lessee) agrees to pay the costs incurred for electricity, fuel, or both in the course of operating such building or portion thereof during such period.

"(6) 'Supplier' means any engineer or contractor who is designing a climate conditioning system for use in a previously unoccupied building.

"SEC. 20. ESTIMATES OF ANNUAL OPERATING COSTS.—

"(a) Within 18 months after the date of enactment of this section, in a proceeding pursuant to section 553 of title 5, United States Code, the Commission, after consultation with the National Bureau of Standards, shall establish:

"(1) Model calculation procedures for use by suppliers in determining the estimated annual operating costs of climate conditioning systems.

"(2) Procedures for suppliers to disclose such estimates to their clients.

"(b) In developing such procedures, the Commission shall consult with appropriate professional engineering societies, and organizations representing the climate conditioning and building industries so as to allow the best possible utilization by the Commission of appropriate existing procedures and professional expertise. The procedures developed under subsection (a) shall be distributed or otherwise made available by the Commission at reasonable cost to all applicable suppliers and other interested persons.

"SEC. 21. DISCLOSURE.—(a) Beginning 6 months after the date of adoption of procedures for determining and disclosing annual operating costs in accordance with section 20 of this Act, it shall be unlawful for any person to sell or lease, or to offer for sale or lease, any previously unoccupied building for which a climate conditioning system has been designed subsequent to the adoption of such procedures; unless the estimated annual operating cost of such system is disclosed by the person prior to any such sale or lease. Such disclosure shall appear on the same contract, estimate, proposal, or any other place on which the purchase price or rental cost of such building is stated, in accordance with rules established by the Commission.

"(b) It shall be unlawful for any supplier to fail to comply with any requirement imposed by any rule or regulation issued under this section or section 20 of this Act.

"(c) Nothing in this section shall be construed to give rise to a cause of action for recission of any contract or for damages, unless the supplier or person fraudulently or knowingly gave the client, or purchaser, or lessee false information on estimated annual operating costs, and such client or purchaser reasonably relied thereon to his substantial detriment in entering upon such contract.

"(d) Nothing in this section shall be deemed to prohibit a supplier or person from representing orally or in writing that the estimated annual operating costs required to be disclosed by this section are based on average patterns of usage and should not be construed as a precise calculation of annual operating costs to be experienced by an individual client, purchaser, or lessee.

"SEC. 22. (a) PROHIBITED ACTS AND ENFORCEMENT.—(a) Violation of any disclosure provision of section 20 or 21 of this Act shall constitute an unfair or deceptive act or practice under section 5 of this Act and shall be subject to proceedings thereunder.

"(b) The district courts of the United States shall have jurisdiction without regard to the amount in controversy or the citizenship of the parties to restrain any violation of section 20 or 21 of this Act. Such actions may be brought by the Commission in any district court of the United States for a judicial district in which the defendant resides, is found, or transacts business or in which the alleged violation occurred. In any such action, process may be served in any judicial district in which a defendant resides or is found.

"(c)(1) Any person may commence a civil action on his own behalf against (A) any person who is alleged to be in violation of any provision of section 20 or 21 of this Act or any regulation thereunder; or (B) the Commission where there is an alleged failure of the Commission to perform any act or duty under such sections which is not discretionary. The district courts of the United States shall have jurisdiction without regard to amount in controversy or citizenship of the parties to grant mandatory or prohibitive injunctive relief or interim equitable relief to enforce such provisions with respect to any person or to order the Commission to perform any such act or duty. Such court, in issuing any final order in an action brought under this subsection, may award costs of litigation (including reasonable attorney and expert witness fees) to any party, whenever the court determines such an award is appropriate. No action may be commenced under this subsection prior to 60 days after the plaintiff has given notice of the alleged violation to the appropriate person and the Commission.

"(2) In any action under this subsection, the Commission, if not a party, may intervene as a matter of right.

"(3) Nothing in this subsection shall restrict any right which any person or class of persons may have under any other statute or at common law to seek enforcement of any provision of sections 18 through 23 of this Act or regulation thereunder or any other relief.

"SEC. 23. REPORT AND AUTHORIZATION.—(a) On July 1 of the year following the year in which this Act is enacted and every year thereafter as part of its annual report, the Commission shall report to the Congress and to the President on the progress made in carrying out the purposes of sections 18 through 23 of this Act.

"(b) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of sections 18 through 23 of this Act, not to exceed $2,000,000 for the fiscal years 1975, 1976, and 1977."

TITLE II—RENOVATION AND RETROFITTING OF EXISTING FEDERAL BUILDINGS

SEC. 201. (a) Within ninety days after the enactment of this Act, the Administrator of the General Services Administration, in consultation with the Director of the National Bureau of Standards, and the Administrator of the Federal Energy Administration, shall establish procedures for identifying existing buildings as candidates for renovation and retrofitting with energy conservation equipment and systems for the purpose of decreasing the cost of supplying such buildings with energy for climate-conditioning, water heating, lighting, and other major uses of energy.

(b) On the basis of the procedures established under subsection (a), the Administrator of the General Services Administration shall, within six months after the date of enactment of this Act, select no fewer than ten federally owned buildings as candidates for renovation and retrofitting with energy conservation equipment and systems. The buildings shall be selected so as to offer a wide range of circumstances and opportunities for implementation of energy conservation measures which can be justified on a life-cycle cost basis.

(c) The Administrator of the General Services Administration, within six months after the date of enactment of this Act, shall solicit proposals for renovation and retrofitting each building identified in subsection (b) of this section with energy conservation equipment and systems. On the basis of the proposals received in response to his solicitation, the Administrator of the General Services Administration, is authorized to award contracts for the design and installation of energy conservation equipment and systems in any or all of the Federally owned buildings identified in subsection (b) of this section.

SEC. 202. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this title, not to exceed $3,000,000 for the fiscal year ending June 30, 1975, and $3,000,000 for the fiscal year ending June 30, 1976.

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By Mr. GOLDWATER (for himself and Mr. TOWER):

S. 3939. A bill to amend section 1401(e) of title 10, United States Code, to preclude a military member from receiving less retired pay by continued active service. Referred to the Committee on Armed Services.

Mr. GOLDWATER. Mr. President, the bill I am introducing today will preclude those military personnel who retire after October 1, 1974, from receiving less retired pay than those who retire prior to that date. The potential disparity arises, because military retired pay increases are tied to the Consumer Price Index, whereas, pay raises for active duty military personnel are tied to civil service pay increases.

Because of the extraordinary inflation rate our economy has been experiencing, legitimate CPI adjustments to military retired pay have created the situation where a military member retiring after October 1, 1974, can receive less than a

member of the same grade retiring before that time. Surely it is an inequity for a service member to expect to receive less retired pay for remaining on active duty.

Mr. President, the legislation I am preparing will correct the situation, and a similar bill, H.R. 16130, has been introduced in the House by Mr. WILLIAM ARMSTRONG of Colorado.

Mr. President, I ask unanimous consent that the complete text of the bill be printed at this point.

There being no objection, the bill was ordered to pe printed in the RECORD, as follows:

S. 3939

*Be it enacted by the Senate and House of of Representatives of the United States of America in Congress assembled,* That the text of section 1401a(e) of title 10, United States Code, is amended to read as follows:

"(e) Notwithstanding any other provision of this section, the adjusted monthly retired or retainer pay of a member or former member of an armed force who becomes entitled to that pay on or after January 1, 1971, may not be less than the monthly retired or retainer pay to which a member or former member of an armed force of the same grade, position, years of service for pay, years of service for retired or retainer pay purposes, and percent of disability, if any, who became so entitled before him, but after January 1, 1971, is entitled as a result of increases under this section."

SEC. 2. This Act is effective as of January 1, 1971.

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By Mr. DOMENICI (for himself, Mr. HUMPHREY, Mr. SCHWEIKER, Mr. METZENBAUM, and Mr. MOSS):

S. 3941. A bill to amend title XVIII of the Social Security Act to provide for the coverage, under the supplementary medical insurance benefits program established by part B of such title, of one routine physical checkup each year and for preventive care for individuals insured under such program. Referred to the Committee on Finance.

PENNYWISE: DOLLAR FOOLISH

Mr. DOMENICI. Mr. President, today I am offering a bill which I believe can make a major contribution to improving the health status of persons over age 65 and certain disabled persons, and at the same time has the potential of reducing the total cost of care for these population groups. The proposal I am offering would amend the medicare program to authorize payment for one comprehensive physical examination per year for each person enrolled in the supplementary medical insurance program—part B—of Medicare.

The need for this legislation became obvious during general hearings before the Special Committee on Aging, Subcommittee on Health, which I conducted in my own State of New Mexico on May 25, 1974. Later, on July 25 and 26, more specific hearings were conducted before the same subcommittee regarding the findings of the Abbott-Northwestern Hospital in Minneapolis, Minn. Hospital officials recently became aware of many seniors' inability to pay even the most minimal health expense on their fixed retirement incomes. While health officials knew cost constraints were keeping the aged from health care, they were ignorant of the problem's magnitude until they tried a unique experiment. It was decided the hospital would accept medicare payments as total payment for all health care provided. The senior citizen would not have to pay a dime.

An astounding 239-patient load per week replaced the usual 20- to 30-patient load. The number of registered patients grew from less than 1,000 enrolled to almost 10,000. The hospital staff was shocked with the advanced state of many diseases. The patients, many of them retired professionals, could not afford medicare treatment, even with medicare benefits. These people were waiting until they could no longer ignore their disease.

The hospital officials found that medicare would not pay for any physical examination which was not directly related to the illnesses complained about by the patient. So, although patients who were complaining of headaches were found through the course of examination and lab tests to have terminal cancer of the stomach, the tests could not be paid for by medicare because the patient had not yet complained of stomach pains. I submit that by the time a patient complains of stomach pains and is later found to have cancer, it would most likely be too late—and subsequently very costly.

This provision under present medicare regulations, I believe exemplifies that old adage, "penny-wise; dollar-foolish."

Dr. Thomas Werges from Abbott-Northwestern, stated the problem in his testimony before the subcommittee:

Medicare encourages only episodic (crisis intervention) medical care. This is not only not beneficial barriers to prevent him from seeking medical aid unless he has a medical crisis, the cost of his medical care will increase dramatically.

The significant example that I can use here is high blood pressure. Hypertension is one of the significant public heatlh problems in this country today, not only in just the geriatric age group. By waiting until target organ damage has occurred, such as stroke or heart attack, the results are disastrous. The early detection and treatment of hypertension significantly reduced the mortality and the morbidity from vascular disease. And, as an additional benefit, it reduces the cost of health care.

Dr. Werges felt early preventive care to be imperative for cancer, malnutrition, emphysema, and vascular problems, diseases most affecting the elderly—both from the patient standpoint, and from the cost analysis.

The facts show that medicare provides health insurance protection for virtually all persons age 65 or older. Persons who meet the age requirement but who are otherwise not entitled to coverage may voluntarily obtain hospital insurance protection by paying the full actuarial cost of such coverage. Also beginning in fiscal 1974, about 1½ million disabled workers at any age, and certain disabled dependents are also included in medicare.

In total about 23 million aged and disabled Americans are protected against the potentially devastating effects of the high cost of serious illness.

Medicare covers both institutional and physician costs. But, in particular, the program provides generous benefits for persons requiring hospitalization. Coverage is provided for 90 days of inpatient hospital care, for each "spell of illness" and if additional time is needed, a "lifetime reserve" of 60 hospital days may be drawn upon. A deductible of $84 currently applied to each hospital admission and cost sharing percentages are applied after the 60th day of care. In 1973, medicare paid for 61 percent of all hospital costs incurred by persons over 65. Other public programs, notably medicaid, reimbursed for an additional 20 percent of hospital costs for the elderly. In dollar terms, medicare expenditures totaled $6.4 billion to pay for care to almost 7 million persons requiring hospitalization. Medicaid expended an additional billion dollars for hospital care for the aged.

Medicare also covers a broad range of diagnostic and remedial services provided by physicians and other health care practitioners if the tests are directly related to an actual complaint of the patient. In 1973, medicare expended almost $2.5 billion in benefit payments to or on behalf of 10½ million beneficiaries.

Mr. President, I have reviewed these statistics indicating a gigantic expenditure of Federal dollars, an expenditure which is projected to reach $13.4 billion in 1975, to make one basic point: This entire amount has been and is being expended to provide assistance to aged persons once they are very ill. No funds are spent to prevent illness or for early detection of disease. The ounce of prevention rhetoric has not found its way into the medicare program.

Mr. President, it is not possible to estimate how much suffering could be avoided, how much pain could be alleviated, how much money could be saving if we invested a fraction of the medicare dollar into preventive care.

My proposal to authorize payment for one comprehensive physical examination per year for each medicare beneficiary can result in early detection of illness and potentially crippling disease. While it will initially increase the demands on physician manpower, preventive care of this sort will soon result in reduced medical demands. We can anticipate an improvement in the general health status of the population with it a lessening in expensive hospital care.

Some have objected to an annual physical examination for the elderly on the basis that it will result in unnecessary use of medical services. I maintain, Mr. President, that the present system of providing benefits only when people are seriously ill results in an avoidable use of medical services.

On both humanitarian and fiscal grounds my proposal is both sound and prudent. I urge its early enactment.

## ADDITIONAL COSPONSORS OF BILLS AND JOINT RESOLUTIONS

S. 2481

At the request of Mr. CHILES, the Senator from California (Mr. TUNNEY) was added as a cosponsor of S. 2481, a bill to amend the Accounting and Auditing Act of 1950 to provide for the audit of certain Federal agencies by the Comptroller General.

S. 3143

At the request of Mr. CHURCH, the Senator from South Carolina (Mr. HOLLINGS), the Senator from Washington (Mr. MAGNUSON), the Senator from Oregon (Mr. HATFIELD), the Senator from New Jersey (Mr. CASE), the Senator from Nevada (Mr. CANNON), the Senator from Pennsylvania (Mr. HUGH SCOTT), the Senator from Mississippi (Mr. EASTLAND), the Senator from Alaska (Mr. GRAVEL), the Senator from Michigan (Mr. HART), the Senator from Ohio (Mr. METZENBAUM), the Senator from Wisconsin (Mr. NELSON), the Senator from North Dakota (Mr. YOUNG), the Senator from Maryland (Mr. MATHIAS), the Senator from Alabama (Mr. ALLEN), and the Senator from Washington (Mr. JACKSON) were added as cosponsors of S. 3143, a bill to amend titles II, VII, XI, XVI, XVIII, and XIX of the Social Security Act to provide for the Administration of the old-age, survivors, and disability insurance program, the supplemental security income program, and the medicare program by a newly established independent Social Security Administration to separate social security trust fund items from the general Federal budget, to prohibit the mailing of certain notices with social security and supplemental security income benefit checks, and for other purposes.

S. 3641

Mr. MONTOYA. Mr. President, S. 3641, a bill to extend for a period of 2 years the Public Works and Economic Development Act of 1965, as amended, was passed by the Senate earlier this month on August 2. Final action has not yet been taken by the House.

Inadvertently, the name of Senator Moss was not included as one of the sponsors of the reported version of the bill, despite the fact that he was an early cosponsor. I very much regret this omission, and I ask unanimous consent that the name of Senator Moss be included as a cosponsor of S. 3641.

The PRESIDING OFFICER. Without objection, it is so ordered.

S. 3775

At the request of Mr. BUCKLEY, the Senator from Idaho (Mr. CHURCH) was added as a cosponsor of S. 3775, a bill to create a Consumer Price Index for the Aged.

## ADDITIONAL COSPONSOR OF A CONCURRENT RESOLUTION

SENATE CONCURRENT RESOLUTION 110

At the request of Mr. KENNEDY, the Senator from Delaware (Mr. BIDEN) was added as a cosponsor of Senate Concurrent Resolution 110, relating to the situation in Cyprus.

## SENATE RESOLUTION 389—ORIGINAL RESOLUTION REPORTED AUTHORIZING SUPPLEMENTAL EXPENDITURES BY THE COMMITTEE ON GOVERNMENT OPERATIONS

(Referred to the Committee on Rules and Administration.)

Mr. ERVIN, from the Committee on Government Operations, reported the following resolution:

S. RES. 389

*Resolved*, That Senate Resolution 269, 93d Congress, agreed to March 1, 1974, is amended as follows:

(1) In section 3 strike out "$2,099,000" and insert in lieu thereof "$2,184,000".

(2) In section 4(a) strike out "$1,036,000" and insert in lieu thereof "$1,121,000".

(3) In section 10 strike out "$2,119,000" and insert in lieu thereof "$2,204,000".

## ADDITIONAL COSPONSORS OF AMENDMENTS

AMENDMENT NO. 1613

At the request of Mr. HOLLINGS, the Senator from Louisiana (Mr. JOHNSTON) was added as a cosponsor of amendment No. 1613, concerning men missing in action in Indochina, intended to be proposed to the bill (S. 3471) to authorize certain construction at military installations, and for other purposes.

AMENDMENT NO. 1768

Mr. TAFT. Mr. President, during the debate on my amendment (No. 1768) to terminate year-round daylight saving time, on August 15, I neglected to mention that the Senator from South Carolina (Mr. HOLLINGS) had asked to become a cosponsor of this amendment.

I ask unanimous consent that the RECORD show that the Senator was a cosponsor of my amendment No. 1768 to S. 2744.

The PRESIDING OFFICER. Without objection, it is so ordered.

AMENDMENT NO. 1836

At the request of Mr. EAGLETON, the Senator from Delaware (Mr. BIDEN) was added as a cosponsor of amendment No. 1836, intended to be proposed to the bill (H.R. 16243) making appropriations for the Department of Defense for the fiscal year ending June 30, 1975, and for other purposes.

## ADDITIONAL STATEMENTS

## THE WORLD FOOD PROBLEM

Mr. HUMPHREY. Mr. President, I wish to call your attention to an August 19, New York Times article, "Tackling the World Food Program," by Senator GEORGE MCGOVERN.

This article summarizes a great deal of what has happened recently in the world food arena. It holds out the hope that the new administration will take a fresh look at our agricultural policies.

Senator MCGOVERN also correctly looks to the World Food Conference as a great opportunity to deal with the whole complex of food problems which we face.

Our Government must be prepared to show some leadership and determination if this conference is to be a success. I hope that we are willing to face the food crisis even though our own crop estimates are down.

I wish to commend Senator MCGOVERN on his forthrightness and leadership in this area.

Mr. President, I ask unanimous consent that this article be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

TACKLING THE WORLD FOOD PROBLEM

(By George McGovern)

WASHINGTON.—We have a new President and it is a time for new beginnings. It is an opportunity to grapple with the great problems that confront our nation and the world.

In his inaugural speech, President Ford identified inflation as the nation's most urgent problem.

Every American farmer and consumer knows all too well that the cost of producing and marketing food has been skyrocketing. Furthermore, this food problem is one that is not confined within our borders, it is a problem affecting every human on earth.

High food-production costs and consumer prices in the United States inevitably signal food shortages, hunger and even starvation in other, less affluent parts of the globe.

We all remember the food price panic just a year ago. Among its causes were a worldwide crop reduction arising from the changing weather, discovery that critical fertilizers were in short supply and finding that surplus food had practically disappeared after the large grain sale to the Soviet Union.

The most dramatic visible evidence of the crisis is the tragic situation in West Africa, where millions are already severely undernourished and hundreds of thousands have died, and in South Asia, where floods and drought have created a critical food shortage.

We had hoped that this feeling of crisis and panic would ease this year as our own and other nations' bumper crops came in. In this country alone, we have put fifty million acres back into wheat and corn production in the last two years. Earlier this year, crop prospects looked excellent as farmers sowed in record numbers.

Now, however, hope is turning to fear again. As some weather experts had predicted, the American farm belt is experiencing its worst drought since the nineteen-thirties.

Predictions of feed grain crops have already dropped from an original 6.7-billion bushels to 4.9 billion or less. If yields in other major grain-producing nations such as Argentina, Canada and the Soviet Union are also down, the world is in serious trouble.

At the very least, these developments mean continued high food prices. But high food prices do not help the farmer because of his own high production costs, particularly the cost of fertilizer, fuel and machinery, which are wiping out potential profits, and in the cattle industry wiping out producers altogether.

For all of these reasons, the United States and the world community need to develop a new set of national and international policies that promote maximum food production at the lowest possible cost to provide ample nutrition for mankind.

Secretary of State Kissinger, last year in his maiden speech to the United Nations,

proposed a world food conference to be held in Rome this November. This conference represents an opportunity to make major progress.

I have proposed outlines of a program for our Government to take to Rome. Called "Plowshares for Peace," the proposal consists of the following components:

First is the need for agricultural research. Without the kind of basic research already being carried on by men such as Norman Borlaug, the American Nobel laureate and father of the so-called Green Revolution, millions more of the world's population would be starving today. We also need to intensify our research into weather prediction and weather control to anticipate or prevent periodic drought and floods.

Second, equally important, is the assurance of adequate supplies of those key elements without which crops cannot grow—land, water, fuel and fertilizer. The United States and the world need a large new investment in fertilizer factories over the next two decades to enable food production to keep pace with population growth.

Third, we need to increase technological assistance in the harvesting, storing, processing and distributing of crops to assure maximum use and minimum waste—assistance that American farmers' cooperative associations and American industry are uniquely qualified to render.

Fourth, there must be established a minimum emergency foood reserve on a worldwide basis, isolated from commercial marketing, to be used solely for famine relief.

Richard M. Nixon and Secretary Kissinger raised the world food issue at the Moscow summit meeting. As a result, the Soviet Union is seriously considering officially joining the United Nations Food and Agriculture Organization—a major step forward in the possible development of a world food program.

I hope that President Ford will continue this initiative by making the Rome conference an opportunity to deal in a fundamental way with the food and inflation problems.

There is a natural community of interest on these two great problems. The United States and the other grain-exporting nations have the technology and food to carry out a "Plowshares for Peace" program. The Arab world has the oil and investment capital to finance vitally needed fertilizer capacity and to help support food-research and famine-relief programs. The less-developed countries, which need this agricultural assistance desperately, have many of the scarce raw materials that make possible the advanced technology of the United States, Western Europe and Japan.

This is the potential negotiating environment of the conference. But a major leadership effort is required of the United States to take full advantage of that environment.

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## TALMADGE REACTION TO THE HEARINGS ON REDUCED CROP ESTIMATES

Mr. HUMPHREY. Mr. President, on August 15, the Subcommittee on Agricultural Production, Marketing and Stabilization of Prices held hearings on the reduced crop projections for this year.

My colleague and the chairman of the full Agricultural and Forestry Committee, Senator HERMAN TALMADGE, commented very appropriately on the testimony of the USDA at those hearings.

Senator TALMADGE suggested that he hoped that the Department was right in stating that no contingency plans were needed, but he also urged implementation of section 802 of the Agriculture and Consumer Protection Act of 1973 in order to maintain a continuous appraisal of our export sales. This would include notification of pending sales before contracts are signed.

I have long advocated more careful monitoring of worldwide crop information. This is especially important in a tight crop year as we have now.

Mr. President, I also wish to bring to your attention a letter which I sent to President Ford recommending that he order the President's Committee on Food—established by Executive Order No. 11781 on June 18, 1974—or some broader based group, to undertake an immediate study of the critical crop situation.

We need to bring high-level attention to our national food and agricultural policy.

Mr. President, I ask unanimous consent that the statement of Senator TALMADGE and my letter to the President be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

DISASTER FOR LIVESTOCK INDUSTRY, SKYROCKETING PRICES FOR CONSUMERS POSSIBLE IF USDA FAILS TO ACT

(By Senator HERMAN TALMADGE)

Mr. President, the testimony yesterday of the Department of Agriculture at the emergency hearings of the Subcommittee on Stabilization of Prices, called in response to the distressing level of crop projections in the August 1 Crop Report, was very optimistic.

Clearly, the effort was directed at dispelling the wide-felt concern over impending shortages and sharp price increases.

In essence, the Department view is that no major problems exist, as both domestic demand and export demand is expected to moderate.

The rationale is simply that world food and feed production is up, that the expected higher prices will naturally dampen demand, the economic situation abroad is curtailing demand for U.S. products and in fact the U.S. supply situation is not all that bad.

Because of this, the Department says it has no contingency plan if shortages should develop except to let the market be self-determinate.

I appreciate the economic realities and relationships cited by the Department. However, in looking at the testimony of the Department and of other witnesses, it is evident that a large number of uncertainties have gone into their assessment. There is uncertainty about crop production in Canada, Bangladesh, Pakistan, India, the USSR and China—or basically, in the world.

An early frost in the U.S. could be devastating because of the later than usual planting of corn and soybeans this year. And at this time it is not clear just how much export demand there will be for the scarce supplies of U.S. feed grains, soybeans and wheat.

However, what is clear is that prices of feed and food in the U.S. are going to rise. This is going to put additional pressure on already burdened livestock producers.

As more and more livestock producers find the cost-price squeeze too tight, they will necessarily cease production. This will mean, very quickly, smaller supplies of broilers, eggs, turkeys and pork. In the long run, it will mean less dairy products and beef. This translates into higher consumer prices very shortly.

The idea that contraction of herds will yield larger supplies of meat in the short run, and thus provide relief to consumers, is like burning your house to keep warm in January—you freeze in February.

The potential impact on dairy and beef producers would be long-term as the recovery cycle for this enterprises stretches over several years. And if livestock producers are forced out of business, the high prices and good markets for feed grains and soybeans will quickly disappear, leaving our crop farmers in economic distress.

It is very clear that our economy cannot afford many more surprises like the August 1 Crop Report. I agree with the Department of Agriculture when they say we should have learned a lesson from the soybean embargo last year. The lesson is that you shouldn't wait until the horse is stolen before you lock the barn door.

If we ignore current danger signals, we could very well find our food and feedstocks are inadequate for domestic needs because they have been contracted by foreign buyers or have in fact sailed away.

This morning's Wall Street Journal indicates that the Japanese are sufficiently alarmed over the expected shortages of the U.S. corn crop that they are right now buying up all of the corn they will need until the 1975 harvest. They are moving quickly to protect their livestock producers.

If the Russians or other nations make similar demands on the U.S. grainery, the results will be catastrophic to the U.S. economy.

For these reasons, I appeal to the Secretary of Agriculture, to implement the export surveillance and reporting provisions in the Agriculture and Consumer Protection Act of 1973.

Section 802 of the Act states, "All exporters of agricultural commodities produced in the United States shall upon request of the Secretary of Agriculture immediately report to the Secretary any information with respect to export sales or agricultural commodities and at such times as he may request."

The Secretary must order all exporters of feed grains to immediately report any pending export sales and this must be before the contracts are signed. By using this process, a more realistic and continuous appraisal of foreign shipments can be maintained. It will also assure against undue or unwarranted purchases by any foreign buyer. It will also protect our free enterprise, competitive market system against a concerned assault by a foreign centralizd or government supported buying agent.

No one is less desirous of government intervention in the marketplace than I am. But when events beyond the control of men create a situation that could spell disaster for a large portion of our livestock complex and add fuel to the inflationary fires plaguing our economy, it is irresponsible for government to ignore the stark facts of reality.

Mr. President, I like Secretary Butz personally, although we have many differences on policy. I hope for his sake, as well as the sake of the American people, that he is right. He and his spokesmen have told us we have nothing to worry about. They have stated that there is no need for any kind of additional action, and that the Department of Agriculture does not even have any contingency plans for meeting possible drastic shortages in the supply of feed for our livestock producers.

I hope the Secretary and his men are

right. For if they are wrong, the American people will rebel. If the average American wage earner, who can no longer afford the choice cuts of beef for his dinner table, finds that he can't afford milk, eggs, broilers, and bacon because we have shipped our grain overseas, they will explode.

The President will never be able to explain to the American people that we refused to control exports because it is in our long-term economic best interest. To satisfy the American people and save his own political career, the President will be forced to clean house in the Department of Agriculture.

Mr. President, as a result of the Russian grain fiasco, the Congress provided the Department of Agriculture with the tools to protect our domestic food supply. I hope that, for the good of all of us, these tools will be used.

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COMMITTEE ON
AGRICULTURE AND FORESTRY,
*Washington, D.C., August 20, 1974.*

The PRESIDENT,
*The White House,*
*Washington, D.C.*

DEAR MR. PRESIDENT: While I know the burdens and challenges facing you as a new President are both numerous and enormous, I nonetheless must beg your indulgence and attention to what I consider a most serious and important matter of both national and international consequence, namely, the current and future food and agricultural situation.

Current estimates for carryover of 1973 wheat, feed grains and soybeans and 1974 production of these crops suggest serious implications for American consumers, less-developed countries, and commercial foreign buyers of these commodities this coming marketing year. Even if current estimates of 1974 production of these commodities prove correct, liquidations of poultry, hog, beef and dairy cow numbers can be expected. The same will be true with respect to some reduction in commercial exports, with no estimate likely of adverse impact on foreign humanitarian requirements currently possible. And I must remind you, that none of the U.S. 1974 corn crop, soybean crop or Canadian wheat crop are in farmers' bins as yet. Given the fact that substantial portions of these crops, due mainly to late plantings, will be very likely subject to further loss by early or even normal freeze dates, current production estimates for 1974 issued by USDA must be interpreted with great caution.

The eventual impact of supply levels of these farm commodities during the 1974–75 marketing year on poultry and livestock producers—and then later, on American consumers and taxpayers—in terms of higher prices, could run between $10 and $20 billion in additional costs in 1975, that is, assuming no action is taken to insure adequate allocation of available supply of these commodities this next year to the U.S. market, less-developed countries and foreign commercial buyers. To rely solely upon market forces and prices as a rationing system under these circumstances could be disastrous, not only in feeding the fires of inflation here in the U.S. and in other industrialized nations, but also to many millions of people in the world that may very well die or suffer severe malnutrition in the absence of our sharing some of our food supply with them—however short it might be!

I am not advocating any easy, or simple solutions to this national and international dilemma, such as immediate imposition of export controls. However, I do wish to respectfully request that you either order the President's Committee on Food (established by Executive Order 11781 on June 18, 1974, by President Nixon) or establish some sort of comparable group which might be broader based than the Committee on Food, to conduct an immediate study of this entire situation, under a limited time-frame. *All* aspects of this situation must be carefully evaluated—and very soon—so that a balanced, rational national policy on food and agriculture can be formulated that is consistent both with our responsibilities to American farm producers and consumers and our international obligations as they relate both to commercial buyers and the needy of the world.

Of course, in addition to the formulation of a national policy to effectively deal with the immediate situation ahead of us, we also, in my judgment, must reevaluate and revise our nation's long range goals relating to food and agricultural policy. I would hope we are learning something from current and recent experiences in this regard and are now prepared to reflect those learning experiences in reformulating our nation's future food and agriculture policy.

I pledge my utmost cooperation in any effort that you or your Administration may undertake regarding this critically important matter.

With every best wish.

Sincerely,

HUBERT H. HUMPHREY.

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## DEPRESSION IN THE DAIRY INDUSTRY

Mr. HUMPHREY. Mr. President, the dairy industry of this country is hurting financially from severely reduced prices while the costs of production continue to go up.

The Minneapolis Tribune on August 18 included an article, "Hard Times in Dairyland," which outlines the current problems.

Unfortunately, although this problem has become widely known, the Department of Agriculture appears unwilling to tackle the problem. Although the Department has provided assurances that milk prices will go up, prices have continued to go down. Further price declines are expected, and more farmers will leave dairy farming.

This is a serious problem. The Department of Agriculture previously increased imports because our own production was viewed as not being sufficient to meet our needs.

What we need is an increase in the floor price of milk so that farmers can stay in business. This is far preferable to relying on imports.

Mr. President, I ask unanimous consent that this article be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

HARD TIMES IN DAIRYLAND

(By Marylin Becerra)

Jim Lefebvre has 60 Holstein cows that produce an average of 2,200 pounds of milk—that's roughly 506 of those half-gallon containers—every day.

Last February he was making about $1.57 profit for every 100 pounds of milk he produced, or about $34.54 a day. In June he was losing 13 cents on every 100 pounds, or about $2.86 a day.

That's because in February he was getting $8.50 per 100 pounds. By June the price he was paid had dropped to $6.80. And as that came down, costs for everything from feed to baling twine went up.

Lefebvre figures it costs him $6.93 to produce every 100 pounds of milk. That's $3.93 in feed (including hay and silage, corn, oats, soybean meal, beet pulp, linseed oil meal, molasses, salt and a few other things); $4 an hour for labor (he and three of his sons spend an average of 10 hours a day caring for the herd) or $2 in labor costs for every 100 pounds of milk produced; and $1 in costs for such other things as veterinarian fees, repairs, taxes and depreciation.

The $6.93 is what it actually cost Lefebvre to produce 100 pounds of milk in February and he can document it. He gets out the book that contains a computerized analysis of his herd—each cow's production, the amount of feed each eats at what cost and a host of other information.

He hasn't gotten the computerized breakdown for June yet, so the 13-cent loss per 100 pounds Lefebvre is talking about is based on February costs. Realistically, Lefebvre knows his costs were up in June and so his June loss was actually much more grim than he's making it.

But Lefebvre is an optimist.

The present situation is not good, he says. It is the worst high low-cost price squeeze he's been in since he and Rita, his wife, came back from military service to his dad's farm, near Elk River, Minn., in 1958. He has culled his herd harder than usual this year—the cows that are not producing enough milk for the amount of grain they eat are cut out of the herd and sold—usually at a loss.

But Lefebvre is an optimist.

He thinks the drop in price is a result of several things—an influx of imported cheese products, consumer reaction to the higher prices of milk products earlier this year, and the natural fact that there are more cows producing more milk in April, May and June. He thinks the situation will improve this fall.

Carl Backes, Sauk Rapids, Minn., has a herd of Guernseys. He's been producing Grade A milk for more than 25 years. It hasn't been an easy life. He played football at the University of Minnesota for two years before he was drafted during World War II and came away from the experience with what he calls "water on the knees—football knees" that dosn't allow him to kneel and bend with ease. So 25 years ago he built himself what was to become the prototype of the modern milking parlor. The cows stand on an elevated platform at about waist-height—so he doesn't have to bend.

But he's sent three children to college—with some help from his wife, Dorothy, who has taught school for many years. Their youngest son, Rick, is in high school and last week he was at football practice so Backes talked while he cleaned up the barn alone.

Backes says his last milk check was down 25 percent from what it had been in March. The basic price paid for 100 pounds of manufacturing milk dropped from $8.15 in March to $6.29 in July.

"I figure I've lost $1,300 for the last couple of months . . . Since I've been in it, this is about the rottenist deal we've had. Why should we have to suffer losses like that? I tell you, we're being sacrificed. We're being crucified."

Backes doesn't like the federal milk-marketing order system—complex set of rules that govern the prices paid to dairy farmers across the country for milk processed for drinking. Those premium prices are based on the average price paid in Minnesota and Wisconsin for manufacturing milk—that used to make cheeses, butter and other milk products.

It's a complex system and Backes believes it is unjust. For one thing, because so much milk is produced here, only a small percentage of the total is consumed as liquid milk. The rest is made into creams, cottage cheese, ice cream, yogurt, butter, cheeses. And milk used for those manufactured products commands a lower price.

But what happens is that this region becomes the milk reservoir for the rest of the nation. Florida dairy farmers, for example, barely are able to produce enough milk for their state residents to drink. So Minnesota and Wisconsin dairy farmers end up supplying Florida and many other places with most of the manufacturing milk products they eat. At the same time Florida dairymen are all getting the premium prices paid for milk that is consumed as a liquid.

In fact, dairymen in the Miami milk-marketing order area—there are 62 areas in the country—get paid the highest premium of all, $3.15 above the monthly average price paid in Minnesota and Wisconsin for manufacturing milk. For example, the June Minnesota-Wisconsin Price was $6.31. The Miami-area dairymen will receive in their August checks (because of a two-month lag) $6.31 plus $3.15 for every 100 pounds of milk they produce. Dairy farmers in the Minneapolis-St. Paul milk marketing area, however, will receive $6.31 plus this area's premium of $1.06, the lowest premium paid in the country.

Of course, the argument is—and Backes admits that it's at least partly true—that the cost of producing 100 pounds of milk in Florida is much higher than it is here where, because of climate and geography, farmers are able to grow most of the feed for their herds. And, of course, the cost of transporting Minnesota-Wisconsin products to other markets means that higher prices in those markets are essential.

But as far as Backes is concerned, one man could turn what he sees as a disaster into something at least less painful. That man is U.S. Secretary of Agriculture Earl Butz.

Jon Wefald, Minnesota Commission of Agriculture, joins Backes in that contention. On Aug. 8 Wefald wrote Butz a letter which said the state already has lost an estimated 1,500 dairy farmers this year and "thousands more among the remaining 35,000 will be forced out of business before the end of the year if positive and immediate federal action is not taken to guarantee the dairy farmer the recovery of his costs and a fair return on his investment and management."

At least a $2 increase in the federal milk-market order is required immediately, Wefald said in the letter.

Wefald said he estimated the 1,500 figure on a couple of things: figures from several of the milk producers' associations on numbers of farmers who had left the business, early indications from the U.S. Crop and Livestock Reporting Service that a larger number of dairy farmers are leaving the business this year than ever before, and on the number of letters and phone calls he has received on the subject since early this year.

The number of dairy farms has been declining in the state for years, just as the consumption of milk has fallen steadily for decades. But Wefald believes that the current drop in prices is causing a larger than usual exodus. That's important for the entire state, Wefald says, because dairying produces one-fourth of Minnesota's gross farm income and agriculture is the state's biggest industry—accounting for about 40 percent of the state's economy.

There appears to be all kinds of villains in this recent price drop.

But one almost everyone agrees on is the effect that a large increase in dairy imports had on the domestic industry—or, as Backes puts it: "The trouble is, Butz imported so cotton-pickin' much cheese."

Wefald, gleaning information from various agricultural publications, says dairy imports rose 168 percent for the first five months of 1974 over the same period last year. Cheese imports increased by 108 percent and imports of cheddar cheese, in particular, of which Minnesota is the nation's second-largest volume producer, showed an increase during the first five months of 1,635 percent over the same five months of 1973, according to Wefald.

There even are feelings that the American dairy industry is being sacrificed so that large amounts of our grain can be exported.

The assistant milk marketing administrator for the Minneapolis-St. Paul area, Aaron Reeves, acknowledges that the imports had an effect on the domestic prices, but he and some others in the industry believe that imports were increased because consumers stopped buying as many dairy products when the prices climbed last fall and winter. And when meat prices declined earlier this year, people began eating more meat and less cheese again.

That combined with the normal increase in milk production in late spring sent the prices down, Reeves said.

But he believes prices have bottomed out and that the August Minnesota-Wisconsin base price for manufacturing milk, to be announced Sept. 5, will be up 15 to 20 cents over the July low of $6.29.

Backes is not so sure.

He believes Watergate and the tainted dairy funds given to politicians from both parties has kept everyone in Washington from wanting anything to do with the dairy business. Backes says he didn't know anything about those contributions and doesn't know a single dairy farmer who had any knowledge of it.

"Hell, that's injustice. Why should all of us suffer, why should the whole dairy industry suffer when we didn't know anything about it."

Backes says if nothing else works, he'll go to Washington and try to talk directly to President Gerald Ford.

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## SOYBEAN RESEARCH

Mr. HUMPHREY. Mr. President, the August Soybean Digest included an informative article "Researchers Face Unique Yield Barriers."

The article describes current efforts to learn more about soybeans in order to expand production yields.

One lesson of the story is that the soybean is different than most other crops in that it appears to adjust the number of pods to the number of plants. For example, a large plant population will result in fewer branches and fewer pods per plant. The yield may actually be about the same whether one plants 140,000 plants or 200,000 plants per acre.

The major research concern continues to be the secret of nitrogen fixation and how to increase the absorption of nitrogen by the soybean plant.

One effort in this area is a program to increase the carbon dioxide around the plant, thereby enabling the plants to "fix" additional nitrogen. This effort appears to hold real promise.

Mr. President, I ask unanimous consent that this article be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

RESEARCHERS FACE UNIQUE YIELD BARRIERS

Answer the following true or false:

1. Soybean yield = plans per acre × pods per plant × seeds per pod × weight per seed.

2. If you change one of the equation's yield factors, you change the yield level.

The first statement is true. But every time you change one of the yield factors, the goofy soybean plant can change another factor in the opposite direction, and the yield may remain the same.

Soybean plants have an amazing ability to compensate, conclude scientists who are now taking a lot more intensive look at the soybean since more research funds have become available through checkoffs and government grants. While this ability to compensate may help prevent extremely low yields, it also presents researchers with a so-called yield barrier.

"We've still got an awful lot to learn about this crop," says Dave Johnson, University of Missouri soybean physiologist. "It's so different from any of the other major world crops. For this reason, a great deal of emphasis is placed on soybean physiology and genetics. We must start from the very beginning in our soybean research programs because we cannot use the information we learned about other crops. We are slowly finding out how soybeans grow and how they differ from other crops."

While plant populations are very important for high corn yields, soybeans have a tremendous population range which doesn't affect yield levels, Johnson says. If you have a very low plant population, soybeans will produce more branches and increase the total number of pods per plant. At low populations, each plant can produce up to 400 or 500 pods. But as plant population increases, soybeans reduce the number of branches and reduce the number of pods per plant. And the yield remains about the same.

Last year Missouri agronomists had a plot of soybeans with 11,000 plants per acre equally spaced and harvested by hand. Nearby were soybeans planted at the rate they recommend to farmers—about 140,000 plants per acre. Both plots yielded about 50 bu./a. Other researchers in tests with over 200,000 plants per acre also didn't change yields with higher populations.

Johnson warns that farmers naturally don't have quite that wide a range with plant populations. First, planters aren't accurate enough to give an even distribution of plants. Secondly, combines won't go low enough to pick up the many pods that are lying on the ground due to branching in low populations and lodging in high populations.

Neither chemicals to increase the number of pods per plant by 50% nor picking off half the plant's pods change yields either, researchers have found. With fewer pods, the soybean plant increases the number of seeds per pod and seed size, ending up with the same yield as those with more pods per plant but fewer and smaller seeds, Johnson explains.

In other studies, Iowa researchers have stripped off up to 50% of the leaves without changing yields, and Illinois scientists took off a number of branches with no effect on yields. While soybeans produce about twice as much leaf area as corn, only half of this leaf area is needed, Johnson says.

Based on these past studies, Missouri researchers reasoned that they should be able to take off all the bottom branches, leaves and pods and not reduce yields. But the amount of soybeans harvested by the farmer would increase about 8%, the amount many

studies show is left in soybean fields because pods are too low for combines to pick up.

For the past two years, Missouri researchers have taken off everything on the bottom 6 in., 9 in. and 12 in. of the plants three times during the season—first of July (early flowering), mid-July and end of July (start of bean development). As expected, there was no yield difference compared to unstripped plants, reports Johnson. Apparently, they could have stripped the plants even higher because there wasn't any difference in yield between the three heights.

Raising pod height may be accomplished two ways. One method is by developing a plant which genetically sets its pods higher. As yet, there have been no breakthroughs in this area. The other possibility is using a directed contact spray which would kill everything on the bottom of the plant at whatever height is decided.

If that chemical were an herbicide, Johnson says, growers would get a dual advantage: They'd raise the height of the pods and also kill late-season weeds. Along with Maurice Gebhardt, Agricultural Research Service ag engineer, Johnson tested three chemicals. Monsanto's Roundup, which has not yet received clearance, showed the most promise. This chemical could be put on about the same time as the last cultivation, Johnson notes.

"But there are still some things to be worked out yet," Johnson adds. "It is more likely to sell where they have weed control problems. Whether it's going to be economical to put on a chemical just to raise pod height, I don't know."

The most important compensating aspect of the soybean plant is the interaction of the nitrogen (N) fixation and N uptake systems. "This is getting more research attention right now than anything else," Johnson says. "We would have to say there is no evidence to show that N is the limiting factor in increasing yields. Yet, we do not understand how N fixation and N uptake from the soil furnish all the N required for high-yielding soybeans."

Soybeans use more N than any other major crop, yet N applications have given few yield gains and even some decreases. The seed contains about 4 lb. of N/bu with another 2 lb. of N in the unharvested root, stem and leaves.

The following is a comparison of the amount of N used per acre by soybean and corn crops:

| Nitrogen (pounds) | Soybeans (bushels) | Corn (bushels) |
|---|---|---|
| 125 | 25 | 125 |
| 300 | 50 | 250 |
| 400 | 75 | 350 |
| 600 | 100 | 500 |

In contrast to other major crops, soybeans obtain their nitrogen from two sources. They utilize N from the soil as do other crops. In addition, they form a beneficial or symbiotic relationship with Rhizobia bacteria which form root nodules and fix N from the air.

"N fixation is the single most important factor which distinguishes soybeans from all other major crops," Johnson says. "Most plants which carry on fixation are forages, but they're an entirely different type of crop because the entire green plant is harvested instead of just the seed."

N research is receiving so much attention because of its importance during bean development stage. But at that stage both N fixation and N uptake systems are tapering off. Maximum N uptake occurs at full bloom and drops off relatively fast in the latter part of the growing season, says plant physiologist James E. Harper at the U.S. Regional Soybean Laboratory, Urbana, Ill. Up to the time of flowering, the soybean plant fixes very little N. After flowering, it increases N fixation quite rapidly in an exponential curve—that is, doubling total N fixed every week until half to two-thirds through pod fill (about 70 to 80 days of age). Then it loses its exponential phase and the bacteria start slowing down. But the plant continues to develop its seed and still needs N.

Major yield increases in other crops—hybrid corn, rice and dwarf wheat, for example—were due to finding more N responsive varieties. But these crops take about one-fourth as much N/bu as soybeans. It would seem reasonable that soybean yields could be increased by getting more N into the plant, says Ralph Hardy, E. I. duPont researcher.

Scientists first considered N fertilization. Illinois researchers recently summarized 133 experiments and found only three that showed a yield response from nitrogen. And in those three, the extra yield didn't pay for the extra N.

Even applying the N late in the season during the critical pod-filling stage didn't help. No matter how much N is applied, when it's applied or how deep it's applied, N fertilization hasn't brought an increase in soybean yields, Johnson says.

The more N fertilizer that's applied, the less N that's fixed. Again, the soybean plant compensates. "All you're doing is playing games with the N fixation system," Hardy explains. "The outcome is a trade-off between N fertilization and N fixation."

Research aimed at overcoming this nonproductive trade-off includes searches for forms of N fertilizer that do not inhibit N fixation, soybean varieties that respond to N fertilizer, rhizobial strains whose N fixation is insensitive to N fertilizer, and cultural practices that give a yield response to N fertilizer.

"I don't think N is the first limitation (on yields)," says Harper after extensive research on N fixation and N uptake from the soil. "It looks like photosynthesis is going to be our first limitation. Until we do something about the photosynthetic rates, we may be at a standstill as far as N goes.

Scientists know that the bacteria in plant's roots are kept alive by sugars supplied by the plant. The soybean makes these sugars with energy from the sun by absorbing carbon dioxide from the air through its leaves—the process of photosynthesis. But as the plant matures, researchers theorize that more of the sugars go to the developing seeds and less to the bacteria. Thus, N production slows as the bacteria are denied food.

This led du Pont researchers Hardy and U. D. Havelka to conclude that the availability of sugars was limiting N fixation. Two years ago they took soybeans growing in normal field conditions and surrounded them with walls of plastic, leaving the top open to keep heating and lighting conditions the same. From 40 days of age until maturity, Hardy explains, they increased the carbon dioxide around the soybean plants from the normal 300 parts per million (ppm) to between 800 and 1,200 ppm. They roughly tripled the amount of carbon dioxide available to the plant. Within 6 hours of increasing the carbon dioxide around the plant, the nitrogen fixing activity of the plant doubled.

"What this is telling us is that there are more 'machines' down there in the N fixing 'factories' but they weren't getting enough energy," Hardy says. "The carbon dioxide enriched plants fixed more N in one week (87 days to 94 days of age) than the normal plants did in one season. This phenomenal increase in N fixation resulted from doubling the size of the nodules and running the factories twice as fast."

Their results: N fixation increased from 80 to 100 lb/a to 425 lb/a. N uptake from the soil decreased from 225 lb/a to 75 to 100 lb/a. The net result was more than 500 lb/a of N—approaching amount required for a yield of 100 bu/a. More than 80% of the N came from N fixation and less than 20% from soil N, nearly the reverse of normal.

"This is the first example out in the field where anyone has been able to markedly increase total N in the soybean plant," Hardy claims. "This almost doubled N input and nearly doubled yields. The percentage of protein in the bean was not altered."

Hardy believes that the du Pont research shows that the N input in the soybean plant is really not an N problem but a carbon problem. He goes on to explain that soybeans are much less efficient converters of carbon dioxide to sugars than many other crops like corn. All the carbon dioxide corn takes in is converted to sugar. However, soybeans convert only part of the carbon dioxide taken in to sugar, physiologists explain. The rest is kicked back into the atmosphere, an inefficient process scientists call photorespiration.

Since it is not economically practical to enrich soybean fields with carbon dioxide, chemical companies are looking for a growth regulator which would make the soybean plant a more efficient converter of carbon dioxide.

At the same time, plant breeders are trying to develop nonphotorespiring soybean plants by applying radiation and other mutagenic agents to seeds. If they succeed, soybean yields could theoretically increase by 40%–50%.

Because of the interest in nitrogen fixation and nitrogen uptake from the soil in relation to supply, movement and distribution of carbohydrates, the American Soybean Assn. Research Foundation is funding such a research project at the University of Missouri. Walter Russell is conducting the tests in several parts.

In one part of the research, Russell grafted two different maturing stems on the same root system. While the earlier maturing top is in the green soybean stage, the later maturing top should still be supplying carbohydrates to the roots, keeping the bacteria fixing N, Russell explains. Other parts of his ASA-funded research include supplying light to the lower part of the canopy, shading the plants and studying the effects of different cultural practices on N fixation and N uptake systems.

"It takes energy to do either of these N processes," Russell explains. "We're trying to find out whether the two systems are compatible or if it's the plant's carbohydrate distribution system which is inhibiting N fixation."

It's unlikely that these research projects will pay off for several years. But researchers are optimistic. With the increasing importance of soybeans, more researchers with more funds are studying this complex soybean plant. The pace of soybean research has lagged behind the quadrupling of acreage since 1950. While soybean yields have increased only 6 bu/a since then, corn yields have nearly doubled. Many feel the same type of increase is possible with soybeans.

## A SECOND CHANCE

Mr. HUGH SCOTT. Mr. President, I was extremely pleased to hear President Ford's remarks yesterday about amnesty for Vietnam draft evaders. I have long advocated conditional amnesty on

a case-by-case basis, including performance of constructive civic service, as the reasonable and just way to treat these 50,000 offenders. Each case is different, each case therefore should be treated individually. Those who have violated military or civil law are of course subject to those processes.

The New York Times yesterday had an excellent editorial. I commend it to the attention of my colleagues and ask that it be printed in the RECORD.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

A SECOND CHANCE

In his wise and compassionate statement on the much-debated subject of amnesty for Vietnam draft evaders, President Ford has demonstrated his fidelity to the principle that the rule of law applies to all Americans but that its application necessitates no conflict between the noble aims of mercy and justice. He took the opportunity to say what he did in the lion's den—the annual convention of the Veterans of Foreign Wars, which has heretofore taken a hard line on amnesty—and emerged unscathed and newly respected.

By sending forth a generous instead of an unforgiving signal to Congress and the armed forces which, as President, he commands, Mr. Ford has opened the way for new legislation and new thinking in the country. Speaking as veteran, lawyer and champion of a strong military establishment, he gave tacit approval to the resolution passed last week by the American Bar Association that would allow individual draft resisters to earn immunity from prosecution.

He has asked the Attorney General and the Secretary of Defense to provide the facts, first of all, on the status of some 50,000 offenders—whom he compassionately called "our countrymen"—accused of violating the Selective Service Act or the Uniform Code of Military Justice. These men would not be lumped together as "draft dodgers" or "deserters" but treated as individuals, their cases studied within the framework of legal precedents.

For these men the President seeks "a second chance." His view is that they should be regarded not as enemies but as "casualties" and allowed to work their way back home to America. The Ford approach, without going all the way toward amnesty, would remove the attitude of revenge by law; and that is the beginning of justice.

President Ford cited two Presidents—Abraham Lincoln and Harry S. Truman—as his guides. He omitted his immediate predecessor. The Civil War and World War II Presidents both demonstrated a spirit of generosity toward deserters and issued many pardons. President Lincoln did so while the war still raged; President Truman created a postwar amnesty board that judged draft evaders and deserters on a case-by-case basis.

As Congress and the country seize the nettle of amnesty, they will have President Ford's own bold words to guide them: "I am throwing the weight of my Presidency into the scales of justice on the side of leniency.

## DÉTENTE AND THE FUTURE

Mr. CHURCH. Mr. President, the national debate on détente between the United States and the Soviet Union has begun. Last week, my able and distinguished friend from Rhode Island (Mr. PELL) wrote an article for the New York Times on this vital subject. He urged that—

In seeking détente, the United States should use whatever bargaining levers it has to assure our military security and to press for recognition of the human values and liberties we treasure. But we must be careful that we do not overload the circuits and instead of bringing light to the world; plunge it toward darkness.

Senator PELL concluded that—

It would be disastrous if we were turned from the present opportunities for détente.

I agree with this assessment.

I ask unanimous consent that Senator PELL's essay, "Détente and the Future," be printed in the RECORD.

There being no objection, the essay was ordered to be printed in the RECORD, as follows:

DÉTENTE AND THE FUTURE

(By Claiborne Pell)

WASHINGTON.—Given a choice between détente with the Soviet Union or a return to the eyeball-to-eyeball confrontations of the frigid cold-war period, most Americans, I suspect, would choose a realistic easing of tensions between the supporters.

And, as a matter of fact, the progress toward détente initiated by Richard M. Nixon and vigorously executed by Secretary of State Kissinger has had until recently very broad support among the American people. Now, however, détente is in trouble.

The efforts to reach mutually beneficial agreements with the Russians on arms control and trade are under attack from all sides within the United States.

Conservatives criticize détente because of their profound disapproval of Communism and their equally profound distrust of the long-range intentions of the Soviet Union.

Liberals, while not opposing détente, insist on a coupling of agreements on arms controls or trade with liberalization of Soviet society.

Our military leadership and their supporters in industry and the Congress oppose détente because they believe that only overwhelming military superiority—and damn the cost—can provide security for our country.

The national leadership of much of organized labor is cool to détente, reflecting a traditional anti-Communist stance in foreign affairs as well as a union membership with heavy stakes in defense-oriented industry.

And the American Jewish leadership's view of detente is strongly shaded by its concern over the persecution of Soviet Jews and the role of the Soviet Union in the Middle East.

Each of these segments of our society has some measure of legitimacy for its concern. However, in combination, these segments form a very formidable alliance encompassing a major part of the most articulate and influential opinion-forming groups in the nation. And there is a very real possibility that, in combination, this alliance could turn our country from the path of détente.

I consider myself a liberal with moderate fiscal views, a supporter of labor, an admirer of Israel and the contribution to our national weal of our American Jewish community, and one who values basic human rights.

But I also have a long view of history, and I believe it would be disastrous if we were turned from the present opportunities for détente.

History does not stand still, but moves in currents and directions. And if the movement toward détente is halted, history will take a new direction, probably toward confrontation and conflict.

The tragedy is that most of the segments now joining in the alliance against détente do not want to see such a change in the direction of history. Each wants only to attach a condition to détente, apparently without realizing that the cumulative weight of the conditions could sink the ship.

The result would be what very few of the critics of détente want: an escalation of the arms race, a tightening of repression within the Soviet Union, a resurgence of the basic Soviet anti-Semitism, and an end to all voluntary emigration from the Soviet Union.

I am under no illusions as to any sun and light behind the Iron Curtain.

But at least people there are alive and leading reasonably normal lives. It is not the bleak scorched area it could be in a World War III.

It is so easy to forget the improvements of the last ten years. Prominent opponents of Soviet policies are now exiled instead of being killed or jailed.

It is understandable that the American Jewish community is concerned about the ill-treatment of many Jews who wish to emigrate, particularly in light of the Soviet history of pogroms and anti-Semitism. But the Russians have in fact responded to world pressure and some 30,000 Jews are being permitted to leave Russia each year. The extent to which the Russians have responded can be seen in the fact that Jewish emigration from the Soviet Union represents 85 per cent of all persons permitted to emigrate, while Jews continue less than one per cent of the population.

Finally, I think we should remember that Nikita S. Khrushchev was removed from power primarily because his advocacy of détente with the West was opposed by Soviet conservatives and the Soviet military. Now Leonid I. Brezhnev has staked his political life on détente. If he, too, falls because of his advocacy, it will be many a decade before another Soviet leader will risk his reputation, his prestige and his power in pursuit of better relations with the West.

In seeking détente, the United States should use whatever bargaining levers it has to assure our military security and to press for recognition of the human values and liberties we treasure. But we must be careful that we do not overload the circuits and instead of bringing light to the world, plunge it toward darkness.

## PETITION TO CONGRESS ON BEHALF OF AMERICAN MIA'S

Mr. GOLDWATER. Mr. President, the American people have not forgotten the remaining U.S. personnel who are listed as missing in action in Indochina.

Only this month, I received a petition signed by more than 200 Arizonans living in or near Winslow, a city of approximately 8,000 persons. These citizens demand that their Government take strong and immediate action to obtain information about our MIA's.

My constituents put their finger upon the No. 1 problem involved, which is the recalcitrant attitude of the Communists, by suggesting that a congressional delegation be formed to visit Hanoi to press for further information. They know it is the North Vietnamese and Vietcong who

have turned down American requests to enter Communist-controlled territory to conduct searches at probable crash or gravesites.

They also know of the tragic and cold-blooded attack by Communists on the last unarmed American MIA search team that investigated a crashsite in South Vietnam in December of last year.

Mr. President, I agree with the signers of this petition that our Government must continue to press for a full accounting of each and every one of the remaining U.S. MIA's. These citizens have asked if I would bring their petition to the attention of all of Congress by placing it in the CONGRESSIONAL RECORD, and I am pleased to ask unanimous consent for the petition and the names of its signers to be printed in the RECORD.

There being no objection, the petition was ordered to be printed in the RECORD, as follows:

PETITION

*To the Congress of the United States:*

We as American Citizens demand you give your immediate attention to form a Congressional Delegation to visit Hanoi to obtain information about American Servicemen still listed as MIA's:

Robert Fair, R. C. Morgan, Archie Epling, D. S. Pike, Gladys Pike, Nadine J. Conder, Sharon Singleterry, Kay C. Guttersen, William R. Ledbetter, Janet Peterson, Janice Lancaster, Robert V. Perez, Christeena Harper, and Mary Tackett.

Linda Singleterry, Lynn M. Rice, Vicki L. Azeas, Teresa Sena, Katrin Nelson, Audie Whitney, Karl T. Frey, Emily J. Frey, Lorille Chambers, Dennis Echler, Sally Patterson, Carolyn Becraft, and Peter M. Becraft.

Charlotte Gipson, C. G. Gipson, Mrs. C. D. Gipson, Judy D. Cox, Sally Hudson, Mabel Feagins. Kelly Henson, Loudene Dove, Lynette Dove, Danny Dove, Chas E. Stegmeir, Bam Guttersen, L. C. Hansoe, Sharon Polk, Bonita White, Sheila Polk. Rena White, Deura Polk, Valerie Bryson, Della White, Joe White, and Lori Carrell.

Mrs. Carol Epling. Beth Gehringer, June Curnutte, Keith Curnutte, J. T. Curnutte, Helen White, George H. Morley, Mrs. F. P. Guter, Mrs Alan Whitney, Marie L. Rutherford, Kris Rodgers, Judy Ann Simmons, E. P. Jackson, Charles I. Mathes, Inna Bardslay, Patti Ansell, Louis Gill, Thomas James Benho, Chas. S. Allen, Jr., J. C. Fogleman, Sue Hancock, Edna Mae Robinson, Lea H. Koenig, Mary May Bailey, Margaret S. Iler, Robert R. Pennington, Cecilia D. Benefield. and Barbara La Gait.

Ruth B. Kalisz, Charlotte L. Buss, Rosemary Kutch, Brian Patet, George T. Kahn, Kathey Chacou, L. P. Fulton, O'Dette Fulton, Gloria M. Moore, Morgan H. Denet, Esther E. Kislingbury, Diane Todd, Jack Power, Vivian H. S. Power, Fontella Randall, Walter Cox, Ballard Henri, Stella Wilt, Jerry Wiggins, Heidi Ewart, and Jill Scholten.

Shirley Owens, Mary C. Boggan, Geralyn Owens, W. W. Boggan, Jack E. Dove, Joe Hoffman, Susan Boles, Mr. and Mrs. Florentino Paigas, Donald D. Johnson, Kathleen A. Johnson, Yvonne Howeth, Vivian Shurley, Kenneth D. Hillston, Larry Graff, James O. Babe, Cinda Sawyer, LeRoy Sawyer, and Sadie Sawyer.

Janet Peterson, Mabel Clarksen, Donna Davis, John Serrano, Rob Flatnik. David Harrah, Deborah Rippey, Robert Ford, David Stevens, Gayle Livingston, Lauri Leaverton, Leslie D. Purpana, Jannette V. Harrison, Lester E. Harrison, Debbie Bonnete, Kathi Bonnet, Kathy Williams, Jim Williams, Robin Ettinger, and Douglas Epling.

Glenn Howell, Patricia LaBart, Vivian J. Hopkins, I. L. Curtis, Mary L. Ellis, Mary Wyatt, Micke Todd, Patricia Kent, John L. Russell, Norma Lassiter, Chris Kissling, Helen Kessling, Cheis Hanson, R. A. Kent, Shawn W. Peterson, Keith Beauchene, and Jack Dale.

Coral Dawson, Richard White, Bonnie Blinn, Mary Lewis, ——— ———, Dan Lott, Andy Keeler, Rhonda Williams, Bernadette Armend, Bill Mollring, Claudia M. Scholten, Donald Blanchard, Blance Aston, Paul Aston, Nan Witte, John Witte, Darlene Barnes, Lynne Hoceta, Tammy Bryan, Ardrea Schmoebeckere, Terry Mrytle Jay Lox, and Kathie Walker.

Sharoh J. Belper, Doris J. Hedges, Leola Tellman, Lyle R. Healg, Jammes F. Gary, Betty J. Stewart, George Patrick Dean, Nancy Iannelli, Nina Iannelli, Mike Cataldi, David Bennett, Mari Hammon, Robin Y. Rivet, George Jiffins, Jerry Jelly Elli, Eric Wyles, Katheen Reyes, J. A. Anne Snelson, and Tricia Dunn.

Michael J. Williams, Richard Weld, David Hameolf, Cathy Vinsel, Rob Kimmel, James Spurlock, Lynn Love, Loyd Thacker, Gary L. Eddy, Joseph Josephy, Stephen W. Lambert. David Hopper, and Diana Curnutte.

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## INDEPENDENT GASOLINE MARKETERS EXPRESS CONCERN OVER OIL INDUSTRY CONCENTRATION

Mr. McINTYRE. Mr. President, as chairman of the Subcommittee on Government Regulation of the Senate Select Committee on Small Business, I have recently held several days of hearings on the profits of our Nation's oil industry, the energy industries' need for capital, and the effect on small business. During these hearings, the subcommittee received testimony from the Independent Gasoline Marketers Council on the acquisition and operation by integrated oil companies of gasoline marketing facilities and the impact of this activity on competition. While it is obvious that the energy sector of the economy must commit substantial resources to the development of domestic energy supplies, the Congress must assure that in meeting our energy needs, competition is preserved and encouraged.

Mr. President, I request unanimous consent that the statement presented on behalf of the Independent Gasoline Marketers Council before the Subcommittee on Government Regulation be printed in the RECORD.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

STATEMENT BY MR. KEN CATMULL ON BEHALF OF INDEPENDENT GASOLINE MARKETERS COUNCIL BEFORE THE SUBCOMMITTEE ON GOVERNMENT REGULATION, SENATE SMALL BUSINESS COMMITTEE, AUGUST 20, 1974

Mr. Chairman and members of the committee, I appreciate the opportunity to appear here today on behalf of the Independent Gasoline Marketers Council. My name is Ken Catmull and I am Vice President of Autotronic Systems, Inc. of Houston, Texas. I am accompanied by Mr. T. J. Oden who is the Executive Director of I.G.M.C.

Before commencing my testimony, I would like to briefly state that, as the name Independent Gasoline Marketers Council implies, we are a Council composed solely of nonbranded independent marketers of gasoline. As defined by Congress in the Emergency Petroleum Allocation Act of 1973, the term nonbranded independent marketer means:

"A person who is engaged in the marketing or distributing of refined petroleum products, but who (A) is not a refiner, (B) is not a person who controls, is controlled by, is under common control with, or is affiliated with a refiner (other than by means of a supply contract), and (C) is not a branded independent marketer."

As Congress clearly stated, we are independently owned and operated companies, whose only relationship with any large integrated oil company is in the purchase of gasoline for distribution and resale through our own company outlets. We do not operate under any integrated company's trade name and we are, in fact, the primary competitors, at the retail level, of our substantially larger integrated rivals.

In order to maintain competition with our larger rivals we as businessmen must have access to certain essential tools. These tools are required whether the business entity is the most dominant firm within a given industry or the smallest. Every retail business must have a product to sell.

Gasoline supply problems, which began to develop in the Fall of 1972 and deteriorated progressively throughout 1973, were disastrous to nonbrand independent marketers. The impact that these shortages had on competition in the marketing segment of the industry resulted in the passage in November of last year of the Emergency Petroleum Allocation Act of 1973.

Recent press reports indicating that the Administration supports early removal of of petroleum product allocations causes substantial concern for nonbranded independent marketers. It is the position of the Council that precipitous action by the Federal Energy Administration with regard to removing or altering mandatory gasoline allocation procedures will have a serious detrimental effect on the consumer and on the competitive situation within the marketing segment of the oil industry.

Problems connected with obtaining adequate supplies of gasoline are compounded by the price that independent nonbranded marketers, are forced to pay for obtainable supplies. Members of the Council have found that it is increasingly more difficult to compete in the marketing of gasoline because of the fact that price increases to nonbranded independent marketers have been disproportionately higher than average price increases to all marketers. The Independent Gasoline Marketers Council has established a comparative wholesale price movement analysis which shows that price increases in 1974, when compared to 1972 base period costs are now substantially higher than rival branded marketers. While costs for all marketers of gasoline have increased on an average of 122% since the 1972 base period. nonbranded independent marketers costs ior gasoline have increased by 137%. This pricing problem is compounded when it is taken into consideration that branded marketers also received the benefit of nationwide brand name advertising and major company credit card services. One of the primary benefits to the consumer and to competition within the marketing segment has been the competitive pricing policy of nonbranded gasoline marketers.

It has been the true independent in the oil industry that has generally been the innovator and the developer. The ability of nonbranded independent marketers to lower operating costs and to establish and maintain efficient marketing systems has resulted in competition in the market place that has been of real benefit to the consumer. Because of efficient and innovative

marketing methods we have historically been able to offer gasoline to the consuming public at prices below that charged by our major brand rivals. If we can obtain adequate supplies of product, we can continue to be the competitive pacesetter and pricing policeman for the consumer in the marketing segment of the oil industry.

Among those issues that Congress must ultimately resolve is the function and role of our energy industry in total, and particularly the petroleum segment of that industry. The oil industry has undergone a total transformation within the last few years. Petroleum product shortages were first encountered in this decade because of insufficient refining capacity and failure to utilize existing capacity. This took place at a time when we were also experiencing substantial increases in demand. In October of last year Arab member countries of the Organization of Petroleum Exporting Countries imposed an embargo that further curtailed our ability to meet our energy needs. The embargo must be considered not only as a political act but also as an economic decision jointly reached by a cartel controlling the basic world supplies of crude oil. Through joint action OPEC successfully increased world crude oil prices fourfold over previous prices and it is still unclear as to whether or not we will experience even further increases.

The question is how do we as a country respond to the new changed circumstances. There are two prime issues:

(1) the energy needs of the United States and its people; and

(2) the ability of the private energy sector to meet those needs.

Oil is the life blood of any industrialized society and under our free enterprise system we have relied on private industry to meet this demand. This raises several questions can a reliable source of energy be handled solely by a number of individual private companies whose basic purpose is to make a profit?

Can we as a nation rely completely on the profit incentive to have our energy needs met? Will the cost of supplies to meet these needs become so overburdening as to substantially curtail our present standard of living?

There is no need to cite the recently published second quarter earnings of the major integrated oil companies. Suffice it to say, that most of the multinational integrated companies have continued to experience several quarters of high profits, most approximately double their 1973 figures. The argument for these high profits is the tremendous capital need of the individual companies to meet our energy needs, and I don't believe that any one can doubt that this need is real and is enormous. Most recent estimates show at a minimum that at least $60 billion a year must be invested in energy between now and 1985 with as much as $400 billion for the remainder of this decade alone. The extent to which the oil industry as a whole directs its resources into new domestic production and refining operations is of crucial importance. At stake here is not only a tremendous drain of our financial resources but also a public policy question of the extent to which the United States wants to have its economic well being determined by forces beyond our own national control. Recent estimates by the Commerce Department indicate that oil imports will cost $25 billion this year alone. The consuming public is calling for some sign of assurance that the increased prices that they are being called upon to pay will result in positive long range benefits.

Several months ago the Administration announced an ambitions new program regarding energy resources and entitled this undertaking as "Project Independence". The initial plan was to develop within our own borders self-sufficiency in energy resources. In the last few weeks however, the Federal Energy Administration has stated that Project Independence in effect will be Project Semi-Independence. FEA has stated that during the rest of this century the United States must continue to look to overseas sources for substantial quantities of crude oil. It is interesting to note that within a few days after FEA's announcement, the Oil Minister of Saudi Arabia, Sheik Yamani warned that the Arab oil producing cartel stands ready to reimpose an embargo on the United States, if the Arabs feel that our political position in the Middle East is not compatible with their goals. The embargo that we experienced last winter is a clear warning of the danger inherent in an increased reliance on other countries for our energy needs. During the height of the embargo, crude oil imports into the United States were cut by approximately 1.5 million barrels a day representing less than 10% of total crude oil demand of 16.5 million barrels a day. But yet this reduction placed an enormous strain on our economy and the American people. Immediate attention must be given to the degree to which the United States can increase its own available energy resources and the oil industry must meet this challenge.

When viewed within the context of this country's energy needs, the recent announcement by Mobil Oil Corporation of its intent to acquire Marcor, the parent company of Montgomery Ward, arises a host of unanswered questions. The American economic system encourages independent decision making by individual corporations. There are serious reservations to this general rule however. Public policy goals quite often override individual corporate decisions particularly when a well established public need is shown. The announced intent by Mobil to acquire Marco immediately raises the question as to whether it is in the best interest of this country to have the oil industry divert its resources away from energy production at this particular time. To the members of I.G.M.C. another question comes immediately to mind. What is the impact on competition when a major integrated producer, refiner, transporter, and marketer of oil products acquires a new company with major market penetration in the retail sector that can become a direct conduit for the sale of this company's gasoline and other petroleum products? The acquisition of Marcor by Mobil Oil Corporation extends the basic structure for the total and complete control of crude oil and refined products from the wellhead to the consumer.

This acquisition is also another example of the impact of the ability to accumulate capital in the oil industry. The sheer size of a company such as Mobil provides the leverage necessary to acquire a corporation whose assets include Montgomery Ward and the Container Corporation of America. It is interesting to note that this acquisition actually commenced last year when Mobil purchased almost 1.25 million shares of Marcor stock representing approximately 4.5% of the total shares of Marcor common stock outstanding. One of the arguments that Mobil has publicly made in support of this acquisition is the fact that members of Congress and other public figures have been critical of the oil industry and are threatening to inhibit this industry in one way or another. As a Council representing nonbranded independent marketers, we too share a concern for our industry's image with the public. The question remains, however, as to the total impact of this acquisition on our nation's ability to meet our energy requirements and its impact on competition in the marketing segment.

In recent years a number of large integrated oil companies have established new marketing operations using marketing names not generally identifiable with their companies' operations. This new phenomenon in the marketing segment has been referred to as secondary branding. These marketing outlets are totally owned and operated by the parent company such as Alert owned by the Exxon Corporation. It is partly because of this type of activity and its obvious impact on market control that Congress passed the Emergency Petroleum Allocation Act of 1973. The continued existence of this Act is crucial to the independent marketers of gasoline and other petroleum products. The major oil companies are strongly aligned against this act arguing that it distorts the competitive process in the oil industry. But this Act staved off the immediate and dramatic annihilation of the nonbranded marketers.

We, as nonbranded independent gasoline marketers, feel that there are two public policy questions that must be answered in connection with the announced proposed Mobil-Marcor merger. First, is it in our best national interest, at this particular point in time, to have major energy companies divert much needed capital into non-energy related areas and, secondly, is it in the best interest of the consumer and competition to have the nation's fourth largest oil company further expand into marketing. As independent nonbranded gasoline marketers we strongly oppose the continuing efforts of the major integrated oil companies to completely dominate and control all levels of the industry from production to marketing. Obviously as gasoline marketers we have a vested interest in our ability to compete, but we also feel that it is not in the consumers best interest for the oil industry to become completely dominated and controlled by a small number of giant companies. What competition remains in gasoline marketing should be preserved and if steps are not taken to do so quickly, Congress may well be forced to face much more difficult issues regarding the structure of this industry in the not too distant future.

## MINERS' MEMORIAL MONUMENT

Mr. McCLURE. Mr. President, over 2 years ago after the terrible tragedy which claimed the lives of 91 men at the Sunshine Mine, shock waves surged across the country. While the country took note and then returned to its business, the families of these men had to continue to live with the tragedy and its result.

The memorial statue which they commissioned is not a grim reminder of an evil day so much as a living tribute to tough, strong men and their way of life. It reminds the youth of our country that there are men who go out daily with some risk to their lives to provide for their children's futures and their country's strength.

Strength and skill as well as dedication and courage are the backbone of the hardrock miner's character. If our country ever runs out of such men, it will fall upon evil days indeed. These were men proud of their skills and the knowledge that their work was necessary to their Nation.

In an effort to memorialize the 91 who were lost, and to pay tribute to mining as a way of life, those left behind—the Sunshine Widows—came up with the idea of constructing an appropriate me-

morial. The idea grew and donations rolled in. Finally, on May 2, the Miners' Memorial Monument was dedicated.

I ask unanimous consent that an article of the Kellogg Evening News be printed in the RECORD.

The dedication of the memorial was a fitting tribute to the men who lost their lives—and to those who have and will spend their lives in the mines, and to their families. But the dedication expressed another tribute which should not go unmarked. It was a tribute to a man whose name will not be inscribed on the monument to be read by future generations, but whose acts have given him a special place in the hearts of those families who lost men in the disaster. That man is Marvin Chase. Others may find it surprising that the Sunshine Widows asked the manager of the company to represent them at the ceremony. The people of Kellogg will understand. As one of the widows put it, Marvin Chase, the manager of the Sunshine Mining Co.,

Performed many acts of unobtrusive helpfulness and kindness . . . too many to enumerate.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From the Kellogg (Idaho) News, Apr. 29, 1974]

SUNSHINE WIDOWS ASK MINE CHIEF REPRESENT THEM

The Sunshine Widows' Group has asked Marvin Chase, manager of Sunshine Mining Company, by letter "to represent the mining industry at the dedication of the Miners' Memorial Monument on May 2," and to represent the widows on the platform.

"We are asking you now to do something more for us on that day. We have decided that we want you to represent our group on the platform that day—decided it unanimously. No one from our group will be on the platform."

"In the course of this project of ours we have learned about so many acts of unobtrusive helpfulness and kindness on your part—too many to enumerate. So many times you have smoothed out the way for us. We feel it in our hearts—for the heart knows—what we cannot express. Ever so many people have contributed their talents, their know-how, their money, and their efforts to the realization of this impossible dream that we initiated and we cannot thank them all adequately, either."

"One of our group said that each of us has lost at least one dear to us—a loss that broke a heart—but you lost ninety-one, and that is a burden that lies heavy on your heart. So, on the platform on that day, will you represent all of us and in our name, give this memorial statue to the valley. We are grateful to so many for the uncountable acts of love and kindness that carried us through those days in May of searing pain."

The letter was signed by Edna Davenport, Eileen Pena, Doris Sargent, Elizabeth Rais, Mary Ellen Wilson and Elizabeth Fee.

## NATIONAL HEALTH INSURANCE—IDAHO LOOKS AT THE PROBLEMS

Mr. CHURCH. Mr. President, after studying the concept of national health insurance as advanced by several legislative proposals currently pending before Congress, the Idaho Governor's Advisory Council on Comprehensive Health Planning has made recommendations regarding principles which they feel should be incorporated in any proposed system of national health insurance.

I know my colleagues representing rural areas recognize, as I do, that access to quality health care involves not only monetary concerns, but geographical as well. In line with this, the Idaho Council has endorsed the innovation uses of all available health manpower along with incentives toward increasing the quantity and quality of all health practitioners.

The points adopted by the Governor's Advisory Council are certainly worthy of consideration by Congress, and I ask unanimous consent that the text of this position paper be printed in the RECORD.

There being no objection, the text was ordered to be printed in the RECORD, as follows:

TEXT

The Governor's Advisory Council on Comprehensive Health Planning has thoroughly studied the "National Health Insurance Concept" over a period of eighteen months. In addition to analyzing the many, many proposals introduced in both the 91st and 92nd Congresses, the Governor's Advisory Council prepared its own "background paper" of analysis and comparison of the proposals introduced in the 92nd Congress prior to April 15, 1972. The Council has also examined and evaluated all of the subsequent proposals.

In January, 1972 the Council arranged and held the Governor's Conference on National Health Insurance Proposals. The Conference was attended by more than forty representatives of both state and national health and consumer organizations. The Council heard eight hours of oral testimony from representatives of nineteen organizations and received eighteen pieces of written testimony. The Proceedings of the Governor's Conference on National Health Insurance Proposals was published, widely distributed, and additional testimony from the readers of the Proceedings was solicited.

The regular quarterly meeting of the Governor's Advisory Council held on February 24–25, 1972 had, as the major item agenda, an in-depth discussion of the national health insurance concept and the many and varied proposals.

During its three and one-half year history the Governor's Advisory Council on Comprehensive Health Planning has addressed itself to the study and the recommendation of solutions to the problems of the facilities, services, and manpower components of the health care system in Idaho which, while peculiarly indigenous to Idaho, are also typical of rural areas in much of the vast land mass of these United States.

The spirit and the substance of many of these individual recommendations evidence the Council's consistent conviction that "change" should be advocated only when predicated on deliberative, reasoned judgment. This statement regarding the national health insurance concept is based on the deliberative, reasoned judgment of the Governor's Advisory Council on Comprehensive Health Planning.

The purpose of this statement is to convey the deliberative, reasoned judgment of the people of Idaho, as represented on the Governor's Advisory Council on Comprehensive Health Planning, to the elected representatives of the people who, as members of the Congress, are best able to express the will of the people of Idaho relative to the national health insurance concept.

FUNDAMENTAL BELIEF

It is a fundamental belief of the Governor's Advisory Council on Comprehensive Health Planning that a national health program should not be simplistic and based only on a massive infusion of public funds. The special problems of health care delivery to rural areas, as well as to the urban ghetto and even to many middle income citizens are so deep-rooted and so complex that they cannot be solved only with money.

RECOMMENDED PRINCIPLES

The Governor's Advisory Council urges that each of the elected members of the Idaho Congressional Delegation be advised that the Governor's Advisory Council on Comprehensive Health Planning recommends that consideration of the various national health insurance proposals should incorporate the following principles:

The Governor's Advisory Council accepts two major premises:

It accepts the premise that everyone in the nation should have access to the full range of preventive, curative, and rehabilitative health services regardless of the ability to pay for the services.

It accepts the premise that the accessibility of health services to the individual consumer is inextricably interrelated with the availability of skilled health manpower and, therefore, any system of national health insurance must necessarily act to promote the increased development of both traditional and new health disciplines; it must necessarily act to provide financial, as well as other incentives, to increase the quantity and the quality of all health practitioners; it must necessarily act to encourage the innovative uses of all available health manpower.

Based on these premises, legislation creating a national health service system should also incorporate the following principles:

1. The system should insure that the consumer has a free choice from among the available providers of health service.

2. The system should assure that the private health insurance system can continue to function, on the one hand, as a counterbalance againts bureaucratic meddling and political interference, and, on the other hand, to provide the dynamic mechanisms to encourage innovation in the provision of health care services.

3. The system should provide for a mix of revenue sources which is neither regressive nor inequitable to any sector of the economy of the population.

4. The system should assure that the administration of the system will be both reasonable and just, and will have enough flexibility to be able to respond to the desires of the providers and consumers of the health services through the continuing and dynamic comprehensive health planning process.

## THIRD UNITED NATIONS CONFERENCE ON THE LAW OF THE SEA

Mr. STEVENS. Mr. President, from August 3 through August 6 I was in Caracas, Venezuela, where I attended the Third United Nations Conference on the Law of the Sea as adviser to the U.S. delegation. With me in Caracas were my good friends, the Senator from Maine (Mr. MUSKIE) and the Senator from Rhode Island (Mr. PELL). At the time of our visit the 10-week conference was

in its seventh week and main trends in the conference proceedings were already becoming apparent. I had an opportunity to discuss these trends at some length with leaders of the United States and foreign delegations and with representatives of the U.S. fishing industry participating in the conference. Most of those with whom I spoke were very aware of the possibility of action by the U.S. Congress on matters directly related to Law of the Sea issues—particularly of a bill which I am cosponsoring, S. 1988, which would extend as an emergency measure our fisheries management zone from 12 to 200 miles.

I would like to take this opportunity to share with you some observations concerning the conference proceedings which I made while in Caracas and my subsequent assessment of how we in the Congress must act in response to the present Law of the Sea situation. I am more concerned now, than I was before going to Caracas, with the crisis threatening this Nation's fisheries, and am more convinced than ever that it is crucial to the overall best interests of the United States that Congress take immediate action to extend our fisheries management zone to 200 miles.

As you know the Caracas conference is of unprecedented size with 149 nations participating. It has before it a task of unprecedented magnitude for an international conference. The more than 80 ocean-related issues comprising the official agenda are of enormous political, strategic, and economic implication to the international community. As a Senator from the State possessing more than half the coastline of the United States, I fully share the enthusiasm of conference delegates for their goal of establishing a fair system of international law defining nations' rights to use and lay claims to the world's oceans. However, we must clearly recognize the limitations of such a large conference to move with adequate promptness on an issue requiring immediate attention and resolution.

When in 1971, the General Assembly of the United Nations passed a resolution calling for a major conference on the Law of the Sea, it did so in anticipation of a rapid global intensification of use of the high seas for commerce, resource exploitation, military activities, and scientific research. The General Assembly recognized the desirability of preventing this intensification from occurring in anything but a peaceful manner. The success of the Law of the Sea Conference is dependent upon the degree to which it can anticipate potential ocean-related problems and confrontations and resolve them by an equitable and agreeable statement of law before injury occurs. I think it is fair to say that for most issues under consideration by the delegates in Caracas there is time for deliberation—even if the promulgation of a comprehensive Law of the Sea Treaty is delayed for another 1 to 4 years or longer as most Caracas observers are now predicting.

However, in the fisheries issue we have already run out of time. A rapid international intensification of effort in fishing has been underway worldwide for more than 10 years. While most resources of the high seas have barely been touched commercially, the exploitation of fisheries has been pushed to and even beyond the practical limit in many regions of the ocean. At least 11 commercially valuable species of fish are already depleted or are threatened with depletion off the coasts of the United States alone. Most of these species have for some years been covered by some sort of international fisheries agreement. From an average annual catch of 700 million pounds in the period from 1952 to 1960, the U.S. catch off the New England coast was cut 40 percent to 418 million pounds in 1969, while foreign catch increased from an annual 7 million pounds to over 1.2 billion pounds in 1969.

As an example of conditions on the west coast, in 1963 the United States and Canada put out 104 halibut boats in the Bering Sea, catching 11 million pounds of halibut. In 1973 the 7 surviving halibut boats caught a total of 167,000 pounds of halibut. In the same period the Japanese increased their trawl catch 500 percent and in 1973 caught an estimated 11 million pounds of halibut incidental to the target catches. In my home State of Alaska, Bristol Bay was this year declared a State and national disaster area because of the depletion of salmon runs upon which the economy of the area depends.

It was heartening for me to learn several weeks ago through State Department cables that widespread agreement had developed in Caracas in favor of a 200-mile economic zone. The State Department joined this growing international concensus in a major policy shift announced on July 11 in the Law of the Sea Conference Plenary by Ambassador John R. Stevenson, leader of the U.S. delegation. Ambassador Stevenson proposed a 200-mile economic zone giving the coastal nation exclusive rights to all seabed resources and preferential rights to fisheries resources, meaning that while the coastal nation would have full sovereignty over seabed resources, foreign fishermen would be guaranteed the right to fish underfished coastal stocks up to their scientifically determined maximum sustainable yield. International navigation and overflight would remain unhampered.

In the limited realm of fisheries S. 1988 closely resembles the State Department proposal. It attempts to minimize economic hardship caused traditional foreign fishermen of U.S. coastal stocks by stricter conservation and management regulations. The State Department proposal is viewed as one of the most moderate proposals now under consideration in Caracas. Other economic zone proposals enjoying major support call for coastal State sovereignty over all resources within 200 miles of shore, while the most extreme proposals advocate a 200-mile territorial sea. The only nation of major significance to expressly oppose any kind of extended economic zone is Japan which would like to see the ocean beyond the present 12-mile contiguous zone remain high seas.

Of great concern to me is the fact that although there now exists almost universal agreement that the coastal nation has the right to conserve and protect its fisheries within 200 miles of shore, implementation of this agreement must wait until all of the 80 issues under consideration in Caracas have been resolved and incorporated into a single comprehensive Law of the Sea Treaty. Many of these issues presently arouse considerable controversy. Ambassador Stevenson in his July 11 speech emphatically stated that the U.S. delegation would accept nothing less than a single comprehensive treaty—this position is shared by a number of foreign delegations.

Such a position may seem logical in the conference chamber and unquestionably contributes to greater security for the negotiator. But it does nothing to answer the difficult reality we are facing. It would be cruel irony if the mechanics of the Law of the Sea Conference contributed to a continued lawlessness on the seas such that fish stocks are destroyed while the world is working to preserve them. A global consensus in their favor will do our fishermen little good if their livelihood is nonetheless destroyed.

The dominant theme at the dinner and two luncheons with foreign delegates arranged for Senators MUSKIE, PELL, and myself by the U.S. delegation in Caracas was that one must not expect too much of international negotiation. We were told: "It takes time to build international law." This point was explained to me at length by members of the Japanese and Russian delegations. As a U.S. Senator I was counseled against taking action to extend our fisheries management authority.

I continue to believe that international law governing the oceans is attainable and eminently worthwhile, particularly law preserving world fisheries. But if the present lack of concern for basic conservation principles on the seas persists among some foreign fish operators for the indefinite amount of time necessary to conclude the law of the sea negotiations then we may be left very little of value to preserve. Enactment of S. 1988 by the United States will not be prejudicial to the successful formulation of a law of the sea treaty. On the contrary, S. 1988 conforms to world trends. As a fisheries conservation measure S. 1988 is a fair fisheries proposal which demand of foreign fishermen only that they accept the conservation measures we impose ourselves. I am confident that, given the consensus now evident in Caracas, any eventual law of the sea treaty will affirm or strengthen the fisheries protection established through S. 1988.

There has been no moratorium on international fishing within 200 miles off our shores in deference to the deliberations in Caracas and the world consensus evident there. It does indeed take time to formulate international law and the nations fishing our coastal and anadromous stocks to the point of depletion are apparently quite content to delay. We must

act firmly and demonstrate openly that we will not abandon our commitment, enunciated in Senate Concurrent Resolution 11, to preserve U.S. fisheries. Strength, rather than weakness on this issue cannot but serve this Nation's overall interests and, in addition, remove an important incentive for delay in the law of the sea negotiations. I return from Caracas with the conviction that we must act to extend our fisheries management authority to 200 miles. The U.S. Congress is now the only organization capable of taking measures to insure the survival of U.S. fisheries.

Thank you, Mr. President.

## THE GENOCIDE CONVENTION

Mr. PROXMIRE. Mr. President, the International Convention on the Prevention and Punishment of the Crime of Genocide may not redirect the flow of international relations. For the accord appears to impose a demand for selfless action upon its signatories. And relations between world leaders and diplomats have historically—and too often necessarily—been based wholly upon strict self or national interests.

But the convention will impose a new constraint upon that traditional perspective. By defining genocide as an international crime and obligating the parties to the accord to action against perpetrators of this offense, the convention erects a significant moral barrier against this horrible abuse of power. The price of this defense is not high. In creating this collective protection from genocide the nations of the world need only surrender their freedom to plan and impose programs of mass extermination.

This constraint will be fully effective, however, only when it has the support of the major world powers. To date more than 75 countries have ratified the genocide convention. Regrettably, the United States is not among that number.

Without American support the genocide convention is only an empty gesture toward international moral cooperation, toward any change in the moral blindness that has characterized the interaction between nations. More importantly, our failure to approve the treaty is an unflattering reflection upon our own ethical vision. Mr. President, it is long past time we set aside our concern with petty legalisms and move toward immediate reconsideration and ratification of the International Convention on the Prevention and Punishment of the Crime of Genocide.

## COMMUNITY SERVICES ACT— A DANGEROUS BILL

Mr. McCLURE. Mr. President, one of my constituents, Mrs. Harriet P. Crank, of Bridge, Idaho, has brought to my attention a statement which she and some of her neighbors have prepared after reading the Community Services Act. I am pleased to learn that my constituents are aware of this dangerous bill, and I am particularly grateful to Mrs. Crank for bringing this petition to my attention.

I ask unanimous consent that it be printed in the RECORD.

There being no objection, the petition was ordered to be printed in the RECORD, as follows:

PETITION

DEAR SENATOR McCLURE: We are very much alarmed by the Child & Family Services Act now coming up before the House and Senate.

For this reason we want to invoke our right to petition that was saved for us by John Quincy Adams. So we are enclosing a Petition to the Senate, and ask that you present it for us.

We would very much like to have it included in the business of the day and to appear in the CONGRESSIONAL RECORD.

Your very truly,

Mrs. Henrietta Kelley, Rachel Wunder, Lewis L. Young, Jenny Young, Ray Kelley, Alva E. Wunder, Patty Kelley, Loverna Gerrard, Mary Long, LaVetta Plocher, John Gincard, and L. D. Baker.

Carl E. Richardson, Lyon Plocher, Royce O. Tolman, Glenn W. Long, Donald C. Kelley, Dolores Baker, LaRae Tolman, Karen Fearnside, Alta Fowler, and Ellen Kelley.

PETITION

Definitely, but definitely, seeking to go beyond the will of the people and their elected representatives, the Community Services Act, HR 14449, passed by the House of Representatives (331–53) is the climactic expression of congressmen who vote on bills they have neither read nor studied, and have been pressured into okaying.

Contradicting itself many times, the 180 page Act has provisions for asking the governor of a state and the elected officials of counties, cities and towns, if Community Services may enter, but it also has definite provisions for by-passing any or all of these officials if they say "No!" Similarly it bypasses the people in an election. If the people of an area vote against it, the Director is empowered to enter the area anyway and establish Community Services.

Opening an incredibly big pork barrel, so ultimately disgraceful is the intent of the Act, it has unscrupulous auditing features written into it. It says salaries paid to bureaucratic employees of organizations subsidized under the Act, "Shall not be counted as Administrative."

Authorizing more than $1.5 billion for Headstart, the Act covers almost everything in the life of a low income family. It would supplement the family's food, provide medical and legal services, loan up to $3,500 for 15 years at not less than 1% interest for a down payment on a new home or to fix up an old one, make loans to low-income business men of up to $50,000 on the same terms, direct vocational and pre-vocational education, sports of most kinds, child development, day care, and a host of other goodies including money for demonstrations that were not illegal. The Director would even be empowered to enter the bedroom with medical supplies and assistance for 'family planning.' On one page the Act says, "Use of Family Planning Services . . . shall not be prerequisite to receipt of service from or participation in other programs under this Act," but on another page it says, "The Director is authorized to suspend further payments . . . whenever he determines there has been material failure to comply."

Senator Curtis, of Nebraska, writing in the CONGRESSIONAL RECORD, says many members of the House voted for H.R. 14449 because they felt they had to "in order to survive politically." He says special poverty groups have spent a year organizing "to protect their private claims on the public purse" and that this lobby has permeated nearly every Congressional district. Citing their OEO (Office of Economic Opportunity) funding, Curtis says they have "ridden to battle armed with literally millions of dollars of public funds to advance their cause."

Speaking of the Act's provisions to "support local government and include their social values and political objectives into every community," Senator Curtis says if this bill passes the Senate, "We might as well abolish Congress, abolish state and local government, and simply turn over the authority which we hold in trust from the people to the faceless bureaucrats who many feel already run America.

## FIGHTING "AGEISM" IN EMPLOYMENT

Mr. CHURCH. Mr. President, in the last several months there have been some heartening signs of progress in combating age discrimination in employment. In April, the Fair Labor Standards Amendments of 1974 became law and extended the protection of the Age Discrimination in Employment Act to employees of Federal, State, and local governments. Coverage of private employers was also amended to include those with 20 and more employees compared to the former stipulation of 25 or more. I was pleased to have sponsored these amendments.

In May, Standard Oil of California agreed to a settlement of $2 million in the largest age discrimination award ever. In June, the Labor Department filed a complaint against two railroad companies seeking $20 million on behalf of some 300 present and former employees in the largest suit ever filed. This suit is particularly important in that it challenges a mandatory retirement age of 62.

These events are recounted in a perceptive article by Sylvia Porter, "U.S. Wars on 'Ageism,'" in which she applauds the "new, no-nonsense crackdown." On the other hand, she points out that while thousands of workers did get some help under the law, there are many, many more who did not. She estimates:

> The number of U.S. workers being hit by this form of discrimination is surely in the millions, not the thousands, and the amount of money forfeited by these victims is surely in the billions, not the millions.

I agree wholeheartedly with Miss Porter, and while I, too, applaud the Labor Department's recent actions, I wonder why the enforcement of the Age Discrimination in Employment Act is continually starved for funds. The Congress at the outset authorized $3 million for enforcement of the act. This was recently raised to $5 million because of the extension of coverage. Yet the Labor Department has asked for only $1,755,000 for funding in fiscal 1975—a funding level which would support enforcement activities at the 1972 level.

I am disturbed that the Department does not back its increased responsibilities to enforce age discrimination in its many guises with requests for adequate funding. Also disturbing is the length of time required to investigate cases. In the Standard Oil suit, some of the employees were discharged as long ago as December 1970. In the case of another

individual with a legitimate complaint which was brought to my attention, the Department took almost a year and a half to decide that it would not file suit. Certainly part of this delay is the lack of adequate investigative manpower.

The fiscal 1975 Labor budget is now being considered by a subcommittee of the Senate Committee on Appropriations and I have asked Chairman WARREN MAGNUSON to consider additional funding for these activities.

Funds spent in this way would not be inflationary but would instead save public money otherwise needed for unemployment and welfare payments. The savings in human resources is immeasurable.

Mr. President, I ask unanimous consent that the article by Sylvia Porter be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

U.S. WARS ON "AGEISM"

(By Sylvia Porter)

The opening salvo has been fired at last in a new, no-nonsense crackdown against our most rampant and devastating form of job discrimination—"Ageism."

Just two months ago (May 15) the giant Standard Oil Co. of California agreed in an historic settlement of a case brought by the Labor Department to award $2 million in back pay to 160 older employes the company had illegally discharged between December 1970 and Dec. 31, 1973, because of their age. The company also agreed to rehire 120 of these workers.

The settlement made history because it was by far the largest ever made under the little known 1967 Age Discrimination in Employment Act.

One month later, the Labor Department filed a $20 million suit against two of the nation's leading railroads—the Baltimore & Ohio and the Chesapeake & Ohio—on the basis that the railroads had illegally fired, demoted or denied work to no fewer than 300 employees between 40 and 65 in violation of the age discrimination law.

The Chessie suit made history not only because of its size in dollars but also because it challenged, for the first time in the law's history, the company's mandatory retirement age of 62.

Should the workers involved be awarded the full $20 million by the Baltimore Federal District Court, it would mean an average settlement of more than $66,000 for each worker.

Should the ban on the mandatory retirement age of 62 be upheld by this court, the implication would be that virtually every corporation now pegging retirement at this age would be legally vulnerable.

These suits, says Labor Department attorney William Kilberg, are merely a hint of what's to come. Under the law, including an important round of new amendments signed into law by President Nixon along with the minimum wage amendments on April 8:

Private employers with 20 or more employes may not discriminate against workers between 40 and 65 because of their age unless age is a "bona fide occupational qualification"—as, say, for baby clothes model.

The ban applies not only to hiring; it also applies to hiring, promotion, awarding fringe benefits, other job practices.

Job ads may not discriminate against older workers (e.g., by specifying a "young person," "teenagers," "recent college grads") and discrimination by employment agencies and unions also is banned.

Coverage under the Age Discrimination Act is extended to nearly 14 million federal, state and local government employes. In addition, the yearly budget authorization by Congress for enforcement of this law was increased from $3 million to $5 million.

Before you raise even a feeble cheer, however, let it be understood that the liberalizations and the new aggressive stance by the Labor Department enforcers have been painfully long in coming.

In an enormous number of workplaces, a person who is over 40 is designated as an "older worker." Age discrimination in job recruiting and job ads remains pervasive.

While in fiscal 1973, thousands of workers did get some help from the Labor Department Wage & Hour Division in keeping or regaining job privileges which had been illegally denied them, the number of U.S. workers being hit by this form of discrimination is surely in the millions, not the thousands, and the amount of money forfeited by these victims is surely in the billions, not the millions.

On top of this illegal discrimination, the older worker in the United States (and there are 37 million between the ages of 40 and 65) is being squeezed by today's murderous inflation. And this squeeze is not only on current incomes but also on carefully accumulated nest eggs and pensions.

The spectre of rising unemployment at a time when today's queasy economy could quite easily tilt downward rather than rebound is far more serious to the older than to the younger worker.

## SHORTAGE OF NATURAL GAS

Mr. ROTH. Mr. President, in his speech to the Congress and the Nation on August 12, 1974, President Gerald R. Ford set the tone for a new spirit of cooperation between Congress and the executive. President Ford's call for "action, not words" was a long-overdue plea for constructive leadership in the resolution of the great problems facing this Nation. His commitment to cooperative action between Congress and the executive was an important first step toward the development of effective solutions to the Nation's problems.

I was particularly pleased by the President's endorsement of a Cost of Living Task Force and a proposed economic conference of members of Congress and the executive branch, and leaders of labor, industry, and agriculture to deal with the vexing problems of inflation. For the past 5 months I have been urging my colleagues in this Chamber to establish such an anti-inflation commission composed of representatives of all segments of the economy.

As the President noted in his address, "inflation is public enemy No. 1," and we must make every effort to bring it under control. The renewed spirit of cooperative problem-solving he outlined will make the finding and implementing of solutions to our most pressing problems immeasurably easier.

I do not believe that coordinated problem-solving should stop with inflation. There are other important issues facing this Nation, and we should take intelligent and decisive action to resolve them. These problems could also be approached through the use of task forces to recommend solutions to the President and Congress. The task forces would not only recommend policy alternatives to resolve timely issues, but they would also help to cement the divisions that now exist between various factions of Government, industry, and the public. Accordingly, last week I wrote to President Ford urging him to establish a task force to address the increasingly critical shortage of natural gas.

Today, natural gas represents 38 percent of all energy consumed in the United States. It serves 43 percent of the country's industry and 150 million Americans in their homes.

Since 1968, Americans have been consuming natural gas at about twice the rate of its discovery. As a result, there has been a continuing decline in our natural gas supplies. Only a decade ago this country had an 18-year supply of natural gas. Today the proved reserves are less than a 10-year supply. At the same time our reserves were being depleted, we have had an unprecedented and unforeseen growth in demand, which has exacerbated further the growing stress on our limited natural gas supply. In the past year, this problem has reached critical proportions.

In June 1974, the chairman of the Federal Power Commission—FPC—stated that there was "growing evidence of a deepening and potentially crippling" natural gas shortage. The Federal Power Commission has pointed out that some areas of the United States face critical natural gas shortages next winter and spring, particularly the Atlantic coast. The FPC predicts curtailments of firm natural gas supplies for 1974–75 will increase by 80 percent over last winter; the shortage is anticipated to reach 1.8 trillion cubic feet. In addition, the curtailment of interruptible users over the same period is anticipated to increase by 60 percent to 0.2 trillion cubic feet. Thus, the natural gas supply deficit is expected to reach 2 trillion cubic feet, which is nearly 10 percent of total natural gas demand.

The future outlook, if present policies are continued, is even more startling. By 1980 the shortage is expected to reach 9 trillion cubic feet and by 1990 it will be 17 trillion cubic feet. The severe economic dislocations in the next decade are all too apparent if reserves are not increased substantially by new discoveries.

The reality of the shortage of natural gas is unquestioned. The question is should the shortage have occurred in the first place and can it be overcome in the future?

Gas industry estimates indicate that there is an abundant supply of natural gas to be tapped which could satisfy both our immediate needs and those for the foreseeable future. According to these estimates, the quantity of natural gas known to be recoverable on the basis of available technology and current geological and engineering data as of December 1972 was 266.1 trillion cubic feet in the United States, including Alaska. At that time, estimates of "potential" natural gas supplies; that is, gas not yet in proved reserves, ranged from 1.146 trillion cubic feet to as high as 6.600 trillion cubic feet. The low estimate of "potential" reserves is significant when it is noted that it is over 50 times this

country's 1972 consumption. It is for this reason that the natural gas shortage has been said to result not from an inadequate domestic resource base, but rather from a lack of incentive to explore for and develop new resources.

Since 1954, when the Supreme Court extended the authority of the Federal Power Commission over the sales of natural gas producers where the gas is sold for resale in interstate commerce, a controversy has raged between producers and consumers. The producers have charged that the price of natural gas has been kept artificially low, creating disincentives and causing shortages. On the other hand, consumers believe that regulation is essential to prevent exorbitant pricing with no assurance of additional supplies. The result has been a legislative roadblock for 20 years.

In my letter to the President, I called attention to a number of other problems associated with the shortage of natural gas that require congressional direction. While the shortage can only be corrected by additions to the proved reserves, a time-consuming process, the threatened curtailments of natural gas to the nearly 3 million commercial and industrial users require a different type solution—how to use the available supplies in the most equitable manner. It is important to note that these curtailments will manifest themselves in varying degrees in various regions of the country, depending upon the supply posture of specific pipeline companies.

The impact these shortages will have is vividly demonstrated by Delaware's problem. The Transcontinental Gas Pipe Line Corp., which services the First State, anticipates that curtailments will vary between 23 and 33 percent over the next year. This curtailment could have a profound economic impact. For example, Delmarva Power & Light Co., the local distributor, reports it will have to curtail power to industrial customers with a total employment of over 16,000 people and an annual payroll in excess of $180 million.

Delaware is not alone in facing this problem. If the Federal Power Commission's predictions are correct—and we have no reason to believe they are not—similar shortages will begin to affect individuals and industries throughout the East, Midwest, and Southeast.

The obvious solution is to rely on the independent and executive agencies to deal with the anticipated shortage. Unfortunately, the Federal Power Commission, the Federal Energy Administration, and other agencies do not have the necessary powers to deal with the imminent shortages. In response to this situation, on June 19, 1974, I introduced S. 3677 to authorize the Federal Power Commission to allocate scarce supplies of natural gas.

As we all know, it takes more than the introduction of legislation to solve problems. Notwithstanding the introduction of more than 1,500 bills in the 93d Congress, literally hundreds of hearings and many extensive investigations, legislative progress on energy problems has not been impressive. Five major energy bills have been enacted by the 93d Congress, only one of which will add to the supply of natural gas.

Additional legislation, while it is important, is not the final answer. What we need is a national consensus on national problems. In my opinion, the best way to get this consensus is through well-conceived programs developed by task forces comprised of knowledgeable representatives of the Congress, the executive, business, labor, consumer groups, and other interested citizens.

Therefore, I have requested the President to establish such a task force to recommend a program for resolving the myriad of problems associated with the natural gas shortage. I would envision this task force to consist of 10 to 15 persons to examine both short- and long-term problems in natural gas supply. Congressional representation should be two from each House, one from each political party. The task force would have a life of 90 days, and would have available to it the talents and resources of all branches of Government.

The task force would be instructed to provide the President and the Congress with a pragmatic program with sufficient appeal to permit its timely implementation. Upon request by the President, I am confident that task force members would subjugate their personal interests for the national good; and would, through an openminded consideration of the issues and alternatives, hammer out a consensus that could be supported by the majority of the concerned parties.

Mr. President, the past few months have been extremely difficult ones for all Americans. The constitutional crisis brought on by Watergate has tested the very foundations of American Government. That crisis is now behind us. It is time to undertake a new spirit of cooperation in the resolution of the critical problems facing this country. I feel that task forces of the kind I am recommending on the natural gas shortage would be an effective way to develop meaningful solutions to our major national problems.

I expect to propose other task forces to President Ford and my colleagues in the Congress in the next few days.

Mr. President, I ask unanimous consent that a copy of my letter to President Ford be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

U.S. SENATE,
*Washington, D.C., August 16, 1974.*

Hon. GERALD R. FORD,
*President of the United States,*
*The White House, Washington, D.C.*

DEAR MR. PRESIDENT: Your speech to the Joint Session of Congress on August 12, 1974, was an inspiration to all Americans. Your call for "action, not words" was a long-overdue plea for constructive leadership in the resolution of the great problems facing this nation. I was also gratified to hear you urge cooperative action between the Congress and the Executive in the solution of important problems.

Your endorsement of a Cost of Living Task Force and a proposed economic conference of Members of Congress, the Executive Branch, and leaders from labor, industry, and agriculture was a positive step toward dealing with inflation. For the past five months I have been urging the Congress to establish such an anti-inflation commission composed of representatives of all segments of the economy.

As you aptly stated, "inflation is public enemy number one" and we must make every effort to bring it under control. I do not believe that coordinated problem-solving should stop with inflation. There are other important issues facing this nation, and we should take intelligent and decisive action to resolve them. I would urge you to give serious consideration to the establishment of other task forces on problems critical to America's future. One area which should receive immediate attention is the shortage of natural gas supplies.

The Federal Power Commission (FPC) recently pointed out that many areas of the United States face critical natural gas shortages next winter and spring. The FPC predicts curtailments of firm natural gas supplies for 1971–1975 will increase by 80 percent over last winter; the total natural gas supply deficit is expected to reach 2 trillion cubic feet, which is nearly 10 percent of the total interstate natural gas demand.

By 1980, the shortage is expected to increase to 9 trillion cubic feet and by 1990 to 17 trillion cubic feet if present policies are continued. The economic and social implications of these shortages are profound.

A wide range of industries and public services depend on natural gas. In fact, natural gas supplies one-third of the nation's total energy requirements. With alternative fuels also in short supply, the number of options available to gas users is limited. Thus, many plants have already announced preliminary plans to layoff thousands of employees if supplies become scarce. This action will be duplicated nationwide, and will become more serious in the future, unless we take steps now to improve our response to this critical issue.

Answers must be found to the legislative deadlock that has thwarted the development of natural gas policies that would expand the supply of gas and minimize the impact of the shortage of this national resource. Inability to find a solution to the country's energy problems is certainly not due to inadequate attention by Congress. Countless hearings by more than 30 Senate, House, and Joint Committees and over 1,500 bills in the 93rd Congress attest to this. Yet, only one measure (the Alaskan pipeline bill) has been enacted that will provide additional oil and gas.

The controversy that has existed in Congress for 20 years between those who seek deregulation of wellhead natural gas prices and those who believe regulation of prices is inviolate is typical of the hard problems to be addressed. Other complex issues requiring decisions are:

Should the end uses of gas be restricted to protect higher-priority users?

Should available supplies of natural gas be allocated to minimize economic disruptions?

Should the jurisdiction of the Federal Power Commission extend to intrastate operations?

Are the estimates of available gas reserves reliable?

Should millions be expended to manufacture synthetic gas or import liquified natural gas?

In my opinion, a program acceptable to both the Executive and Legislative Branches that will best meet the needs of our country can most effectively be formulated in the shortest time by a task force for natural gas. Therefore, I urge you to establish such a task force. I would envision this task force to consist of ten to fifteen persons from Congress (two from each House), the Executive Branch, private industry, labor, consumer groups, and other interested citizens. The task force would have a life of 90 days, and

would make recommendations for realistic solutions to both short- and long-term natural gas problems.

The task force would be instructed to provide you and the Congress with a pragmatic program with sufficient appeal to be implemented readily. At your request, I am content the task force members will subjugate their personal interests for the national good, and will, through an open-minded consideration of the issues and alternatives, hammer out a consensus that can be supported by the majority of the concerned parties.

Over the past eight years, it has been my distinct pleasure to serve with you in both the House of Representatives and the United States Senate. I look forward to working with you on the important problems facing the United States, including inflation and the natural gas shortage. To this end, I shall suggest, in the next few days, the establishment of additional task forces to examine major national problems.

Sincerely,

WILLIAM V. ROTH, JR.,
*U.S. Senate.*

## LEARNING CAPACITIES AND CONTINUING EDUCATION FOR OLDER AMERICANS

Mr. CRANSTON. Mr. President, I invite the attention of my colleagues to the text of remarks by Stephen Horn, president of California State University at Long Beach before the Senior Citizens League, Inc., in Seal Beach, Calif.

President Horn is interested in helping older people achieve the full potential of their later years and considers that recent studies reveal some important facts about the capacities for continuing growth in older persons. He points out the following: tests show that with stimulus the brain potentially can perform at its maximum capacity through age 90. Senility, these same studies show, is a conditioned response, especially prevalent in a society such as ours which has been politically, socially, and educationally preoccupied with youth. Learning does not decline significantly with age; the ability to learn at ages 50 and 60 is about equal to that at age 16.

President Horn believes that from ages 25 to 55—during one's working career—there ought to be a recurring pattern of formal educational training, as well as educational opportunities for the retired person who wants to take advantage of increased leisure time for personal enrichment and continued self-development. Several imaginative educational programs have already been initiated in U.S. colleges and universities to meet these needs, including such programs at California State University, Long Beach, as a counseling course, a preretirement training workshop, a self-paced program in evaluation and strengthening study skills and learning processes for those wishing to reenter a college, an activity course in theater appreciation, photography, and others. But there is nothing in this country yet to compare with the "Third Age College," a new division of the University of Toulouse in France, where the pace and curriculum is specially geared to those over 60.

The expansion and development of such continuing educational opportunities is seen by President Horn as an important item on our national agenda for the 1970's.

I ask unanimous consent that the full text of his remarks be printed in the RECORD.

There being no objection, the text was ordered to be printed in the RECORD, as follows:

HE WHO LEARNS LONGEST LIVES BEST AND PROBABLY LAUGHS A LOT MORE, TOO

(By Stephen Horn)

Carlos Chavez, Mexico's leading conductor and composer and our artist-in-residence at California State University, Long Beach for the past six weeks, was born in 1899. He witnessed the first flight of the airplane and the walk on the moon and probably has been privy to a host of other similar historical comparisons which make him in his own being an integral part of the history of the past three quarters of a century. He was a friend of Stravinsky, colleague of Schoenberg, and many other musical greats, and he came into our University this past month and a half and inspired students and faculty alike by his continuing creativity, his enthusiasm, his genius, and his humanness. For the first time in his long musical career, he conducted a symphonic band. He lectured in Spanish on Mexican folk music. He was the occasion for our first bilingual press release. He ran our Dean of Fine Arts, who is 43—but aging fast—ragged. My 32-year-old executive assistant, who escorted him for an afternoon's excursion to Disneyland, says he is everything in a man she has ever looked for. Now that is not what I call growing old.

Two weeks ago, Robert Maynard Hutchins, former President and Chancellor of the University of Chicago, founder and since 1959 head of the Center for the Study of Democratic Institutions in Santa Barbara, came to our campus as guest of honor and principal speaker for the dedication of the University's new Graduate Center. He, also, was born in 1899. He still speaks with the clarity and incisiveness and wit and relevance which have characterized his past 51 years as a noted educator and intellectual, and, which have for all those years made people reexamine their values in the light of his. He is tall, trim, with a dignified, imposing bearing. Now that is what I call "Dynamic Maturity".

What is it these men—(and it is just coincidence that it is two men relevant to this topic that were recently on our campus, ladies. I could name many women with similar qualities. We all remember the energy of Eleanor Roosevelt and have seen that of Golda Meir). What is it these individuals have in common? An active, still-curious and creative mind, a love of life and learning, a certain humility, and experience in living that puts the world in perspective and inspires those around them.

Obviously, and unfortunately or fortunately as one might view it, we are not all going to be a Chavez, a Hutchins, a Mae West, a Grandma Moses, an Alice Roosevelt Longworth. But we are all going to get one year older each year, and I think it is of some relevance, therefore, to know that tests show with stimulus the brain can potentially perform to a maximum through age 90. Senility, these same studies show, is a conditioned response, especially prevalent in a society such as ours which has been politically, socially, and educationally preoccupied with youth. Senility is not an inevitable result of human growth. Much of it, I suspect, is unnecessary. Learning ability does not decline significantly with age; the ability to learn at ages 50 and 60 is about equal to that at age 16.

Why, then, are not all retired people as eager to learn as freshmen arriving at college in the fall? Why are those over 52 not enrolled in college courses by the dozen? Why are so-called "rest" homes doing such a booming business? These are important questions; there are important answers and there are a number of reasons, and many of them involve a reexamination of the whole concept of higher education and the role of the public university such as California State University, Long Beach.

Retired people vary in their abilities as do other age groups; not all have the native ability for college level education but many have. This is actually an area where those retired persons who are capable of success in college—and a survey of some 2,000 retirees in California shows that more than 30% fall into this category—can provide a valuable community service in learning to aid and communicate with those, who are peers in age, but who lack formal education or commensurate experience, and who do not have basic learning skills. This group tends to withdraw, and their isolation leads to more rapid mental and physical deterioration.

However, even among those individuals suited for college education there are certain myths and traditions that work against the motivation necessary to continue the educational process: the idea that older persons cannot learn (the old-dog/no new-tricks syndrome), or the idea that the elderly have poor memories are myths. Many older adults suffer from insecurities and fears of not being able to fit into or adapt to what they see as youth-dominated educational activity. This image would not last long were it more widely known that our oldest freshman enrolled as a student in Comparative Literature in the fall of 1973, at the age of 81. Actually we have 87 students at the University between the ages of 60 and 81, and 476 between the ages of 50 and 59.

One of the greatest deterrents, however, has been what a member of our own faculty calls "an absence of scholarly recognition of the older American". The fact that the needs of the older individual have been ignored in educational planning and the fact that higher education—its programs and courses—has been traditionally viewed as belonging to the exclusive realm of the 18–22 year old, mainly living on campus or within easy access to campus, are evidence that the typical university is not geared to the educational needs, and formats, and delivery systems required by the adult student and especially by the senior adult citizen. Most such individuals have never been made aware of the opportunities and potentialities before them, or if they are aware they have been deterred from participation by a number of obstacles such as the increasing cost of education at a time when relatively fixed incomes such as Social Security are not rising as fast, as the cost of living. In competition with the basic necessities of food, clothing and shelter, education in many instances simply had to take the lower priority.

For the adult citizen, the choice between the necessities of life and education can no longer be tolerated. From its founding, the United States has made a growing commitment to the values of an educated citizenry, and, particularly in California where education has been provided at public expense. Now, that citizenry *lives* longer. As a result of improved medical technology and better living standards between 1950 and 1970, the over 65 population increased at more than twice the rate of the under-45s. Today some 20 million elderly individuals make up 10% of the total population. One in every 10 Americans is in this catgeory. At the present rate of increase, approximately half the population will be over 50 years of age by the year 2000, and the trend is toward earlier and earlier retirement. In addition, California has one of the largest concentrations of older Americans in the nation. By 1985, when the population will have passed the 25 million mark, California will have more than 2 million persons 65 years of age and over.

The consequences of this trend are twofold, and when aggravated by inflation, indicates an inescapable responsibility on the part of the entire educational system in this state. One consequence I will call, for want of a better term, social isolation. For those who are more affluent, with Social Security and private retirement funds, there is a move toward planned retirement communities such as this one where persons under 52, in this case, are excluded. On the other end of the income scale, we see the same exclusiveness but in what has been less attractively labelled the "geriatric ghettos" of the inner cities. Actually, the income statistics are not encouraging; the over-65 community is the only group in which the number of poor is rising.

Such isolation, especially among the less fortunate, often leads to a loneliness which contributes to the symptoms of senility and expedites fulfillment of that condition. Our current rate of inflation, however, is increasingly pulling the elderly all along the economic continuum bolt upright and fighting mad. They are more concerned than ever before for their own rights—in economics, in education, in social affairs, in housing, in credit, and in a number of other areas. And because of their rising numbers, their stronger sense of community, and the general trend among groups in the nation today who see themselves oppressed, there is an increasing tendency to establish an identity and insist on their civil rights. Older Americans are organizing again for the first time in more than 40 years. Our older citizens have not been more active politically since Dr. Francis E. Townsend, retired and living in Long Beach, issued the "Townsend Plan" to care for the elderly during the Depression. There are now more than 300 national organizations representing the interests of the old; they are calling upon the elderly to become issue-oriented. These organizations are becoming more and more militant. The most militant was established as the Gray Panthers several years ago. It now numbers some 2,000 members (15% of which are under 65) and it vows to fight "again"—discrimination based on age. The American Association of Retired Persons, headquartered in Long Beach, claims 6.5 million members and a substantial growth rate each month. In two years the National Council of Senior Citizens has grown from some 1.7 million members to 3.5 million. There are the National Council on the Aging which has some 1400 organizational affiliates and the California Legislative Council for Older Americans with about 50,000 members.

Politicians who have seemingly been preoccupied with youth cannot continue to ignore the older American. Educators, happily, have been a little less slow to recognize and to respond to the increasing demand of the adult population for educational programs relevant to their needs, for as our traditional enrollment has declined we have had to become more sensitive to new and potential constituencies. More important, as an educator, I, and others like me, have recognized that in an age of ever-increasing complexity of social and technological systems, it is more essential than ever before to provide an education through which the individual can come to grips with his or her own values, with those of his or her society, and with those of the broader world beyond—to provide a steadily broadening base on which a person can continue to learn and to grow as an individual, regardless of age.

This kind of educational commitment knows no bounds in terms of age or previous level of formal schooling. It is an approach which seeks to spread formal education over a person's entire lifetime. From ages 25 to 55, there ought to be a recurrent pattern of formal educational training during a work career in the United States as there is, by government subsidy (of the family as well as the individual) in several European countries. This serves to maintain a current and productive work force by keeping the individual up to date in terms of technological skills and theoretical understanding and by providing retraining for workers whose jobs are endangered by technological change. How much better it is to re-educate individuals during their working years before they are forced to pick up unemployment checks of limited duration which provide little hope and no opportunity upon which to build a new career. But there are also important spin-offs from this approach which should be carried beyond the working years into the retirement years. These include reducing the gap between the educated young and the older generation, preserving the ability to learn, resisting the rigidities of advancing age, and maintaining social awareness.

This re-entry education, as I call it, is applicable to the older worker who may be handicapped by obsolete skills, by a lower level of formal education than younger colleagues, or by a lack of self-confidence. Re-entry education is also extremely relevant to the retired person, who may be as young as 55, who wants to take advantage of increased leisure time for personal enrichment and continued self-development, and who has interests that range from current events, politics, foreign languages, and music and art appreciation, to the fine and applied arts and crafts. Re-entry education is relevant also to the individual who chooses to become involved, either on a volunteer, part-time, or even full-time basis in some community service such as day care centers, recreation, therapy or health care, or working with handicapped children or other older adults; this individual may well find that to embark on what actually may be a new career requires formal retraining. Re-entry education is relevant to the person who was caught in youth by the Depression and who finally sees an opportunity to earn the degree which has been too long denied. Re-entry education is relevant to the individual facing retirement on a limited budget who finds himself or herself needing to know about finances, investments, income tax, health, estate planning, consumer education, nutrition, health and physical fitness, insurance, car repair, legal services, employment discrimination, and housing improvement. Re-entry education is, in short, relevant to you all.

Today, an increasingly significant portion of higher education is either taking place outside traditional institutions or in non-traditional modes, such as the on-campus Weekend College at California State University, Long Beach which is designed to attract adults who have not had a college education or those who want to reeducate themselves in new areas. This program, which we expect to offer again next fall, is an interdisciplinary approach with basic courses such as "Explorations in Cultural Creativity" that give students an exposure to a variety of disciplines in a matter of months rather than the years which the traditional university pace on a course-by-course basis would require. In addition special weekend intensive workshops are offered off campus through continuing education. Courses are being developed in areas such as Allied Health training which will be offered through the California Instructional TV Consortium. An External Degree movement is developing which will permit individuals to utilize special courses designed for their needs as well as to draw on existing courses which are already in the regular curriculum of different campuses. When fully developed the external degree program will lead to various baccalaureate and master's degrees.

The campuses of America, and especially those public institutions of higher learning in California, are no longer the traditional medieval fortresses behind whose walls all educational activity must occur. They cannot afford to be isolated. With development of the continuing education or off-campus mode, there are limitless possibilities and opportunities for educational institutions such as ours to work with particular groups to develop programs tailored to special needs such as yours.

This process will be speeded up as evolving constituencies, including senior adults, place new demands on universities and colleges to meet their cultural, social, recreational, and occupational needs. This means providing educational experiences which will allow a chance for self-expression and involvement in the mainstream of society.

It will be up to institutions such as California State University, Long Beach, to provide you with those opportunities, but that will take some learning and readjustment on our part, for the older citizen definitely has different needs than the constituencies we have been more accustomed to serving. We will, for example, have to explore ways of providing credit for learning by experience, ways to simplify admissions and the stop-out and re-entry process, and ways to establish campus classes offered with the option of no credit or grade. Perhaps a special "audit" status should be established such as at Ohio State University's "Program 65" which does not require examination or papers from its participants. There is no flunking. Learning is free and for its own sake, but those enrolled have all the library and recreational privileges of any other student. We will need personnel who are able to advise the older adult on academic programs and even job planning and placement. We will need faculty who can conduct classes in a way that will take note of and utilize the experience of the older students, allowing them to be active participants in the class, rather than passive listeners in a lecture. We may well look to the expertise that exists within the very ranks of the population we are seeking to serve, for their services as teachers, special lecturers, and counselors.

Imagine what a fascinating learning process it will be for both faculty and younger "oldsters" in campus classes, people who fought in the First World War, lived through the Prohibition era, danced the Charleston, and who can offer a very special personal perspective to the textbook treatment of various aspects of the twentieth century. More than that, it will provide a channel for social interaction of such value and of such critical and mutual benefit to young and old alike, that I think it important enough from a sheerly educational viewpoint—in addition to the social and the economic perspectives I noted earlier—to facilitate this process by offering these educational opportunities to those over 65 free of all charge. I have formally proposed this to the Vice Chancellor for Academic Affairs of the California State University and Colleges system and hope the idea will be received favorably and rapidly by the Legislature. I am also hopeful that both labor and management will recognize their responsibility through the collective bargaining contract to fund educational opportunities for worker, spouse, and family during the working years as well as the retirement years.

There are already a number of precedents for facilitating the re-entry of older adults into the educational process. The "Third Age College", for example, is a new division of the University of Toulouse in France where the pace and curriculum is specially geared to those over 60. The United States has nothing to match this, but there are more modest programs springing up around the country. A small number of institutions already offer tuition-free education to older Americans, but one of the most imaginative approaches seems to be at Western Washington State's Fairhaven College which has experimented with what has been titled "multigenerational

living." At Fairhaven, individuals ranging from 60 to 80 pay modest fees to live in dormitories on campus that also house day care centers for preschoolers. While auditing classes and attending lectures and concerts, these new students also help out in the centers, providing not only services but also guidance and perspective for their younger campus neighbors.

While at this moment we do not have the flexibility or resources for an undertaking of that magnitude, we do have the capability now to provide instruction—either right here at Leisure World, or for example, at public libraries or other community facilities which provide easy access to all senior adults. Although I would clearly prefer to be able to offer such services free, thereby insuring equal access to all older adults, this approach is not at present legally or economically possible. The Learning Assistance Center on our campus can prepare specific self-paced educational programs in many subject areas on cassettes which can be used at your leisure with any standard tape recorder. This same method can also be used to upgrade or refresh fundamental learning skills.

A number of new programs designed for senior citizens are being planned in the Office of Continuing Education. These will include a counseling course, a pre-retirement training workshop, a self-paced program in evaluation and strengthening study skills and learning processes for those wishing to re-enter a college or university, an activity course in theatre appreciation, photography and others. However, in developing new programs for retired and semi-retired persons, the University's Continuing Education program is desirous of serving your needs and interests and would like to work with you or your representatives in developing both short-term courses of your choosing as well as a systematic long-range plan which could involve a combination of concurrent enrollment in university offerings, extension programs housed in convenient locations, noncredit workshops, external degree programs, seminars, and institutes. Such a program would be limited only by its academic and fiscal viability as well as your aspirations, desires, and dreams. Through contact with the various organizations which I mentioned earlier, or the Leisure World Corporation, special classes can be arranged to meet your needs and demands, and I look forward to greater cooperation between this community and our campus community in the days ahead.

I am encouraged to know, as I think you will be, of the current effort underway to develop a one-year comprehensive statewide plan for eductaional programs to serve the needs of California's elderly citizens and to provide a five-year statewide plan of effective education and supportive services in the area of aging. This grant is the first statewide coordination of the three public segments of higher education in California—the University of California, the California State University and Colleges system, and the Community Colleges. It is specifically designed to make older citizens in the state more aware of existing educational opportunities and to recommend new areas in which programs and services need to be developed. Working together with the private colleges and appropriate agencies and organizations, such as the Institute of Lifelong Learning in Long Beach, this study of educational and research needs will hopefully result in a systematic method of meeting the desires of the older adult—and increasing their awareness of the opporunity for continued education.

An exciting program is already underway on our campus—the Pioneer Project—established by the Asian Studies Center. Under this program Japanese-American students go back to their grandparents or greatgrandparents at home and record oral histories and gather old photographs, thereby gaining a greater sense of awareness and appreciation of their cultural heritage, a more personal sense of history, perhaps even a greater appreciation of older people. At the same time, through this kind of communication and inquiry, the elder has possibly bridged what may have been a formidable cultural and communications gap with the grandchild, the younger generation, "over-Americanized" youth, and in the process the grandparent may have gained a renewed sense of self-respect and self-*worth*, because someone has demonstrated interset in such experiences and knowledge. This program has potential as a model which can be applied to other groups of older people who tend to be isolated, suffering acutely and decaying rapidly as a result of inability to cope with the social dislocation of the fast-moving twentieth century.

Lastly, I want to return to a point I mentioned very early in my remarks—the potential role individuals such as you and the population of other Leisure World communities might play, with further specialized education, to aid those of your age group who are less fortunate economically, often living in the inner city, often alone, and frequently from an educationally deprived ethnic minority background. All the formalized educational programs in the world are not enough to instill the kind of spirit and motivation and caring I have been talking about. There is, I think, a specific and currently unfilled need for people who not only understand the special problems of the elderly, but who, more importantly, can establish a meaningful rapport with them. You could aid, for example, in teaching groups of the needy elderly (many of whom do not even have the funds to ride to free museums or to attend free classes were they so motivated) how to establish laundry, food, or transportation cooperatives or provide the methods of accomplishing the hundreds of other things that would improve living. You might be able to serve as a demonstration and inspiration of what they can do for themselves. You would also be providing a critical and now missing link between the educational institution and the elderly persons who are now simply surviving, rather than living with the dignity due them.

Statistically, we know that contemporary Americans are living longer, potentially they have a more productive life than their predecessors, yet they are often failing in an era of great mobility where the rapid pace of undreamed of events can lead to a sense of frustration and shattered self-image. We also know that the older population is the fastest segment in the nation. These trends contain the elements of personal frustration and social disaster. They also contain an opportunity for advancement and influence that has been unimaginable in the past. That choice is ours and it must rank high on our national agenda for the 70's.

It is time we revised our concept of "old" to "long-living" and accented not the declining powers of aging but the rising knowledge and experience which results from a long life.

## THE PETROLEUM INDUSTRY

Mr. HRUSKA. Mr. President, the junior Senator from Oklahoma (Mr. BARTLETT) is one of the better informed members of the Senate on the subject of energy, and especially with reference to the history, structure, and functioning of the petroleum industry.

The Senator served as State legislator and later as Governor of a State which has vast activity and volume of petroleum in all of its aspects.

These official activities have served as a firm and practical foundation for the authority with which he speaks on the subject. And those experiences as legislator and Governor were followed during later years and when he came to the Senate by additional study and action as a member of the Committee on Interior and Insular Affairs.

Recently, he testified before the Subcommittee on Antitrust and Monopoly on which I serve.

The subcommittee hearings had for their subject the structure of the petroleum industry, the degree of concentration and competition which exist in it, the interrelationship of its component parts, such as exploration, development, production, pipelines, refining, distribution, and so forth.

Several bills are pending in the subcommittee relating to industrial reorganization generally of some of the Nation's basic industrial corporations, including those in the petroleum industry; and also some bills relating to divestiture of larger petroleum companies of some of the component segments of their activities.

The text of Senator BARTLETT's testimony indicates a very complete understanding of the issues and the problems in the legislation as well as in the energy field. He very ably analyzed both the bills and the issues and commented upon them in very knowledgeable fashion.

Mr. President, I ask unanimous consent that in order that my colleagues and other readers of the RECORD may gain a better understanding of this complex subject that Senator BARTLETT's statement together with attachments thereto be printed in the RECORD.

There being no objection, the statement and attachments were ordered to be printed in the RECORD, as follows:

REMARKS BEFORE THE SUBCOMMITTEE ON ANTITRUST AND MONOPOLY BY SENATOR DEWEY F. BARTLETT

I would like to thank the Committee for allowing me to appear today and give my views on the consequences of restructuring the petroleum industry.

This is the first time that I have had the opportunity to share the testimony given before the Senate Interior Special Subcommittee on Integrated Oil Operations during the ten days of hearings between November 28, 1973, and February 28th of this year. The basic purpose of those hearings was to determine whether the market behavior of the petroleum industry is characteristic of genuine competition or of oligopolistic collusion.

Those hearings afforded all of the members of the Special Subcommittee an opportunity to gain a better understanding of the energy industry and the operations therein. By increasing our collective understanding, Congress, in my opinion, can better develop energy policies which will not only ameliorate the current energy situation but provide long term guidance toward achieving relative self-sufficiency in energy.

All of us would agree, even though we might have different methods of solution, that the real energy problem is one of insufficient domestic energy supplies to meet the growing demands of a modern society. The obvious solution to our dilemma is to increase the supplies of energy available. But how we do that, is the question.

The general public has been shocked by shortages, Americans have enjoyed the highest per-capita energy consumption in the world. The energy shortage, unfortunately,

is not contrived—for if it were contrived—it would be easy to solve. There have been many unfounded charges leaning towards sensationalism to take advantage of an emotional public ear.

But the energy shortage is the inevitable and direct result of 20 years of inept government controls—in particular the regulation of the wellhead price of natural gas sold in the interstate market and the import quota program. We have been selling our energy reserves off the shelf at less than replacement cost—now the cupboards are becoming bare.

Congress, thus far has been running on a treadmill—a lot of visible exercise but with no real constructive movement.

The chief obstacle that has impeded Congress' action on constructive measures that would increase the supplies of energy for the consumers of the United States is an unfounded fear by many members of Congress that there is a lack of competition within the petroleum industry.

Congress will take no significant action until its fears are removed and the public becomes more knowledgeable and the security blankets of Federal control are given up.

Regulation, such as the emergency allocation program and price controls on crude oil and natural gas, serve only to exacerbate the energy shortage.

The current shortage of energy is not a result of the structure of the industry.

The Chairman has conceded that the energy industry does not show up as concentrated when measured by normal concentration ratios. However, in the release announcing these hearings the Senator from Michigan said, "That most major decisions—on exploration, development, and delivery of crude end product—are in some fashion joint decisions among major companies." You gentlemen of the Committee should be much more aware than I that current antitrust law provides that companies cannot act jointly in a noncompetitive way. I must say that the hearings before our subcommittee provided no evidence of "joint decisions among major companies" for the purposes of reducing competition.

For the Record, Mr. Chairman, I would request that a table listing manufacturing industries in which the four firm concentration ratios exceeded 60% be inserted at this time. The list includes motor vehicles, steel, computing and related machines, aircraft, tires, cigarettes, and approximately 30 other industries. I should note at this point that domestic crude oil concentration is only about 31%. Crude and gasoline refining capacity about 33% and gasoline marketing about 31%. These concentration figures are less than half of most of the industries on the list I have submitted.

The Chairman has indicated that of particular interest during this set of hearings will be the "competitive impact of the major's dominance over crude production and pipeline ownership."

I cannot agree that the majors dominate crude production when approximately 3½ million barrels per day of the approximately 9 million barrels per day of domestic production is produced by independents. There are 10,000 independent oilmen in the United States. There are approximately 90 firms which produce over 1,000 barrels a day. Over 80% of the wells drilled domestically are drilled by independents. The majors hardly seem to dominate crude production.

As for pipeline ownership, the Chairman knows that pipelines must be common carriers and are subject to Interstate Commerce Commission regulation. Therefore, independents are guaranteed access to pipelines upon the making of a reasonable request to any shipper. Producing states also have regulatory bodies to protect correlative rights of independent producers.

I might add, that a great many of our pipelines would not have been built if the owners of proven but undeveloped reserves had not had the incentive to build the pipeline in order to develop their reserves and get them to a market.

I would hope that the Chairman intends to invite representatives of independent producers to testify concerning their access to pipelines. We had testimony in the Special Subcommittee on Integrated Oil Operations from independent producers that access to crude gathering systems was not a problem.

The Chairman has correctly observed that "one of the most crucial problems in this industry today is the shortage of refining capacity." And I am pleased that the Chairman also recognized that "there are a number of independent refiners—and others—who would build or expand refineries—if they could get crude." But, I would be quick to add two observations: (1) The shortage of domestic crude oil production has been caused by government policies and can be solved only by changing those policies. (2) Insufficient crude oil production has not been the only obstacle to many independents wanting to build refineries. Several independents such as Steuart Petroleum and Crown Central have tried to obtain approval to build refineries using imported crude oil on the East Coast and have been rebuffed by local and or state governments mainly for unfounded fears of environmental degradation.

Finally, I would like to talk a little about the long run profitability of the industry. The long run goal of an oligopolist or monopolist is profitability that is higher than normal.

If the petroleum industry is an oligopoly, it is a poor one, because over the last ten years, according to the First City National Bank in New York, the average rate of return was 11.8% as compared to 12.2% for all manufacturing. This is an important fact. According to most economists, to be an oligopoly or monopoly there must be market power. Market power shows up as economic profit. If the petroleum industry were an oligopoly then we would see increasing profitability in that period of time. We do not see that. Indeed, we find that from the period 1961 to 1971 six of the eight major petroleum companies earned less on stockholders' equity than the average of 125 industrialists. The eight major petroleum companies, in fact, were more profitable from the period 1951 to 1961 than they were in the more recent period from 1961 to 1971.

Aside from the theoretical arguments about whether or not the petroleum industry is competitive it is the responsibility of this committee and Congress to protect the public interest by considering the practical implications of changing the structure of the industry. Divestiture would restrict future investment and be counterproductive to the overall effort to increase domestic energy supplies. Our dependence on unstable and high priced foreign imports would increase further.

Divestiture of integrated oil operations would have an adverse effect on both the cost and supply of energy for domestic consumers.

Integration in the oil industry has occurred because of the opportunity for cost savings i.e., more efficient operation that would not otherwise occur. Cost economies are achieved by maintaining a continuous flow of oil throughout the integrated network and thereby eliminating some storage costs that otherwise would be necessary.

In testimony submitted to our Subcommittee one major company said that vertical integration enabled it to meet special supply and distribution problems arriving from its commitment to supply customers in all 50 states. This company said, "Without vertical integration they could not meet the supply problems of fulfilling their commitments in all parts of the country."

Major integrated companies supply not just a few stations strategically located in one area, but instead service many stations, both city and rural, in all parts of the country, many of which are at great distances from "the end of the pipeline."

Divestiture would have an immediate and chaotic effect on the supply of petroleum products. Long-established supply networks would be destroyed. It would be virtually impossible for any oil company to make contractual commitments when the entire future structure of the oil industry is in question. Long-term planning an investment is difficult, if not impossible, in an atmosphere of uncertainty created by any serious threat of divestiture. So I plead with my colleagues to get on with their business and make a decision, one way or the other, so that the petroleum industry can get on with its business of solving our energy shortage.

Mr. Chairman, in my opinion, the most important action that Congress can take toward solving this nation's energy shortage is to deregulate the price of natural gas at the wellhead.

Mr. Chairman, I request that a paper by Stephen Breyer and Paul W. MacAvoy entitled, "The Natural Gas Shortage and the Regulation of Natural Gas Producers" be made a part of the hearing record at the end of my remarks.

A former advisor to Democrat presidential candidate George McGovern, MIT economist Paul MacAvoy, has also argued that even if the concentration in the gas industry were higher than the rest of the manufacturing industry (which it is not), entry into the gas industry is so free that the largest producers would not be able to systematically charge higher than competitive prices. In pointing to the so-called noncompetitive behavior of the natural gas industry, critics of deregulation look to the large field price increases of natural gas in the fifties. However as MacAvoy has shown:

"During the early fifties the presence of only one pipeline in many gas fields effectively allowed the setting of monopoly buyers' (monopsony) prices for new gas contracts, thus often depressing the field price below the competitive level. During the next few years, several pipelines sought new reserves in oil field regions where previously there had been a single buyer. This new entry of buyers raised the field prices to a competitive level from the previously depressed monopsonitic level. In short, competition—not market power—accounted for much of the price spiral that has been claimed to show the need for regulation."

In summary, it is my conclusion after listening to ten days of thorough hearings by the subcommittee on Integrated Oil Operations and from personal experience that the petroleum industry is effectively competitive at all levels, especially at the producing level, and if the federal government would modify its policies that have proven ineffective and counterproductive, the free market would function to solicit additional supplies of energy for the consumers of the United States at a reasonable cost.

The solution to the shortage is not divestiture or restructuring of the petroleum industry. The solution is to change current government policies that have caused the shortages.

The solution is to increase domestic refining capacity and crude oil production and natural gas production. This will require a commitment by Congress that it has thus far been unwilling to make.

ATTACHMENT A

| | Top 4 | Top 8 | Top 20 |
|---|---|---|---|
| Oil industry concentration: | | | |
| Domestic crude oil production (1969) | 31.09 | 50.54 | 70.21 |
| Crude and gasoline refining capacity (1970) | 32.93 | 58.07 | 86.25 |
| Gasoline marketing (1970) | 30.72 | 55.01 | 79.05 |

MANUFACTURING INDUSTRIES IN WHICH 4-FIRM CONCENTRATION RATIOS EXCEEDED 60 PERCENT IN 1966

| SIC code | Industry | Concentration ratios 4-firm | 8-firm |
|---|---|---|---|
| 3717 | Motor vehicles | 79 | 83 |
| | Steel: | | |
| 33121 | Coke oven and blast furnace | 68 | 76 |
| | Steel ingot and semifinished shapes | 70 | 84 |
| 33124 | Hot rolled bars, shapes, etc | 63 | 74 |
| 33126 | Steel pipe and tubes | 61 | |
| 3571 | Computing and related machines | 63 | 78 |
| 3721 | Aircraft | 67 | 88 |
| 3011 | Tires and inner tubes | 71 | 90 |
| 3861 | Photographic equipment | 67 | 79 |
| 3352 | Aluminum rolling | 65 | 78 |
| 2111 | Cigarettes | 81 | 100 |
| 3411 | Metal cans | 71 | 83 |
| 2841 | Soap and other detergents | 72 | 80 |
| 2824 | Organic fibers | 85 | 95 |
| 3632 | Household refrigerators | 72 | 93 |
| 2032 | Canned specialties | 63 | 79 |
| 3661 | Telephone apparatus | 94 | 97 |
| 2141 | Tobacco stemming | 69 | 91 |
| 3694 | Engine electrical equipment | 72 | 81 |
| 2052 | Biscuit crackers | 59 | 68 |
| 2647 | Sanitary paper products | 64 | 80 |
| 3612 | Transformers | 66 | 80 |
| 2087 | Flavorings | 63 | |
| 3633 | Household laundry equipment | 79 | 95 |
| 3229 | Pressed and blown glass products | 72 | 85 |
| 2823 | Cellulose man-made fibers | 85 | 100 |
| 3511 | Steam engines and turbines | 87 | 98 |
| 3672 | Cathode ray tubes | 89 | |
| 2812 | Alkalies and chlorine | 63 | 88 |
| 2046 | Corn milling | 67 | 90 |
| 2043 | Cereal preparations | 87 | |
| 3741 | Locomotives | 98 | 99 |
| 3211 | Flat glass | 96 | 99 |
| 3691 | Storage batteries | 60 | 80 |
| 2816 | Inorganic pigments | 64 | 83 |
| 2063 | Beet sugar | 68 | 97 |
| 2813 | Industrial gases | 72 | 88 |
| 8372 | Typewriters | 79 | 99 |
| 3313 | Electrometallurgical | 74 | 91 |

## THE NATURAL GAS SHORTAGE AND THE REGULATION OF NATURAL GAS PRODUCERS †

(By Stephen Breyer * and Paul W. MacAvoy **)

(NOTE.—In an attack upon the current natural gas shortage, President Nixon has recently urged an end to much of the Federal Power Commission's regulation on the price of natural gas at the wellhead. From the perspectives of both the lawyer and the economist, Professors Breyer and MacAvoy lend support to a policy change in this direction. They show that regulation of gas wellhead prices raises problems substantially different from the regulation of traditional public utilities. They argue that the policies the Commission has pursued were almost inevitably bound to result in wellhead prices below the market level that would call forth supplies sufficient to meet demand, and through econometric analysis, they demonstrate the extent to which the Commission's pricing practices produced the shortage. While the Commission's policies were aimed at helping home consumers, data gathered by the authors indicate that regulation has brought about precisely the opposite result. The Commission's experience may well cast light on the wisdom of adopting regulatory techniques to redistribute income when serious economic efficiency losses are likely to arise.)

In 1954, somewhat to the Federal Power Commission's (FPC's) surprise, the Supreme Court held in *Phillips Petroleum Company* v. *Wisconsin* [1] that the Commission had authority to regulate the prices at which natural gas field producers sold gas to interstate pipeline companies.[2] In the past decade, the FPC has devoted much of its energy and about 30 percent of its budget to such regulation [3] and has been remarkably effective in holding down producers' selling prices.[4] Whether this regulation has benefited the nation or even the consumers it was designed to help, however, is another matter. It is the purpose of this article to evaluate the results of the Court's decision [5] and the FPC's ensuing regulatory effort. Such an evaluation is especially timely because President Nixon has recently proposed the discontinuance of much wellhead price regulation.[6]

Natural gas now supplies more than a third of America's energy needs [7] and exists in the ground in sufficient quantities to forestall any danger in the foreseeable future of its extinction as a natural resource.[8] Nevertheless, there is now, in the early 1970's, no lack of evidence that the United States is in the throes of a serious natural gas shortage.[9] This article will show that that shortage is a direct result of FPC regulation of producers' prices and that the shortage has been disproportionately borne by home consumers. Moreover, the article will show that the losses arising from the shortage have been so great that they cannot rationally be worth the pursuit of whatever valid purposes might be served by lower user prices. To explain how this state of affairs has come about, we shall explore the objectives of producer price regulation and the methods used by the FPC to achieve them. We shall then describe the results that FPC regulation has brought about. We shall conclude that the harms regulation has produced so far outweigh the benefits of lower price that gas price regulation at the wellhead should be substantially abandoned.

The article has another, more general purpose. It is becoming increasingly common to think of price and profit regulation as designed to achieve not simply economic efficiency, but also a more nearly equal income distribution.[10] Of course, these two objectives often peacefully coexist: to limit a monopolist's prices increases output and also redistributes income, probably towards equality. Sometimes, however, these goals directly conflict: to hold prices below the competitive level may lead to a more equal income distribution, but it may also wastefully create excess demand. When faced with such a conflict, some may argue that the "income distribution" objective should be favored over "economic efficiency."

This seemingly has been the view of the FPC in regulating producer gas prices. We shall argue, however, that the FPC's efforts to hold prices down for the residential gas consumer have not helped him; in fact, they have simply led to a gas shortage that has hurt him more. If redistribution of income is a proper regulatory goal, the FPC has failed to achieve it. Our discussion of the reasons for this failure shows the extreme practical difficulties that face an agency trying to use prices to pursue such a goal. And these practical difficulties should explain our grave doubts about whether generally such a goal is proper when serious efficiency losses are at stake.

Before turning to an assessment of FPC regulation of gas producer prices, a brief description of the field market for natural gas may be helpful.[11] Most producers search for gas by drilling wells on leased land. The gas is brought to the surface where it is sometimes "refined," producing liquid by-products which can be sold separately. The gas itself may be sold directly to intrastate users and distributors, but most is sold to interstate pipeline companies.[12] These transmission companies transport the gas from the field and resell it either directly to industrial users or to distributing companies, which in turn resell to industry or to home consumers. Before World War II, gas was discovered and exploited mainly as a by-product of the search for oil [13] and was sold at prices that had only to pay the ascertainable separate costs of gas production.[14] However, the growth of pipelines capable of bringing gas from fields in Texas, Oklahoma, and Louisiana to coastal markets increased the demand for gas to the point where today less than 25 percent of all gas produced comes from oil wells; most comes from wells that produce only gas, found in the search for gas itself.[15]

### I. THE OBJECTIVES OF PRODUCER PRICE REGULATION

In order to evaluate the FPC's policy of regulating natural gas prices at the wellhead, it is necessary first to determine what the objectives of such a policy could be. There are two conceptually distinct purposes that regulation of gas producers might serve: reduction of market power and redistribution of income. That neither the Commission nor the courts have made much effort to distinguish between these purposes makes the task of evaluating regulation more difficult.

#### *A. Control of market power*

Control of market power constitutes the traditional economic rationale for regulation. Stated in simple and direct fashion, where one firm, or possibly a small group of firms, produces the entire output of an industry, the industry's output tends to be less—and profits more—than that which would be provided by competitive suppliers. This is so because the monopoly (or oligopoly) firm will restrict its output in order to increase the market price of its products—so as to add to net revenues via a higher price-cost margin more than is lost by restricting output. The government may seek to reduce prices and increase output by attacking market power directly through antitrust actions designed to create competition in the industry. If, however, such a policy is too costly because economies of scale make production by more firms less efficient, the government may try to combat market power by regulation of industry prices. In either instance, a major motivating force of the government's initiatives is to achieve efficient resource allocation: the objectives in setting lower prices at the margin are to reduce profits and to expand output, allowing buyers willing to pay the cost of extra units of goods to receive those goods.

Such a market power theory was advanced by supporters of gas producer regulation. They asserted that gas production was concentrated in the hands of a few producing companies—so few that the largest producers could raise the price of gas to the interstate pipelines above the level that competition would otherwise dictate.[16] Unless market power at the wellhead was checked, pipeline regulation would not be wholly effective in protecting consumers from noncompetitive prices; consumers would still have to pay monopoly wellhead prices for gas, since these prices would be passed through to retail distributors as "costs" of the pipelines. In the words of the Supreme Court,[17] "the rates charged [by producers] may have a direct and substantial effect on the price paid by the ultimate consumers. Protection of consumers against exploitation at the hands of natural-gas companies was the primary aim of the Natural Gas Act."

Thus, the argument ran, the FPC should determine the price at which gas would be sold under competitive production conditions and should forbid producers to sell at higher prices.

However, while the question of market power played an important role in the early history of the debate over producer regulation, it has become less significant in more recent years as accumulated evidence has

Footnotes at end of article.

created a strong presumption that gas producers do not possess monopolistic or oligopolistic market power. As the U.S. Court of Appeals for the Fifth Circuit has recently said,[18] "[T]here seems to be general agreement that the [field] market is at least structurally competitive." Federal Power Commission statistics show that in the early 1960's the largest gas producer accounted for less than 10 percent, and the 15 largest for less than 50 percent, of national production.[19] Nor in general has production in more narrow geographic markets been highly concentrated; in the Permian Basin, for example, the five largest producers have accounted for somewhat less than 50 percent of production.[20] This degree of production concentration in the narrow market has been characterized as "lower than that in 75–85 percent of industries in manufactured products." [21] And, even if concentration were higher here than elsewhere, it has been shown that entry into the industry is so free that the largest producers would not be able systematically to charge higher than competitive prices.[22]

One rejoinder to this evidence of structural competitiveness is that ownership of *production* is not really relevant to the price of natural gas at the wellhead. Rather, the market relevant for field prices is that in the sale to pipelines of *rights* to take gas from *new reserves*. Petroleum companies sell gas under long term contracts which commit to pipelines 10 to 20 years worth of production from new reserves.[23] While such a contract typically contains a specified initial price, many used to have a "most favored nation" clause under which the actual price to be paid for the gas produced at any given time was pegged to the pipeline's then newest, most expensive contract.[24] Thus, once a production contract was signed, only the *level* of production was "locked in"; the *price* for gas produced under the contract would depend on the market for the sale and dedication of new reserves. Proponents of regulation have argued that ownership of uncommitted reserves was so concentrated that a few petroleum companies were able to raise the specified prices in new contracts by controlling the supply of available natural gas reserves.[25] These higher prices were then passed through by triggering "favored nation" clauses in existing contracts, resulting in comparable prices for gas produced from previously dedicated reserves.

This argument, however, has little basis in fact. The available evidence [26] shows, for example, that the four largest production companies provided only 37–44 percent of new reserve sales in the West Texas-New Mexico producing area, 26–28 percent in the Texas Gulf region, and less than 32 percent in the Midcontinent region—all in the 1950–54 period just before the *Phillips* decision. These levels of concentration on the supply side of the market for new reserves were all less than half the concentration on the demand side, accounted for by the four largest pipeline buyers in each of these regions. Power to control new contract prices probably did not exist on either side of the market, but if the scales tipped at all, then surely the balance lay with the pipeline companies rather than with the producers.

Of course one can still argue that despite its apparently competitive structure, the producing segment of the industry has *behaved* noncompetitively. Certain proponents of producer regulation [27] have pointed to the rapid rise in the field price of natural gas between 1950 and 1958 [28] as evidence of such noncompetitive performance. But economic studies of the markets for new contracts suggest that anticompetitive producer behavior did not cause this price increase.[29] During the early 1950's the presence of only one pipeline in many gas fields effectively allowed the setting of monopoly buyers' (monopsony) prices for new gas contracts, thus often depressing the field price below the competitive level. During the next few years, several pipelines sought new reserves in old field regions where previously there had been a such a single buyer. This new entry of buyers raised the field prices to a competitive level from the previously depressed monopsonistic level. In short, competition—not market power—accounted for much of the price spiral that has been claimed to show the need for regulation.

A further argument offered by those asserting the need to control the market power of gas producers was that producer competition was ineffective in bringing about competitive prices because the producers' customers—the pipelines—did not have enough incentive to bargain for low prices.[30] Since pipeline final sales prices were (and are) regulated on the basis of costs plus a fixed profit on capital, it was argued that the pipelines failed to resist producer price increases and simply passed them on as "costs" to be paid by the consumer.

This argument is theoretically suspect, however, for strict regulatory supervision should make the pipelines worry about whether they will be able to pass along producer price increases, and weak regulatory supervision might allow them to keep any extra profits they earn through hard bargaining with producers—at least until "regulatory lag" catches up with them. In either case they should wish to keep producers' prices low. More important, given some limit on price increases set by some combination of consumer demand and regulatory awareness, pipelines should prefer to keep fuel costs (on which they earn no return) low in favor of enhancement of capital costs (on which they earn a return).[31] Furthermore, the evidence available suggests that pipelines in fact bargained for minimum prices. In the 1950's pipelines pushed field prices below competitive levels wherever possible. When low prices threatened to drive producers out of exploration and development, the pipelines themselves went into the exploration business rather than allowing producers to raise their prices. The transmission companies selectively produced higher-cost gas while paying monopsony prices for the low-cost gas from petroleum companies, thus keeping payment of excess returns to producers to the minimum.[32] In sum, empirical study provides little evidence to support the theory that unregulated field prices were noncompetitive.[33]

If the view that unregulated producer markets were in fact competitive is correct, then to regulate as if firms had market power would in principle only cause trouble. The FPC, with the monopoly rationale in mind, would reduce prices below the level found in the unregulated market. But, since unregulated market prices were already the product of competition, any regulation would set prices below the competitive level. A lower than competitive price would stimulate demand, leading some buyers to use natural gas even though the economy could provide for their needs with other fuels at lower real costs. The lower price would also reduce the incentive of suppliers to provide new reserves and production, for the regulated price would not allow sufficient returns to producers at the margin. In short, the regulation-required price reduction would increase the quantity demanded and decrease the quantity supplied, thus causing a shortage.

*B. Regulation to reduce rents and windfalls*

Under certain special circumstances one might want to regulate prices even in a competitive market. One would do so not to correct resource misallocations, but in order to redistribute income.[34] In principle, price in a competitive market will equal the cost of producing marginal output—the last units that can be sold. Some producers can sell at that market price intramarginal units that are far less costly to produce, perhaps because the producer has special skill, knowledge, or expertise, or controls a resource that cannot easily be duplicated. Such producers realize "rents" or excess returns, and the objective of regulation in such circumstances would be to transfer to consumers some of the income that low-cost producers would otherwise receive. It has been claimed that these rents are exceptionally high in the oil and gas industries, so that price control systems should be devised that would deprive producers of these excess returns and give them to consumers in the form of lower prices.[35]

Although no one has measured the amount of rent that gas producers would earn without regulation, there are reasons to believe that rents would be large compared to those earned in other industries. First, gas is a wasting resource, and its presence in the ground in commercial quantities is uncertain until exploration and development are complete. At that point, the value or price of gas is in theory set by the cost of marginal additional exploration and development (at least when demand for gas is increasing sharply as it has been in the last two decades [36]). The difference between this cost of marginal additional exploration and development and the exploration and development costs of, let us say, the "lucky" producer who may have paid little for his land may constitute a considerable windfall. Of course, windfalls of this sort go in part to landowners who do not themselves produce gas but who have the ownership rights to the ultimate scarce resource (the location or site of the in-ground reserves). Strict control of producer prices, however, would prevent producers from paying these windfalls over to the landholders. Second, the cost of finding and developing gas reserves has increased considerably over the past two decades.[37] Thus, gas found and sold to pipelines 15 years ago in reserve commitments, but still not delivered, would have lower overall production costs than new reserves; such "old gas" may have even been found accidentally as part of the search for oil.[38] If production prices for this "old gas" were set at currently prevailing long term marginal exploration and development costs, its owners would receive appreciable windfalls or rents.

To eliminate these windfalls without interfering with the amount of gas produced, regulation would have to hold down the price charged to pipelines for intramarginal volumes of gas while allowing marginal units to be sold at a price equal to long term exploration and development costs. In effect, regulation would set different prices for different units of supply. Of course, such regulation would produce excess demand for the lower-priced intramarginal units received by the pipelines. To "clear" such excess demand by having the pipelines auction off these volumes would simply give windfall rents to the pipelines taking the highest bids. Rationing, on the other hand, might pass the windfall along to the retail distributor and presumably ultimately to the consumer.

This "tier" type of regulation is unusual, but not unheard of. Differential regulated prices are most commonly found in housing; rent control may hold down the price of existing housing while allowing the price of new housing units to rise so as not to discourage new building and to clear the market of demand for new rental units. But it is extraordinarily difficult to bring about the transfer of excess profits without affecting output. With regard to regulation of gas field prices, this requires extensive knowledge of the location and shape of the supply curve for both established production and new reserves. Moreover, if the reduced prices for intramarginal gas bring about the expected increase in the quantity demanded,

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then the excess demand has to be limited by recourse to such rationing devices as classifying users and designating one or more classes as "inferior" for purposes of allocating the lower-priced gas. To make such classification without reference to users' "willingness to pay," as measured by prices bid by users for the low-cost gas, is difficult, to say the least. In short, tier price regulation requires extraordinary sensitivity to changes in supply in order to react with necessary price changes, and, even in the best of conditions, it requires also a complicated rationing procedure.

Neither the Federal Power Commission nor the courts have clearly distinguished the two separate regulatory objectives of controlling market power and transferring rents to consumers, and often write as if they were trying to achieve both of them at once. Still, in view of the lack of empirical support for the "monopoly power" theory, we shall assume that regulating producers' market power is not a sensible regulatory goal. In fact, the Commission's writings in the past few years suggest that it has not pursued this goal with much fervor and indicate that the concern for income distribution predominates. For one thing, the Commission [39] and the courts [40] have expressed the belief or fear that efforts to limit price have reduced, rather than increased, the supply of new reserves and the actual level of gas production. Lowering prices from "monopoly" to "competitive" levels should have had just the opposite effect. The Commission's continued efforts to regulate, while holding this belief, suggest that it no longer sees itself as basically trying to control monopoly power. For another thing, the Commission has set two price levels in the area rate proceedings [41]—higher prices on "new" gas, and lower price on "old" gas.[42] Its doing so, while at the same time expressing the hope that the new gas price would be high enough to cover the costs of producing new supplies,[43] indicates that limiting producer rents and windfalls is the more important concern underlying more recent regulations.[44] We shall assume that this is what the Commission has ultimately been trying to do.

II. ALTERNATIVE METHODS OF REGULATING FIELD PRICES

After the Supreme Court's decision in *Phillips Petroleum Co. v. Wisconsin*,[45] the Federal Power Commission began to struggle with the problem of *how* to regulate.[46] The first approach was to treat producers as individual public utilities and to set limits on each producer's prices individually according to his "costs of service." After this approach proved unwieldy, the Commission set area-wide ceiling prices, allowing all individual producers within each gas production area to charge no more than the area ceiling.

*A. Regulating producers individually*

In attempting to regulate each gas producer, the Commission followed the same procedure it used to set prices for each gas pipeline. It sought the producer's "costs of service" and allowed prices sufficient for the company to recover these costs, but no more. This approach seemed to promise that no producing company would earn more than a reasonable return on its capital; producers with unusually low costs would not receive windfalls, but, instead, would have to charge their customers lower prices. This method of regulation also seemed to avoid the risk of a serious gas shortage. If costs increased producers could raise their prices, and, as long as there was demand for the higher-cost (and higher-priced) reserves, regulation would not inhibit production.

However, this summary description of individual producer regulation hides enormous problems. Although individual producer regulation allowed producers with different costs to sell at different prices, it provided no way to determine which gas users should get the more expensive gas and which the cheaper. And, even setting aside the difficulty of rationing the lower-priced gas, regulation of individual producers proved unwieldy because of the immense administrative burden it placed on the Commission. Most important, there were basic conceptual deficiencies in the regulatory method. Cost-of-service regulation was based on the assumption that it was possible to obtain detailed, accurate information about producer costs. It presumed that the cost of finding gas could be determined from accounting records, as can the costs of, say, gas pipelines, electricity generating companies, and telephone companies. Moreover, in searching for a proper rate of return on investment, the Commission assumed that gas produers' cost of capital could be rationally determined. But, as the Commission discovered, determining the costs of gas production and a proper rate of return to gas producers raises issues far less easy to resolve here—issues which require considerably more use of the regulator's subjective judgment—than in the case of traditional public utilities.

The difficulties the Commission experienced with individual producer regulation are typically attributed to management failure. The administrative burden placed on the Commission arose from the vast number of natural gas producers. In 1954 there were more than 4,500 producers,[47] and by 1962 they had submitted more than 2,900 applications for increased prices.[48] The individual price or "rate" case approach to regulation required finding which of the joint costs of oil and gas exploration and development attributable to gas alone, a judgment about the fairness of a particular rate of return on investment, and a determination of the proper amount of investment (or "rate base") for each of the 2,900 applications. To accomplish these tasks would have taken an interminable amount of time. The first producer rate case undertaken—the *Phillips* case itself—took 82 hearing days, with testimony filling 10,626 pages and a record including 235 exhibits.[49] Although later cases might have been handled more quickly, differences from case to case in both levels of costs and degrees of risk (and therefore in allowable rates of return) were such as to require some individual attention to each application. By 1960, the Commission had completed only 10 of these cases.[50] The backlog led the Landis Commission, appointed by President Kennedy to study the regulatory agencies, to conclude that "[t]he Federal Power Commission without question represents the outstanding example in the federal government of the breakdown of the administrative process." [51]

Management failure alone, however, does not account for the Commission's difficulties, for the problems of individual producer regulation went much deeper. Even if the Commission had had ten times the staff, it would have encountered severe conceptual difficulties in trying to separate the costs of oil and gas production and in setting a proper rate of return.

Finding the cost of natural gas posed several extraordinary difficulties which arose from the fact that gas is often produced in conjunction with petroleum liquids. Money spent by petroleum companies on *exploration* leads to the discovery of some gas wells, some oil wells that produce gas too, some pure oil wells, and many dry holes. Expenditures on *separate development* of gas fields often yield gas together with petroleum liquids, and expenditures on *gas refining* produce both "dry" gas and saleable liquid. Expenditures such as these, which yield two products but which are equally necessary to produce either one, complicate a regulatory process based on costs because there is no logical way to decide whether, or to what extent, a specific dollar outlay should be considered part of the "cost of gas production," or part of the "cost of liquid production."

This problem of joint cost allocation is distinctly a regulatory one. Without price controls and under competitive conditions, producers would recover marginal joint costs from the sale of gas and oil, with the relative amounts recouped from each varying from firm to firm.[52] If a regulatory agency controlled *both* oil and gas production, it might try to reproduce these competitive market results simply by requiring that the combined revenues from the sale of the two products be equal to their combined costs, including, of course, return to capital. Any combination of prices that would do no more than return total costs would meet this requirement.[53] The distinct regulatory problem in controlling field market prices for gas, however, was that liquid prices were not regulated by the FPC. Therefore, in order for the Commission to eliminate excess returns on gas production, it would have had either to find the "exact" costs of one of the joint products—something logically impossible to do—or to regulate indirectly the earnings on the unregulated sales of liquids—something it could not legally do.[54]

The Commission's efforts to overcome the joint cost problem in gas production in fact simply involved the application in various combinations of several traditional methods for allocating joint costs for accounting purposes.[55] But these methods only created the illusion that the joint costs of gas and oil production were separable and bore no particular relation to the problem of determining costs for rate setting. One method allocated joint costs according to the ratio of the separable cost of producing a barrel of oil to the separable cost of producing a thousand cubic feet (Mcf) of gas.[56] A second method allocated joint costs in proportion to the number of heating units (BTU's) contained respectively in the oil and gas produced.[57] A third method recognized that BTU's of oil and gas might not be of equal value in the marketplace, and therefore multiplied the BTU's by a factor representing relative value.[58]

None of the three procedures could yield either the long term costs of future gas production or the historical costs of past exploration and development. As methodology, they simply carried on a charade of implying separable costs when costs were joint and inseparable. In fact, if producers, in the absence of regulation, tended to recover most joint costs from oil revenues, and priced gas close to its ascertainable separate costs, the Commission's techniques, in allocating large shares of joint costs to gas, would force it to conclude that gas prices were too low. This fact may help to explain why the Commission held in the 10 pre-1960 individual producer rate cases that it completed that producers' proposed prices would not generate enough revenue to cover costs.[59] In short, as Justice Jackson said in a slightly different context: [60]

"The case before us demonstrates the lack of rational relationship between conventional rate-base formulas and natural gas production". . . .[61]

A second theoretical problem which the Commission had to confront in attempting to regulate gas producers individually was that of determining a proper rate of return for each of them. While such determinations are usually difficult, here the difficulties were of more than usual magnitude. For one thing, there was no simple process for choosing industries with comparable risks. To be sure, producing gas is probably riskier than running a telephone company; but is it as risky as mining copper or making steel? Arguably, the cost of capital can be determined directly by watching share prices

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fluctuate on an exchange (or, possibly, comparable risk can be measured in this way [62]); but few producers sold shares on exchanges, and those that did were obviously the larger firms which produced both gas and oil. Nor was it possible to determine costs of capital by looking to producers' debt, because gas producers had issued insignificant amounts of debt securities.[63] Finally, because of different degrees of expertise and different quality of land options, risks varied tremendously among gas producers themselves. To determine the rate of return needed to cover producers' opportunity costs of capital would have therefore required many highly subjective judgmental decisions about thousands of different producers. These problems were compounded by the fact that capital costs accounted for a high portion of total production costs,[64] and thus posed a problem at least as serious as allocation of joint costs for individual producer regulation.

The problems of determining the costs of production and the proper rate of return continued to plague the Commission as it turned to an administratively simpler regulatory method. And the Commission also continued to be plagued by the need to ration low-priced gas—as is any agency that tries to regulate competitive markets by setting different producer prices for sales of the same product at the same place and time.

*B. Setting area rates*

After regulation of individual producer prices proved unwieldy, the Commission embarked upon a policy of setting area-wide ceiling prices, allowing all individual producers within a given gas production area to charge up to, but not above, the area ceiling. In 1960, the major gas producing regions were divided into five geographical areas,[65] and hearings were begun to determine the legally binding ceiling prices for each. Because of statutory limitations on Commission authority,[66] the area rate proceedings could set limits on prices only prospectively, *i.e.*, from the time an area rate proceeding was completed. Therefore, to control producer prices during the many years that the proceedings would be in progress, the Commission worked out a legally complex, though operationally simple, procedure which set "interim ceiling prices" at the 1959–60 levels for new contracts.[67] During the 1960's rate proceedings were completed only for the Permian Basin and Southern Louisiana areas.[68] In these and the remaining production areas, contracts for new reserves were written throughout much of the entire decade as if economic conditions had not changed since the late 1950's.

In its area rate proceedings, the Commission sought to determine for each area two separate price ceilings: one for "new" gas from gas wells (new gas-well gas), and a second, lower ceiling that applied both to "old" gas from gas wells (old gas-well gas) and to all gas from oil wells. This two-tier area pricing system was designed to provide a fairly simple way to transfer rents from producers to consumers without seriously discouraging gas production and without imposing upon the Commission the administrative burdens of the multitier system of regulating producers individually. In embarking upon this new regulatory approach, the Commission assumed that gas found in conjunction with oil and old gas-well gas found several years before an area proceeding cost less to produce than new gas-well gas. It also assumed that the lower prices for old gas-well gas and gas found in conjunction with oil would not discourage their production, given that their supply was relatively fixed. Thus, lower prices for the old gas- and oil-well was would deprive producers of rents from the sale of these supplies to the benefit of the consumer, while higher prices for new gas-well gas would, at the same time, encourage enough additional gas production to meet total consumer demands.

Despite its apparent logic and simplicity, however, the two-tier pricing system contained potentially serious flaws. First, given that excess demand would be generated for the cheaper "old gas,"[69] the FPC had to devise a way of rationing the available supply which would give it to those potential users who valued it most highly.[70] Home users, for example, value gas highly for cooking and heat, while industrial users may be nearly indifferent to the choice among gas, coal, and petroleum. An auction system, by allocating the old gas on the basis of willingness to pay, would insure that it went to those who placed the highest value upon it. But an auction system would quickly drive the price of the "old" gas up to "new" gas price levels. In fact, the methods of rationing chosen by the Commission—allocating the cheaper gas on an historical basis (old customers before new ones) [71] or on the basis of an FPC determination that some *end* uses of gas were "inferior" to others [72]—do not seem to reflect an attempt to make careful distinctions among users according to their potential willingness to pay higher prices for the low-priced gas. These choices are important, since preferences made by the allocation system according to economically inefficient criteria are likely to spill over and affect other areas of economic activity; for example, insofar as historically-based differential prices at the wellhead are reflected in different pipeline resale prices, they may distort competition among industrial customers (*e.g.*, two chemical companies paying different prices for identical gas) or choices as to plant location.

Second, the competitive conditions of the unregulated gas production market suggest the strong possibility that, in a two-tier system where prices at both levels were set by regulatory action, the price of the higher tier would be set too low.[73] If so, then exploration and development of new gas would be discouraged, and there would be excess demand for the new gas as well as the old.[74] Here, again, if regulation-induced shortages occurred, additional economic inefficiencies would arise from any allocation system based other than on users' willingness to pay.

Third, this potential for economic harm from the two-tier system created by the inevitable excess demand for the lower-priced product and the probable regulation-induced shortage of the higher-priced product, was compounded by jurisdictional limitations on the FPC's power to regulate field market prices. Although the Commission could regulate producers' interstate sales, it could not regulate the prices at which they sold gas intrastate in the production region.[75] Intrastate sales were made primarily to industrial purchasers [76] who would seemingly be relatively indifferent as among various fuel sources available at equal prices. In times of shortage, the gas that these industries purchased would likely be diverted from retail distributors willing but unable under regulation to pay a higher price. Thus, both the certain scarce supply of old gas and the potential scarce supply of new gas likely would be disproportionately given over to certain industrial users by default, since other users who valued the gas more highly would not be allowed to bid up its price.

While the Commission may have intended the price of new gas to be set at market-clearing levels, the methods it used for setting new gas area prices made it highly likely that a significant gas shortage would arise by virtue of the new gas price—the "high" price—being set below the long term costs of natural gas production.[77] The basic method first used by the Commission to find a ceiling price for new gas-well gas was to determine by survey for given base years the recent cost of finding and producing new gas.[78] In both of the area rate cases completed in the 1960's, the final new gas price ceilings established on the basis of these estimates of recent costs turned out to be roughly equal to the interim prices set in the early 1960's.[79]

Given this recent cost survey method of setting the final ceiling prices, their similarity to the old interim prices is not at all surprising (even though one might have expected costs to rise during the 1960's), for the interim price ceilings themselves strongly biased the effort to determine the recent cost of new production. Producers unable to sell gas at more than the interim price levels most likely developed only those reserves having marginal costs lower than such prices. Companies with higher costs would not be producing, while those with cheap, lucky finds would still be in business. Thus it is not surprising that the recent costs of new reserves were slightly lower than the Commission's interim price ceilings. Taken together, the interim ceiling and later cost survey constituted simply two elements of a self-fulfilling prophecy; using recent costs to set future prices may, in reality, have been using interim prices to set permanent ones. In short, given the interim ceiling, a survey of the costs of producing new gas in the early 1960's could not tell the Commission with any assurance what price would be needed to elicit additional production for growing demand in the late 1960's and early 1970's.

Quite apart from the existence of interim ceilings, the probability that regulation would induce a natural gas shortage was increased by the specific calculation the Commission made to determine the recent costs of new gas production. If the Commission were not to discourage future production, it should have been certain that the ceiling prices it was setting were as high as prospective development and extraction costs. One indicator of such prospective outlays would be the cost curve derived from the historical marginal production costs in each drilling region of a production area during the test years. Even these historical marginal costs would of course understate future production outlays, because of increases in drilling and other expenses. But the Commission further compounded the possibility of understating prospective development and extraction outlays by *averaging* the marginal costs of recent production across all the drilling regions of a production area. Given a wasting resource from a fixed stock of uncertain size, it is highly probable that the costs of producing the very final units of recent output were greater than the average costs of finding and developing new reserves during the test years.[80] The higher-cost producers most likely included not only the unlucky or less skillful, but also those forced to search farther afield or deeper underground after having exhausted their more promising leaseholds. Averaging their costs in with the new gas production costs of the more fortunate or unusually skillful producers would understate the likely costs of future new gas production and would therefore increase the probability that exploration and development of marginal reserves would not take place.

The Commission tried to take these problems into account by adding an "allowance for growth" to the historical average costs of finding new gas. In the *Permian Basin* proceedings, for example, the Commission added 1.11 cents per Mcf to the ceiling price in recognition that producing enough new gas in the future to meet growing demands would probably require the exploitation of more expensive reserve sources.[81] But it did not determine the size of this premium by analyzing producers' probable marginal costs. Rather, an expert appearing for the gas distributing companies presented this figure as a judgmental observation, and experts for the gas producing companies in turn concluded judgmentally that the proper figure was 2.15 cents per Mcf.[82] The Commission

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simply chose between these two judgments, and, by acceptance of the distributors' estimate of the proper growth allowance, made it likely that the Commission's choice would be on the low side. To be sure, trying to determine the marginal costs of future gas production would have to involve *some* guesswork. But the need to guess inevitably introduces the risk of error—error difficult to correct once prices are set. The Commission's determination of the proper "allowance for growth" did not reflect any guidelines of its own concerning the impact of such factors as increases in drilling costs, decreases in the probability of finding gas, and changes in the rate of return needed to attract speculative capital into future gas production. Of course, as indicated earlier, these matters are highly speculative. It is therefore perhaps understandable that a Commission interested in regulating producers' prices would, when given only the alternative of accepting the producers' own figures, accept the growth figure offered by those interested in keeping producers' prices low.[83] But, nevertheless, the Commission's acceptance of the distributors' estimate of the premiums needed to encourage marginal production, along with its own calculation of the historical average costs of new production, created a considerable risk that the "new gas" price would be too low and would engender a gas shortage of some scope.

Faced with the extraordinary difficulty of determining the costs of "new gas" at levels of production that would clear the market and with a new-found shortage of gas production in the late 1960's, the Commission has more recently shown greater reliance on a process of direct negotiations to set area prices. In the original *Southern Louisiana* case, representatives of the producers, distributors, and other customers bargained out a "settlement" which was presented to the Commission for approval. The Commission [84] and the appeals court [85] took the negotiation under advisement, however, along with a great deal of information on historical costs, and decided to set price ceilings slightly below the settlement figures. When the gas shortage in the late 1960's led the Commission to reopen the *Southern Louisiana* proceedings, once again the parties negotiated a settlement. This time the Commission adopted the settlement figures as its own, holding that they constituted reasonable ceiling prices.[86]

To be sure, one undeniable advantage of setting prices through such negotiation is administrative simplicity. The Commission need not spend as much time gathering evidence, the number of warring parties is reduced, and it is less likely that a disappointed party will convince a court to overturn a Commission decision. But to set ceiling prices in reliance upon industry settlements comes close to abandoning the Commission's espoused regulatory goals—whether they be to control market power or to eliminate windfall profits—and comes even closer to admitting an inability to achieve them. Negotiation among interested parties can hardly control monopoly power, for it bears little resemblance to the bargaining among buyers and sellers that takes place in a competitive market. Rather than competing individually for purchases or sales, the parties bargain in blocs—the buyers together in one bloc bargaining with producers in the other bloc. Whether the negotiated price ends up higher than, lower than, or equal to the competitive market price will vary depending on the skill of particular bargainers and the bargaining atmosphere surrounding the negotiation. The parties are likely to be constrained in the bargaining by their knowledge that the Commission and the courts must approve the result and may produce little more than what they perceive their regulators as wanting.[87] For these same reasons, negotiation is unlikely to provide "accurate" two-tier prices in an effort to drive out producer rents.

In sum, the difficulty of designing a two-tier system for regulating field prices for natural gas made it unlikely from the outset that the Commission would set the "high" price for new gas at a market-clearing level if that was what it intended to do. However, it is also possible that the Commission in fact *wanted* to set the "high," new gas price below competitive rates. Much new gas-well gas production as well as old gas- and oil-well gas production probably returns rents to its producers.[88] If the Commission wanted to return these rents to users, while setting a *single* area price for all new gas-well gas, it *had* to set the price below the marginal cost of new production in that area. The Commission may have felt that any necessarily resulting shortage would not be serious and would be worth the benefits of lower prices to consumers who could obtain the gas that would be made available. If this was the Commission's reasoning, though, it did not expressly state it. Moreover, even if Commission policy could be attributed to such a purpose, the wisdom of that policy would still depend upon the precise extent and impact of the gas shortage created by it. It is to that question that we now turn.

### III. THE EXTENT AND IMPACT OF THE NATURAL GAS SHORTAGE

The expectation that FPC regulation of gas production was likely to produce a substantial gas shortage has been proven accurate by subsequent events. Thus, pipeline buyers have reported to the Commission instances during the summer and winter of 1971–72 in which their contracts obliged them to deliver gas but they lacked the necessary supply.[89] The FPC staff has shown deliveries falling short of gas demanded by 3.6 percent in 1971 and by 5.1 percent in 1972, and has predicted that production will fall short of demand by 12.1 percent in 1975.[90] Moreover, those feeling the pinch have tended to blame FPC regulations for the shortage.[91] And the FPC has not only acknowledged the existence of a substantial shortage,[92] but has also suggested that regulated prices are a cause.[93]

Production "shortfalls" alone, however, do not accurately describe the extent of the gas shortage, because gas is purchased by and sold to pipeline companies before the time of its actual production. Gas delivered during any given year is "backed up" by considerable volumes of reserves which are originally committed in long term contracts to pipeline companies demanding a guarantee as to future supplies. Obviously, pipelines will demand more than a few years of reserve backup, for only with a fairly long term supply guarantee is establishing a pipeline worthwhile. More importantly, retail distributors and industrial consumers normally demand that pipelines themselves guarantee a specific rate of delivery over time and therefore demand substantial reserve backing as security against default by the pipelines on their promised deliveries.[94] Thus, an inability of transmission companies to acquire sufficient supplies to meet contract delivery requirements in any given year should signal the earlier existence of a deficiency in the volume of backup reserves committed at the time the original production contracts were undertaken. If this view is correct, a shortage in production levels in the 1970's would have been prefaced by a deficiency of reserve commitments made to back up new production undertaken in the early and mid-1960's. The extent of this predicted reserve shortage in the 1960's should be measurable as the difference between an "optimal" level of reserves which would have been demanded by pipeline companies to back up new production undertaken in that period and the level of reserves actually supplied by regulated producers and acquired by the pipelines.

Rough calculations previously made by one of these authors in fact show the shortage of reserve inventory of natural gas during the 1960's to have been substantial.[95] This conclusion was reached by first determining an approximate "optimal" volume of gas reserves, in terms of years of backup supply, which would be dedicated to secure new production commitments undertaken in any single year. The FPC has considered the proper amount of reserves to be 20 times initial production, so that regulated pipeline demands for new reserves have been based on "the assumption that each new market commitment is backed by a 20 year gas supply."[96] Similarly, pipelines' actual demands for reserves from 1957 to 1954—before the Commission had much influence on the field markets—were on an average equivalent to a 20-year backup of production, with the lowest backing in any single year equal to 14.5 times new production.[97] It was therefore concluded that, on the most conservative of assumptions, a simple, rough estimate of demands for reserve inventory under ceiling prices could be obtained by multiplying total new production—including all new contracts plus any renewals of expiring contracts—by 14.5 to obtain the "lowest" demands for reserve backing in the unregulated market. Alternatively, on more liberal assumptions, total new production could be multiplied by the FPC's suggested reserve ratio. These calculations were done for the years 1964 through 1968 to determine the volume of natural gas which would have been demanded by pipelines as reserves to back up new production under "optimal" conditions for that period. These high and low "optimal" volumes were then compared to the actual new-reserve-to-new-production ratio for the same years. Taking the 5-year period as a whole, it was found that the total demand for reserves was 1.5 to 2.2 times higher than the actual reserves acquired under FPC price ceilings; therefore, *excess* demand for reserves was 50 percent to 120 percent of realized levels of commitments.

In an attempt to determine whether this reserve shortage was the result of field price regulation, we shall construct a model of supply and demand for new reserves, based upon market clearing conditions in the 1950's. These conditions will then be extrapolated into the 1960's in order to predict what supply and demand behavior would have been like during that decade under competitive conditions and whether FPC ceiling prices were too low to clear the market.[98] Then we shall proceed to determine who received gas and who suffered the shortage. It will be shown that, in fact, as suggested earlier the home consumer suffered the brunt of an FPC-created reserve shortage, while the unregulated industrial consumer received a disproportionate share of the gas that was available.[99]

#### *A. A supply and demand analysis of the insufficiency of FPC ceiling prices*

The proposed model of supply and demand in the field markets for natural gas in the 1960's tries to assess more accurately the extent to which field price regulation caused the gas shortage. The model tests the fairly plausible view that, without regulation, field prices for natural gas would have increased substantially, producing correlative increases in the supply of and decreases in the demand for natural gas reserves. These higher prices would have called forth enough new supply to fill at least part of what has been shown to be the excess demand for reserve inventories. And, by more carefully rationing the available supply, the higher prices would have eliminated whatever additional excess demand would have still remained.

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The proposed model applies to gas which is supplied by pipeline to the East Coast and Midwest.[99] To test the model's accuracy, we first construct supply and demand schedules to characterize unregulated market behavior in the latter half of the 1950's and use these schedules to predict market-clearing prices in that period. This is done by fitting 1950's data to the proposed supply and demand relations to predict the amount of reserves added in year "t" in producing district "j" ($\triangle R_{tj}$) and the average new contract price at the same time and place ($P_{tj}$). The values of $\triangle R_{tj}$ and $P_{tj}$ that "clear" this supply-demand system for the 1950's describe with considerable accuracy both the actual prices at which natural gas was sold and the actual amount of new reserves added in the test areas during that period. The model is then applied to the 1960's by inserting 1961–68 data into the supply and demand equations and then solving the system for market-clearing values $\triangle R^*_{tj}$ and $P^*_{tj}$. The model's values for the 1960's are then compared to the actual reserves added and prices existing during that period. The comparison shows regulated prices to be less than $P^*_{tj}$ and actual reserves supplied to be less than one-third of $\triangle R^*_{tj}$. Most of the difference can be attributed to the FPC's regulatory efforts.

*1. The Supply Equations.*—As previously indicated, the supply of natural gas is measured both by the volume of new reserves *and* by the level of production added from new contracts each year.[100] Looking first at the supply functions for new gas reserves, the volume of new reserves discovered and developed in any given year depends on geological and technical factors, as well as economic ones. Thus, the supply equations of the proposed model relate observable data to the supply of new reserves on the following assumptions.

First, the volume of gas added to known reserves in a district depends quite plainly on the extent of hydrocarbon deposits in that district; gas discovery, in other words, cannot occur where the deposits are not present. Because of the relative permanence of geological characteristics, the most concrete determinant of general hydrocarbon availability in a district is the long term pattern of reserve discoveries there. Thus, it may be said that the supply of new reserves in year "t" in district "j" ($\triangle R_{tj}$) is a function (f) of the geological characteristics of district "j" itself. This relationship can be expressed by the equation $\triangle R_{tj}=f(j)$.[101]

The second condition of new reserve supply is that inputs are required—principally drilling inputs—to bring unknown hydrocarbons to the point of being producible reserves. The only available data on such inputs are the number of gas development wells sunk in the 1950's and 1960's, by drilling district. To be sure, such data are not indicative of all necessary inputs, but the wells do reflect the amount of capital invested in a hydrocarbon field and do provide producers with additional knowledge of surrounding geological conditions. Thus, the supply of new reserves in year "t" in district "j" ($\triangle R_{tj}$) is also a function of the number of development wells sunk in the same time and place ($W_{tj}$). In sum, the equation $\triangle R_{tj}=f(j, W_{tj})$ can be taken to indicate, even if somewhat imperfectly, a number of important "engineering" factors in the supply of new reserves.

Third, the supply of newly discovered reserves also depends upon economic factors. This relationship can be most immediately seen as a condition of the number of development wells sunk in a drilling district. Thus, as prices for new gas reserves increase, it can be expected that more gas drilling will occur, and this additional drilling of regions likely to contain gas will increase the amount of new gas reserves discovered. If average new reserve contract prices in year "t" in district "j" ($P_{tj}$) are good surrogates for the prices forecast by the drilling companies before development begins, then the amount of actual drilling ($W_{tj}$) will be a function of these prices. In addition, as noted previously, gas reserves may be discovered incidentally in the search for oil.[102] Oil price increases are likely to produce more drilling in areas likely to contain hydrocarbon deposits, and such drilling may produce gas, as well as oil, finds. Therefore, the number of development wells sunk ($W_{tj}$) may be said to be also a function of the level of the crude oil price throughout the Southwest ($op_t$). Thus, the response of drilling activity, and indirectly of new reserve supply,[103] to economic factors can be expressed by the equation $W_{tj}=f(P_{tj}, op_t)$.

Finally, the analysis of drilling, as well as that of reserves, should recognize that geological factors, as represented by the long term pattern of drilling in a region, are important. Thus, the drilling equation we have developed thus far, $W_t=f(P_{tj}, op_t)$, should include the geological characteristic j as well.

In sum, the supply functions for new gas reserves in each drilling region "j" supplying the East Coast and Midwest markets in year "t" within the late 1950's can be taken to be:

$$\triangle R_{tj}=f(j,W_{jt}), \text{ where}$$
$$W_{tj}=f(P_{tj}, op_t, j).$$

Turning to the supply of new production, as opposed to new reserves, the proposed model is based on the assumption that the quantity of additional production from new contracts signed in year "t" for gas in district "j" ($\Delta Q_{tj}$) depends upon three factors. First, the quantity of additional production obviously is a function of the volume of newly discovered reserves at the same time and place ($\triangle R_{tj}$). Second, production depends upon the cost of production itself. These costs may be roughly represented by the current rate of interest ($i_t$), since the interest rate may be assumed to be a measure of capital costs for drilling. As these costs increase, the production rate out of new reserves should decrease. Third, the quantity of additional production from new contracts signed each year is a function of short term consumer demand for immediate gas delivery. One of the factors influencing short term consumer demand can be represented by the all fuels retail price index ($fp_t$). This index will indicate not only whether the price of substitute fuels is rising, thereby making gas more desirable, but perhaps also whether personal consumption of fuel generally is on the rise, increasing the demand for gas as one among a number of alternative fuel sources. In short, additional gas production from new purchase contracts signed each year ($\triangle Q_{tj}$) is taken roughly to be a function of the availability of new reserves ($\triangle R_{tj}$), production costs ($i_t$), and consumer demand ($fp_t$), and can be represented by the equation $\triangle Q_{tj}=f(\triangle R_{tj}, i_t, fp_t)$.

*2. The Demand Equation.*—Demand or "willingness to pay" is represented by the prices bid by pipelines to purchase new gas reserves. These bids are determined primarily by pipeline costs and the pipelines' opportunities for resale. Thus, the proposed model is based on the assumption that average new contract prices for gas reserves of district "j" in year "t" ($P_{tj}$) depend upon pipeline costs and the demand for gas in final consumer markets.

The price a pipeline is willing to offer for newly discovered gas is in part a function of the pipeline's transport costs. These costs depend both upon the volume of new reserves discovered in a district and the distance between the field and the point of resale to retail distributors. As the volume of new reserve discoveries in a district ($\triangle R_{tj}$) increases, companies will be able to install larger scale gathering lines, thereby reducing unit transport costs. On the other hand, costs will rise as the number of miles between the field and the point of resale to retail distributors ($M_j$) increases.[105] Thus, the relation between field prices in district "j" in year "t" ($P_{tj}$) and pipeline transport costs can be expressed by the equation $P_{tj}=f(\Delta R_{tj}, M_j)$.

A more important determinant of the price pipelines will bid, however, is final consumer demand. As pointed out earlier,[106] the index of all fuel retail prices ($fp_t$) provides a rough measure of such user demand for gas; the prices which pipelines are willing to pay for producer gas are likely to increase directly with increases in this index. On the other hand, user demand will be limited by the total size of the final user market, and measurement of demand can be made more accurate by considering the extent of this market. The size of the market can be initially estimated by the capital stock of all gas-burning furnaces in the country ($K_t$). Moreover, since there are limits to the level of resales by pipeline companies, the prices which these companies are willing to pay in in any year will depend on the sum total of *all* new reserves that year ($\Sigma\triangle R_{tj}$). Thus, as the capital stock of gas burning furnaces ($K_t$) increases, so will the likely price bid by the pipelines; but as total new reserves offered in any year ($\Sigma\triangle R_{tj}$) increases, the likely price bid will decrease. Therefore, the relation between average new contract prices ($P_{tj}$) and the demand and size of final markets can be expressed by the equation $P_{tj}=f(fp_t, \Sigma\triangle R_{tj}, K_t)$.

In sum, putting together both the cost and user demand determinants of the prices pipelines are willing to pay, the proposed demand relation (for the same regions and time periods as for the supply functions) is: $P_{tj}=f(\triangle R_{tj}, M_j, fp_t, \Sigma\triangle R_{tj}, K_t)$.

*3. Application of the Model to the Field Market for Gas.*—The four equations of the proposed model together make up an equilibrium system that describes well the actual prices and supplies of new reserves in the late 1950's. Data from the period 1955–60 were used to fit "least squares" equations[107] to the structural relations explained above for new reserves ($\triangle R_{tj}$), wells sunk ($W_{tj}$), new production ($\triangle Q_{tj}$), and average contract price ($P_{tj}$).[108] The closeness with which the fitted equations describe reality is indicated by the accuracy with which equilibrium in the four-equation system reproduced the actual volumes of new reserves supplied and prices paid during the period.[109] The difference between the "simulated" (four equation equilibrium) price and the actual annual average price in any given year was at most 1.6 cents per Mcf and the average difference over the entire 6-year period was only 0.7 cent per Mcf.[110] Similarly, while the volumes of actual new reserves exceeded simulated new reserves by approximately 3 trillion cubic feet in both 1955 and 1957, the average difference over the 6-year period was less than ½ trillion cubic feet (or less than 0.7 percent of total new additions to actual reserves).[111] The model thus suggests that markets "cleared"—or operated at equilibrium—in the 1950's before producer price regulation.[112]

In order to test whether the gas shortage in the following decade developed from price controls, the model was then applied to the 1960's. The four equations were used, along with 1961–68 figures for the "outside" or exogenous variables,[113] to find the values for $\triangle R^*_{tj}$, $\Delta Q^*_{tj}$, $W^*_{tj}$, and $P^*_{tj}$ which "solve" the equations—*i.e.*, the values which "clear" the gas market as if there were no price ceilings. These "unregulated" values are compared with the actual values in Table I.

Footnotes at end of article.

TABLE I.—PRICES AND PRODUCTION OF GAS FOR THE EAST COAST AND THE MIDWEST, 1961 68

| Year | Average price (cents per thousand cubic feet) | | New production (billion cubic feet) | | New reserves (billion cubic feet) | |
|---|---|---|---|---|---|---|
| | Actual | Simulated | Actual | Simulated | Actua | Simulated |
| 1961 | 17.7 | 20.0 | 292 | 817 | 5,567 | 12,480 |
| 1962 | 19.0 | 21.1 | 230 | 755 | 5,805 | 12,858 |
| 1963 | 16.5 | 22.4 | 447 | 688 | 4,884 | 13,077 |
| 1964 | 16.7 | 22.9 | 200 | 814 | 5,512 | 13,221 |
| 1965 | 17.4 | 24.1 | 348 | 750 | 6,015 | 13,621 |
| 1966 | 17.2 | 25.5 | 347 | 627 | 4,204 | 14,147 |
| 1967 | 17.4 | 26.7 | 575 | 520 | 3,693 | 15,026 |
| 1968 | 18.0 | 27.8 | 434 | 548 | 951 | 15,572 |
| 8 yrs | 17.5 | 23.8 | 2,873 | 5,519 | 36.631 | 110,002 |

The simulated or "unregulated" prices that would have cleared the reserve market were on the average 6 cents per Mcf higher than ceiling prices for the entire period, and more than 7 cents higher for the period following 1962, when the full effect of price ceilings seems to have taken hold in the test region. On the supply side, the higher prices—if they had been allowed—would have provided considerable incentive to add to the volume of new reserves. The level of simulated new reserves is more than three times the level of actual new reserves over both periods. Another indication of the impact of clearing prices on supply appears in the difference between actual and simulated new production. Actual new production is approximately one-half of simulated new production over the 8-year period. Given that higher unregulated prices would have brought forth a much higher level of new reserves, this higher level of simulated new production is not surprising. On the demand side, the higher simulated (market-clearing) price would have significantly reduced the amount of reserves sought. To be sure, the amounts which would actually have been demanded at various prices are not known, since only the new reserves both demanded *and* supplied are shown by the annual simulations. But that excess reserve demand would have been reduced is indicated by the fact that the total demand for new reserves proved to be elastic with respect to price.[114] Total new reserve demand was reduced by approximately 10 trillion cubic feet for each cent of price increase.[115]

As it was, a serious reserve shortage developed in the 1960's, which at that time revealed itself in the pipelines' reduction of their new-reserve-to-new-production ratio. This reduction in the security of service, shared by all those connected to interstate pipelines, was translated in the early 1970's into a more tangible actual production shortage; pipelines had to curtail deliveries in 1971 and 1972 because they could not take gas from their reserves fast enough to meet their contract commitments. This production shortage has been plainly visible. It followed directly from the earlier reserve shortage which in turn was a creature of FPC regulatory policy.

*B. The impact of the shortage*

At the same time that field price regulation has meant lower gas prices, it has also brought about a reserve—and now a production—shortage. Determining who has been helped and who has been hurt by this FPC regulatory policy is necessary in order to assess whether the lower prices were "worth" the shortage. Information is not yet available to allow a definitive finding on this issue. Nevertheless, there is enough evidence inferentially to support the view that the result of FPC policy in the 1960's was to deplete the gas reserves of interstate home consumers in favor of the demands of intrastate industrial customers to whom sales were unregulated.

First, the regulated pipelines—those selling interstate for resale to distributors for most home customers—did not obtain their proportionate share of new gas reserves in the late 1960's. In 1965 these lines possessed more than 70 percent of the nation's reserves. But between 1965 and 1971, the interstate pipelines obtained less than half the volume of the new reserves developed, and the overall percentage of reserves possessed by them fell to 67 percent.[116]

Second, as Table II shows, what variation there was in the division of total annual gas production between residential and industrial users indicates that over the course of the 1960's proportionately more went to industrial users. The percentage of gas sold by pipelines and distributors to residential users declined 1.6 percentage points between 1962 and 1938.[117] This decline was caused in large measure by a substantial increase in industrial sales by unregulated intrastate pipelines and by producers themselves. Between 1962 and 1968, total industrial consumption of natural gas increased 43.5 percent, while intrastate pipelines and distributors increased their industrial sales by almost 62 percent.[118] Moreover, of the increase in industrial consumption, more than half can be attributed to sales by intrastate pipelines and distributors, while less than 13 percent is accounted for by direct industrial sales of the interstate pipelines. The remaining 37 percent of the increase was the result of direct sales by the producers.

TABLE II.—NATURAL GAS SALES TO ULTIMATE USERS[1]

| Class of service or seller | 1962 Quantity (million Mcf)[2] | 1962 Percent of total | 1968 Quantity (million Mcf)[2] | 1968 Percent of total | Percent increase |
|---|---|---|---|---|---|
| Sales by all pipelines and distributors: | | | | | |
| Residential and commercial | 4,320 | 44.5 | 5,966 | 42.9 | +38.2 |
| Industrial and other | 5,396 | 55.5 | 7,925 | 57.1 | +46.9 |
| Total | 9,716 | 100.0 | 13,891 | 100.0 | +43.0 |
| Sales to industrial and other nonresidential consumers: | | | | | |
| Direct sales by interstate pipelines[3] | 2,129 | 23.2 | 2,641 | 20.0 | +24.0 |
| Intrastate pipelines and distributors (estimate)[4] | 3,267 | 35.5 | 5,284 | 40.0 | +61.7 |
| Producers[5] | 3,809 | 41.3 | 5,284 | 40.0 | +38.7 |
| Total U.S. industrial consumption | 9,205 | 100.0 | 13,209 | 100.0 | +43.5 |

[1] Much of the data in the table is derived from American Gas Association, "Gas Facts 1971", at 82, 119 (1972).

[2] This figure was converted from million therms to million Mcf based on 1,031 Btu's per cubic foot of natural gas.

[3] See Federal Power Commission, "Statistics of Interstate Natural Gas Pipeline Companies 1962, at XXII (1963); Federal Power Commission, "Statistics of Interstate Natural Gas Pipeline Companies, 1968," at XV (1969).

[4] These figures are derived by subtracting "Direct sales by interstate pipelines" from the figures for "Industrial and other" sales by all pipelines and distributors.

[5] These figures are derived by subtracting "Direct sales by industrial and other" sales by all pipelines and distributors from the figures for "Total U.S. industrial consumption."

Third, that the reserve shortage hit most seriously the residential buyer supplied by a regulated pipeline becomes still more evident when certain particular gas regions are examined. The Permian Basin in West Texas, for example, accounted for about 2.5 percent of total U.S. gas reserves in the early 1960's. In the late 1960's, additional discoveries raised this figure to about 10.5 percent.[119] Six large interstate pipelines, two intrastate pipelines, and many direct industrial buyers bid for the new reserves.[120] From 1966 onwards, the intrastate lines and the direct industrial buyers obtained almost all of the uncommitted volumes available. In fact, interstate pipelines, which accounted for 80 percent of production from the new reserves in this area in 1966, accounted for only 9 percent in the first half of 1970.[121] The reason for the interstate pipelines' decline in reserve holdings is not difficult to find. Prices offered by intrastate buyers for the new gas in this area rose from 17 cents per Mcf in 1966 to 20.3 cents per Mcf in 1970, and toward the end of 1970, the intrastate pipelines bought more than 200 billion cubic feet of reserves at initial delivery prices of 26.5 cents per Mcf.[122] At the same time, prices paid by interstate pipelines could not exceed the regulatory ceiling and therefore remained between 16 and 17 cents per Mcf. The inescapable conclusion is that the interstate pipelines were simply outbid.

In sum, as a result of regulation in the 1960's buyers for interstate consumption obtained fewer reserves than they wished. For the most part, those buyers were pipelines ultimately serving primarily residential consumers. The short reserve supplies were bid away from these buyers by intrastate gas users. This was a predictable result of FPC two-tier regulation of field gas markets in light of the Commission's jurisdictional limitations.

IV. THE COSTS OF REGULATION

Showing that ceiling prices created a substantial gas shortage and that this shortage was disproportionately borne by residential gas consumers is not enough by itself to condemn FPC regulatory policy. At the same time that FPC regulation of field markets created a shortage, it also reduced prices 6 cents per Mcf below what we have simulated market-clearing prices to be during the 1960's. To calculate the gains to consumers who actually received gas as a result of this regulatory policy, one might simply multiply average annual production of regulated gas from, say, 1962–68 (about 11 trillion cubic feet),[123] by 6 cents per Mcf and claim that regulation saved those consumers who received gas about $660 million annually. Of course, such a calculation contains heroic assumptions and oversimplifications. For one thing, it assumes that every cent of price reduction at the wellhead was passed through to ultimate consumers; in light of the fact that sales by retail distributors are intrastate and therefore subject only to state regulation, the assumption may not be valid.[124] For another thing, had producers received a higher price, at least some of their additional revenues would have been taxed away and, therefore, indirectly returned to consumers anyway. Nonetheless, even assuming that the entire 6 cents per Mcf was returned to consumers who actually received gas, we still doubt that this benefit outweighed the losses arising from regulation, even from the point of view of the consumer class itself.

*In order to calculate the costs of wellhead* price regulation to gas users, it must first be established that the behavior of pipelines in the field market is representative of consumers' interests. Table I[125] showed that the additional 6 cents per Mcf which pipelines would have paid for gas produced under unregulated conditions would have purchased a joint product: *both* additional production *and* additional reserves. These hypothesized purchases of additional supply by pipeline companies likely represent what the pipelines conceived to be final consumer demands for additional current deliveries and for additional insurance of future deliveries. Obviously, pipelines would not overstate demands for current production, since they clearly have no interest in purchasing gas which they cannot resell. Similarly, it is difficult to see why pipelines would deliberately over-

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state demand for reserves, given that the costs of dedicated reserves are not included in their rate base and demanding excessive reserves would increase contract prices and therefore ultimately reduce sales to consumers.[126]

If this assumption of the representative quality of the pipelines' field market demands is correct, then the cash returned to gas users by virtue of FPC regulation was probably less than the cash consumers were willing to give up for additional deliveries and reserve backing. First, the gains to those paying lower prices for gas they actually received must be offset by the losses to others who had to do without gas and find other sources of energy. Residential and commercial users unable to receive gas because distributors lacked supply—usually those consumers in new or growing population centers—were forced to use less desirable, or more expensive, fuels such as oil or electricity. The cost, in real terms, to these consumers of using such alternative energy sources can be roughly measured by the amount which they were willing to pay for additional gas. Therefore, the loss they suffered from regulation is the difference between what they *were willing to pay* for gas rather than go without it and *what they would have actually paid* under equilibrium conditions for the market-clearing level of gas deliveries. If this difference or "premium" which consumers suffering the shortage were willing to pay was on *average* 6 cents per Mcf, then the losses of those doing without gas were as great as the gains of others receiving gas at 6 cents per Mcf below market-clearing prices; this is so because the hypothesized *shortage* of new production (the difference between simulated and actual production out of new reserves in Table I) was approximately as large as *actual* new production.[127] In fact, it appears from the supply and demand model that consumers suffering that shortage would by 1967 or 1968 have been willing to pay an average premium of 6 cents per Mcf rather than do without gas entirely.[128] Therefore, the losses from the shortage (equal to what consumers in the aggregate were willing to pay to recover lost gas production) simply made too many consumers worse off to allow the conclusion to be drawn that reduction in prices was worth the shortage it created.[129]

Second, the argument that consumers who actually received gas obtained a 6 cents per Mcf saving as a result of FPC regulation is itself fallacious, because these consumers were, in fact, purchasing *less*—an inferior product—than they would have under unregulated conditions. As we have shown, the price which consumers pay for deliveries, when translated into the price pipelines pay for production at the wellhead, purchases not only current production, but also a reserve backing which provides a certain level of insurance of future deliveries. Since FPC price ceilings brought forth only a third of the new reserves which would have been developed under market-clearing conditions, those consumers who received gas at lower prices *gave up* a substantial amount of their guarantee of future service. To be sure, this loss was not observable by these consumers, since it took the form only of reduced backing for production which they were currently receiving. Nevertheless, it is likely that these reserves were worth a considerable amount to them. The man who makes a large investment in gas appliances, for example, obviously wants an assurance that he will not have to switch to oil or electricity for many years, if at all. Reserves promise him this and also provide him with security from possible temporary interruptions of service. On conservative assumptions, these buyers, as represented by the pipelines, wanted at least 14.5 years of reserve backup to provide them with a sufficient production guarantee.[130] Under unregulated conditions, this insurance would have been obtained by them; under FPC price ceilings, it was not.[131] The 6 additional cents per Mcf which consumers receiving gas would have had to pay in an unregulated market was, from the perspective of their interests, at least in part a premium for insurance which FPC price ceilings did not provide. For every 6 cents in cash which FPC regulation saved these consumers on actual deliveries, it took away reserves which they might well have desired at least as much as the money. In short, the extent to which FPC regulation actually helped even those receiving gas at lower prices is problematical; it simply gave them a short term windfall at the cost of long term insecurity.

These losses to both those who did not obtain gas and those who did, moreover, are not all the costs of the FPC's regulatory policy. For example, further costs probably resulted from the displacement of industry. Some industrial firms for whom energy costs were a large part of total costs moved to the producing states solely to obtain natural gas not available on the interstate market due to FPC price ceilings. Moreover, further distortion arose from competitors' paying different prices for their fuel sources, either because one had an intrastate gas supplier, or because of FPC policies for rationing the cheaper "old" gas. And the economic and administrative costs of litigation and delay from the price proceedings themselves have been substantial as well.[132]

Despite these strong indications of the failure of FPC regulation of field gas prices, some consumers' groups have argued that the Commission should deal with the problems that have arisen from its present regulatory efforts by introducing still more regulation. The Commission might, for example, seek to expand its jurisdiction over intrastate sales to end the "leakage of supply" to intrastate industrial users and then establish "end use" controls, specially allocating gas to particular individuals or classes of customers.[133] Such an approach, however, would not solve the problems raised here. Not only would it fail to reduce the aggregate shortage of gas, but it would require the Commission to determine on a larger scale than it now does which end uses of gas are "superior" and which "inferior." Such a task is difficult, to say the least, and there is little reason to believe that a Commission that was unable to set area prices in the field without creating massive shortages would find a "proper" solution to the still more complex problem of rationing on a grand scale. Once prices were abandoned as a measure of value, the number of claimants for special preferences, citing a variety of economic and social imperatives, would become large indeed. In all probability, the Commission would have to continue its past practices and simply arrange for a series of compromises among these various claimants. Such compromises would inevitably lead to continued excess demand for gas and to shortages in which, if the future resembles the past, those intended to benefit from gas regulation would still be injured.

Neither would it be completely satisfactory for the Commission to follow a partial policy of income redistribution by trying to squeeze rents only from old gas- and oil-well gas production while leaving new gas-well gas production unregulated.[134] To be sure, there would be little danger of shortage if the Commission set ceiling prices only on the production of gas *now* classified as "old," since there is *ex hypothesi* a fixed supply of these hydrocarbons. But such regulation would accomplish merely a temporary, minimal transfer of rents, because the supply of this "old" gas will run out in the next few years. In order to accomplish this temporary income transfer, the Commission would still have to solve the problems of determining the costs of producing old gas and of rationing the cheaper supplies. The administrative burden of solving these problems might not be worth the income redistribution which such a policy would bring about. On the other hand, if the Commission embarked upon a *permanent* policy of regulating "old" gas prices by continuously reclassifying further supplies as "old," it would not only have to develop a dynamic standard to separate "old" from "new" gas, but it would also be confronted with all the problems of the present regulatory system. Producers seeing that the prices of their new supplies would *eventually* be subject to ceilings would be likely to take these future price regulations into account. Therefore, while the prices of new reserves would not be directly regulated, further exploration and development would still be discouraged, and thus a shortage would still arise.

The alternative that we favor is eliminating field price regulation designed to transfer producer rents. If income is to be redistributed, rents can be transferred from producers to consumers without regulation. For example, tax policy can be used to accomplish the same objectives. Indeed, much of the alleged justification for the depletion allowance [135] in this area—the need to encourage exploration and development—would seemingly vanish if producer prices were set competitively. In contrast to the tax system, area price ceilings cannot help but be an indiscriminate method of income redistribution. While it takes *some* income from those producers realizing excess profits, its impact falls most heavily on those producers without excess profits—those right at the margin, perhaps forcing them out of the market entirely. In contrast, redistribution through taxation aims more directly at those producers with excessive incomes. While we are aware that redistribution through tax policy has many problems of its own, we doubt that they could be as serious as those that have accompanied the effort to control field prices. In short, it is difficult to see the virtue of a price control system, particularly when, as was proven during the 1960's, it is likely that those consumers the system is designed to benefit will not be benefited at all. With the example of producer price regulation in mind, one might well question the advisability of using microeconomic methods—such as regulation of the firm—solely to accomplish macroeconomic objectives—such as income redistribution.

To be sure, elimination of regulation intended to redistribute income would effectively mean deregulation of much of the field market for natural gas, since the market structure of most, if not all, producing regions is decentralized and competitive. Deregulation of this sort, however, would not deprive the Commission of all power over producer rates in those regions where producers do possess monopoly power. At the same time that the Commission would allow prices in competitive regions to approach market-clearing levels, it could selectively regulate prices in those few producer regions where market power turns out to be present by using the prices in the competitive areas as benchmarks.

Of course, one potential obstacle to this proposed regulatory policy is that a court might hold that for the Commission to allow market forces to determine producer prices would be inconsistent with the mandate of the Natural Gas Act to regulate "sale[s] in interstate commerce of natural gas. . . ." [136] To be sure, in the *CATCO* case,[137] the Court held that the Commission could not license a producer to sell gas without conditioning the license on the producer's promise to charge a reasonable price. But the Court's decision in that case was predicated on the inadequacy of the Com-

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mission's findings respecting the need to issue an unconditional license, and on the harms to consumers which would attend the inordinate delay before the Commission on its own could determine a just and reasonable rate. Certainly, the case cannot be taken as precedent for disturbing Commission judgment that market forces can ordinarily be relied upon to set just and reasonable rates and that any attempt to interfere with market forces to transfer rents would do the consumer more harm than good. A decision to "deregulate" producer prices as proposed would be a determination that selective rather than pervasive interference with field market transactions was the most appropriate way to regulate this portion of the natural gas industry. Such a determination would seemingly comply with the fundamental purposes of the Natural Gas Act, and, being based upon 15 years of experience with different methods of regulation, it would almost certainly be supported by substantial evidence.[135] Nothing in the *Phillips Petroleum* decision[136] *requires* the FPC to set prices; the decision simply gives the Commission jurisdiction to do so. As the U.S. Court of Appeals for the Fifth Circuit has recently stated: [110]

"[T]he decisions of the Supreme Court definitely indicate the Commission has a responsibility to take the steps necessary to assure that wellhead prices are in the public interest. The Commission does not have to employ the area rate method or for that matter regulate prices directly at all, but it has chosen to fulfill its duty in that manner here."

In sum, the arguments against the present system of gas field market regulation are compelling. Price control is not needed to check monopoly power, and efforts to control rents require impossible calculations of producer costs and lead to arbitrary allocation of cheap gas supplies. In practice, regulation has led to a virtually inevitable gas shortage. It has brought about a variety of economically wasteful results, and it has ended up by hurting those whom it was designed to benefit. Thus, less, not more, regulation is required.

FOOTNOTES

†This article is adapted from a forthcoming book by the authors on energy regulation by the Federal Power Commission (FPC), funded and soon to be published by the Brookings Institution.

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[1] 347 U.S. 672 (1954).

[2] Prior to this decision, FPC regulation of the natural gas industry extended only to the regulation of prices for the transporting of gas across state lines for the purposes of resale.

[3] MacAvoy, *The Effectiveness of the Federal Power Commission*, I BELL J. OF ECON. & MANAGEMENT SCI. 271, 303 n. 22 (1970).

[4] *See* Table I, p. 975 *infra*.

[5] Although in debates over the wisdom of FPC regulatory policy the *Phillips* decision itself is often violently attacked, the Court's logic in that case was not wholly unreasonable, though neither was it totally satisfying. Whether the FPC should have jurisdiction over producer prices is not clear from the statutory language of the Natural Gas Act, 15 U.S.C. §§ 717–717w (1970). The Act states that [t]he provisions of this chapter shall apply to . . . the sale in interstate commerce of natural gas for resale . . . but shall not apply to . . . the production or gathering of natural gas.

15 U.S.C. § 717b (1970). To be sure, a field producer's sale to an interstate pipeline is "a sale in interstate commerce for resale." But whether the exemption for "production and gathering" applies to the physical production and gathering operations only *or* to those operations and also the *sale* of what what is gathered, is not clear.

While the legislative history of the Act has little to say about producer regulation, what is said seems to support the Court's decision. The House of Representatives Committee Report states that the words "production or gathering" are "not actually necessary, as the matters specified therein could not be said fairly to be covered by the language affirmatively stating the jurisdiction of the Commission. . . ." H.R. REP. No. 709, 75th Cong., 1st Sess. 3 (1937). *See generally* Note, *Legislative History of the Natural Gas Act*, 44 GEO. L.J. 695 (1956). This statement suggests that Congress did not mean to exempt from regulation sales by producers to pipelines, for such sales surely could be said "to be covered by the language affirmatively stating the jurisdiction of the Commission" over sales for resale in interstate commerce. Moreover, although the FPC consistently refused before 1954 to regulate producers, at their urging Congress passed a bill granting a clear producer exemption—a bill that President Truman vetoed. Thus the producers, the Congress, and the President arguably acted as if the producers might be regulated by existing law. For an excellent discussion of this point, and of producer price regulation generally, see Kitch, *Regulation in the Field Market for Natural Gas by the Federal Power Commission*, 11 J. LAW & ECON. 243, 254–55 (1968).

Despite this support for the Court's position, however, the *Phillips* decision can be criticized. The Court did not examine, more than superficially, the economic purposes that producer regulation might serve. Without such an examination, the Court could not tell what sense producer regulation made economically or whether it was consistent with a general regulatory policy which provides for the supervision of the prices of monopoly (or oligophy) gas transmission companies and of monopoly retail gas distributing companies. If producer regulation is not consistent with this general regulatory policy, then to assume a congressional intent to regulate producers in the face of ambiguous statutory language and a near-silent legislative history was not warranted, and produced bad law. To what extent the Court in 1954 could have been aware of the facts and arguments concerning the economic rationale for regulation, we leave to the reader to judge.

[6] N.Y. Times, April 19, 1973, at 1, col. 1; *see* note 134 *infra*.

[7] Southern Louisiana Area Rate Cases v. FPC, 428 F. 2d 407, 418 n. 10 (5th Cir.), *cert. denied*, 400 U.S. 950 (1970).

[8] Recent estimates place potential reserves in the U.S. at 1,227 trillion cubic feet in addition to the present proven reserve inventory of 275.1 trillion cubic feet. FEDERAL POWER COMMISSION, 1970 ANNUAL REPORT 52 (1971). Of course, much of the potential reserves exists in high-risk, high-cost areas. *Id.* at 52. But these figures for potential resources do not include the possibility of expansion by way of technological advances in obtaining gas from coal and in stimulating low-productivity gas reservoirs through the use of nuclear power. *Id.* at 53–54.

[9] *See* pp. 965–66.

[10] *See, e.g.*, Posner, *Taxation by Regulation*, 2 BELL J. OF ECON. & MANAGEMENT SCI. 22 (1971).

[11] For general background on the production of natural gas, see J. KORNFELD, NATURAL GAS ECONOMICS (1950); S. PIRSON, OIL RESERVOIR ENGINEERING (1959); L. UREN, PETROLEUM PRODUCTION ENGINEERING (1934).

[12] *See* Table II, p. 978 *infra*.

[13] *See* P. MACAVOY, PRICE FORMATION IN NATURAL GAS FIELDS chs. 5–7 (1962) [hereinafter cited as PRICE FORMATION].

[14] *See* pp. 954–57 *infra*.

[15] *See* C. HAWKINS, THE FIELD PRICE REGULATION OF NATURAL GAS 221 (1969) [hereinafter cited as HAWKINS].

[16] *See, e.g.*, Douglas, *The Case for the Consumer of Natural Gas*, 44 GEO. L.J. 566, 589 (1955) ("Competition is limited by the domination of supply and reserves by a very few major companies . . . .").

[17] Phillips Petroleum Co. v. Wisconsin, 347 U.S. 672, 685 (1954).

[18] Southern Lousiaina Area Rate Cases, 428 F.2d 407, 416, n.10 (5th Cir.), *cert. denied*, 400 U.S. 950 (1970).

[19] HAWKINS, 248.

[20] Permian Basin Area Rate Proceeding, 34 F.P.C. 159, 182 n.17 (1956), *aff'd in part and rev'd in part sub nom.* Skelly Oil Co. v. FPC, 375 F.2d (10th Cir. 1967), *aff'd in part and rev'd in part sub nom.* Permian Basin Area Rate Cases, 390 U.S. 747 (1968) (approving FPC decision in its entirety).

[21] P. MACAVOY, THE CRISIS OF THE REGULATORY COMMISSIONS 156 (1970), quoting Champlin Oil & Refining Co., Docket No. G–9277, at 458 (FPC 1969) (testimony of Professor M.A. Adelman).

[22] *See* McKie, *Market Structure and Uncertainty in Oil and Gas Exploration*, 74 QUARTERLY J. OF ECON. 453 (1960).

[23] *See* HAWKINS 227; pp. 966–67 *infra*.

[24] *See* PRICE FORMATION 29–31.

[25] *Cf.* Champlin Oil & Refining Co., Docket No. G–9277, at 489 (FPC 1969) (testimony of Professor A. E. Kahn).

[26] *See* PRICE FORMATION 93–242.

[27] *See, e.g.*, Dirlam, *Natural Gas: Cost, Conservation, and Pricing*, 48 AMERICAN ECON. REV. 491 (No. 2, 1958); Douglas, *supra* note 16; Kahn, *Economic Issues in Regulating the Field Price of Natural Gas*, 50 AMERICAN ECON. REV. 506 (No. 2, 1960).

[28] HAWKINS 223 (prices at the wellhead increased 83% during this period).

[29] *See* PRICE FORMATION 243–73.

[30] *See, e.g.*, Douglas, *supra* note 16; Spritzer, *Changing Elements in the Natural Gas Picture: Implications for the Regulatory Scheme*, in REGULATION OF THE NATURAL GAS PRODUCING INDUSTRY 118 (K. Brown ed. 1972).

[31] On this point, most of the economic theories of the regulated firm agree. *See, e.g.*, Averch & Johnson, *Behavior of the Firm Under Regulatory Constraint*, 52 AMERICAN ECON. REV. 1052 (No. I, 1962). *See also* Baumol & Klevorick, *Input Choices and Rate-of-Return Regulation: An Overview of the Discussion*, I BELL J. OF ECON. MANAGEMENT SCI. 162 (1970).

[32] *See* PRICE FORMATION 93–145.

[33] Those favoring regulation have also pointed to producer profits as evidence of market power. To be sure, profits would appear to have been higher here than in some industries. Economic experts appearing for the distributing companies in the Permian Basin Area proceedings reported average returns on capital between 12 and 18% for oil and gas companies at a time when the average return in manufacturing was less than 8%. But such comparisons are not enough to suggest the presence of monopoly pricing, due to three special features of returns in the gas producing industry. First, without regulation, marginal producers must earn a return on their capital at least equal to what they could earn by investing elsewhere. But lower costs on more fortunate discoveries in a world of uncertainty might earn much more, and this "rent" earned by unusually efficient or fortunate producers would create an upward bias in industry average profit rates. Such "rent" is more likely to be prevalent in natural gas production than in most other industries because of the characteristics of discovery of an uncertain resource. *See* p. 950 *infra*. Second, the Permian Basin figures reflect profits only of firms still in business, not of those that have failed. The uncertainty in exploring and developing gas suggests that risks of failure have been unusually high. *See* HAWKINS 222

(showing high percentage of exploratory wells which have been dry). Thus, measuring industry returns on the basis of those that are able to remain in it results in an upward bias. Third, profit figures in the Permian Basin proceedings overstated the true return to capital because of the accounting procedures used. The rate of return estimates were calculated simply by dividing total profits that producers reported they had received by the total capital that they reported they had invested. However, this method does not account for the extensive time lag in the industry before an investment begins to earn a return. The accounting return on a dollar invested must be far lower in real terms here than elsewhere simply because payment begins 5 years rather than 1 year, after the investment is made; the simple accounting profit rate must be adjusted to take the long lag between exploration and production into account. Producer witnesses in the Permian Basin case estimated that an "apparent yield" of 16 to 18% was due to the lag in production, equivalent to a "true yield" of about 10%. Thus, not much can be concluded about market power from the profit figures alone.

[54] Of course, regulation designed to allocate resources efficiently and regulation directed at income redistribution are necessarily mutually exclusive policies. *See* p. 943 *supra*.

[55] *See, e.g.*, Kahn, *supra* note 27.

[56] *See* Tables I and II, pp. 975, 978 *infra*. *See also* HAWKINS 220.

[57] Rising trends in costs of inputs and falling trends in productivity per unit of drilling are reported in NATIONAL PETROLEUM COUNCIL, U.S. ENERGY OUTLOOK ch. 6 (2d Interim Report 1971).

[58] *See* p. 944 *supra*.

[59] *See* Southern Louisiana Area Rate Proceeding, 46 F.P.C. 86, 110–11 (1971).

[60] *See* Southern Louisiana Area Rate Cases v. FPC, 428 F.2d 407, 426 (5th Cir.), *cert. denied*, 400 U.S. 950 (1970).

[61] *See* pp. 958–59 *infra*.

[62] This pattern appeared in the first complete area rate decision. Permian Basin Area Rate Proceeding, 34 F.P.C. 159 (1956), *aff'd in part and rev'd in part sub nom.* Skelly Oil Co. v. FPC, 375 F.2d 6 (roth Cir. 1967), *affd in part and rev'd in part sub. nom.* Permian Basin Area Rate Cases, 390 U.S. 747 (1968) (approving FPC decision in its entirety).

[63] *See* 34 F.P.C. at 188.

[64] Additionally, economists favoring regulation upon whom the Commission has closely relied have often rested their case upon a belief that the supply of gas is inelastic—that price has little effect on outputs. *See, e.g.*, Kahn, *supra* note 27, at 508–09. If regulation-induced price changes would not affect output, then the only reason to set price ceilings would be to transfer rents.

[65] 347 U.S. 672 (1954).

[66] Soon after the *Phillips* decision, Congress passed a bill exempting field sales of natural gas from regulation. The bill was vetoed, however, by President Eisenhower, not because he favored regulation, but because he disapproved of certain producer lobbying tactics. *See* Kitch, *supra* note 5, at 256.

[67] HAWKINS 37.

[68] *Id.*

[69] *Id.* at 26.

[70] *Id.* at 78.

[71] SUBCOMMITTEE ON ADMINISTRATIVE PRACTICE AND PROCEDURE OF THE SENATE COMM. ON THE JUDICIARY, 86TH CONG., 2D SESS., REPORT ON THE REGULATORY AGENCIES TO THE PRESIDENT-ELECT 54 (Comm. Print 1960) (Landis report).

[72] Assume that to find and to produce a certain volume of gas and oil from a marginal well costs a certain producer $100,000. Assume further that of this cost, $70,000 is joint, $20,000 represents the ascertainable separate cost of extracting oil, and $10,000 the separate cost of extracting gas. The producer will develop this well and sell both gas and oil provided he can sell the oil for at least $20,000, the gas for at least $10,000, and the two together for at least $100,000. But he will not care whether the extra $70,000 comes entirely from gas sales, entirely from oil sales, or from some combination of the two. The source of the $70,000 will depend upon the relative strength of the demands of gas buyers and oil buyers for the producer's supplies—a factor which will depend upon supply and demand in each industry. *See, e.g.*, I. A. KAHN, THE ECONOMICS OF REGULATION 79–83 (1970).

[73] Thus, the agency regulating the producer described in note 52, *supra*, would permit the well owner to recover $100,000, allowing him to set whatever combination of gas and oil prices would be necessary to obtain the revenue. Similarly, the regulator would allow the owner of an intermarginal well with, say, joint costs of $40,000, separate gas costs of $5,000, and separate oil costs of $10,000 to set whatever prices would obtain a total of $55,000. Since in the latter case total production could be sold for $100,000 in an unregulated market, the producer would lose $45,000 in rent, and gas and oil consumers *together* would pay $45,000 less than the free market price.

[74] The problem of trying to regulate one industry without regulating the other becomes clear if one considers the following procedure. Suppose the Commission were to require producers to submit prices that covered the costs of producing gas only, but which included (1) the ascertainable separate costs of gas extraction, plus (2) joint costs only insofar as they would not be covered by revenues received from the sale of petroleum. Thus, for example, a firm with joint costs of $70,000, separate oil costs of $20,000, and separate gas costs of $10,000, would be allowed to earn up to $80,000 from gas sales which would be calculated as the sum of $10,000 plus the difference between oil revenues (less $20,000 for covering *separate* oil costs) and $70,000. For every dollar less that it earned from oil sales, the company would be allowed to earn a dollar more from gas sales.

Considering the Commission's inability to regulate liquid sales, such a system for regulating gas production prices would have obvious drawbacks. First, it would require information on petroleum sales of the sort that is required of regulated sales. To ask the company to provide estimates of future oil prices would be to ask for exceptionally costly and uncertain information. Second, the Commission would have to regulate the price of oil eventually if it were to squeeze rents out of gas production. Under such a system, the producer would be indifferent as to whether he earned a dollar of rent from an oil or a gas sale. It is possible that he would try to cover as many of the well's costs as possible from gas sales, for if the Commission forced him to charge a lower gas price, he would not know whether he could cover a well's remaining joint costs from oil sales until the oil was sold, perhaps sometime in the future. He must therefore decide to maintain gas prices that included rents and reduce his oil prices, as a strategy to increase total sales or, perhaps, in order to allocate his low-priced oil arbitrarily on the basis of personal favors or otherwise.

[75] *See generally* HAWKINS 44–74.

[76] If, for example, it costs $1.50 to produce a barrel of oil and $0.15 to produce an Mcf of gas, joint costs would be allocated according to the ratio: 10 × the number of barrels of oil/number of Mcf's of gas.

[77] Under this method, if a barrel of oil yielded one million BTU's and an Mcf of gas yielded ½ million, then a company's joint costs would be allocated according to the ratio: 2 × number of barrels of oil/ number of Mcf's of gas.

[78] Thus, if an oil BTU was worth four times a gas BTU, the ratio for allocating joint costs would be: 4 × number of barrels of oil/number of Mcf's of gas.

Note that this is a potentially circular method since "costs" are partly tied to existing prices. *See* HAWKINS: 46–47.

[79] *See* HAWKINS 78.

[80] FPC v. Hope Natural Gas C., 320 U.S. 591, 645 (1944).

[81] Since the number of joint wells has diminished to the point where gas output from them accounts for only about 25% of total gas production, *see* p. 944 *supra*, the problem of allocating joint costs became somewhat less important in the 1960's than it was in the 1950's. Nonetheless, joint expenditures were and are still sufficiently important to make a pricing system that allocates them via these accounting methods an exercise in the arbitrary.

[82] *See generally* W. SHARPE, PORTFOLIO AND CAPITAL MARKETS (1970).

[83] Because of special tax incentives, much new investment by gas production companies is financed out of internally generated funds. *See, e.g.*, INT. REV. CODE OF 1954, §§ 611–13 (depletion allowance).

[84] *See* NATIONAL PETROLEUM COUNCIL, U.S. ENERGY OUTLOOK 115 (1972) (showing exploration, development, and overhead costs to be $6.4 billion of $8.9 billion total outlay).

[85] The five areas were (1) The Permian Basin (Texas and part of New Mexico); (2) Southern Louisiana (including the offshore area in the Gulf of Mexico); (3) Hugoton-Anadarko (part of Oklahoma and Kansas); (4) Texas Gulf Coast; and (5) Other Southwest (Mississippi, Arkansas, and parts of Alabama, Texas, and Oklahoma).

[86] 15 U.S.C. § 717d (1970).

[87] With regard to increases in existing contracts, proposed price increases would take effect subject to an obligation of the producer to refund any excess above the "reasonable rate" which the area rate proceeding was eventually to find. Thus, producers tended not to ask for increases above the interim ceiling rate. With regard to new supply contracts, the Commission used its licensing power over producer entry, 15 U.S.C. § 717 (1970), to withhold certificates allowing production to begin unless the producer agreed to sell the gas at the interim ceilings proposed by the Commission as (provisionally) reasonable. While the Commission did not rigidly adhere to these interim guidelines, its object was to hold new gas prices "in line" with those charged in the late 1950's and in 1960. *See generally* FPC, Statement of General Policy, No. 61–1, 24, F.P.C. 818 (1960).

[88] Permian Basin Area Rate Proceeding, 34 F.P.C. 159 (1965), *aff'd in part and rev'd in part sub nom.* Skelly Oil Co. v. FPC, 375 F.2d 6 (10th Cir. 1967), *aff'd in part and rev'd in part sub nom.* Permian Basin Area Rate Cases, 390 U.S. 747 (1968) (approving FPC decision in its entirety); Southern Louisiana Area Rate Proceeding, 40 F.P.C. 530 (1968), *aff'd*, Southern Louisiana Area Rate Case, 428 F.2d 407 (5th Cir.), *cert. denied*, 400 U.S. 950 (1970). The latter case was reopened to raise the ceiling by 25%. Southern Louisiana Area Rate Proceeding, 46 F.P.C. 86 (1971); *see* p. 964 *infra*.

[89] See p. 951 *supra*.

[90] The English have solved this problem by making the gas distributor a single nationalized company, with both monopoly and monopsony power. It can thus offer differential prices to producers based upon their production costs, including prices equal to marginal costs for producers at the margin. It can then ration the cheaper gas by selling to those consumers who bid the most. To be sure, the nationalized distribution company earns large rents, but these rents are simply transferred over to the treasury. *See generally* Dam, *The Pricing of North Sea Gas in Britain*, 13 J. LAW & ECON. 11 (1970). Of course, allowing private pipeline or distributing

companies in the United States to ration the cheaper "old" gas on the basis of consumers' willingness to pay would be undesirable, since producer rents would then be transferred to these private companies, rather than to consumers.

[71] The FPC has generally chosen to increase the reserve backing of existing pipeline customers when given the choice of certifying new pipeline construction with only marginal backing.

[72] *See, e.g.,* FPC v. Transcontinental Gas Pipe Line Corp., 365 U.S. 1 (1961) (upholding FPC decision to deny delivery of gas to utility company for use under boilers in place of coal, partially on ground that this was an "inferior" use); p. 984 *infra*.

[73] *See* pp. 948–49 *supra*.

[74] A deficiency in the supply of the new gas might still occur even if the Commission regulated the old gas only, so long as producers suspected that there would be *future* designations as "old" gas now "new." *See* pp. 984–85 *infra*.

[75] 15 U.S.C. § 717b (1970).

[76] *See* p. 997 & note 118 *infra*.

[77] Note that the discussion here is limited to the Commission's determination of prices for new *gas-well* gas, and that since no joint cost problem would be involved, it was unlikely the Commission would find the market price too low, as was the case in the former individual producer proceedings. *See* p. 957 *supra*.

[78] Thus in the Permian Basin Area Rate Proceeding, 34 F.P.C. 159 (1965), *aff'd in part and rev'd in part sub nom.* Skelly Oil Co. v. FPC, 375 F.2d 6 (10th Cir. 1967), *aff'd in part and rev'd in part sub nom.* Permian Basin Area Rate Cases, 390 U.S. 747 (1968) (approving FPC decision in its entirety), the Commission staff surveyed both major and minor producers to discover their annual total costs for producing new gas for the base year of 1960. Experts employed by the producers, and some employed by retail distributors, made similar surveys. Together they produced a range of estimates of exploration and development costs for each of several different years. See HAWKINS 91–107. Similarly, in the Southern Louisiana Area Rate Proceeding, 40 F.P.C. 530 (1968), *aff'd*, Southern Louisiana Area Rate Cases v. FPC, 428 F.2d 407 (5th Cir.), *cert denied*, 400 U.S. 950 (1970), such analyses were undertaken for the base year 1963.

[79] In Permian Basin Area Rate Proceeding, 34 F.P.C. 159 (1965), the Commission set a new gas ceiling price of approximately 16.5¢ per Mcf. In Southern Louisiana Area Rate proceeding, 40 F.P.C. 530 (1968), it set a new gas ceiling price of 20.0¢ per Mcf. The interim ceilings had been 16.0¢ and 21.0¢ respectively.

[80] *See generally* P. BRADLEY, THE COSTS OF PETROLEUM (1968).

[81] Permian Basin Area Rate Proceeding, 34 F.P.C. 159, 194 (1965).

[82] *See* HAWKINS 106–07.

[83] *Cf.* p. 948 *supra*.

[84] Southern Louisiana Area Rate Proceeding, 40 F.P.C. 530, 543 (1968).

[85] Southern Louisiana Area Rate Cases v. FPC, 428 F.2d 407, 419 (5th Cir.), *cert. denied*, 400 U.S. 950 (1970).

[86] Southern Louisiana Area Rate Proceeding, 46 F.P.C. 86, 110 (1971); *see* Hugoton-Anadarko Area Rate Proceeding, 44 F.P.C. 761, 769–72 (1970) (ceiling price based on settlement). *But see* Texas Gulf Coast Area Rate Proceedings, 45 F.P.C. 674 (1971) (ceiling price based on independent FPC determination).

[87] Thus, for example, in the first *Southern Louisiana* case, the industry probably surmised that the Commission was unlikely to approve any price out of line with past prices or that departed too radically from average historical new gas production costs. It is therefore not surprising that the settlement offered in that case came very close to the "interim" ceiling price. *See* Southern Louisiana Rrea Rate Proceeding, 40 F.P.C. 530, 630 (1968). Once the Commission reopened the proceeding, however, and thereby indicated its willingness to raise the ceiling price to alleviate the gas shortage, the settlement offer produced a price 20–25% higher than the price previously allowed. Southern Louisiana Area Rate Proceeding, 46 F.P.C. 86, 110 (1971).

[88] *See* p. 950 *supra*.

[89] *See Proceedings on Curtailment of Gas Deliveries of Interstate Pipelines Before the Federal Power Commission* (1972).

[90] FEDERAL POWER COMMISSION, BUREAU OF NATURAL GAS, NATIONAL GAS SUPPLY AND DEMAND 1971–1990, at 123 (1972).

[91] *See* MacAvoy, *The Regulation-Induced Shortage of Natural Gas*, 14 J. LAW & ECON. 167, 169–70 (1971) [hereinafter cited as *Regulation-Induced Shortage*].

[92] *See* NATURAL GAS SUPPLY AND DEMAND, *supra* note 90, at xi; FEDERAL POWER COMMISSION, BUREAU OF NATURAL GAS, THE GAS SUPPLIES OF INTERSTATE NATURAL GAS PIPELINE COMPANIES 1968, at 34–39 (1970).

[93] *See* Southern Louisiana Area Rate Proceeding, 46 F.P.C. 86, 110–11 (1971).

[94] In theory at least, this demand for reserves should be reflected in higher contract prices to the pipelines, because a longer waiting period for production imposes higher costs on the supplier. This cost increase was not reflected in significantly higher prices on longer term contracts, however, during the period just before area rate regulation. *See* PRICE FORMATION 262–65.

[95] *Regulation-Induced Shortage* 171–75.

[96] FEDERAL POWER COMMISSION, A STAFF REPORT ON NATIONAL GAS SUPPLY AND DEMAND 18 (1969). Note that 20 years of reserve backing will support only 12 years of delivery at the full initial production rate, because the rate of delivery out of a reserve must fall as gas pressure falls. *See* HAWKINS 42.

[97] *Regulation-Induced Shortage* 172.

[98] Obviously, the proposed model is fallible due to the many problems involved in acquiring data—problems that the Commission itself faced in trying to set prices. Yet we believe that such models should be used by policymakers as evidence that is probative, though not conclusive, of which policies ought to be followed.

[99] Ed.—Professor MacAvoy has previously published a supply and demand model intended to measure the extent to which field price regulation has caused the natural gas shortage. MacAvoy, *The Regulation-Induced Shortage of Natural Gas*, 14 J. LAW & ECON. 167 (1971). Since that time, his thoughts on the subject have somewhat modified, and the model presented herein is a considerably revised and updated version of that previously published and yields different results.

For those familiar with Professor MacAvoy's earlier model, the revised version presented here specifically differs in the following respects. First, the long term pattern of reserve discoveries and wells sunk in a drilling region is taken to be a better indicator of the geological conditions of that region than is the pattern of discoveries and drilling the year before the test year. Second, the level of the crude oil price index replaces that of the all fuels price retail price index as a condition of drilling activity. Third, the capital stock of gas burning furnaces is taken to be a closer measurement of the size of the final market for natural gas than changes in per capita income and population.

In addition, the data used to examine the relative effects of the gas shortage on industrial and residential users has been developed more fully and separates intrastate from interstate production insofar as it is possible to do so.

[100] The test field market is delimited by the pipelines taking gas for resale along the East Coast and in the Middle Atlantic states. The area roughly comprises Texas Railroad Commission Districts 1–7 and 10, Louisiana, Kansas, and Oklahoma.

[101] *See* p. 966 *supra*.

[102] The actual values of "j" are determined for purposes of the supply and demand equations by treating it as a "dummy" variable. *See* note 109 *infra*.

[103] *See* p. 944 *supra*.

[104] The effect of these economic factors on new reserve supply arises, of course, because $\triangle R_{tj}$ is partly a function of $W_{tj}$.

[105] A diagrammatic exposition of this argument is presented in PRICE FORMATION 37–41.

[106] P. 971 *supra*.

[107] A "least squares" equation is a common statistical method which minimizes the sum of the squared differences between the actual observations and the estimates provided by the fitted equation.

[108] The market-clearing solutions for the endogenous variables $\triangle R_{tj}$, $\triangle Q_{tj}$, $W_{tj}$, and $P_{tj}$ depend on the outside or "exogenous" variables j, $op_t$ $\triangle \Sigma R_{tj}$, $K_t$, $fp_t$, $M_j$, and $i_t$. Data series for each of these variables were constructed for the preregulatory period in the eleven drilling regions that provided gas on contracts to pipelines serving the East Coast and Midwest. The data used in the calculations were all obtained from publicly available sources. For the variables $\triangle R_{tj}$, $\triangle Q_{tj}$, $W_{tj}$, $P_{tj}$, $fp_t$, $M_j$, and $i_t$, the sources used are summarized in *Regulation Induced Shortage* 197–99. Data for the variables $K_t$ and $op_t$ were obtained from U.S. DEP'T OF COMMERCE, CURRENT BUSINESS STATISTICS, as accumulated over the period 1954–68. For the method of estimating the value of the "dummy" variable j, see note 109 *infra*.

These data were used to fit the supply and demand relations by first stage least squares equations for each of the endogenous variables separately given the exogenous variables, and then the fitted values $\triangle \hat{R}_{tj}$, $\triangle \hat{Q}_{tj}$, $\hat{W}_{tj}$, and $\hat{P}_{tj}$ from the first stage were used to find the second stage least squares supply and demand equations. The fitted supply and demand equations were therefore four least squares regressions, one for the supply of new reserves, the second for the supply of wells, the third for new production, and the last for the demand for new reserves.

[109] The equations for the number of wells sunk and for the supply of new reserves for the 1955–60 period were as follows:

$$W_{tj} = \underset{(1.73)}{-618.60} + \underset{(1.73)}{11.46}\,\hat{P}_{tj} + \underset{(1.75)}{175.52}\,op_t + \sum_{1}^{10} a_j J_j; \quad R^2 = 0.734$$

$$\Delta R_{tj} = \underset{(0.98)}{-5.41} + \underset{(0.98)}{2.45}\,\hat{W}_{tj} + \sum_{1}^{10} b_j J_j; \quad R^2 = 0.831$$

The sets of variables $\Sigma a_j J_t$ and $\Sigma b_j J_t$ are district dummy variables taking the value "one" for observations from district j and "zero" otherwise. This method of treatment of the geological differences between districts follows from F. FISHER, SUPPLY COSTS IN THE U.S. PETROLEUM INDUSTRY (1964).

As these equations show, there were positive cumulative effects from well drilling, new gas contract prices, and the crude oil retail price index. The elasticity of reserve supply with respect to new contract gas prices was estimated to be equal to 0.51 at the average 1956 price and level of new reserves, so that a 10% price increase would lead to a general 5.1% increase in discovery of new reserves.

The equation for additional production was as follows:

$$\Delta Q_{tj} = \underset{(2.89)}{-34.33} + \underset{(2.89)}{0.015}\,\Delta\hat{R}_{tj} \underset{(-2.27)}{-27.49}\,i_t + \underset{(2.73)}{11.37}\,fp_t;$$

$$R^2 = 0.693$$

This shows a positive production-reserve relation, a negative production-interest relation, and a positive production-fuel price relation. The elasticity of production with

respect to reserves was approximately 0.40, and was quasi-statistically significant. The elasticity with respect to interest rates was negative, and with respect to the fuel price index was positive. Both coefficients were quasi-significant and had the expected effect on production: the higher the capital ($I_t$), the lower the production rate; and the higher the price of alternative fuels ($fp_t$), the higher the gas production rate.

The demand equation was also estimated in the second stage of two stage least squares as follows:

$$P_t = \underset{(8.43)}{12.22} + \underset{(-1.12)}{0.0012}\,\Delta R_{tj} - \underset{(-1.95)}{0.00004}\,\Sigma\Delta R_{tj} - 0.0013\,M_j + \underset{(0.99)}{0.088}\,fp_t + \underset{(5.02)}{0.00083}\,K_t; \qquad R^2 = 0.616$$

As the equation shows, there were positive coefficients for three variables and negative coefficients for two variables. The elasticity of gas prices with respect to the fuels price index was +0.02, and with respect to the "size" of the resale market ($K_t$) was +0.05. These values are low, indicating small responsiveness of bid prices to change in the values of these variables. However, the elasticity of demand was substantial; a small change in prices $P_{tj}$ brought forth large changes in total new reserves demanded ($\Sigma\Delta R_{tj}$) so that this elasticity equalled at least —1.6. The other elasticities—for variables $\Delta R_{tj}$ and $M_j$ differentiating the drilling regions—were as expected from the economics of pipeline costs and demand.

[110] The results for each of the test years in the late 1950's are as follows:

*Average Price (cents per Mcf)*

| | Actual | Simulated |
|---|---|---|
| 1955 | 15.5 | 16.6 |
| 1956 | 17.0 | 17.9 |
| 1957 | 18.1 | 18.4 |
| 1958 | 19.3 | 18.8 |
| 1959 | 19.1 | 19.7 |
| 1960 | 18.4 | 20.0 |
| 6-year | 17.9 | 18.6 |

[111] The actual additions to reserves, and the simulated "unregulated" additions in the 1955–60 period, are as follows:

*Reserves (billions cu. ft.)*

| | Actual | Simulated |
|---|---|---|
| 1955 | 7,354 | 10,678 |
| 1956 | 14,439 | 10,935 |
| 1957 | 15,236 | 12,361 |
| 1958 | 13,604 | 12,578 |
| 1959 | 11,239 | 12,381 |
| 1960 | 10,036 | 12,481 |
| 6-year | 71,908 | 71,414 |

The tendency seems to have been for more new reserves to have actually been provided in the earlier years than simulated by the model. This tendency was reversed in the later years. Anticipation of the approaching price controls—with consequent reductions in supply—could have had much to do with this trend.

[112] Three other equation sets were fitted to the data as well. One set used the pattern of reserve discoveries and drilling the year before the test year as an indictator of geological conditions; thus, lagged values of the dependent variables, *i.e.*, $R_{t-1,\ j}$ and $W_{t-1,\ j}$, were used in place of the district "dummy" variable "j." *See* note 109 *supra*. A second set was fitted in the logarithms of all variables, and the third was fitted in the logarithms of the demand variables only. Of the four systems, the one reported in the text and the previous footnotes simulates best the 1955–60 experience in reserves, production, and prices.

[113] *See* note 108 *supra*.

[114] *See* note 109 *supra*.

[115] It is interesting to use the data in Table I to try to compare roughly the extent of reserve backing for actual and simulated new production in the test region. Taking the 8-year period as a whole, simulated additional production is 5% of simulated new reserves, and during the period 1963–68, it is 5.2% of new reserves. This would seem to indicate approximately between 19 and 20 years reserve backing for new production under "unregulated" conditions. See pp. 996–67 *supra*.

However, this calculation really overstates the extent of reserve backing supplied to guarantee new production, because the production figures provided by the model are for *additional* production only—*i.e.*, the quantity of production in excess of production the previous year. The figures do not include the extent of new production in the test years which would have been supplied under "unregulated" conditions to *replace* production contracts expiring in those years. It has been previously estimated that such replacement demands equal 1/14 of *total* production in any one year, based upon the depletion rate of new reserves in 1947. *See Regulation-Induced Shortage* 173–74 & n. 15. Figures for the total production in the test region under "unregulated" conditions are not provided by the model, and therefore replacement production cannot be calculated from the data in Table I. To be sure, inclusion of replacement production would reduce the reserve-to-production ratio below the level of 20 years reserve backing for new production. But, since the model predicts conditions which would "clear" the "unregulated" market, the higher simulated prices would have reduced demand for new reserve backing down to the level of that supplied. And, given higher prices, replacement production is unlikely to be so high as to take reserve backing under "unregulated" conditions outside the range of 14.5 to 20 years considered "optimal" to guarantee future service. *See* pp. 966–67 *supra*.

The *actual* reserve backup provided for new production in the test years was far lower. For the 8-year period as a whole, actual *additional* productions was backed up by 12.8 years of reserves, and during the period 1963–68, reserve backup was only 10.7 years. Because of the necessity eventually to reduce the rate of production out of a reserve as a result of falling pressures, *see* note 96 *supra*, this means that reserves supplied during the latter period would support only about 6.4 years of production at the initial rate. And, of course, if the new-reserve-to-new-production ratio were decreased to reflect new *replacement* production, this figure would be even lower.

[116] *Hearings on Natural Gas Policy Issues Before the Senate Comm. on Interior & Insular Affairs*, 92d Cong., Sess., pt. I, at 192, 268, 270 (1972) Statement of FPC Chairman Nassikas).

[117] *See* P. Balestra, The Demand for Natural Gas in the United States: A Dynamic Approach for the Presidential and Commercial Market (1967). Balestra describes the period referred to in text as that in which gas sales were "reallocated" between classes of customers. He describes 1950–57 as an "innovating" period in which pipelines were built and service begun and 1957–62 as a "maturing" period in which more gas was sold to the same customers.

[118] The substantial increase in the category "Distributors and Intrastate Pipelines" came primarily from sales by unregulated transmission companies. This is demonstrated by data gathered by the authors which show that sales by regulated pipelines to distributors for resale to industry increased at a rate only slightly greater than the rate of increase for "Total U.S. Industrial Consumption." By compiling the interstate pipelines' Form 2 Reports to the FPC, state totals for all pipeline sales were obtained. The percentage of sales to industry in each state was obtained from Bureau of Mines, Annual Reports on Gas Consumption and applied to those state totals to produce the figures, by state, for pipeline sales to distributors for industry. These sales increased by 50% from 1962 to 1968, significantly below the 62% increase registered for total industrial sales by "Intrastate Pipelines and Distributors" given in Table II.

[119] *See* American Petroleum Institute, American Gas Association, Proved Reserves of Oil and Natural Gas in the U.S. (Annual Volumes 1965–70).

[120] Price Formation ch. 5.

[121] *Hearings, supra* note 116, at 295, 298 (testimony of J. C. Swidler, Chairman, N.Y. Public Service Commission).

[122] Reply Submittal of the Office of Economics, Federal Power Commission, Initial Rates for Future Sales of Natural Gas for All Areas, Docket No. R-389A, at 12, 19 (Oct. 1970).

[123] *Hearings*, supra note 116, at 163, 192, 270 (Statement of FPC Chairman Nassikas).

[124] *Cf.* Hawkins 212.

[125] *See* p. 975 *supra*.

[126] *See* p. 948 *supra*.

[127] The discussion in text describes in layman's terms what the economist calls "consumers' surplus." Consumers' surplus is defined as the excess over the price paid which consumers are willing to pay for a given amount of a product rather than do without it. *See e.g.*, G. Stigler, The Theory of Price 78 (3d ed. 1966). When a market is at equilibrium, the market-clearing price equals what consumers are willing to pay for the last or marginal unit of output. Since consumers would normally be willing to pay more for intramarginal units of output, the equilibrium price affords them a savings or "surplus" on these intramarginal units. This savings which gas consumers suffering the shortage would have had under unregulated conditions is a measure of the cost to them of the FPC policy. It can be represented diagrammatically as follows on p. 982, note 127 *infra*.

At the level of production supplied under price ceilings ($Q_{fpc}$), consumers, as represented by the pipelines, were willing to pay a price for gas not only above the FPC ceiling ($P_{fpc}$), but considerably above the market-clearing price ($P_{market}$) as well. Moreover, for each unit of additional production up to market-clearing levels ($Q_{market}$), consumers were willing to pay more than the market-clearing price. Thus, the area of the triangle ABF is equal to the difference between what consumers doing without gas were willing to pay for additional production ($Q_{market}$—$Q_{fpc}$) and what they would have actually had to pay for it under market-clearing conditions (equivalent to the rectangle BFHG). This surplus which consumers who actually did without gas would have obtained under hypothesized market-clearing conditions represents the losses to them from FPC price ceilings.

These losses to consumers doing without gas can be compared to the gains by consumers who obtained new gas production. These gains are represented by the area of the rectangle CBED. This area is the difference between the market-clearing and FPC price ($P_{market}$—$P_{fpc}$) multiplied by the quantity of new gas production they received ($Q_{fpc}$). Thus, if the area of triangle ABF is at least equal to the area of rectangle CBED, then the gains to those who received gas were offset by the losses by those who had to do without.

[128] In other words, the length of line AB was, in fact, at least twice the length of line BE by the last years of the test period. Since the shortage of new production by 1967–68 exceeded the actual supply of new production, line BF was greater than line CB. Thus, the area of the triangle ABF was at least equal to the area of the rectangle CBED.

[129] Of course, this is somewhat of an overstatement, since the model shows consumer losses being at least equal to consumer gains only with regard to *additional* production during the test years. In reality, the 6 cents

per Mcf reduction in price brought about by FPC ceilings was a gain realized by consumers on other gas as well—*i.e.*, the amount produced under old contracts which would have sold for higher prices when "favored nation" clauses were triggered. *See* p. 946 *supra*. This amount is unknown.

[110] *See* p. 967 *supra*.

[111] *See* note 115 *supra*.

[112] *See, e.g.*, Gerwig, *Natural Gas Production: A Study of Costs of Regulation*, 5 J. LAW & ECON. 69 (1962).

[113] *See Hearings, supra* note 116, at 302 (testimony of J. C. Swidler).

[114] President Nixon's recent proposal, *see* p. 942 *supra*, seems to contemplate adoption of this alternative.

[115] INT. REV. CODE of 1954, §§ 611–14.

[116] 15 U.S.C. § 717(b) (1970); *see* note 5 *supra*.

[117] Atlantic Refining Co. v. Public Service Comm'n of New York, 360 U.S. 378 (1954).

[118] Courts will normally review administrative decisions to see if they are in compliance with law and are supported by substantial evidence on the whole record. *See* Universal Camera Corp. v. NLRB, 340 U.S. 474 (1951).

[119] *See* p. 941 and note 5 *supra*.

[120] Southern Louisiana Area Rate Cases, 428 F. 2d 407, 416 n.9 (5th Cir.), *cert. denied*, 400 U.S. 950 (1970). *See also* Permian Basin Area Rate Cases, 390 U.S. 747, 766–67 (1968) (one who would overturn FPC finding of fact bears heavy burden of proof); Wisconsin v. FPC, 373 U.S. 294, 309 (1963) ("[i]t has repeatedly been stated that no single method need be followed by the Commission in considering the justness and reasonableness of rates"); FPC v. Hope Natural Gas Co., 320 U.S. 591, (1944) ("Under the statutory standard of 'just and reasonable' it is the result reached not the method employed which is controlling.")

## SUPPORTERS OF INDEPENDENT SOCIAL SECURITY ADMINISTRATION CONTINUE TO GROW

Mr. CHURCH. Mr. President, in March I introduced legislation to establish an independent, nonpolitical Social Security Administration outside the Department of Health, Education, and Welfare.

This bill, S. 3143, would also ban the mailing of political announcements with social security checks and would separate the transactions of the social security trust funds from the unified budget.

Representative MILLS, the chairman of the House Ways and Means Committee, has also introduced companion legislation, H.R. 13411.

Both of these measures have generated widespread support from Members of Congress and leading organizations in the field of aging, including the National Retired Teachers Association-American Association of Retired Persons, the National Council of Senior Citizens, the National Association of Retired Federal Employees, and others.

Recently the AFL–CIO gave impressive support to the provisions in S. 3143 and H.R. 13411.

Their resolution, which was adopted by the AFL–CIO Executive Council on August 6, provides a powerful case for early and favorable action on this legislation.

Mr. President, I command the AFL–CIO Executive Council resolution in support of an independent Social Security Administration to my colleagues and ask unanimous consent that it be printed in the RECORD.

There being no objection, the resolution was ordered to be printed in the RECORD, as follows:

STATEMENT BY THE AFL–CIO EXECUTIVE COUNCIL ON INDEPENDENT SOCIAL SECURITY ADMINISTRATION

The social security system is one of the nation's most successful legislative achievements. In one way or another, social security affects the lives of almost every American family.

The program collects contributions from 100 million workers, covers nearly 200 million Americans, and disburses $4.3 billion a month in cash benefits to 30 million beneficiaries—one out of every seven Americans. More than 90 percent of all people 65 or older are eligible for social security benefits and 80 percent of the men and women aged 21–64 would receive benefits in the event a family breadwinner incurred a severe long-term disability. Ninety-five percent of mothers and dependent children are eligible for benefits if the father of the family dies.

For older Americans, the social security program is the foundation on which their economic security rests. Social security benefits represent over half the income of two-thirds of aged single beneficiaries and one-half of elderly couple beneficiaries. They account for almost the total income of nearly one-third of the single elderly beneficiaries and 15 percent of older couples.

The importance of this program to the nation makes it imperative that the financial integrity and nonpolitical administration of the system be assured. Actions by the Nixon Administration demonstrate how the program can be manipulated to achieve objectives unrelated to the legitimate and intended purposes of the social security program.

Several times President Nixon has brazenly claimed credit for social security increases by including notices sent out with social security checks identifying himself with benefit increases he either opposed or tried to severely limit. Recently the Secretary of Health, Education and Welfare refused to accept one of the AFL–CIO's nominees for the Advisory Council on Social Security solely because of his political activities. No official or political party should be allowed to exploit the program in this partisan manner.

Since 1969, the financial transactions of the social security system have been included within a unified budget which combines regular federal income and expenditures with the largely self-financed social security program. Social security trust funds, including the relatively small amount derived from general revenue, may be used only for the payment of social security benefits and administrative expenses. However, inclusion of the trust funds in the unified budget leads to confusion in the public mind as to whether these funds are used exclusively for social security programs and how well protected are the social security rights of covered individuals.

Furthermore, the inclusion of social security trust funds within the unified budget distorts decisions concerning both social security and non-social security programs. One direct result has been the misleading use of social security trust fund money as a means of reducing the federal budget deficit. Balancing trust fund income against non-social security expenditures makes the unified budget deficit look smaller. Even worse, needed improvements in social security benefits are opposed not on their merits but because they might reduce trust funds and, consequently, increase the overall budget deficit.

In 1973, the Administration proposed to reduce Medicare benefits for the elderly by increasing the coinsurance amounts they must pay under the program. Cutting benefits without making compensating improvements results in a surplus in the Medicare trust fund and thereby reduces the deficit in the unified budget. This fiscal sleight of hand was, reflected in the Administration's budget recommendation but fortunately was rejected by the Congress. The AFL–CIO does not believe that the elderly, one of the poorest groups in the nation, should bear the burden of clever bookkeeping to make any Administration's budget look better.

Social security claims built up by past earnings and contributions are not a proper matter for year-to-year budgetary decisions. The government must rigorously discharge its responsibility as trustees for those who have built up rights under the system. The program must be kept free from political influence or manipulation geared to the ups and downs of the regular budget.

To help assure the nonpolitical nature of the Social Security Program, an independent, nonpolitical Social Security Administration should be established outside the Department of Health, Education and Welfare. This kind of independent role need not change most of the interrelationships between the Social Security Administration and other governmental units. For example, there wouldn't be any change in ultimate congressional control over the Social Security Program. Furthermore, establishment of an independent Social Security Administration need in no way inhibit general revenue financing to meet a significant proportion of social security costs. In this connection, the AFL–CIO reaffirms its support for increasing general revenue financing of social security until at least one-third of the cost is funded in this manner.

In order to achieve these objectives, the AFL–CIO urges Congress to enact legislation which would:

Establish an independent, nonpolitical Social Security Administration separate from the Department of Health, Education and Welfare. The Social Security Administration should be under the direction of a 5-man governing board, including duly designated representatives of management and labor, appointed by the President with the advice and consent of the Senate and with no more than three members from any one political party.

Prohibit the mailing of announcements with social security checks which make reference to any elected officer of the United States.

Strengthen public confidence in the social security system by excluding social security trust funds from the unified budget.

## LABOR-HEW APPROPRIATIONS

Mr. BELLMON. Mr. President, on June 28, 1974, the House of Representatives approved by a vote of 201 to 191 an amendment to the Labor-HEW appropriations bill, H.R. 15580, to prohibit the payment of Federal salaries to inspect firms employing 25 or fewer persons to enforce compliance with the Occupational Safety and Health Act of 1970. I commend the House for taking this long overdue action.

However, Mr. President, it is my understanding that during consideration of this bill by the Senate Labor-HEW Appropriations Subcommittee this provision exempting the small businessman from the requirements of OSHA for 1 fiscal year was deleted from the bill. It is for this reason that I am introducing an amendment to H.R. 15580 identical to the language adopted earlier by the House.

This amendment simply states:

None of the funds appropriated by this Act shall be expended to pay the salaries of any

employees of the Federal Government who inspect firms employing twenty-five or fewer persons to enforce compliance with the Occupational Safety and Health Act of 1970.

Mr. President, as a member of the Appropriations Committee, it is my present intention to call up this amendment when H.R. 15580 is considered by the full committee and once again during Senate floor deliberations in the event the Appropriations Committee fails to adopt this language as a part of the bill. Congress has the opportunity by enacting this proposal to provide temporary but much-needed relief for the small employer.

Permanent legislation is needed to provide an exemption for the small businessman and onsite consultative services. By adopting this language we will buy the necessary time and provide the stimulus for the appropriate committees in both the House and Senate to fully consider and bring forth this needed reform of the Occupational Safety and Health Act. It is the small businessman who has suffered gravest injustices under this act. The small businessman acting in good faith simply does not have the expert staff, legal counsel, and specialists at his disposal to digest and fully implement the mass of Federal regulations which have been promulgated pursuant to OSHA.

Although action has been initiated in many States to assist the small businessman in this area by providing consulting services, the truth is that even though 26 States have approved a State agency enforcement of OSHA and 21 States have approved onsite consultative services within their State, only 5 of the 21 States have implemented their plan. In addition, the law simply does not allow onsite consultation and inspection in a majority of the States where the Federal Government is the enforcement agency.

The urgent need for enactment of this proposal is quite clear when one examines the often burdensome and unwarranted interference caused by the current administration of OSHA. The Occupational Safety and Health Act has caused severe and serious hardships on many small businesses and farming operations throughout the Nation. This is certainly the case in my home State of Oklahoma. My office, like those of many other Senators, has literally been deluged with protests from a variety of individual employers, associations, and organizations who have become acutely aware of the oppressive effects of this law. Among those adversely affected in Oklahoma by the implementation of unnecessary regulations are grain and seed companies, cotton oil companies, farm machinery, equipment and implement dealers, hardware stores, lumber yards, steel constructors, mechanical contractors, moving and storage firms, farmers cooperative associations and many others.

Quite simply the implementation of OSHA regulations have gone too far in imposing requirements upon small businessmen. It is clear that enforcement of this law by the Department of Labor has been totally unrealistic and without regard for the crippling consequences it has produced. It represents the imposition of an additional cost on farmers and small businessmen. Unless changed, it will literally force many out of business and add further to unemployment.

Those in charge of administering the program appear in many cases to be more anxious to punish than to make information available in an understandable and useable form and thus gain cooperation. But the basic fault lies within the law itself. Basic changes need to be made. It is with this concept and understanding of the implementation of the Occupaional Safety and Health Act that I am introducing this amendment which is realistic and badly needed.

By exempting the small businessman with fewer than 25 employees, the Congress will help alleviate the financial plight which presently exists in rural America.

Quite simply, the cost of compliance with OSHA regulations is simply too high. Although adequate safety standards must be provided, the Department of Labor has gone too far in implementing burdensome regulations which create an undue economic burden and interference with the operation of the small businessman.

This kind of cost for businessmen can mean the difference between financial solvency and bankruptcy for literally hundreds of enterprises. We are all interested in the safety of the worker but we should also be interested in the unemployment which exists in rural America.

It is for these reasons that I urge my colleagues to join with me to secure passage of this amendment.

Mr. President, I ask unanimous consent that the text of my amendment be printed in full in the RECORD.

There being no objection, the amendment was ordered to be printed in the RECORD, as follows:

At an appropriate place in the bill, insert the following:

"None of the funds appropriated by this Act shall be expended to pay the salaries of any employees of the Federal Government who inspect firms employing twenty-five or fewer persons to enforce compliance with the Occupational Safety and Health Act of 1970."

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## OCCUPATIONAL SAFETY AND HEALTH ACT OF 1970

Mr. WILLIAMS. Mr. President, for some weeks now the Subcommittee on Labor has been conducting hearings on the implementation of the Occupational Safety and Health Act of 1970.

One of the most controversial issues at these hearings has been the extent to which the economic impact should be considered in promulgating particular safety or health standards. The illogic of trying to put a price tag on workers' lives is very eloquently stated in an editorial from the National Observer of August 24 and I ask unanimous consent that the article be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

### WHERE'S THE PROFIT IN SAFETY?

(By August Gribbin)

We Americans have an amazing capacity for callousness. It shows in various ways.

A reporter sees the crassness up close when, for example, a mine company executive forgets he's being interviewed and rails against his workers, "the bastards" who successfully campaign for "exorbitantly costly"—and life-saving—mine-safety measures, and when an auto-company vice president curses safety advocates for causing expensive changes in cars although, he sneers, "it's the damned consumers' crazy driving that causes accidents."

But everyone can glimpse insensitivity when, for example:

Newsmen invade privacy or err in facts through laziness.

Physicians refuse to take tough, but needed, voluntary measures to excise medical abuses and also fight to prevent Government from doing it.

Health insurers (who generally support Federally imposed medical reforms) denounce Government health plans that presumably would aid medically neglected citizens.

Cattlemen continue to provide beef fattened on DES, a growth-stimulating food additive that's been denounced as a cause of cancer in humans.

Plastics makers battle against Government limitations on the use of vinyl chloride, a gas and raw material that many scientists insist causes liver cancer and death. The gas directly threatens 7,000 factory workers plus a large but unknown number of other workers and residents in factory neighborhoods.

Ultimately there's a single reason why so many of us resist drastic reforms even though they may save lives: It's money.

Changing for the sake of safety can slash profit margins incredibly. And when big industries—and several industries simultaneously—suffer reduced profits, gigantic numbers of us face economic peril.

The plastics people argue against reducing the threat of vinyl chloride, for instance, because that might mean not using the chemical for a while. A ban could remove some 2.2 million jobs and cost the nation $90 billion in yearly production, they warn.

If so, that's sobering. Certainly no one wants his standard of living or his job threatened. But can anyone justify clinging to either at the expense of others' lives? Wouldn't that mean putting a money value on presumably priceless human life?

Of course it would. But some safety specialists say that we must do that in these complex times. To think otherwise is simplistic, they say.

Well, they're mistaken. There are alternatives we haven't discerned and won't see unless we change our attitudes.

We might begin, for instance, by accepting the obvious as reality. We've "progressed" to a new age in which our past technological cleverness presents and will continue to produce safety problems that we're responsible for and must solve. We must *want* to save lives and cleanse our surroundings somewhat as the handyman who has done a great job building wants to tidy up the basement, nasty though the chore may be.

Next, we might adjust to the truth that remedying our manufactured problems probably will force on us a lowered standard of living. Businesses and their backers probably will get smaller profits and shrunken dividends. Accept it.

Industrialists, scientists, and technologists might adopt an attitude that many seem to be fighting, the attitude that new profit potential may lie in developing technologies for safety, for purifying our environment, and for retraining individuals so they'll be able to adapt quickly to new, different jobs when old ones disappear in the possible crunch.

Regardless of costs, industries must test their products for safety before marketing and continually safety test manufacturing processes too.

Finally, we might consider all this as straining for the quality of mercy. That's civilized. In fact somebody said mercy's "twice blest." Maybe there's some profit in it.

## THE PRESERVATION OF RAILROAD STATIONS

Mr. BEALL. Mr. President, the Saturday, August 10, 1974, edition of the Washington Post carried an editorial entitled "Railroad Station Renaissance." This editorial outlined the need for Federal legislation to encourage the preservation of our historically and architecturally significant rail passenger terminals. I ask unanimous consent, Mr. President, that the text of this editorial be printed in the RECORD at this point in my remarks.

There being no objection, the editorial was ordered to be printed in the RECORD, as follows:

RAILROAD STATION RENAISSANCE

Railroad trains, which put this nation on the track to wealth and industrial power, made a habit of stopping at some of our finest buildings. A new function called for new, and often inventive, forms. As a result, our railroad stations brought us exciting architecture that reflected the self-confident arrogance of the railroad age. They are an unexcelled expression of American culture, ranging from romantic little whistlestops, like the 101 year-old railway station in Rockville, to imposing palaces, like Washington's Union Station, rivaling the great monuments of ancient Rome in opulence and splendor.

The rustic Rockville station, which still serves commuters, has just been placed on the National Register of Historic Places and thus has been saved from almost certain destruction by its new competitor, Metro. There is hope that federal funds will help move the old station out of Metro's construction path. Union Station is being converted into a National Visitors' Center, a much-needed service for which the building is eminently suitable. The railroad station in Lincoln, Nebr., was turned into a bank. The handsome Mount Royal railroad station in Baltimore now serves the Maryland Institute's College of Art as a school, gallery and library. The Chattanooga, Tenn., railroad terminal, of "Chattanooga Choo Choo" fame, is being converted into a unique downtown shopping and entertainment center whose stores and restaurants recapture the Victorian splendor and elegance of the old station. The adjacent Choo Choo Hilton houses its guests in restored Pullman cars. Indianapolis hopes to turn its Union Station into a similar attraction.

But these are exceptions. With at least half of the 40,000 railroad stations built in this country already destroyed, these triumphs of American architecture are an endangered species. Our remaining railroad stations, along with the railroads themselves, are victims of tragic and cruel neglect. Although the railroad companies are officially trying to encourage, rather than discourage passenger travel of late, they still show little interest in maintaining their stations. Many are in disgraceful condition, sordid and delinquent symbols of the inner city mess.

We therefore welcome a bill recently introduced by Rep. Frank Thompson Jr. (D-N.J.), that would authorize the National Endowment for the Humanities to help municipalities purchase old railroad stations and turn them to new use. A recent workshop at Indianapolis, sponsored by the National Endowment for the Arts and other organizations, brought local government officials, urban renewers, bankers, developers, railroad officials and preservationists together. The workshop produced many good ideas as well as much technical know-how. The idea we liked best, however, was offered by Lawrence O. Houston Jr. of the Department of Housing and Urban Development. Mr. Houston voiced some impatience with "breezy ideas for saving facades" and "sex change surgery" that converts railroad stations into shopping centers for scented candies and souvenir coffee mugs. "The best way to save railroad stations," he said, "is to expand rail service" and make railroad travel again a matter of pleasure and convenience.

Mr. BEALL. Mr. President, on August 8, 1974, the Senate passed an amendment to the Rail Passenger Service Act which will, if enacted, establish a major new Federal program designed to preserve and rehabilitate railroad stations. In fact, the Magnuson-Hartke-Beall amendment authorizes a far more comprehensive program than H.R. 2446, which was the legislation referred to in the editorial.

Mr. President, on August 12, 1974, I wrote a letter to the editor of the Washington Post outlining the objectives of the Senate-passed amendment and I ask unanimous consent that a copy of this letter be printed in the RECORD at the conclusion of my remarks.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

U.S. SENATE,
*Washington, D.C., August 12, 1974.*

DEAR SIR: I have read with considerable interest your recent editorial entitled "Railroad Station Renaissance."

It may be of interest to your readers to know that the Senate approved an amendment to the Rail Passenger Service Act on August 8, 1974. This amendment, which I cosponsored and actively supported establishes a far reaching program of preserving and "reusing" historically and architecturally significant railroad stations. In fact, this amendment which was adopted by the Senate is far more comprehensive than the legislation to which you referred in your editorial.

The Magnuson-Hartke-Beall Amendment authorizes the Secretary of Transportation to provide financial, technical and advisory assistance to efforts to restore rail passenger terminals. The Department of Transportation can preserve stations "that have a reasonable likelihood of being converted" to other uses. The third objective of this amendment would stimulate State and local governments and private individuals or organizations to develop plans for converting passenger terminals into civic, cultural and/or intermodal transportation centers.

This area has a number of stations which constitute an important part of our National heritage. The Mt. Clare Station in Baltimore was the first railroad station in the U.S. Union Station, Point of Rocks, Mt. Royal, and Rockville Railroad Station are just a few of important local terminals which are or should be preserved. If legislation such as this had been enacted several years ago, the Queen City Hotel in Cumberland, the Relay Station near Baltimore, and other historic landmarks such as these could have been saved from demolition. I concluded my floor statement on this amendment by saying "I believe that the era of the 'no return' society has fortunately come to an end. Our resources are finite and our Government must provide leadership in recycling buildings as well as other resources."

With best wishes, I am

Sincerely yours,

J. GLENN BEALL, Jr.

## SENATORS GRUENING AND MORSE: A LEGACY OF CONSCIENCE AND COURAGE

Mr. CHURCH. Mr. President, within the space of but a few weeks, the Nation has been robbed of two voices of courage and conscience: Voices that echoed through the Halls in years past calling upon America to stand fast to her constitutional heritage.

I speak, of course, of our late colleagues, Wayne Morse and Ernest Gruening.

Both are now gone. But both leave behind a legacy that will live as long as the Republic. These men were giants.

Mr. President, in the most recent issue of the newsletter of the National Committee for an Effective Congress, there appears a tribute to Senators Gruening and Morse.

I think it appropriate that this tribute be shared by my colleagues, and I ask unanimous consent that it be printed in the RECORD.

There being no objection, the tribute was ordered to be printed in the RECORD, as follows:

GRUENING AND MORSE: A LEGACY OF CONSCIENCE AND COURAGE

On August 8th, ten years ago, Ernest Gruening and Wayne Morse stood together, the only Senators to vote against the Gulf of Tonkin resolution. Both insisted that the resolution was unconstitutional, because it was "a predated declaration of war power" reserved to Congress.

Gruening had been supported by NCEC in each of his Senate elections, but in 1968 he was defeated in a primary upset. He had nurtured and led the Alaskan territory into the Union through 14 years of tireless lobbying. "Go north, young man," was his motto. His life, so well described by his autobiography, *"Many Battles,"* covered four-score and seven years of intrepid crusading. Physician, editor, author, administrator, and Senator, he was constantly focused on the human condition. Eskimos, Indians, Puerto Rican Nationalists, anti-Franco Spaniards, all reached for him as their champion.

Amazingly, his incisive mind never tired. Only his body failed to keep pace, and on June 26 he died. But almost to the end he was involved, battling for conservation, for population control, for an effective Congress. A few weeks before his death he phoned NCEC's Washington office to say he would be sending his regular contribution and wanted to discuss the Committee's campaign choices in the coming election. He believed that the congressional outcome this year would set the presidential stage for 1976.

Like his friend Wayne Morse, it has been said of him that all too often he was right too soon. The greatest tribute to Ernest Gruening is that history is confirming his judgments and his warnings.

A novelist once wrote that every Frenchman has two home towns, his own and Paris. In that sense, every American had his own Senators—and Wayne Morse. He was a national senator, transcending party, the Senate's inner club, and all so-called pragmatists. That is why the NCEC supported him, worked with him, argued with him, loved him.

He did not live in the "changeless center," as his colleagues found out when he compelled them to act on civil rights, on education, on facing up to their responsibilities. He made them move by relentlessly driving himself. He was the tiger of the Senate. He was known as "the five o'clock shadow" because each day he would unfailingly take the floor late in the afternoon, delaying ad-

journment for hours, to denounce the latest attempt to give away federal land or to castigate an agency for flouting congressional intent. The President of the United States felt his stinging rebukes for cutting the corners of the Constitution on Vietnam.

He held with Edmund Burke that a representative's first loyalty must be to his own judgment, so he took counsel with his conscience and had the courage to act on it. There was no alloy in his moral metal. As a Republican, he worked to draft Eisenhower in 1952 but left the GOP over the platform and the choice of the running mate, Richard Nixon. Years ago, a dismayed Dixie Senator discovered Morse eating with a Negro friend in the senator's private dining room, and said, "At least, Wayne, you practice what you preach."

Morse's instinct for the jugular was infallible, as five Presidents, Clare Booth Luce, and a host of pompous politicians found out. He was cantankerous, but also he was a superb parliamentarian and legislator, producing a body of fundamental law for education, labor and civil rights.

How does one compress all that this one man did, worked for, and tried to do for an effective Congress in a few lines? He seemed to have the attribute that is lacking in today's politics, something that is missing in today's Senate. What was it that made him so uniquely creative and effective? Was it the fire in the belly, the sharpness of the tongue, the quickness of the mind, the willingness of the heart? How does one say that is missing from today's Senate in a couple of words?

Wayne Morse.

## HOW NOT TO FIGHT INFLATION

Mr. WEICKER. Mr. President, I support the President's determination to fight public enemy No. 1—the double-digit inflation that is ravaging our economy.

However, I remain strongly opposed to the establishment of a new Council on Wage and Price Stability within the Executive Office of the President.

Earlier this year, as a member of the Senate Banking Committee, I worked to decontrol our economy completely. Can we so easily forget our agonizing experience with wage and price controls? Can we also forget that only a few months ago we debated and dropped a proposal to create a new monitoring agency to oversee wage and price actions throughout the economy?

I can't forget nor has my position changed in these few months. The new Council on Wage and Price Stability, a monitoring board requested by the President and approved by both Houses of Congress, is an unfortunate and misguided move in the fight against inflation that at best will accomplish nothing and at worst will backfire in its efforts to restore the confidence of the public and the stability of wages and prices.

Mr. President, Mr. C. Jackson Grayson, Jr., dean of the School of Business Administration of Southern Methodist University, and former chairman of the Price Commission during phase 2 of recent economic controls, has written an important article entitled "A Strong 'No' to Price Monitoring," appearing in today's Wall Street Journal. In part, Dean Grayson predicts these near-term results of the new wage-price monitoring agency:

The agency will increase (falsely) expectations that the solution to inflation is closer. It will do little to stop inflation. In fact, it will increase some wages and prices and will prevent decreases.

Mr. President, I ask unanimous consent that the entire text of Dean Grayson's article be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

A STRONG "NO" TO PRICE MONITORING

(By C. Jackson Grayson, Jr.)

There seems little doubt that the proposed wage-price monitoring agency will pass Congress easily, be signed, and in operation in a matter of weeks.

The near-term results: The agency will increase (falsely) expectations that the solution to inflation is closer. It will do little to stop inflation. In fact, it will increase some wages and prices and will prevent decreases. It will possess power. It will take action.

The longer-term results: It will be harmful to the operation of the competitive market system. It will increase the odds of future mandatory wage-price controls. It will assist a growing movement toward national economic planning.

All of that? After all, the agency is just a "monitoring" group. It will have no subpoena power, no mandatory powers, and a budget of only $1 million. To improve collective bargaining and encourage price restraint, it will simply "review and analyze capacity, demand and supply . . . work with labor and management in sectors having economic problems . . . improve wage and price data bases . . . monitor the economy as a whole." Who could be against that?

Very few. The bill is going through Congress with amazing speed. Business, labor, the administration, and Congress on both sides of the aisle are either for it, neutral, resigned to it as a tranquilizing political expedient, or accepting it as a lesser of evils. On the surface, it seems innocuous and even logical.

But, based on my experiences as chairman of the Price Commission, I want to point out some political, institutional and economic realities and issue some warnings about the agency. I don't think it will be as benign or cosmetic as many think it will be. What you see isn't what you'll get.

POWER AND PRESSURE

First of all, don't be deluded because the agency won't have powers to subpoena records or veto price-wage increases. It will have tremendous power in the form of jawboning, or as they say in Britain, "ear-stroking." The persuaders come in gentle and not-so-gentle forms of pressure. Public hearings can be hinted at or called. Public condemnation can be expressed in the media. Officials can be called to the White House for a public or private "dressing down." Requests can be made to congressional committees to hold investigations. Administrative action can be threatened in other agencies: export controls, import relaxation, delay of decisions, procurement changes and stockpile releases. News conferences can be held; speeches can be put in congressional hands.

Deplorable in the American sense of fair play, these tactics have all been used in varying degrees by past administrations. The effect is to heighten antagonism between the public and private sector, with the public increasingly led to believe that union leaders are all greedy and that businessmen are all price gougers. It doesn't take a government agency to initiate these tactics, but they will be more organized, more frequent and more visible with the agency in existence.

And make no mistake about it, this agency will take action. A common assumption is that this is only a monitoring, not an action agency. Not true! "Action" doesn't have to mean a direct order. The agency can influence other agencies to do that. Moreover, monitoring and reporting is not passive any more than a chaperone with a camera in her hand saying to a couple, "Go right ahead. Don't mind me." What is, and what is not, reported creates public opinion and action.

Reporters will camp on the agency's doorstep: "What about this wage increase in the XYZ industry?" "What about these high profits?" "Are you going to recommend export controls?" "Why not?"

It's a fact of political life that action will be forced on the agency because it exists. Even if the problems weren't apparent, such an agency would find some. You can find problems anywhere, any time, in any labor or business organization, and particularly with a bright energetic staff that won't sit around. It will be a new agency with excitement that will attract good economists and lawyers, who will regard it as their duty to hit somebody, somehow. Many of these people will be "control-oriented," with little direct business or labor experience and unsympathetic to the competitive market system. They will urge action.

It will raise false expectations. And when it proves unable to check rising corn prices, or steel prices or coal miners' wages, public disillusionment will follow, with the cry increasing for more immediate, even stronger measures. Then it will be said that the agency must be given additional powers to enable it to "do its job." Authority for the 1971–74 controls came from a simple amendment by Congressman Reuss to another piece of legislation. No one expected this to turn into 33 months of mandatory controls. But political pressures forced the action.

It isn't good economics. Controls seldom are.

The agency has to go after the larger individual wage and price increases. But not every large wage and price increase is wrong, or inflationary. The increase may represent demand and supply shifts. Yet political pressure on the agency force it to act, with the same distorting result that mandatory controls generate. Shortages and investment in capacity may actually worsen, not improve.

The mere creation of the agency, moreover, will ratchet up some wages and prices for fear of coming mandatory controls. I know from direct experience that this has already occurred as a result of the discussions these past few weeks. Soon "guidelines" are likely to emerge. Business and labor will infer what is regarded by the agency as being within the government tolerance zone. It certainly won't be 5.5% or 2.5%, those famous figures from the past; new percentage yard markers will be created. And, as with direct controls these will be taken not only as ceilings but also as floors.

The agency will tend to operate in the short-run. Its expiration date of June 30, 1975 cries for action now. And generally short-run action is bad economics, which is part of the reason we are where we are now.

If general inflation has not cooled significantly by next spring, there will be even more of a desire to "do something," and then the "something" must be stronger, not weaker. To say it can't happen is to ignore the fact that we dropped controls—and the proposal for continuing the Cost of Living Council as a monitoring agency—only four months ago. And here we are again.

Clearly, my belief is that the agency should not be created at all. But at this point, holding this conviction is about as effective as spitting into the wind. Therefore, my recommendations concern alternations, either before or after passage of the bill, plus some alternatives.

First, don't give this agency any additional powers, now or in the future. If this occurs, we will clearly be on the road to direct wage-price controls.

Second, don't put heavy reliance on this agency to fight inflation. The danger is that

existence of this stopgap agency will reduce pressure to engage in tough, fundamental decisions. Reducing the federal budget, for example, is a basic way to fight inflation. But it will be tough going when Congress and the Executive get down to specifics. Any reduced pressure or zeal because of the existence of this agency would be a real loss.

Public statements notwithstanding, the public will tend to hold this agency accountable for every wage or price increase, and for every jump in the consumer or wholesale price index. The Price Commission surely was, and the proposed names for this agency—"Cost of Living Task Force" or "Council on Price and Wage Stability"—invite similar responsibility.

LOCATING THE AGENCY

Third, reconsider the location of the agency. It is now destined for the Executive Office of the President. I recommend instead that it be a quasi-independent agency, reporting directly to Congress (as does the GAO), or to both the Congress and the Executive Branch (as does the ICC,. Location within the Executive Branch exclusively will constrain its activities and effectiveness for two reasons:

—Every time this agency involves itself in a wage or price increase, the prestige and power of the Oval Office is somewhat at stake. If the agency loses a battle, say in forestalling a labor settlement or in not reducing a well-publicized price increase (as happened recently with President Ford and GM), the President stands to lose. Either the agency will tackle only those cases it is sure it can win, or the President will be forced to get the mandatory authority to back it up.

—The agency should analyze and report on practices, laws, and procedures that contribute to inflation, not only in the private sector but also in the public sector. If the agency is based solely in the Executive Branch, it is not likely to recommend any action contrary to the administration's position, nor to criticize the Executive Branch for failure to act. For the same reasons, I think it would not be well placed in the Council of Economic Advisers, also a part of the Office of the President. If it reported to Congress exclusively, the same problem exists, although it is lessened because of the mixed constituencies.

My preferred solution would be to report to both groups. Thus it might take on the character and respect that is accorded the independent British Institute of Economic Affairs, but with access to government resources.

As a final shot, let me propose two alternatives to a separate agency, that might be adopted now or later.

Let the President formally assign this responsibility for coordinating economic policy directly to his Cabinet, most of whom are members of the proposed agency anyway. The Cabinet needs revival anyway as a national management team. Make the Vice President the counsellor to the President for economic affairs, and put him in charge of this function so that he would have the clout to influence economic policies across the entire Executive Branch.

Also, begin work now to revive the proposed Department of Economic Affairs. There is often fragmented and inconsistent economic policy making and a lack of accountability. The new department would gather together various branches now residing in Transportation, Commerce, Labor and others. This would require coordinated effort from both the Executive Branch and Congress to overcome established patterns and vested interests.

RINGING AN ALARM BELL

In summary, I do not argue my position as a blind, free-market ideologue, nor on the principle of nongovernmental interference in the marketplace. Government does have a role in our economic system. In fact, I am very much encouraged by the economic philosophy expressed by President Ford in his address to Congress and by the recent budget control procedures instituted by Congress.

I am ringing an alarm bell on this particular issue because I know from my personal experiences that the proposed monitoring agency can be misinterpreted, misused and can prevent us from fighting inflation at the point where the real battles need to be fought.

The real control over this economy in the long run must not be invested in Congress, the Executive Branch or any monitoring agencies, commissions or planning boards. It must rest in business and labor and the public in the private sector with two of the most powerful inflation fighting tools ever designed by man—competition and productivity.

(Mr. Grayson was chairman of the Price Commission during Phase 2. He is dean of the School of Business Administration of Southern Methodist University and author of the recently published "Confessions of a Price Controller.")

## THE CHALLENGES OF COMMUNITY DEVELOPMENT

Mr. TUNNEY. Mr. President, in its July 1974 issue, Western City magazine, the official municipal magazine of the West, carried a series of articles discussing the important challenges of community development, and how three communities in California are working to meet them.

In one of the articles, Mr. Elder Gunter, city manager of Stockton, Calif., describes how that community has sought to put to best use the various forms of Federal community development assistance it receives.

In order to solve the problems of a community—or a nation for that matter—it is incumbent to understand fully those problems, their sources, extent, and means to go about relieving them.

Stockton is taking the lead with the creation of its Stockton neighborhood analysis program (SNAP), which is designed, as Mr. Gunter writes, to provide city management—

With a valuable tool which will provide reliable up-to-date information to assist in making realistic and meaningful decisions, an essential requirement in meeting the challenges of the future.

In order to acquaint the Senate with this innovative local program, I ask unanimous consent to have the above-mentioned article printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

STOCKTON, CALIF.

(By Elder Gunter)

The passage of General Revenue Sharing was met with enthusiasm by Stockton, Calif. city officials for they were well aware of the potential of these funds for their own departmental programs and operations. They soon realized that it was not an easy task to plan for the best uses for these funds. How does one go about prioritizing the apples and oranges of public services? Each of the operating departments had legitimate program needs which had to be addressed by the city manager during the development of his program for spending general revenue sharing funds.

In order to understand the full sequence of events regarding Stockton's preparation for community development, one must go back to the spring of 1972. It was during that time Stockton was invited by the San Francisco Area Office of HUD to participate in the second round of Annual Arrangement Agreements. It was suggested, during early negotiations, that the city manager's office should direct some of its attention towards increasing its planning and management capability with respect to grants. The author recommended that an individual be hired for the purpose of developing a management oriented coordination and review system for the 60 separate grants being administered by the city. The recommendation was approved and on June 1, 1972 a five-year veteran from HUD with community development experience was hired as the administrative assistant for community development.

Fiscal 1972–73 was the year of limited funds and moratoriums which, consequently, resulted in the inability of HUD to fulfill their financial commitments under the Annual Arrangement Agreement. Both HUD and the city agreed that the experience was very worthwhile and it would place us in a better position to plan, coordinate, and manage our own grant funds in a more responsible manner.

Through the advice and recommendations of the assistant for community development, the author developed a Ten-Year Community and Neighborhood Improvement Program. This was the first attempt to coordinate planning and programming of financial resources into an integrated community and neighborhood budget. On a map, 11 areas were marked so as to identify those neighborhoods in need of some type of renewal or rehabilitation activity. Priority consideration was given to those five neighborhoods that were identified in the Community Improvement Report which was adopted by the city council a year before. The remaining six neighborhoods were identified with the assistance of the department heads.

A program budget was submitted to the citizen's committee for consideration prior to the review by the planning commission and final approval by the city council. The document was generally planned for the expenditure of all anticipated grant funds, including general revenue sharing funds, that could be expected to come to Stockton from state and federal sources, coupled with corresponding programs. A subsequent evaluation some months later led to the belief that it was unnecessary to have a separate capital improvement program budget document and a separate grant program budget document.

A few months ago Stockton began to reassess the real goals and objectives of the city and their relationship to community development activities. Since the theory behind general revenue sharing funding and community development is that local government will make their own funding decision, Stockton wasted no time in beginning its preparations. Our office is now attempting to determine a fair and equitable method for distribution of non-categorical grant funds which would be directed toward the implementation of the city's identified community development objectives. The study identifies those areas which need to be given attention in a priority funding plan. Our immediate concerns relate to the high and persistent unemployment rate; gradual physical deterioration of some neighborhoods and the development of the marina and channel area.

We are also working toward a coordinated review and comment on all program dollars flowing into the city from federal or state agencies. Comments would be related to a city-wide human resources plan for the provision of social service activities. Early negotiations with the San Francisco Federal Regional Council is encouraging and suggest

that Stockton, before too long, will be evaluating the physical, as well as the social problem areas of the city in a coordinative plan. The effective coordination of these grants will be realized through a computer program designed to provide the city manager's office with the information necessary for the effective planning, management, and budgeting for physical and human resource programs and projects.

Stockton also developed a Neighborhood Analysis Program (SNAP) in order to provide a data base for in-depth understanding of the problems and conditions of the community's various neighborhoods. First stage of the program was the completion of a "condition" file for the entire community organized around major elements such as crime, housing, health, income, education, land uses and employment. Operational records from various public service systems (crime reports, welfare caseloads, school attendance, etc.) form the basic data for analysis, and computer processing applications have been developed on a cooperative basis with the agencies involved. To date, comprehensive reports on crime, income, education, welfare and housing have been published. Reports on land use, employment and health are in various stages of completion.

The actual neighborhood analysis process will begin upon completion of the series. Each of the basic reports will then be related to one another at the neighborhood level. Defining the complex interplay of factors that affect a particular neighborhood will clarify policy alternatives and increase the likelihood of a coordinated approach in future community development programs of all kinds. Stockton is creating a system of urban analysis which will allow it to allocate its monies according to systematic definition of community needs and thus truly direct its future. We are confident that utilization of the SNAP process will provide management with a valuable tool which will provide reliable up-to-date information to assist in making realistic and meaningful decisions, an essential requirement in meeting the challenges of the future.

## CONFERENCE ON SECURITY AND COOPERATION IN EUROPE

Mr. BUCKLEY. Mr. President, almost unnoticed in the events of the past 2 months have been developments in Europe concerning the Conference on Security and Cooperation in Europe. The degree of security in Europe has important implications not merely for Europeans but for U.S. citizens as well. For over two decades, the frontline of the U.S. defense has not been the Atlantic Ocean, but the Elbe River. While we have been preoccupied with domestic politics, the outcome of the CSCE is of great interest to Europeans. There is some evidence to suggest that the Soviets may be taking advantage of the U.S. preoccupation with domestic politics to maneuver diplomacy for their own advantage. The opposition party in Germany, the Christian Democratic Union, has produced a very useful and comprehensive analysis of the debate on CSCE within the Federal Republic of Germany. I ask unanimous consent that this statement be printed in the RECORD so that those concerned with this problem here can have the advantage of understanding the issues in CSCE from a European perspective.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

BONN, *July 5, 1974.*

CONFERENCE ON SECURITY AND COOPERATION IN EUROPE (CSCE)

The "Conference on Security and Cooperation in Europe" has entered a decisive stage during its second round: The participants are debating and editing the final documents. The Soviet Union is pressing for convocation of a final Conference in this month, in the shape of a "summit" of heads of state and government.

Information available suggests that also some of the major Western nations may be persuaded into agreeing to a premature conclusion of the Conference on the basis of questionable compromises which would unilaterally impair European, and in particular German interests.

The CDU/CSU Caucus, therefore, considers it imperative that the German Federal Government present comprehensive information to the German public on the content and scope of this important Conference, thus paving the way for an indispensable political public debate which has been missing so far, probably also due to the confidential nature of negotiations.

The CDU/CSU caucus bases an assessment of the negotiating results achieved so far as well as of the prospects of this Conference primarily on the following criteria:

If the Conference is to genuinely promote security and cooperation in Europe, it will have to serve a lasting mutual understanding and unimpeded coexistence between the people and nations of Europe. Not a negative delineation, but a positive development of intra-European and intra-German relations must be purpose and objective of the Conference. We expect that the results of the Conference will directly benefit all people in both Western and Eastern Europe. In this connection, we call to mind the statement by the former Minister for Foreign Affairs, Walter Scheel, of July 3, 1973 in Helsinki, where he said: "People want to feel the fruits of detente in their every-day lives, they want at long last to grasp them with their hands".

True security and cooperation in Europe are not guaranteed as long as there are people and nations on our continent who are still deprived of their basic liberties, but in particular of the right to freedom and self-determination.

This criterion is of special importance to the German people. That means:

The CSCE must not harden the externally imposed division of Germany and the unnatural separation of its people. On the contrary, it must pave the way for an alleviation of the heavy burdens of this separation and allow all Germans to regain possession of human rights. That is in accordance with the political aim of the Federal Republic of Germany, namely "to work towards a state of peace in Europe in which the German people can regain its unity in free self-determination" (Letter on Germany Unity, which was transmitted to the parties to the German-Soviet and intra-German treaties and which has legal force).

The CSCE must not loosen the degree of integration of the free part of Europe achieved so far, nor must it aggravate or obstruct its development into a European federation.

The CSCE must not perpetuate Soviet hegemony over Central and Eastern Europe. On the contrary, it has to meet the hopes and claims of European people and nations living within the present Soviet power sphere to guaranteed human rights and basic liberties.

We therefore ask the Federal Government:

1. (a) What are the Conference objectives and present negotiating positions regarding the essential political issues on the part of the Federal Government, our Allies (EC, NATO), the other Western nations?

1. (b) What changes evolved in the course of negotiations?

1. (c) What are the experiences of the Federal Government concerning cooperation of the European Community—member states and Commission—during the preparation and conduct of the Conference, and what conclusions is the government drawing from these experiences for the future shaping of European Political Cooperation (EPC)?

1. (d) What are the government's experiences regarding cooperation of the European Community with the other Alliance members, in particular the United States, during the preparation and conduct of the Conference, and what conclusions is it drawing from these experiences for the future shaping of European-American partnership?

Reasons:

The common intellectual and political values of European culture and history, the manifold economic and social ties in the free part of Europe and its progressing efforts for unification and security constitute logical and—as the CSCE has fortunately proven so far—actual foundations of a worldwide community of interests of the free nations and states in Europe.

German politics in this connection is charged with the special task to ensure that the German interests—that means, the interests of the entire German people which the Federal Republic of Germany always has to take into consideration—remain imbedded in European interests. In these endeavors the foundations of a policy enabling a solution of the German question, have to be maintained and strengthened. That includes in particular the connection between the German legal position and the rights and duties of the Three Western Powers in correspondence with the treaty on Germany of 1952/54.

The Federal Government as the first Western state pledged to the Soviet Union in a binding declaration of intent in Moscow in August 1970 to do all in its power for the preparation and successful conduct of the CSCE. It is up to the government to explain what the purpose is of this originally Soviet initiative, later endorsed by the German government, and what it will do to maintain the community of interests with Western Europe and North America—which is of vital importance to Germany—at that Conference.

2. (a) What are the CSCE objectives and present negotiating position of the Soviet Union and—if deviating—of the GDR and the other Warsaw Pact states?

2. (b) Did the Conference rounds in Helsinki and Geneva so far reveal any changes in the Soviet Union's former objectives?

Reasons:

Since 1954—despite some variations—Moscow seems to be aiming at the following objectives in pursuit of the Conference project:

Consolidation of Soviet domination of Central and Eastern Europe, either by express international recognition, or a solemn confirmation of the territorial and political status quo on the part of the west, the political implications of which equal such recognition by international law.

Solemn multilateral sanctioning of the European status quo, in particular on the basis of the final division of Germany which would eliminate the modus-vivendi character of the bilateral Eastern treaties with Moscow, Warsaw, and Prague as well as preclude a final solution of the German question, which the intra-German treaty keeps open.

Exploitation of West Europe's economic and technological potential, in order to replenish expanding Eastern shortages and to overcome bottlenecks in the supply and buildup of Warsaw Pact infrastructure.

Greater exertion of influence on Europe by means of a permanent all-European consultation and control body to be set up by

the Conference as well as by means of an all-European collective security system which would gradually replace the existing alliances.

Paralyzing of West European unification and of West Europe's partnership with North America by means of advocating the alternative of an "all-Europe" under Soviet leadership.

Gradual removal of the allegedly "alien-territory" presence of the United States from West Europe by means of creating a European system which is to make American presence appear as bothersome and obsolete to a growing number of Americans and Europeans in the years to come.

3. What is to be the quality of international law and the political quality of the final documents of the Conference according to the will of the Federal Government and according to the will of the other Western participating states?

Reasons:

According to the recommendations worked out by the first phase of the Conference (in Helsinki) which were adopted by the Foreign Ministers of the participating states on July 3, 1973, the commissions of the second Conference phase (in Geneva) were charged with the "preparation of drafts for recommendations, resolutions, declarations and other final documents".

These documents concern the three Agenda Items and related issues, formulated in the recommendations of Helsinki:

1. "Questions of security in Europe" (basket I)
   (a) Principles governing relations between CSCE participating states
   (b) Confidence-building measures in the military area
2. "Cooperation in the fields of economics, science, and technology as well as environment" (basket II)
   (a) Trade
   (b) Industrial cooperation and projects of common interest
   (c) Science and technology
   (d) Environment
   (e) Cooperation in other fields
3. "Cooperation in humanitarian and other issues" (basket III)
   (a) Human contacts
   (b) Information
   (c) Cooperation and exchange in the field of culture
   (d) Cooperation and exchange in the field of education.

Furthermore, the coordinating committee of the second Conference phase is to examine follow-up measures to implement the decisions of the Conference. These measures include the "permanent all-European security body demanded by the Soviet Union".

The political and international law qualities of the final documents to be worked out with regard to the above areas are of decisive importance for the implications of the CSCE for the development in Europe. The German public has a legitimate claim to be informed in time as to whether and to what exent the German government and the other Western governments are willing to enter into political and/or legal commitments within the CSCE framework and what degree these commitments are to be accorded with respect to the above individual areas.

4. (a) What are the political and international law qualities to be accorded to the final documents according to Soviet intentions and—if deviating—to those of the governments of the other Communist states?

4. (b) Does the Soviet Union continue to aim at according above all the "principles guiding relations between the CSCE participating states" a binding international quality or a political-diplomatic importance of such impact as to permit the emergence of a regional international law confined to Europe?

Reasons:

The USSR has in the past attempted to use the CSCE in order to change the principles of general international law which are bindingly laid down in the UN Charter and in the "Declaration on the Principles of International Law Regarding Friendly Relations and Cooperation Between States" by changing the order of principles and turning parts of them into separate issues, by unilateral interpretation of the conceptional substance of the principles according to Soviet objectives.

Such an alteration of substance would impose the West outlines of a regional international law—influenced by "Socialist international law"—which would contradict the principles of general international law.

On the other hand, the Soviet Union claims priority of the so-called "Socialist international law" over the general international law, e.g. priority of the principles: "Proletarian-Socialist Internationalism; limited sovereignty of Socialist states."

Over the principles of general international law, such as sovereign equality, non-intervention, territorial integrity, self-determination, renunciation of force and others.

These attempts are best exemplified by the Soviet formulation of an absolute principle of the "inviolability of borders" (cf. question No. 6).

5. (a) What has the Federal Government done to maintain the Western interpretation of the treaties with Moscow, Warsaw, Prague and the inner-German treaty vis-a-vis the CSCE policies of the Soviet Union which is now trying to enforce Eastern interpretation of these treaties on a multilateral level?

5. (b) What has the Federal Government done to draw attention of Allied and friendly states at the Conference to the paramount importance of a reliable guarantee of the modus-vivendi nature of the treaties for the fundamental interests of the divided German people?

Reasons:

The Federal Government in concluding the Moscow and the inner-German treaties through the "Letter on German Unity" and the German Bundestag in passing the treaties of Moscow and Warsaw through its Joint Resolution of May 15, 1972—which has received the seal of international law as a notified document of the Federal Republic of Germany—have stated as the authentic and binding German interpretation of the treaties that the treaties constitute a modus vivendi which keeps open the German question as well as the final establishment of the borders pending an arrangement for all of Germany via a peace treaty. In this context the Federal Government has underlined that the treaty on Germany and the related declarations continue to have unrestricted validity. The Federal Government emphasized before the parliament that the treaties serve the aim of promoting solidarity and unity of the German people in a process of increasing detente during the transition period pending a peace treaty encompassing all of Germany.

The Soviet Union and its allies, on the other hand, increasingly propagate their contention—in particular at the CSCE—that the principle of the "inviolability of borders" is an absolute principle, i.e. that it is neither inferior to another principle, such as that of self-determination or renunciation of force, nor that it may be restricted by exceptions in favor of an agreed peaceful change of borders. If this illegal claim were to prevail, it would practically mean immutability of the present territorial and political status quo in Europe as well as international legitimization of realities existing in the Soviet sphere of influence which were achieved by violence as a consequence of the War.

6. How does the Federal Government in this context assess the fact that the Communist press "PRAWDA" in a breach of confidentiality of the Geneva talks, on April 23, 1974 published the following formula—which the 35 CSCE nations had allegedly agreed on as a tentative and confidential formula—on the "principle of inviolability of borders":

"The participating states consider all bilateral borders as well as those of all European states as inviolable. Therefore, they will refrain from any assaults on these borders now and in the future. Accordingly, they will also refrain from any claims or actions aimed at conquering and usurping part or all of the territory of any participating state".

Reasons:

This Soviet indiscretion is aimed at committing the participating states to this formula.

In contrast to the Moscow treaty, our specific legal positions and political concerns are not secured by legal provisos in this multilateral declaration.

Therefore, the above formulation would undermine the German legal provisos contained in the "Letter on German Unity" and in the Joint Resolution of the German Bundestag of May 17, 1972.

Any assertion of the right to self-determination of the entire German people after passage of this principle by the CSCE could be attacked as an "assault" on the GDR or as a "claim" or "action", "which is aimed at conquering or usurping part or all of the entire territory (of the GDR)".

The special meaning of this enforcement of an absolute and unrestricted principle of inviolability of borders—celebrated as a decisive victory by the entire Eastern bloc—which could not even be subjected to the principle of renunciation of force, results from numerous comments of the party-controlled mass media of the Warsaw Pact countries.

7. (a) How does the Federal Government now intend to ensure that the interpretation of the treaties of Moscow, Warsaw, Prague and of the inner-German Basic Treaty which keeps the German question open and permits every German government to pursue a policy aimed at maintaining national unity and restituting the unity of the state of Germany without committing a breach of contract, will not be undermined by an absolute and unrestricted formulation of the principle of the "inviolability of borders"?

7. (b) How does the Federal Government intend to ensure in particular that the proviso effect of essential internally binding documents which according to our authentic interpretation are inextricably tied up with the terms of settlement of the bilateral treaties concluded with Moscow, Warsaw and the other part of Germany and which were of vital importance for the approval by our legislative bodies as regards their compatibility with the basic law, the treaties on Germany of 1952/54 as well as with the rights and responsibilities of the Four Powers for Germany as a whole and Berlin, will not be impaired by this contrasting principle enforced by the Soviet Union?

7. (c) How does the Federal Government furthermore intend to ensure that its policy of maintaining and strengthening Berlin's indissoluble ties with the Federal Republic of Germany which the basic law commands and the Four Power Accord on Berlin permits, as well as the German legal position on the status of Berlin which is in keeping with the basic law and has been reconfirmed by the verdict of the German Federal Constitutional Court on the Basic Treaty, dated July 31, 1973, cannot be attacked in the future as a violation of the quoted multilateral principle of "inviolability of borders"—according to Soviet formulation?

Reasons:

Together with the other Western nations the Federal Government—after the Western proposal submitted by France had been dropped—accepted this Soviet formula at the beginning of April in 1974. The absolute and

unrestricted formulation of the principle of inviolability of borders could term any peaceful change in the German question, including the Berlin issue, as incompatible with international law and thus preclude it. The accompanying documents on the FRG's Eastern treaties and the inner-German treaty, i.e., the two "Letters on German Unity" of August 12, 1970 (Moscow treaty) and December 22, 1972 (inner-German Basic Treaty); the Joint Resolution by the German Bundestag, dated May 17, 1972; the relevant note exchanges between the Three Western Powers and the Federal Republic of Germany; the relevant declarations by the Federal Government and the notes by the Three Western Powers on the occasion of the accession by both Germany states to the UN; the authentic interpretation of the Basic Treaty and of the provisions of the basic law pertaining to Germany, contained in the opinion by the Federal Constitutional Court, dated July 31, 1973 are indispensible for a policy pertaining to all of Germany, as provided by the basic law. They constitute the legal instruments to guarantee peaceful change and peaceful progress in direction of full self-determination of the German people.

According to Soviet objectives these very legal positions are to be devalued by an absolute principle of "inviolability of borders", meaning their immutability.

As an immediate consequence of this Soviet formulation of the principle of "inviolability of borders" the East could already attack the German position on the legal status of Berlin—which is in keeping with the basic law and has been reconfirmed by the Federal Constitutional Court—as a violation of this principle reconfirmed by the European states.

8. Has it been ascertained that the principle of international law on the admissibility of peaceful change

(a) will occupy a position in accordance with its positive meaning for inner-German and inner-European detente in the catalogue of principles guiding relations between European states

(b) will be maintained undoubtedly in connection with the principles of renunciation of force and self-determination of peoples

(c) is not subjected to the Soviet interpretation of the principle of "sovereignty of states"?

Reasons:

Soviet policy vis-a-vis the other Warsaw Pact members and vis-a-vis Germany precludes any progress towards a solution of the German question in the sense of the right to self-determination of the German people. While invoking priority of self-determination over the demands for "sovereignty" and "territorial integrity" in the Third World, the Soviet Union employs a reverse tactic in Europe, where it accords priority to the principles of "sovereignty" and "territorial integrity" over that of self-determination.

Soviet attempts to permit mention of the principle of admissibility of peaceful change at best in connection with the principle of sovereignty or territorial integrity, also aim at a legal and political devaluation of this principle. The declaration on the right of sovereign states to unify (cf. memorandum on the treaty of Moscow, page 14, Bundestag publication No. VI/3156) which was made by Soviet Foreign Minister Andrey Gromyko at the conclusion of the treaty of Moscow and quoted by the Federal Parliament during the parliamentary ratification debate, merely contains a matter of course under the terms of international law, but does in our view of the supra-national nature of human rights and self-determination and the resulting claims not correspond with our policy on Germany.

9. (a) Which suggestions concerning enforcement of the principles mentioned in the catalogue of "basket I" have been introduced into the negotiations or been endorsed by the Federal Government or by Allied governments, by non-allied states, by the states of the Warsaw Pact?

9. (b) How is the Swiss proposal of a compulsory arbitration body to settle international differences assessed by the Federal Government, by Allied states, by non-allied states, by the states of the Warsaw Pact?

Reasons:

Enforcement of the principles on the coexistence of European states suggested for solemn confirmation at the CSCE is of vital importance above all to smaller and medium-size European states which depend on the law as a weapon of the weaker.

The Federal Government is requested to report what steps have been taken by it and by other governments at the CSCE to create reliable guarantees against a repetition of interventions by foreign powers to the detriment of national sovereignty and national self-determination of other states and peoples or guarantees against illegal intimidation, pressure, threat or blackmail of any kind.

What precautions were furthermore suggested at the CSCE by the Federal Government, the Allied governments, the non-allied states and—possibly—states of the Warsaw Pact against the Soviet claim of priority of principles of the "Socialist international law", such as the "Proletarian-Socialist Internationalism" and the resulting commitment to "brotherly assistance to defend Socialist achievement and the Socialist camp", over the principles of general international law?

The Swiss proposal for the peaceful settlement of conflicts corresponds with our constitutional decision in favor of immediate validity of the general rules of international law in the Federal Republic of Germany (article 25 of the basic law) and with our political commitment to the progressive principles of order of West European integration. The Federal Government is therefore requested to present its view on this proposal and—if possible—its efforts to promote it.

10. (a) What has the Federal Government done to point out in Geneva that genuine detente and cooperation in Europe presuppose that the human rights are guaranteed in all states of Europe?

(b) What has the Federal Government done to point out at Geneva that preservation of the priority of human rights in the intepretation and application of the principle of sovereignty, above all in the relationship between the two states in Germany, is in the interest of the entire West and of a lasting guarantee of peace?

(c) Has it been ascertained that the conception of the free part of Europe of the principle of human rights prevailing in these states, will be fully adhered to in the Geneva negotiations on the catalogue of principles (basket I) and on the guarantee of freedom of people, ideas, and information (basket III)?

Reasons:

One of the main difficulties to reach common measures for a detente between the two parts of Europe at the Conference lies in the basic difference of opinion concerning human rights and basic liberties between the liberal Western approach and the Soviet Marxism-Leninism approach.

From the liberal point of view human rights are inborn rights of every individual and are superior to state authority. They directly commit any state authority. To the extent that restrictions are indispensible in the interest of common well-being, these must be enacted by law and must not impair the essential substance of human rights. According to the legal position of Communist states dominated by Soviet-Marxism-Leninism, human rights are nothing but relative prerogatives granted by the absolute state whose authority is superior to the individual. They do thus not directly commit the state.

These states therefore do not consider themselves committed to direct adoption of the human rights as they are laid down in declarations, resolutions and accords of the United Nations under the terms of international law, into their national constitutions. Transferral of international law to national law is subject to the will of the states.

According to the outlook of Marxism-Leninism on the rights of the individual there are also no prepositive standards of individual freedom and dignity, but only those of class fight. The human being is bearer of such rights not as an individual in his concrete reality, but merely as a member of the class.

They are granted to him only to the extent that they serve him to fulfill his function in society; individual human rights as well as self-determination of peoples are subjected to the laws and requirements of social development, i.e. class fight on the national and international level or—to put it differently—of world revolution.

11. (a) How does the Federal Government intend to enforce the West's main demand for guarantee of human rights for all Europeans, in particular free movement of people, ideas, and information, at the CSCE?

(b) How does the Federal Government ensure together with the Western Allies that the concrete agreements on the free movement of people, ideas, and information will not be restricted again in basket III—as the Communists are demanding—for example through one general or several preambles which subject these agreements to the principle of a "sovereignty" internally conceived and practiced as an absolute sovereignty and of the reference to "non-interference", and "Observation of national legislation and customs" derived from that conception of "sovereignty"?

(c) Is the Federal Government willing to approve a seemingly positive conclusion of the Conference even on the basis of unsatisfactory resutls regarding the guarantee of human rights for all Europeans, in particular the right to freedom of information?

Reasons:

Confidentiality of negotiations at Geneva must not mean that the public continues to be kept in the dark on the political negotiating guidelines. At CSCE the Communist states insist on subjecting concrete measures which they concede in the operational agreements of "basket III" in favor of certain extensions of the human and basic right, especially in favor of greater freedom for people, information, and ideas, to national legislation as well as to the "customs" of their nations where their own orbit of power is concerned. If the Warsaw Pact gets its way with its additional provisos—either in a general preamble to "basket III" or in separate preambles to the individual agreements—the concrete agreements reached in favor of the people, could be eroded and undermined at any time.

It is the Federal Government's duty to tell the German public whether it is willing to do its part in consistently representing the main Western demand for more freedom and human rights, in particular for the freedom of opinion, conscience, and religion, for greater freedom of people and freer movement of information and ideas beyond the borders, as an essential condition for detente between East and West and as an essential preconditions for security and peaceful cooperation between people and nations.

That does not only apply to the relation-

ship between the states and nations of both parts of Europe, for us Germans that applies in particular to the inner-German relationship.

The Federal Government is requested to make clear whether it is willing to introduce this general criterion into the Conference negotiations and to demand its concrete application to Germany.

The Federal Government is asked to state whether it is willing to accept without protest Communist reference to their sovereignty and the principle of non-interference, if these references are employed against human rights and self-determination of the peoples.

The Federal Government is requested to explain how it intends above all to counter the policy of increased delineation by the GDR, since that government, too, is fighting the demand for greater freedom of people, information, and ideas by cynical references to its "sovereignty". These explanations expected from the government are important also because the Communist regimes are at the same time permitted to meddle in the internal affairs of the Federal Republic of Germany by means of foreign-dominated Communist parties and other organizations through references to their unilateral principle of "peaceful coexistence".

12. (a) Which concrete proposals has the Federal Government submitted or endorsed in order to promote realization of human rights in all of Europe and in particular in Germany and for all Germans?

(b) Is the Federal Government—if it has not already done so—willing to bring up the topic of permanent and institutionalized human rights violations at the inner-German and in the GDR at the Conference?

Reasons:

At the present state of negotiations in Geneva the public is entitled to concrete information on the negotiating results and pending issues of discussion directly concerning people and nations.

More freedom, human rights and self-determination for the people and nations in Europe must be the objective and criterion for a Western detente policy which is committed to the values of European culture.

This constitutes a special commitment for the politics of the Federal Republic of Germany due to its constitutional obligations, its freedom-oriented principles and its responsibilities towards its national history.

The German public is above all entitled to be informed whether and in which manner the Federal Government has introduced the German question not only into the catalogue of principles of "basket I" regarding its political and legal status, but also into "basket III" in regard to its human rights aspects.

13. (a) What are the notions and concrete proposals concerning the "confidence-building measures in the military area" (basket I,2) of the Federal Government, of our Allies, of the non-allied states, and of the states of the Warsaw Pact?

(b) How does the Federal Government together with its Allies intend to approach the connection between political and military security?

(c) Does the Federal Government endorse the view that there is a connection between negotiations on the CSCE on the one hand and those on MBFR and other military East-West discussions on the other with regard to their time-frame and substance?

Reasons:

The final recommendations of the first CSCE stage (in Helsinki) provide that during the second state commissions will prepare recommendations on confidence-building measures—CBM—, such as "advance notification of major military maneuvers" and "exchange of observers at military maneuvers upon invitation of mutually acceptable conditions".

These proposals are to be presented to the full Conference at a later date.

In addition, the questions of advance warning of major military movements are to be examined and the conclusions to be submitted to the full Conference.

The Federal Government is requested to report on the various suggestions and on the present state of negotiations concerning these issues. Items of particular importance are the notions on the geographic area to be covered by these measures, the time-frame of the advance warnings, the size of troop movements to be announced, the addressees of these notifications, and the degree of commitment of such agreements.

USSR and US resistance to the notification of major military movements raises the question about their motives. It should be considered that such measures are not merely meant to make mutual actions transparent and decrease the distrust between the two military alliances. After the experiences of the invasion of forces of the CSSR, GRD, Poland, Hungary and Bulgaria in the CSSR of August 1968, these warnings are to help protect the smaller countries of the Warsaw Pact against Soviet interventions.

Furthermore, the Federal Government is asked to report whether, and if so, which proposals were introduced into the negotiations that exceed the above Helsinki recommendations.

Finally, the Federal Government is requested to state whether in its opinion there are reasons for a connection between the CSCE and MBFR talks and other military negotiations (like SALT) with regard to their time-frame as well as their content. In particular it should explain whether in the absence of an outcome of the MBFR talks the negotiating results of the CSCE achieved so far already justify any mention of progress in favor of the interdependent and interrelated military and political security in Europe.

In this connection, the government is requested to disclose whether the disproportionally increased armament and deployment of Warsaw Pact forces in the GDR, CSSR and Hungary has been discussed at the Conference.

14. (a) Does the Federal Government consider as necessary and feasible comprehensive economic skeleton accords or agreements with East European states at the CSCE which are outside of the areas of competence transferred to the European Community? If so, what could be their content?

(b) If the agreements being worked out within the frame of "basket II" should be concluded, what precedent or other effect would they have on the European Community's full competence on foreign trade matters effective January 1, 1975?

(c) Is the Federal Government willing to resist any further restriction of the area of application of the GATT in its relations with East European states? Does the Federal Government think it possible that all East European states might be persuaded to join the GATT? Has the question been considered as an Agenda Item within "basket II"?

(d) Have members of the COMECON shown their willingness at the Conference to adjust their foreign-economic policies to the international standard?

(e) Does the Federal Government share the view that in addition to the existing all-European means of communication in the ECE, further institutionalized contacts should be established? If so, why?

(f) Will the Federal Government use its influence in the European Community to the effect that granting of most favored nation status to the Soviet Union by the European Community is contingent upon prior Soviet accession to worldwide cooperation in trade and traffic (GATT, CIV/CIM, IATA and others) or upon unequivocal and lasting political concessions in favor of human rights and self-determination?

Reasons:

The areas suggested for "basket II" in the recommendations of Helsinki should be examined with a view to the question whether and to what extent possible "all-European" agreements affect the areas of competence of the existing community institutions and treaties and the further development of these treaties which have priority for the West. In particular it should be examined whether the CSCE agreements on trade and industrial cooperation affect the European Community's full foreign trade competence, effective January 1, 1975, and whether they would impede the required common coordination of the consultative agreements.

Furthermore, the Federal Government should explain to the public its basic attitude on the problem of whether it will approve cooperation within the frame of "basket II" without return favors, or whether it will base its approval of Western concessions on full acceptance of the achieved standard of worldwide cooperation on the part of the Warsaw Pact states or/and on Eastern concessions in the area of the other two "baskets".

The Federal Government is requested to state whether it is willing to introduce the issue of free emigration of Germans from the Soviet Union and East Europe within the framework of a joint initiative of the entire West, in imitation of the Jackson Amendment to the US trade bill in the US Congress.

15. (a) How does the Federal Government assess Soviet demands for the establishment of a permanent all-European consultation and control body?

(b) Does the federal government consider the transferral of CSCE follow-up missions to already existing international organizations (such as the ECE) and/or special commissions as feasible?

Reasons:

One of the main objectives of the Soviet Union at the CSCE was and is the creation of a permanent all-European consultation and control commission, which is to assume administrative tasks as an executive body between further meetings of the full Conference.

This body would give the Soviet Union a say ("droit de regard") in West European developments, while it and its Allies would reject any counter-influence by the West in its own sphere of influence by invoking its exaggerated conception of sovereignty of the "Socialist international law". Besides, this all-European body could have negative implications for the process of West European integration and the expansion of our Atlantic partnership which must have priority.

16. (a) Does the Federal Government consider the present negotiating results sufficient to warrant convocation of a final Conference for the signature of the final documents before the Conference goes into summer recess?

Reasons:

The final meeting in the shape of a summit conference of heads of state and government which the Soviet Union would like to see take place as early as July of this year, would greatly underline consolidation of the territorial and political status quo in Central and Eastern Europe which the Soviets largely achieved under the third principle (of the ten principles guiding relations between European states). Western consent to a date and rank for this final conference would, therefore, only be justified on the basis of satisfactory return favors by the East to promote human rights and self-determination and in favor of a permeability of borders in Europe, i.e. in favor of a progressive liberalization in Central and Eastern Europe.

The negative experiences made with self-imposed time and success pressures in its negotiations with the Soviet Union should warn the Federal Government against a premature summit conference on the basis of dubious compromise and imbalanced favors.

We call to mind what the former Foreign Minister Walter Scheel declared at the Foreign Ministers meeting on July 3, 1973 in Helsinki during the first CSCE stage:

"If in the course of discussions it should become clear that our notions of reality are still too divergent, then I believe it would be a question of honesty to state this clearly. It would not be the end of the detente process either. It would mean only that conditions are not yet ripe to achieve the ambitious goal which we have set for this Conference. We could then continue with our efforts to develop common rules and to include cooperation and communications. We would have to continue these efforts in our bilateral relations. We might perhaps even get together again for a multilateral effort at a later date. But we should tell the European and world public clearly that we need some more time. We would then, to speak with Metternich, have to "hedge behind time and make patience our weapon".

(KARL) CARSTENS, (RICHARD) STUCKLEN
and the CDU/CSU Caucus.

## CONCLUSIONS FROM HEARINGS ON SUPPLIES AND PRICES OF INDUSTRIAL RAW MATERIALS

Mr. BENTSEN. Mr. President, I wish to report to the Senate today on the main points brought out at the recent hearings of the Joint Economic Committee's Subcommittee on Economic Growth on the adequacy of raw material supplies.

These hearings, which took place the week of July 22, went into various subjects. They include: First, short-run supply and price prospects for various materials, especially metals; second, the likelihood of monopoly pricing in these markets by foreign producers, with special reference to the aluminum situation; third, means of deterring and defending against exploitative pricing; and fourth, the question of the longer run physical adequacy of mineral supplies.

Materials prices on world markets have dropped sharply in the past several months. In the words of Assistant Secretary of State Thomas Enders, in testimony at the hearings—

In competitive markets the steam has gone out of the commodity boom. Fiber prices are down 16 percent since the beginning of the year; rubber prices are down almost 40 percent . . . and non-ferrous metals, more erratic in movement, are down even more sharply. . . . The major reason for the turnaround is the relative weakness in world industrial production.

For copper, tin, and aluminum, this decline was influenced by huge sales from the U.S. stockpile, although it is difficult to estimate how great this influence was.

U.S. domestic prices remained far below world prices during much of the period because of price controls. Although U.S. prices have risen sharply in the 3½ months since controls ended, the decline in world prices has permitted them to adjust to market levels without the huge leaps that otherwise would have occurred. This process of adjustment is still proceeding, as we have seen in the recent price boosts for steel and aluminum.

As the latest wholesale and consumer price releases confirm, moreover, the prospect of stabilization in raw materials prices does little to limit the cost-push impact of earlier increases in raw materials still working their way through the economy.

### CARTELS

It was the consensus of most witnesses that new cartels are unlikely to be highly effective in nonfuel minerals, despite what we have seen with oil and aluminum. If they should succeed in escalating certain material prices, all witnesses agreed that their effectiveness would be limited to a relatively short period of time.

The main reasons for this are the inevitable diversity of commercial interests among cartel members, the high likelihood of new supplies within a few years from outside the cartel, and the relative ease of substitution for most such materials. As indicated below, for instance, several widely available materials can be substituted for bauxite at about the present price. The various ferroalloys can be substituted for each other to some extent. In some materials, such as cobalt, tungsten, manganese, and zinc, the U.S. strategic stockpile is large relative to our consumption. In others, the major foreign suppliers seem unlikely to combine for common purposes because of political diversity. All witnesses agreed, moreover, that even substantial increases in mineral prices would never have the dramatic impact on the U.S. economy that the rise in energy prices has had.

Mr. William Eberle, Director of the Council on International Economic Policy, emphasized his belief that inordinate price increases are not in the long-run best interest of the materials-exporting countries themselves. Dr. James Theberge, of the Georgetown Center for Strategic and International Studies, noted, however, that:

We are in an era of more assertive Third World nationalism, and this is radically altering producer-foreign investor relations in favor of the developing mineral producers. . . . They are politicizing trade problems, however, much we may deplore it. The international trading system is under strain because countries increasingly are using trade for political ends.

Dr. James Burrows, a commodities specialist for Charles River Associates, pointed out that cartels motivated by economic gain would never impose a total embargo against any buyer but instead would curtail overall output to a level calculated to exact an optimal price.

I was pleased to see an able discussion of the present outlook for raw materials cartels by Dan Morgan in the Washington Post. The article, entitled "Cartel Threat Seen Easing," is based in part on the findings of our hearings. I ask unanimous consent to print the article in the RECORD at the conclusion of these remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

### THE ALUMINUM MARKET

Mr. BENTSEN. Mr. President, among the most significant testimony of the hearings was that by representatives of the aluminum industry that technology for making aluminum from U.S. domestic raw materials now appears to be competitive with aluminum from bauxite. The latter material is almost entirely imported. Bauxite taxes have been increased by one major producing country, Jamaica, by an amount that more than doubles the price of this raw material and adds 8 to 10 percent to the ultimate cost of producing aluminum metal. This move may be followed by other exporting countries.

Mr. C. W. Parry, ALCOA's manager for corporate planning, gave the subcommittee the following testimony on this subject:

There are two sources of alumina in the United States which are of primary interest at the present time to ALCOA. The first of these is a mineral called anorthosite. We have purchased 8,000 acres in Wyoming containing an extremely large reserve of this mineral, anorthosite. This one reserve alone has enough aluminum content in it to supply the present world aluminum industry for 75 years . . . for all intents and purposes the amount of anorthosite in the United States is essentially inexhaustible.

We made a very strong research commitment over the past months to the processes which are necessary for the commercial exploitation of alumina from this mineral. We have been operating a pilot plant at our East St. Louis laboratory for several months now. And this pilot study should be finished by the end of 1974. . . . We could at that time move on, as we expect to, to commercial development of this particular ore.

(Another) source of alumina (aluminum oxide) in the United States is coal waste piles, or co-called "culm" piles, from coal mining activities. . . . One of the greatest difficulties that we are finding in this is to locate the coal pile deposits in a geographical concentration sufficient to justify the establishment of a separation plant. . . . I expect that this will also be finished toward the end of this year or early next year.

. . . We have not yet reached the stage where our cost estimates can be considered firm. We are, however, far enough along to get some very strong indications that alumina produced from several of these sources would be competitive with alumina from Jamaican bauxite under the new tax condition.

I think this is a very significant development that illustrates the consequences likely to ensue from exorbitant tax increases by foreign producer governments or cartels. In response to my questioning, Mr. Parry indicated that it probably would take 2 to 3 years to finalize the design parameters of the new processes and to complete construction of a commercial scale plant.

It is also significant that this view of the feasibility of nonbauxite raw materials was confirmed by a witness representing a joint venture with no investment stake in foreign bauxite mining. Dr. Duane Bloom of Earth Sciences, Inc. testified that his firm in conjunction with two aluminum smelters and fabricators—the Southwire and National Steel Corporations—is in the advanced stage of arrangements for a large-scale plant to begin making alumina from alunite by 1978.

Dr. Bloom gave us the following testimony:

. . . in 1969, when this venture was begun there were no known deposits (of alunite) in the United States meeting our needs. Apparently for this reason, Report No. 278 of

the National Materials Advisory Board . . . in 1970 concluded that alunite has "little potential of being a major raw material of aluminum in this country." In the year that statement was made, the NG alunite deposits were discovered 60 miles northwest of Cedar City, Utah.

Drilling and trenching on the property has proven in excess of 100 million tons of ore grading between 35 and 40 percent alunite. In addition, another 600 million tons of similar grade ore has been placed in the probable category on this property. It appears that the initial plant planned for this deposit, 500,000 tons of alumina per year, could be expanded by a factor of 10, and using ore from this area, could operate for about 20 to 30 years, supply nearly one-sixth of all the aluminum used in the United States during that period.

Mr. Parry stated that Alcoa's decision to proceed with nonbauxite alumina production was determined by the new Jamaica bauxite tax. Dr. Bloom indicated his belief, however, that the alunite process would be economic even with lower bauxite prices, in part because it produces large volumes of potash fertilizer as a byproduct.

As a footnote to the Jamaican action on bauxite, it has come to my attention that a communique by Jamaican Prime Minister Manley and Mexican President Echevarria, issued at the close of Echevarria's visit to Jamaica on August 2, announced their intention to establish a multinational aluminum corporation to produce alumina, aluminum metal, fabricated products in the two countries and possibly other nations in and around the Caribbean.

U.S. POLICY ON COMMODITY TRADE

A number of witnesses addressed the question of augmenting the accepted rules of international trade to govern access to raw materials supplies and of using other diplomatic means to avert behavior disruptive to the world economy.

Ambassador Eberle's testimony outlined a new approach to trade negotiations:

. . . we must focus hard to see that we have a trading system that . . . has rules and guidelines that will keep many of these trade problems out of the political process.

I think it is useful in looking at these possibilities to start with the GATT, which spells out existing international trade rules . . . (on) export quotas and export duties as it does on the import side . . .

One approach which could closely parallel that used successfully to reduce import barriers would be to exchange a commitment by country A not to restrict, or to limit restrictions on exports which are of interest to country B for a commitment by country B of a reciprocal nature. . .

We could even start out by having discussions on binding the export taxes as you do tariffs. Or you could negotiate on exceptions and then bind all other export taxes to zero. . .

We have found other countries quite interested in exploring these concepts with us. . . Now, these exchanges of commitments need not be restricted to measures at the borders but could cover other policy measures governments take to affect conditions of supply or exportable raw materials. . .

. . . the second track that I referred to is designed to avoid or to facilitate the resolution of conflicts that can arise. . . There should be guidelines on what you do generally, and then if you cannot agree, we would hope that there would be some kind of a consultation and procedure that you must go through. . .

Other witnesses pointed out that various instruments could be used to direct both domestic and foreign investments so as to diversify raw materials sources. Secretary Enders testified that the main available instruments to guide overseas investment are Exim credits and OPIC guarantees. At home, the Government can facilitate many aspects of materials development. At this stage, in his view, subsidies and tariff protection for domestic investment do not appear desirable.

There is general agreement, I believe, that we should at least examine the desirability of recasting the authorization for stockpiles of strategic and critical materials to include the objective of averting economic disruption that might ensue from supply curtailments or cartel pricing. At present, the law does not recognize this objective, although such considerations have been an element in stockpile decisions at times.

In considering this issue, however, there are many issues of fact that must be clarified. For instance, what commodities would be stockpiled for this purpose? How much should be stockpiled? What are the costs and the alternative methods of protecting our economy from such shocks? Under what guidelines would stockpile authorities intervene in the market? Should they attempt to stabilize cyclical market fluctuations or only to intervene to resist outright monopoly power? How effective can we expect such an operation to be?

Gen. Leslie Bray, Director of the Office of Preparedness, testified that his staff is studying some of these questions on economic stockpiling. He emphasized that present law does not permit stockpile manipulations exclusively for this purpose. He pointed out as a matter of interest, however, that the Japanese Ministry of International Trade and Industry announced in late July that Japan plans to build up a stockpile of nonferrous metals to prevent economic disruption.

IS THE WORLD RUNNING SHORT OF RESOURCES?

All witnesses before the hearings agreed that mankind is in no danger of running out of resource reserves within the foreseeable future. It may be somewhat more expensive in the future to satisfy our materials needs in ways consistent with environmental protection, but the witnesses felt that the supply of minerals is likely to be quite responsive to higher prices within a period of a few years. Recent supply shortages were attributed more to political disruptions, as in the case of copper from Chile and Zambia, and to inadequate smelting and processing capacity, as in the cases of steel and zinc, than to real scarcity of minerals in the ground.

As stated by Mr. Robert N. Pratt, president of the Kennecott Sales Corp., of Kennecott Copper,

Our nation is blessed with abundant reserves despite dire forecasts one encounters from time to time. The Paley Report of 1952 predicted that the U.S. would be out of copper in this decade. The 1971 Club of Rome study has predicted the same disaster on a worldwide scale in this century.

The fact is, the U.S. has been increasingly self-sufficient in copper over the years despite important growth in demand and decreasing ore grades . . . Continuing technological advances in our industry have made this possible. . . .

The U.S. copper industry has announced plans to expand capacity by about 25 percent during the next four years, and still further expansion is under consideration. This outlook does not include entirely new mining technologies such undersea mining and in-situ mining which we and others are studying and which offer the opportunity to tap vast additional resources.

Similar arguments were made with regard to other minerals by Dr. Burrows of Charles River Associates, whose testimony, incidentally, includes detailed market analyses for a wide range of individual materials.

With regard to undersea mining, Mr. Pratt stated in response to questioning that, so far as technology is concerned, it could begin immediately on a commercial basis. It was the view of Dr. John Morgan, Deputy Director of the Bureau of Mines, however, that many problems remain with commercial application of this technology because of difficulties yet to be solved in operating in deep water far from shore and in separating and refining the various valuable constituents of the undersea nodules.

In one final comment on the question of minerals scarcity and higher minerals prices, it is estimated that America's use of nonfuel, nonagricultural minerals in raw form now constitutes about 3 percent of the total value of our GNP. Dr. Burrows estimated that the impact of minerals prices on the overall national price level would be slightly more than proportional to this ratio. In other words, if all minerals prices should even double across the board, the price index would increase by only 4 or 5 percent. All witnesses concurred that any such price increase would bring forth much greater supplies.

CONCLUSION

In general, therefore, the hearings tended to deflate alarmism that has been generated in some quarters concerning the imminent formation of many new cartels. They indicated that further rapid price escalation for nonagricultural raw materials is not likely in the near future, although it could resume in the future when business conditions improve and markets again become tight. The hearings discounted the thesis that resource exhaustion is close at hand.

Let no one infer, however, that I am providing grounds for complacency or inaction. The fact that problems are not unmanageable does not imply that improvements in policy are not badly needed. It is undoubtedly time to take deliberate steps to improve our security of access to foreign supplies, to make clear that the United States will defend itself against inordinate prices for imported raw materials, and to proceed with new impetus on a balanced policy of resource development at home.

EXHIBIT 1

[From the Washington Post, Aug. 12, 1974]

CARTEL'S THREAT SEEN EASING

(By Dan Morgan)

Ten months after the oil nations closed ranks to impose unprecedented price increases, government experts have concluded

that other potential mineral and commodity cartels could not squeeze the United States very hard for very long.

The generally optimistic assessment has been reached even though senior officials recently acknowledged before a congressional panel that there is not much American aluminum companies can do about Jamaica's decision last June to sharply boost export taxes on bauxite.

The effect of Jamaica's action was to raise the price of bauxite imported from there from $2.50 to $11.72 a ton.

Assistant Secretary of State Thomas O. Enders told a subcommittee of Congress's Joint Economic Committee that two other countries, the Dominican Republic and Guyana, have been "inspired by Jamaica's action and have announced their intention to follow suit.

The three countries account for about 70 per cent of U.S. bauxite imports. The U.S. produces less than 15 per cent of its own requirements of aluminum ores. If passed on, the levies are expected to increase the price of aluminum in this country by about 10 per cent.

"In the near term, the aluminum companies are locked in," Enders told the subcommittee headed by Sen. Lloyd M. Bentsen (D. Tex.). "They have little choice but to pay the higher levies because of the cost of disrupting established supply patterns during the current period of strong demand, their structural dependence on Jamaican-type bauxite and their investments in Jamaica."

Officials concede that the difficulties with the Caribbean bauxite producers show that a few small, less-developed countries can pose economic problems for the United States, over the short term.

However, they add that there are marked differences between the oil cartel and the bauxite producers.

U.S. representatives have quietly been telling leaders of Third World countries that they will lose more than they will gain in the long run if they try to emulate the example of the Organization of Petroleum Exporting Countries (OPEC).

The great danger now, U.S. officials contend, is that Third World nations, carried away by the OPEC euphoria, will enter an economic poker game with the United States and the industrial world, without holding any of the strong cards of the oil nations.

At the congressional hearings, William D. Eberle, director of the White House Council on International Economic Policy, declared that mineral cartels "are not likely to constitute a serious threat in areas other than oil."

In the case of bauxite, the Caribbean producers hold some short term advantages because of the dependence of U.S. aluminum companies on the cheap supplies there.

However, industry and government officials told the Subcommittee that the world has abundant supplies of bauxite, located in many countries. Substitutes which can be used in manufacturing aluminum, such as grey clays in the United States, are available.

Steel and plastic materials can also substitute for aluminum in construction.

"If the tax is continued, future aluminum investment flows will shift to non-Caribbean areas," Enders said.

In the panicky aftermath of last year's oil price increases by OPEC, some economists predicted that the world would see the pattern repeated quickly in other vital resources.

The OPEC actions were widely hailed by many Third World leaders as strong blows against old fashioned economic colonialism of multinational corporations steered from the United States and other industrial countries. Raw material prices, they noted, had failed to keep pace with the price increases of finished products.

Since then, organizations of coffee, mercury and copper producers have met to see what they could do to emulate the OPEC example.

A price-setting arrangement between Algeria, Italy and Spain forced the price of a 76-pound flask of mercury from a 1973 low of $260, to $350 this year. But the price has since begun to drop again and hit $330 two weeks ago.

Several weeks ago, Costa Rica, El Salvador and Mexico, with apparent support from Brazil and Colombia, set up a multinational organization, Cafe Suaves Centrales, to regulate the price and supply of coffee. According to press reports, the organization is counting on financial support from Venezuela, which will take in an estimated $10 billion in oil revenues this year. If OPEC member Venezuela agrees, loans from it would be used to finance a "buffer" stockpile of coffee which could be held off the market to force prices up to acceptable levels.

Coordination between the coffee growing countries until now has been erratic, so that there is presently surplus on the world market. U.S. officials say that "there has been strong evidence" already that Brazil, Colombia and El Salvador have been buying back some of their own coffee on the international market in New York City, to push prices back up.

These examples of producer cooperation have been far outstripped by rhetoric of Third World leaders.

On July 11, Mexican President Luis Echeverria called for a common front of all Third World countries to obtain better raw material prices.

According to U.S. economic experts, the success of any board system of price controls and restrictions on supplies would require heavy financing, to maintain reserves and continue production while stockpiles build up.

In April, Peruvian Minister of Mines Jorge Fernandez Maldonado called for a "convergence" of OPEC with the copper producing organization CIPEC, to which Peru, Chile, Zaire and Zambia belong.

Maldonado spoke of exchanging guarantees of oil for a CIPEC promise to satisfy the oil nations' mineral needs. He also urged a "Mutual defense of oil and copper resources" against speculative markets in the West.

So far, however, the OPEC nations have offered only encouraging rhetoric and token financial support to Third World countries which are reeling under the impact of petroleum price increases.

American officials say that the oil producers seem reluctant to risk any of their new wealth underwriting mineral cartels, although this could change as their income from petroleum sales piles up.

Economists do not all agree with the current assessment of White House, Treasury Department and State Department experts that new cartels would be too diffuse, too economically weak, and too politically diverse to forge well-disciplined organizations.

In a much-quoted article in Foreign Policy magazine, C. Fred Bergston maintained this year that Western nations had vastly underrated the danger of many OPEC-like organizations forming in different parts of the world, and waging economic warfare that would disrupt the established order.

"We are seeing the politicization of international minerals," said James D. Theberge, of the Center for Strategic and International Studies.

"Third world countries are organizing into economic blocs and are trying to establish an economic front. The administration is rather complacent about it."

Theberge told Bentsen's subcommittee, however, that economists "are right to entertain strong skepticism about the long-term prospect of mineral cartels by Third World producers—despite the dramatic success of OPEC."

Meeting in Lusaka, Zambia, a month ago, the copper organization CIPEC was unable to agree on any action to stabilize copper prices and establish a floor price. Instead, a decision was made to study how copper producers could control trading of the mineral at the London metal exchange.

The United States now imports only 17 per cent of its copper needs, and experts say it has sufficient domestic reserves to become self-sufficient.

In addition, the United States now has strong economic leverage over CIPEC-member Chile, whose military backed regime is counting heavily on loans and aid to bail it out of deep financial difficulty left over from the former Marxist regime of the late Salvador Allende.

Experts also note that restricting production of raw materials, unlike restricting petroleum pumping, can cause unemployment.

In and out of government, experts differ over the vulnerability of the United States to some sudden restrictions on foreign imports of raw materials.

The United States imports more than three quarters of its requirements of chrome, manganese, tin, mercury, nickel and half a dozen other minerals. However, Enders told the Subcommittee that more than two-thirds of U.S. imports of major non-fuel raw materials come from Canada, Australia and South Africa all of which are considered reliable suppliers.

Nevertheless, officials in Washington are deeply uneasy about short term economic disruptions that could occur if some new, worldwide system isn't worked out to satisfy the requirements of both consumer and supplier nations.

"We could be wrong," said one official, recalling widespread doubts, only a few years ago that the oil countries would unite.

Economic warfare between rich and poor nations would add to inflation in the industrial world. Ultimately, it could be self-defeating for Third World countries which need foreign investment and financial support.

In Geneva, U.S. officials have been urging members of the General Agreement on Tariffs and Trade (GATT) to accept some plan which would guarantee access to raw materials in return for a fairer, stable price for the resources.

The White House's international economic chief, Eberle, told Congress that "the political dimension of this issue" should not be neglected.

"Arbitrary actions affecting another country's supply of raw materials, and the counter actions these invite, can seriously damage political and security relations between countries."

Eberle called for a new system to even out the "peaks and valleys" in the world's economy caused by shortages and surpluses which produce price summits and dips.

One approach, he said, would be for countries to exchange commitments not to limit exports of commodities each consider essential.

"To put it crassly, the world economic system has got to work on mutual blackmail," said an official. "If you give me this, I'll give you that."

The pros and cons of an "economic stockpile" are also being weighed in Congress. Such a stockpile could be sold off in pressure to raw material cartels' restricting exports or production.

However, policy makers lean away from this idea now because of its cost, and because of its tendency to fix artificial prices.

Enders also noted in his congressional testimony that putting 50,000 tons of tin on the market this year hasn't prevented a price increase of more than 100 per cent.

Policy makers also make clear that the United States still has powerful economic weapons of its own to use a mineral front.

"If we were not able to reach a mutually acceptable accommodation . . . we would have no choice but to seriously examine the contingencies for retaliation in other areas of our economic relationship," Eberle said.

## SUPPORT FOR JURY JOB PROTECTION BILL

Mr. SCHWEIKER. Mr. President, yesterday, I indicated that a number of Pennsylvania newspapers have endorsed the concept of providing job protection for persons serving on State and Federal juries.

My bill, S. 3776, would eliminate the kinds of abuses which occurred in the Mitchell-Stans trial, and with the Watergate grand juries, where job threats, or actual firings, adversely affected citizens engaged in jury duty.

The newspaper editorials in Pennsylvania make the point that I stressed, that job protection for jurors, performing civic responsibilities, is a matter of fundamental fairness, and must be a matter of law.

I ask unanimous consent that three additional editorials supporting my jury job protection bill be printed in the RECORD following these remarks.

We must be encouraging, not discouraging, good citizenship, and the fairest possible jury trial system in our judiciary, and I will continue to press for quick action on my bill.

There being no objection, the editorials were ordered to be printed in the RECORD, as follows:

[From the Harrisburg (Pa.) Evening News, July 23, 1974]

A JUROR SAFEGUARD

Sen. Schweiker's bill to protect the jobs of people serving on jury duty is an eminently reasonable proposal. If there's anything disturbing about the measure, it's the fact that legal safeguards should be necessary.

But they are. The senator cited job losses by people serving in the Mitchell-Stans trial and on Watergate grand juries as "only the most publicized examples" of individuals suffering economic reprisals for fulfilling their citizenship responsibilities.

It's bad enough that too many people, young and old, try to avoid jury duty on one pretext or another. Justice, after all, requires not only good judges on the bench and good attorneys for prosecution and defense, but good people from all walks of life willing to serve on juries so they can be broadly representative of the community. In his first inaugural address, Thomas Jefferson called trial by jury one of the principles that "form the bright constellation which has gone before us."

For many, jury duty can mean both inconvenience and financial loss. But such service is one of the ways we Americans pay our dues for the system we enjoy. Certainly, those performing their duty shouldn't be subjected to the more serious economic disruption represented by the loss of a job. Employers should understand the broader public interest being served and be willing to put up with temporary loss of their employes.

The Schweiker bill would extend to jurors the same sort of protection military draftees have been granted in the past. That's only fair. In a sense, jurors also have been drafted to protect our way of life. Members of Congress should have few reservations about rallying around the principle contained in this legislation.

[From the Lansdale (Pa.) North Penn Reporter, Aug. 7, 1974]

JURORS AND JOBS

Sen. Richard Schweiker has introduced a bill guaranteeing job protection for persons serving on juries, whether state or federal.

The senator noted that two Watergate grand jurors were fired outright and two others were asked to be executed so they wouldn't lose their jobs. Besides that, Schweiker said, two jurors in the trial of Maurice Stans and John Mitchell were fired by their employers.

"These," says Schweiker, "are only the most publicized of the ever-growing problem of persons being economically penalized simply for trying to be a good citizen."

As Schweiker says, there is no adequate job protection now for jurors. His bill to correct this sorry state of affairs is patterned after the re-employment protection granted to persons called to military service.

"Jury duty is vital to our system," Schweiker sums up. "The jury is an institution that not only protects the legal rights of defendants, but also puts into practice our commitment to government by the people.

"Jurors risk discharge by their employers as soon as they accept jury duty. And the juror who is not permitted to return to his job does not have adequate legal remedies. If we permit the price of this civic participation to be loss of employment, we should not be surprised that citizens shirk involvement in government or that public confidence in government continues to decline."

It could hardly be phrased better. It is contemptible for an employer to fire a person simply because that person accepted jury duty. Yet it happens all too often, even in our own region. Long ago we should have blown the whistle on these narrow-minded bosses.

[From the Somerset (Pa.) American, July 25, 1974]

JURY PROTECTION

A law which provides for financial protection of workers while serving on jury duty has been needed for a long time. Now, it looks as if one will be passed.

Such a bill, guaranteeing job protection for those who serve on state and federal juries, has been proposed by Senator Richard Schweiker.

He pointed out that two members of the Watergate grand jury were fired outright and two others asked to be relieved of jury duty in order to protect their jobs. Two jurors in the Mitchell-Stans trial also were fired.

Jury duty is an obligation of all citizens. Those called should not hesitate to serve and their employers should not hesitate to cooperate in making it possible for them to serve.

As Senator Schweiker has pointed out, many persons trying to be good citizens by serving willingly when called for jury duty are often economically penalized.

And, this is not right.

The Senator has proposed a bill patterned after the reemployment protection granted to people called into military service.

The Schweiker proposal is one which should have the support of the Congress.

## THE CALIFORNIA POLITICAL REFORM ACT OF 1974

Mr. TUNNEY. Mr. President, one of the most important matters before us this year has been reform of the election process. I was very pleased that the Senate passed a strong election reform bill last April, including public financing. This measure is now in House-Senate conference.

But the movement for reform of the electoral process has not been limited to Washington. On June 4, 1974, California voters expressed overwhelming support for political reform by casting over 3 million votes—a 2 to 1 margin—in support of proposition 9, the Political Reform Act of 1974. The act was put before the voters by a coalition of public-interest groups and individuals, including People's Lobby, Common Cause, and the League of Women Voters.

The initiative process, through which proposition 9 was brought before the voters of California, has been an active and progressive force in California. Just 2 years before, California voters enacted proposition 20 which provided the first comprehensive coastal protection and planning in the Nation.

In light of the great interest in proposition 9, and the political reform movement, I would like to share with my colleagues a summary of the provisions of proposition 9 compiled by the California Journal, and an article from the Los Angeles Times outlining the genesis of the act. I hope the success of proposition 9 in California, and of the campaign reform bill in the Congress, will usher in a new era of openness and grassroots responsiveness on the part of politicians.

Mr. President, I ask unanimous consent to have the above-mentioned materials printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

[From the California Journal, November 1973]

SUMMARY OF KEY PROVISIONS OF POLITICAL REFORM INITIATIVE

Campaign receipts and expenditures. In every campaign for elective office, at all levels of government, reports of all contributions and expenditures must be filed if at least $500 is raised or spent. The reports are due at specified times:

Candidates and committees must report 40 and 12 days before the vote and 65 days after.

Proponents of ballot measures must report 65 days after qualifying their measure.

Committees supporting or opposing ballot measures must report 35 and 7 days before the election and 70 days after.

Elected officials must report every six months while in office.

These reports must identify all contributors of $50 or more by name, address, occupation and employer's name, the amount given each time and cumulatively. Persons receiving $50 or more and the services they render must also be identified.

Campaign committees must file statements with the Secretary of State. These must include their affiliation, treasurer and principal officers, and the name and office sought by each candidate and title of each measure they support or oppose.

Fair Political Practices Commission. A five-member appointive board, no more than three of whose members can be from the same party, is created to enforce the initiative's provisions and is given a $1 million annual appropriation. The Governor appoints two members, not of the same political party, and the Attorney General, Secretary of State and Controller appoint one member each.

The commission is to investigate charges

of possible violations of the Political Reform Act on the part of agencies, public officials and candidates. It can subpoena records and witnesses, issue cease-and-desist orders, and levy fines up to $2,000.

Campaign spending limits. How much can be spent in statewide campaigns is based upon the number of citizens of voting age in the state as of January of the year preceding the election. Using the 1973 estimate of 14 million voting-age persons, the spending limits are:

Governor—7 cents per voting-age citizen ($980,000) in the primary and 9 cents in the general election ($1,260,000).

Lieutenant Governor, Secretary of State, Attorney General, Controller, Treasurer, Superintendent of Public Instruction—3 cents per voting-age citizen ($420,000) in the primary and again in the general.

Incumbents seeking reelection to statewide office—10 percent less than their challengers' limits.

Party state central committees and affiliated bodies—4 cents a voting-age citizen ($420,000).

Independent committees—$10,000 maximum.

Initiative qualification—No more than 25 cents times the number of signatures required can be spent ($81,376) to qualify statewide measures such as this.

Ballot-measure campaigns—Expenditure limits over $10,000 will be set by the Fair Political Practices Commission. Expenditures for both sides cannot exceed the lesser of the following: 8 cents times the voting-age population ($1,120,000) or $500,000 more than the amount approved by the commission to be spent by one side.

Conflict-of-interest. Public officials must disclose financial holdings that present "a potential conflict with their official responsibilities", and are disqualified from making public decisions in areas of conflict.

Elected state offices, boards of supervisors, city councils, the chief administrative and elected officers of cities and counties, and candidates for election to any of these offices are covered. Disclosure must be made before assuming office, periodically while serving, and on leaving office. The statements include:

Any investments worth at least $1,000, indicating whether their value exceeds $10,000 or $100,000.

Any interests in which at least 50 percent is held.

Income totaling $205 or more in 12 months, indicating if it exceeded $1,000 or $10,000; any gifts valued at $25 or more, with the name, address and a general description of each source.

Income from businesses, if more than $1,000 was received for legal or brokerage services, or $10,000 for other businesses.

All state and local agencies must adopt a conflict-of-interest code that contains:

A list of jobs vulnerable to conflict-of-interest considerations.

The circumstances under which an official must be disqualified from acting.

Ballot pamphlet. The ballot pamphlet sent to voters before each election is revised to include more information in a more readable format. The text of all proposed measures and the existing laws to be repealed are to be included, along with arguments and rebuttals for and against, and an analysis prepared by the nonpartisan Legislative Analyst.

Incumbency. The fact of holding the office being contested is not a factor in determining the order of placing candidates' names on the ballot. Once an elected state officer files a declaration of candidacy, all mass mailings at public expense must cease.

Lobbyist regulation. Lobbyists must register with the Secretary of State. (They now register with a joint committee of the Legisnature.) Lobbyists cannot make contributions and gifts exceeding $10 monthly. They must open separate accounts to handle lobbying funds.

All payments received for their activities must be reported periodically; these reports also include deposits and expenditures in the lobbying account, expenditures of $500 or more in one year made to any business in which a public official or candidate holds interest. The legislative or administrative decisions the lobbyist sought to influence must also be reported.

Those who hire lobbyists or who spend at least $250 a month to influence legislative or administrative decisions must report expenses over $25, gifts to officials, candidates or members of their families, business transactions exceeding $1,000 with firms in which an official or candidate has ownership, the date and amount of political contributions.

Auditing. The Franchise Tax Board audits and investigates reports filed by lobbyists.

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[From the Los Angeles Times, June 21, 1974]

PROPOSITION 9—ITS BIRTH PANGS NEARLY KILLED IT

(By Al Martinez)

Proposition 9, the political reform initiative that swept to a landslide victory June 4, was born—and almost died—in the heat of conflict generated by its authors.

An uneasy coalition of Common Cause and People's Lobby came close to collapse several times during the critical months that the measure was being drafted.

There were charges of doublecross, the threat of a lawsuit by Common Cause against People's Lobby, the possibility of a counterinitiative and an almost comic race to see who would file the document first.

In most instances, a representative from the office of Secretary of State Edmund Brown Jr. acted as peacemaker in what seemed at times a futile attempt to resolve the differences between the two political activist organizations.

Said one source: "They got along about as well as the Arabs and the Jews."

People's Lobby believed Common Cause was using the reform measure to strengthen its own position in California, and Common Cause was convinced that the leaders of People's Lobby could not be trusted.

People's Lobby accused Common Cause of dragging its feet, and Common Cause charged that People's Lobby's haste was detrimental to the initiative.

By the time the campaign was over, both organizations were weary of each other, and there is doubt that they will ever work together again.

Despite the overwhelming success of Proposition 9—a better than 2–1 triumph—some of the bitterness between the two groups most responsible for the victory lingers on.

The genesis of the initiative, regarded by many as one of the finest political reform documents in the nation, is difficult to trace because the three major participants claim credit for its inception.

Common Cause, People's Lobby and Brown's office had all worked in the area of political reform, and all trace the roots of the initiative to that work.

But probably it was People's Lobby, specialists in the initiative process, that moved first by drafting a tough measure based largely on a successful Washington state reform initiative.

It was on that basis that Brown suggested a meeting between representatives of his office and the two activist organizations. The meeting was held early in 1973.

The portent for future problems emerged almost instantly. Common Cause, fearing that Brown would "capture" the initiative for political purposes, wanted him to dissociate himself from it.

People's Lobby, suspecting that Common Cause might try to renege on its support, demanded an immediate public announcement of the incipient coalition, and threatened to walk out of the first meeting unless the announcement was agreed upon.

"It was a difference in styles between the two organizations," says Dan Lowenstein a deputy secretary of state who acted as peacemaker throughout the troubled negotiations.

"People's Lobby wanted to move in two weeks and Common Cause wanted to move in three years. Also, it was a power struggle, and there were jealousies."

Even Ken Smith, state director for Common Cause, who worried that People's Lobby was moving too fast, later realized the value of their drive:

"By jumping, Ed and Joyce Koupal (founders and leaders of People's Lobby) provided assurance that something would happen, and galvanized everyone to act. The Koupals were on the move.

"We knew we had to deal with them or they'd have an initiative of their own, and it might lose. If it lost, it might never appear again. This had to be the year."

Mrs. Koupal laid down the law:

"When we commit time and effort, we don't fool around. We feared Common Cause might back out. We didn't want to be delayed beyond the point where we could get the initiative on the ballot and had to say to Common Cause, 'With or without you, we're moving.' "

"I knew there was animosity between the two groups and that it would be difficult keeping them together," Lowenstein said of that first meeting.

"They were reluctant to work together but realized the value of a coalition."

June 1, 1973, was established as target date for the first draft of the initiative and Aug. 1 for the final draft. Both deadlines were met.

Then a major schism developed on the issue of limiting campaign spending.

"The Koupals felt the only way to clean up politics was to spend no money in elections," Smith said. "That was a joke. We wanted liberal limitations, otherwise you'd create an incumbency party."

Mrs. Koupal denies that People's Lobby wanted to eliminate campaign spending.

"The truth is," she said, "Common Cause wanted no limitations on spending. We almost split up over that. They were adamant on that score and we were adamant in our position. Limitations were important to us."

Common Cause, Mrs. Koupal claims, wanted campaign spending in a separate public financing proposal "because it's sexy and would sell the voters. We wanted it just the way it passed."

At this point, Smith said, Common Cause began considering the possibility of pulling out of the coalition and even fighting the Koupal initiative "if it were not a tolerable document. Later we became comfortable with the provision."

A series of meetings were held during the spring of 1973 on two levels. One involved drafting the document, which was done largely by Lowenstein and Robert Stern, elections counsel in Brown's office, and Bob Girard, a Stanton law professor with Common Cause.

The second level of meetings, which involved the Koupals, Smith and others, tried to determine how their union would function and how money for the campaign would be raised.

Lowenstein played a part in these sessions also, and both sides credit him with being the major element in holding the spring coalition together.

"The Common Cause people," Mrs. Koupal said, "often blew up and said, 'You can't do this' and 'You can't do that,' but we would simply say 'We're doing it, it's ours.' "

Meanwhile, the question of when to hold the first press conference to announce a drive for the reform initiative was still being

discussed. At issue was who would make the initial announcement.

Smith remembers:

"We wanted Martin Stone (state chairman of Common Cause) and the Koupals wanted John Gardner (national chairman of Common Cause)—apparently to assure our commitment.

"We said no to Gardner and the Koupals stood up and said, 'That's it, we're out.' Lowenstein kept saying, 'Wait . . .' "

Both sides finally agreed that Brown, Stone and Mrs. Koupal would jointly make the initial announcement.

That problem solved, the pace of the campaign remained an issue of contention.

"The Koupals kept wanting to move, we wanted it slowed down," Smith said. "Our strategy was to push out the meetings to assure drafting time. A good document was the issue to us.

"We felt that if Brown ran off with it, he'd at least run off with a good document."

"The reason Common Cause was delaying," Mrs. Koupal insists, "was they were trying to put together a legislative package. They were making deals behind our back to get out of the initiative and get their stuff moving through the Legislature."

Lowenstein agrees that Common Cause may have been using the initiative to jam its own bills through the Legislature.

"But," he added, "we weren't worried they would pull out of the coalition because we knew they wouldn't get their stuff through."

Meanwhile, another problem had developed when a new Common Cause board took over and, according to Lowenstein, "wanted to reject every People's Lobby item in the initiative. You're going along and, boom, that happens."

Stern, of Brown's office, tried to address the board but, even though he is a member of Common Cause, was denied permission.

Brown intervened and stressed the necessity for moving forward.

"We are all dedicated to the substance of the proposal," he told them. "We have our differences but they are minor to the importance of this initiative."

"There was a great feeling of Common Cause that they wanted to lead this thing," Lowenstein said. "Jerry (Brown) knew they were worried about his presence so he agreed not to be a proponent on the measure, even though he had been assured he would be."

Smith recalls it this way:

"When our full board organized they worried about Common Cause being in bed with Jerry Brown. They got very tense. We tried to tell them that yes, Brown was going to run for governor, but he was still interested in reform.

"Also, several of our board members were concerned the Koupals might muddy up the initiative with nonsense. They respected the Koupals' ability to qualify an initiative but didn't like them shooting off their months."

This problem, too, finally was resolved. The board went along with its staff recommendation to stay with the coalition.

Then another difficulty arose. Lowenstein talks about it:

"Ed (Koupal) telephoned me one day and said he wanted an incumbency section in the initiative. I said no. He said, 'OK, we're out of the coalition.'

"Ten minutes later I called him back and said, 'Al right, it's in—but don't use up all your chips.'

"Ed is a horse trader. When he threatens to walk out he's just bargaining. It was irritating but effective. Usually Ed walked out out of the room but Joyce was still there."

Lowenstein thought that People's Lobby was vital to the success of the initiative:

"Common Cause had the least role in the substance of Proposition 9. But even now Common Cause gets most of the credit. It isn't fair."

Meanwhile, at the drafting sessions, Lowenstein, Stern and Girard hammered the document together. Lowenstein did the lion's share of the work.

"We were always at loggerheads," he said. "We'd argue over this and argue over that—mostly on technical points. An 'and' or a 'but' could make a sweeping difference in what the law was.

"Girard could raise points and stick to them. It made it unpleasant because we were both stubborn, but it was vitally important."

People's Lobby had no representation in drafting of the initiative.

"We stood out of the way," Mrs. Koupal said, "to allow the thing to get written. With our attorneys involved, there might have been more delay. Our concern was getting it together. We didn't want it obstructed.

"As it turned out, Lowenstein and Stern wrote the initiative and Girard nitpicked."

Lowenstein stresses, however, that the input of People's Lobby into the document was of utmost importance.

Mrs. Koupal agrees: "We got everything we wanted, a document that was bigger than Common Cause wanted, stronger than Brown wanted and just perfect for People's Lobby."

The final document was circulated. Changes were made and improvements added. The next step was for three proponents to file the measure with the attorney general's office.

Again the coalition was placed in jeopardy—but this time by a comedy of mistrust.

Everyone had a next-to-last draft of the document. The final draft was being retyped in Brown's office. As it was being retyped, Dick Gregory, the lobbyist for People's Lobby, and Rob Smith, legislative director for Common Cause, were waiting outside.

"At this point," Lowenstein said, "No one trusted anyone else. Gregory and Rob Smith were hanging around but wouldn't say why. I told Jerry something funny was going on and he said not to give the final draft to anyone until we found out what."

Lowenstein was right. People's Lobby feared Common Cause would file first and alone, thereby gaining a measure of control over the initiative's final wording, the right to select other legal proponents and the right to file the subsequent petitions necessary to qualify the initiative for the ballot.

Common Cause was afraid People's Lobby had the same thing in mind.

Says Ken Smith: "We began to feel we had to turn the damned thing in or the Koupals would, and they might turn in anything. Anyone with $200 could file.

"We wanted to control the document and bring in the Koupals later as proponents. Rob Smith had a check in his pocket and was ready to go.

"We argued about it and finally agreed to trust the Koupals. The same day we were talking about it, Gregory filed."

What Gregory filed for People's Lobby was an incomplete document, with the knowledge that there was time to amend later.

When Rob Smith heard of the filing—too late—"he considered a foot race with Gregory to beat him to the door," Ken Smith said.

"My first reaction," Smith added, "was I knew it! Now the Koupals could do anything and there was no way of telling what the hell they'd do. I was ———."

"None of us trusted Common Cause by that time," Mrs. Koupal said. "They are naive and inexperienced. I could visualize horrendous negotiations after the filing.

"It was our job to gather the petitions later, and it was important to have control of it. It had nothing to do with credit."

The Koupals were in Philadelphia to appear on a television show the day of the filing.

In a telephone conversation with Gregory, Mrs. Koupal said she was afraid People's Lobby was about to be double-crossed by Common Cause.

"I told Dick if it looked as though they were going to file, he should file first. He decided Rob Smith was about to file, so he took the necessary action."

That night, Mrs. Koupal recalls, Mike Walsh—who had become chief negotiator for Common Cause—telephoned to charge that People's Lobby had double-crossed them.

"I told him not to worry about it, it wasn't that serious. If they hadn't been playing so many games, Dick never would have filed."

Lowenstein thinks the main concern of the Koupals was to retain the right to file the petitions later—that if Common Cause had preempted the right they might not have filed because they were still working on a legislative program.

He adds:

"Both People's Lobby and Common Cause felt silly about it later. They knew it was foolish. The proper proponents were added and it all worked out.

"Jerry talked to Walsh and the Koupals and utilized their guilt feelings to put it all together. He's the only one who could have saved it at the time. The whole thing might have fallen apart right then."

For a while, Common Cause considered a second initiative and discussed a lawsuit against the Koupals "for their capture of the document."

But, then, Ken Smith said, "we decided that even if we had to eat crow we'd try to repair things. That was the only thing that made sense."

The Koupals, for their part, accepted Walsh as a proponent ("They disliked him least," Smith sourly said) along with Richard Spohn, a Nader's Raider, and Roger Diamond, a People's Lobby attorney.

"Common Cause really thought, 'Here it is, it's all over, everything's ruined,' but we knew better," Mrs. Koupal said. "Had we wanted to mess anyone up we had our chance then. We could have told them to go to hell.

"Actually, the coalition operated as a fantastic team. Fighting makes you learn your subject and made the document so viable and beautiful. They can crab all they want about our nonexpertise but we knew what we were doing."

"At the time," Ken Smith said, "everything seemed so serious. Now it seems funny. But we knew we were playing for high stakes and we had to be tough.

"I've got to say, all things aside, that it was one of the best grass-roots campaigns ever run.

"People's Lobby is really not an organization but two people with a lot of true believers who follow. We felt from the start that we could not work with them, but that we had to—because they could qualify the initiative.

"We also believed that aside from their rhetoric, the Koupals had an honest belief in political reform. They are a monument to what can be done with a low budget and a lot of work."

"At the beginning," Lowenstein said, "we wanted People's Lobby for their knowledge of the initiative process and Common Cause for respectability.

"We went into this thing wondering if People's Lobby were a bunch of kooks. But as time went on we swung from being close to Common Cause to becoming closer to the Koupals. Ed and Joyce are much more sophisticated than the Common Cause staff."

Tom Quinn, then a deputy secretary of state and now Brown's campaign manager in the race for governor, adds:

"The success of Proposition 9 was a microcosm of how our system works. It began in the streets and emerged as a classic document.

"Who could believe that Koupals, in their funny little house, could help shape the destiny of this state?"

## SENATOR BYRD OF VIRGINIA

Mr. McCLURE. Mr. President, these have been turbulent times recently and many Americans might be surprised to learn that the work of the Congress has gone on in spite of each day's new events. In this regard, it is somewhat reassuring to find that not all of what has taken place in Congress has gone unnoticed.

I am thinking of the senior Senator from Virginia (Mr. HARRY F. BYRD, JR.) and the impressive speech he delivered on fiscal policy in this Chamber on August 5, 1974. Anthony Harrigan wrote a column about the Senator's remarks, noting in particular how desperately President Ford is going to need men like Senator BYRD to work with if we are going to bring inflation under control. Certainly, no other family in America has a greater history of promoting sound economic policies than the Byrds of Virginia. I ask unanimous consent that the Harrigan column be printed in the RECORD.

There being no objection, the column was ordered to be printed in the RECORD, as follows:

MR. FORD AND INFLATION

(By Anthony Harrigan)

President Gerald Ford's primary and greatest concern necessarily will be with inflation. He made this clear within minutes of taking the oath as President. He, like most Americans, realizes that inflation is tearing at the fabric of our national life.

Fortunately, the new President is on record as describing himself as "a conservative on fiscal policy." If ever there were need for a conservative fiscal policy, it is now. But one can be sure that the President will face formidable opposition if he insists on the measures which are necessary for the survival of the American economy.

The union-liberal alliance in the Congress wants to add more fuel to the fires of inflation. The unions are pressing hard for inflationary contract settlements. They are seeking to unionize public employees—at higher cost to the taxpayers. They want an expansion of expensive federal programs. All this spells more inflation.

President Ford has said he will consult with congressional leaders and listen to their advice. If he is looking for an expert on the inflation threat, he need look no farther than the U.S. Senate and to U.S. Sen. Harry F. Byrd Jr. of Virginia. Like his late father before him, Sen. Byrd is the Senate's watchdog over government spending.

In a tremendously impressive speech delivered Aug. 5, Sen. Byrd spelled out the causes of inflation and the way to deal with it. "Massive deficits in the federal budget," he said, "are the chief cause of inflation. . . . The huge deficits which the government has been running have pushed the national debt up to $475 billion. It will pass the half-trillion mark in less than a year."

Sen. Byrd cited the great frequency and soaring cost of federal borrowing. "Certainly," he noted, "it made $71 billion unavailable to most of the private sector, and it played a major role in forcing the prime interest rate up to 12 per cent." Government borrowing, he made plain, makes it extremely difficult for the average citizen to get funds to buy a house or a company to acquire money for expansion.

One of the roads out of the inflationary morass is expansion of manufacturing facilities which can turn out more goods at lower prices. But business finds money for expansion expensive and hard to get. With government spending on the rise, prices go up. And up. And up.

Yet the liberal-union coalition in power in Congress continues to urge more federal spending. Sen. Byrd pointed out that the Senate has just "raised spending for agriculture, consumer protection and the environment by 29 per cent."

He also observed that the bill included "an increase of one billion dollars (from $3 billion to $4 billion) for food stamps, a program which has increased a hundredfold in cost since its inception in 1966."

Is it any wonder, therefore, that food prices are going up and that American families find themselves in a severe bind?

Despite America's grave fiscal problems, the U.S. government continues to give billions of dollars to handout hungry foreign countries. Sen. Byrd insisted in his talk that "One prime area for reduction in the budget is foreign aid." This now totals about $10 billion a year. The giveaways are scattered through a variety of money bills.

At a time of rampant inflation and massive deficits, it is outrageous that the Congress should approve huge outlays for foreign nations. For example, this year the Congress approved a new contribution of $1.5 billion by the United States for the International Development Assn. The next time Mr. Average Citizen attempts to borrow money for a home improvement loan, he should think about that handout to foreign countries that already have squandered $135 billion in U.S. funds since the end of World War II.

One can be sure that the advocates of domestic giveaways and the internationalist share-the-wealth types will attempt to bring pressure on President Ford. It is very important, therefore, that ordinary citizens let the new President and their Congressmen know that fiscal conservatism must be the order of the day. And, of course, it is vital that the voters help President Ford fight inflation by electing more fiscal conservatives in the Fall elections.

## CAMPAIGN REFORM

Mr. CHURCH. Mr. President, as we all know, Congress is still considering legislation to reform our campaign procedures. Both the Senate and the House of Representatives have passed campaign reform bills, and we will be considering a conference report soon.

Earlier this year, our colleague from Delaware (Mr. BIDEN) wrote a major article on the question of public financing of elections for the Northwestern University Law Review.

In this article, Senator BIDEN makes an argument in favor of public financing of political campaigns which bears directly on the legislation now pending in Congress. It is a provocative article, and one which should be read by both proponents and opponents of public financing.

I ask unanimous consent, Mr. President, that the article be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From Northwestern University Law Review, March-April 1974]

PUBLIC FINANCING OF ELECTIONS: LEGISLATIVE PROPOSALS AND CONSTITUTIONAL QUESTIONS

(By Joseph R. Biden, Jr.)

During my campaign for the United States Senate in 1972, I paid a visit to certain leaders of a labor union whose members worked in the aircraft industry, and who intended to contribute $5,000 to the campaigns of various Senate candidates. It was an honest and open procedure, and payment was by check. They asked what my chances of winning were, and I explained for perhaps the hundredth time of the campaign why I thought I would win. I want to emphasize that no one asked me to promise my vote on any particular issue, but they did ask, "Well, Joe, had you been in the ninety-second Congress, how would you have voted on the SST?[1] And while you are at it, how would you have voted on bailing out Lockheed?"[2] A candidate does not have to be very sophisticated to know the correct answers to such questions posed by labor leaders.

Later in the campaign, when I began to show strength in the polls and it looked as though I might win, thirteen multi-millionaire Republicans from my state invited me to cocktails. The spokesman for the group said, "Well, Joe, let us get right to it. You are a young man, and it looks as if you may win this damn thing, and it appears that we underestimated you. Now, Joe, we would like to ask you a few questions. We know that everybody running for public office feels compelled to talk about tax reform, and we know that you have been talking tax reform, particularly capital gains and gains for millionaires by consequence of unearned income." Then one man leaned over, patted me on the knee in a fatherly fashion, and said—as if to say it was just among us—"Joe, you really don't mean what you say about capital gains, do you?" Again, I knew what the right answer to that question was worth $20,000 in contributions.

I did not give the "correct" answers in either instance, and accordingly, I received no money. But it is no secret that, in similar situations, other candidates have not hesitated to answer "correctly," feeling that it is better to win their elections even while compromising certain principles, than to lose with all their principles remaining intact.[3] Certainly few politicians would choose to be included in a second edition of *Profiles in Courage* at the expense of a long and productive political life. To say the least, a political system which requires such a choice deserves serious re-examination. On the basis of such an inquiry, I have concluded that the present system of campaign financing should be reformed, and a system of public financing of elections consistent with constitutional mandates adopted.[4]

POLITICAL DARWINISM: THE POOR GET POORER AND THE RICH GET ELECTED

There are three principal reasons why existing campaign financing practices should be reformed. First, an electoral system supported solely by private contributions affords certain wealthy individuals or special interest groups the potential for exerting a disproportionate influence over both the electoral mechanism and the policy-making processes of the government. Second, the concept of American democracy presumes that all citizens, regardless of personal wealth, have equal access to the political process.[5] Under the present system of financing, however, the individual of moderate means lacks the financial resources necessary to mount an effective campaign and, therefore, is precluded from attaining elective public office. Third, our current method of financing campaigns tends to "lock-in" incumbents by making it extremely difficult for a challenger to mount a successful campaign.[6]

The source of most of our present problems is the high cost of running for election. In 1972, for example, the average reported expenses for candidates winning closely contested elections[7] to the House of Representatives was more than $100,000.[8] In elections

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with no incumbent running, the House candidates spent an average of $89,000[9] while their counterparts in Senate elections spent an average of over $450,000.[10] On the other hand, candidates running against incumbents were generally outspent by a margin of two-to-one.[11] These averages, however, tell only part of the story. Certain individual campaigns cost as much as $320,000 for the House of Repuresentatives and $2,300,000 for the Senate.[12] Furthermore, the most expensive House campaigns were run by those candidates who managed to unseat an incumbent. The ten victors over incumbents in 1972 spent an average of $125,000, compared to $86,000 for their opponents.[13] Because of a deficiency in the reporting requirements of the Federal Election Campaign Act of 1971,[14] the exact amount spent in the presidential campaign of 1972 is not known. It has been reliably estimated, however, that President Richard M. Nixon's campaign cost approximately $46 million and Senator George McGovern's $36 million.[15]

Not only are campaign expenses high, but they are increasing at an alarming rate.[16] To the general public this trend may seem disturbing; to a potential candidate, it poses an often insurmountable financial barrier. Without great personal wealth,[17] there is only one way for a candidate to be able to run a competitive race, and that is through donations. Although other reasons motivate an individual to donate money to a political campaign,[18] all too often a contribution is made with the hope of gaining influence with the candidate should he win the election.[19] As Representative John Anderson, an Illinois Republican, has said: [20]

"[T]he cliches and the nice rationalizations of the defenders of the status quo aside, the fact is that the wealthy and the special interests do not simply contribute to campaigns; they invest in candidates and in officeholders."

Such donations are necessarily tainted: minimally they succeed in gaining access to the office holder; [21] at worst, they "buy" his vote.[22] Even if funds are donated without a suspect motivation, the public perceives these transactions, especially the very large ones,[23] as constituting a sale rather than a gift.[24] Whether such a view is justified or not, the resulting lack of confidence that arises concerning public officials is, to say the least, distressing,[25] and reason enough to reform the law in this area.

Special interest group contributions also cause problems for elected candidates. An office holder is frequently forced to choose between the suspicion which results from voting in accord with the position of his major contributors and the prospect of losing financial support from those contributors by failing to do so.[26] The legislator's dilemma may be particularly acute when to vote his convictions would appear to generate a conflict of interest because of certain campaign donations.[27] Furthermore, an interest group tends to have selfish concerns about government; its interest is not necessarily consistent with the public welfare. Frequently, various interest groups contributing funds to campaigns of public officials have conflicting interests among themselves, and some type of "balance of power" is struck. Rarely, however, do any of these groups represent the ordinary citizen,[28] who all too often is ignored in the councils of government. Even if every segment of the public could be represented by its own interest group contributing funds to various candidates, I hardly think it desirable to have a "government by auction."

A second reason for reform is to allow a wider range of individuals to participate as effective candidates. Under our current system of private financing, candidates, typically, are wealthy individuals.[29] The explanation for this fact is simple: generally only the wealthy are able to amass, either through personal resources or contributions from friends, the vast sums of money needed to finance an effective campaign for public office. Many a candidate has had to mortgage his house to finance his campaign,[30] or at least to keep his campaign going until private donations were received.[31] Moreover, all too often money flows to those who have it; in other words, unless a candidate is able to finance his campaign himself, nobody else will be willing to finance it for him. For example, Representative Bertram Podell has said: [32]

"When I ran for Congress the first question asked me was whether I could finance my own campaign. If I had said, "No, I cannot," I would not have been a candidate. When you mention candidates for public office, you are only mentioning men of affluence."

The existing system of campaign financing discriminates not only against the person of modest means, but also against other classes of people such as non-whites [33] and women.[34] In part, this is explained by the fact that these two groups have little access to wealth.

A third reason for reforming our system of campaign financing is that in our time incumbent members of Congress are virtually assured of re-election. Since 1954, well over ninety percent of all incumbents seeking re-election to the Congress has been victorious.[35] Furthermore, those who have gained re-election generally do so without a great struggle. Typically, only about fifty of the four hundred thirty-five elections for the House of Representatives are seriously contested,[36] while in the remainder, the race is a rather one-sided affair.

Of course, it is to be emphasized that many reason unrelated to the financing of campaigns help explain why incumbents are so successful in gaining re-election.[37] For example, incumbents are generally better known than their opponents and during their terms of office can usually gain the attention of the news media through press conferences, announcements and other official ceremonies. In addition, they have the benefit of their office and large staffs, paid for at government expense, and the ability to create goodwill through such tasks as cutting government red tape on behalf of constituents. Also most legislators quite properly avail themselves of the "franking" privilege by sending constituents news letters which during an election campaign serve as a free source of name identification and thereby accentuate the disparity in power between an incumbent and his opponent. In re-election campaigns, these benefits have been estimated to give each incumbent a minimum financial advantage of $16,000 over his challenger.[38]

Moreover, one of the incumbent's foremost advantages over his opponent is his ability to raise funds. During the 1972 congressional campaigns, incumbents generally out-raised and out-spent their opponents by a margin of two-to-one.[39] The reasons for this disturbing statistic are not difficult to discern. In the eyes of many contributors a campaign contribution is effective only if made to a winner and, judging from prior preformance, an incumbent is the most likely to win—again. In the words of Democratic Senator William Proxmire of Wisconsin: [40]

"The point is that the incumbent gets the big contribution because the people who are making contributions want to make them to the winners and not to the losers."

The effect of this resulting financial imbalance is devastating on the challenger, who generally must spend at least as much money as the incumbent, if not more, to have any hope of victory. To gain at least a chance of winning, a challenger is obliged to raise a sizable amount of money early in a campaign, but he often cannot raise the money because he has such a slim chance of winning a competitive race.[41] The result under the current system is a vicious and often fatal circle. Furthermore, the challenger must spend valuable time even late in the campaign to solicit contributions, time that could be better spent seeking votes. On the other hand, the incumbent, being virtually assured sufficient funds, can devote his full attention to the hustings. The importance of this factor was acknowledged in a joint statement issued by a bipartisan group of fifty-five unsuccessful candidates for the House of Representatives in 1972, released through the Center for Public Financing of Elections: [42]

"We found that incumbents uniformly outraised and outspent us by substantial margins. We found that while we were putting our own savings on the line, and begging and borrowing from family and friends, many incumbents had easy access to large pools of special interest money from Washington and elsewhere. . . .

"Some people have expressed concern that public funding would unfairly help the incumbents. As recent candidates, we know that simply is not true. The challenger could never be at a greater disadvantage than he or she now is."

This financial imbalance and the resulting competitive disadvantage has prompted an official of Common Cause to remark that the United States no longer has a two-party system under the Republicans and Democrats; it has a one-party system under the Incumbents.[43]

Thus, the problems inherent in our current system of private campaign financing are clear. It provides a selected few individuals—generally distinguished by their wealth—a disproportionate say in the workings of government. It excludes all but those with great wealth or access to it from any hope of achieving elective office. Furthermore, by giving incumbents virtual life terms, it destroys the competitive political system upon which our government is supposedly based. Finally, the present system places what amounts to an often intolerable burden on the candidate. As Democratic Senator Hubert Humphrey of Minnesota has said: [44]

"I have been in a number of campaigns, and I enjoy the campaigns. I like them. But the most demeaning, disgusting, depressing and disenchanting part of politics is related to campaign financing"

Put rather simply, there must be a better way.

### WHAT KIND OF REFORM WILL WORK?

Although the need to change the present system is apparent, the formula for doing so is not so obvious. Many preliminary questions must be considered before deciding upon what type of campaign financing reform should be enacted.[45] The difficulties involved in adopting a fair and workable system are reflected in the large numbers of bills which have been introduced in Congress. Recently, the Senate passed the Federal Election Campaign Act Amendments of 1974,[46] a bill that provided for the public financing of federal elections. Prior to passage of this bill numerous others dealing with election reform had been introduced in both the Senate [47] and the House of Representatives.[48] In addition, President Nixon has put forward his own proposals for campaign financing reform.[49] Before discussing the specific provisions of these proposals, it will be useful to outline the existing laws regulating campaign financing.

#### *Disclosure, Check-Offs, and Media Limitations*

The two most recent major enactments dealing with campaign financing are the Presidential Election Campaign Fund Act,[50] also known as the Dollar Check-Off Act, and the Federal Election Campaign Act of 1971.[51] The main provisions of the Campaign Act of 1971 concern media spending, funding of

Footnotes at end of article.

one's own campaign, and disclosure of political contributions.

Under the Act, candidates in the general election for a federal office are limited to media expenditures of ten cents for every person of voting age in the district, or $50,000, whichever is greater.[52] No more than sixty percent of this money may be used for advertising through the electronic media.[53] The Act also limits the amount which a broadcasting station may charge a candidate for a political advertisement to the lowest unit charge of the station for a commercial advertisement of the same class and amount of time broadcast during the same period of the day.[54] Candidates in a presidential primary have a ceiling on expenditures for radio or television time similar to that of an individual running for the Senate from that state.[55] These limitations had the effect in 1972 of limiting candidates for the Senate from, for example, Wyoming to the minimum of $50,000 in total media expenditures, while candidates from California would have been limited to $1,394,000.[56] In addition, the Act limits the amount which a candidate or a member of his immediate family [57] can contribute to this own campaign. Candidates for the Presidency and the Vice-Presidency are limited to expenditures of $50,000 out of family funds; candidates for the Senate are limited to $35,000; and candidates for the House of Representatives are confined to a contribution not in excess of $25,000 from family resources.[58] Finally, the Act is best known for its disclosure requirements. Candidates are required periodically [59] to make reports of all receipts and expenditures, including the names and addresses of all contributors of more than $100 and all persons to whom expenditures of over $100 have been made.[60] Political committees, defined as organizations which make expenditures or accept contributions of over $1,000 in a calendar year,[61] are also covered by these requirements.[62] These reports are made to the Secretary of the Senate by Senate candidates, to the Clerk of the House of Representatives by House candidates, and to the Comptroller General by presidential and vice-presidential candidates.[63] In addition, reports must be filed with the Secretary of State of the state in which the candidate seeks election, or in the case of presidential and vice-presidential candidates, of each state in which an expenditure is made.[64] These disclosure requirements made available reliable information on campaign financing for the 1972 elections, for the first time in American history, at least after the April 7th deadline.[65]

The Dollar Check-Off Act represents the first real breakthrough in history in the area of public funding of campaigns. Under this Act, every taxpayer may designate one dollar, or two dollars in the case of a joint return, to be deposited in a Presidential Election Campaign Fund.[66] The money in the Fund is to be used to cover the campaign expenses of presidential general elections. The candidates of major parties—those which received twenty-five percent of the popular vote in the previous election [67]—are, if they so choose, entitled to receive fifteen cents for every person of voting age in the country to be used to finance their campaigns, provided that they meet a number of conditions.[68] First, they must not exceed in expenditures the amount of their share of the public fund and must accept no private contributions; [69] second, they must keep certain financial records for inspection by the Comptroller General.[70] A candidate of a minor party—defined as one whose candidate received between five percent and twenty-five percent of the popular vote in the preceding presidential election [71]—may be funded in the same proportion to the major party subsidy as its previous popular vote bears to the average popular vote of the major parties.[72] A minor party accepting federal funding, unlike a major party, would be allowed to accept private contributions, but only up to the limit of major party funding.[73] A party which received less than five percent of the total popular vote in the previous election is termed a "new party," [74] and is eligible to receive retroactive federal funding if it receives at least five percent of the vote in the current election. If this condition is met, the party's subsidy is calculated by the same formula as the subsidy of a minor party, except that figures for the current election are used.[75] The new party formula may also be used by minor parties, subject to offset for whatever funds it received under the minor party formula.[76]

In its first year of operation, only slightly over three percent of the taxpayers availed themselves of the check-off privilege.[77] A major reason for the disappointing participation in the program was that the check-off was included on a separate form in the income tax materials and was not only difficult to find, but also was not described in understandable language.[78] Many citizens were unaware of its existence and unaware that the dollar donation did not increase their personal tax liability.[79] Thus, the check-off's failure in the initial year of operation did not necessarily indicate a lack of public interest in public campaign financing. Fortunately, in 1974 the check-off box is being placed at line eight of page one on both the long and short tax form It should be both conspicious to and understandable by the taxpayer.[80]

REFORM PROPOSALS

*Cannon bill*

In April, 1974, the Senate passed and sent to the House the Federal Election Campaign Act Amendments of 1974,[81] a bill which provides for the federal financing of campaigns for federal office. In addition the bill imposes limitations on overall campaign expenditures and contributions to a candidate.[82] The funding is optional and extends to both primary and general elections. The proposal provides for matching grants in the primary elections, based on contributions of $250 or less for President and $100 or less for Senator or Representative.[83] Primary condidates would be allowed to spend eight cents times the voting age population, except that candidates for Senator and Representatives from one-district states would be allowed to spend at least $125,000, and candidates for Representative from all other states at least $90,000.[84] Candidates in presidential primaries would be allowed to spend twice the amount allowed Senate candidates from that state.[85]

Major party candidates [86] who opt for public funding could receive in the general election a subsidy equal to the full amount of the expenditure limitations.[87] For all federal candidates the spending limit is twelve cents per voting age person, except that candidates for Senator or Representative in one-district states are allowed at least $175,000 and all other candidates for Representative at least $90,000.[88] Minor party candidates [89] would be allowed funding based on past or current performance.[90] All other candidates would be allowed retroactive funding based on current performance.[91] To make monitoring of spending easier, candidates would be required to establish a central committee and campaign depositories, through which all money must be channelled.[92] The system is to be supervised by an independent commission.[93]

Contributions to a candidate are limited to $3,000 by an individual and $6,000 by a committee or organization. No individual may donate more than $25,000 in total contributions in a year. Other provisions of the bill would amend the equal time provision of the Communications Act of 1934,[94] provide for financial disclosure for all federal office-holders and candidates,[95] and change the date and time of federal elections.[96]

The Cannon bill represents only one approach to the question of public financing of elections. Numerous alternatives to it have been suggested in other recent proposals. Since the bill must be passed by the House and signed by the President before it becomes law, an examination of these other proposals is useful. For example, the House could pass legislation that differs from the Cannon bill, and incorporates provisions taken from these other proposals. Also, even if the House enacts the Cannon bill, the President could veto it; in which case one of these presently dormant bills could be revived. Finally a discussion of the alternative proposals provides a useful framework for analysis of the policy questions relating to public financing of elections.

*The Nixon Proposal*

On March 8, 1974, President Richard M. Nixon delivered a message to the Congress setting forth his proposal with respect to campaign financing.[98] In the President's view "the single most important action to reform financing should be broader public disclosure." [99] To this end Mr. Nixon proposes that all candidates in federal elections be required to designate one committee to handle all campaign funds, and that indirect private contributions through organizations be severely limited.[100] In addition, to augment the reform implemented by the disclosure requirements, the President recommends that there be limits placed on individual contributions to campaigns.[101] The President, however, specifically opposes both ceilings on total campaign spending by a candidate and the public financing of elections.[102]

*The Hart bill*

The Congressional Election Finance Bill of 1973 [103] proposed by Senator Hart is one of the leading congressional bills providing for public financing of elections. Covering nomination and election to Congress but not to the presidency, [104] the bill is most notable for its requirement of a threshold showing of support to qualify a candidate for public funding. A candidate of a major party, [105] if he chooses to participate in the optional program, must post a security deposit of twenty percent of the subsidy which he is entitled to receive.[106] The security deposit, composed of small contributions, [107] will be refunded to the contributors if the candidate receives a minimum percentage of the vote in the election.[108] If the candidate fails to receive an even smaller percentage of votes, he must repay the entire subsidy to the government.[109]

The amount of the subsidy is sufficient to run a relatively strong campaign.[110] Minor party candidates are eligible to receive a smaller subsidy.[111] In addition, a candidate may supplement the subsidy to which he is entitled with money raised from small private contributions.[112] Those candidates who elect not to receive public fundings are not limited either in spending or in contributions.[113]

*The Kennedy-Scott bill*

The Federal Election Campaign Act [114] introduced by Senators Kennedy and Scott, passed the Senate in late 1973 as a rider to a debt-ceiling bill, but was not enacted into law at that time.[115] It would extend the Dollar Check-Off Act [116] to congressional general elections but not to primaries, and would increase the amount of the check-off from one dollar to two dollars, or to four dollars on a joint return.[117] Private contributions would be prohibited by the Kennedy-Scott Bill in all federal general elections, but again not in the primaries.[118] The amount of the subsidy would tend to maintain present spending levels.[119]

*The Stevenson-Mathias bill*

The Federal Election Finance Act of 1973,[120] introduced by Senators Stevenson and Mathias, relies heavily on private financing and provides for public financing in all federal general elections, but not in primaries.[121] The subsidy is optional, but the bill provides

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an overall spending ceiling on all primary and general election campaigns somewhat higher than that contained in the Campaign Amendments Bill of 1973.[122] On the other hand, the provisions of the two bills limiting private contributions are similar.[123] Candidates may receive up to one-third the maximum spending amount from the public treasury [124] and may qualify for funding in one of two ways, past performance and submission of petition signatures.[125]

*The Mondale-Schweiker bill*

The Mondale-Schweiker Bill, also known as the Presidential Campaign Financing Act of 1973,[126] provides public financing for presidential candidates only. It utilizes a variation of the Dollar Check-Off Act [127] for purposes of the general election and a system of matching grants in the pre-nomination campaign. Each dollar designated by the taxpayer will be matched by the treasury in the general election[128] with candidates able to supplement the subsidy with private funds.[129] For pre-nomination campaigns, the fund matches small contributions once the candidate has amassed a "trigger fund."[130] The proposal contains relatively generous spending and contribution ceilings.[131]

*The Cranston bill*

The Clean Election Financing Act of 1973,[132] introduced by Senator Cranston, provides for a financing system in all federal elections which depends to a very great extent on public subsidies. The program is to be funded on a variation of the Dollar Check-Off Act," [133] and grants matching payments in the primaries and flat subsidies in the general elections. Individual private contributions are severely limited," [134] whereas spending ceilings are generous.[135] To qualify for subsidies in pre-nomination campaigns, candidates must raise a "trigger fund" from small contributions;[136] they are then entitled to receive matching payments in the proportion of four dollars for every one dollar raised from private contributions of limited amounts.[137] In general election campaigns, the system provides a grant to major party candidates of eighty percent of the spending limit.[138] Candidates of other than major parties receive smaller subsidies.[139]

*The Clark bill*

The Comprehensive Election Reform Act of 1974,[140] introduced by Senator Clark, would virtually eliminate the role of private financing in all federal primary and general elections while providing for generous public subsidies based on the Check-Off Act to both candidates and political parties. Under the proposal, primary candidates would qualify for funding by submitting petition signatures.[141] In general elections, major party candidates would be given full funding, and minor party and independent candidates partial funding based on past or current performance.[142] Private money would be prohibited except in petition drives and minor party and independent campaigns.[143] The subsidy would be subject to repayment according to the candidate's electoral performance.[144]

*The Anderson-Udall bill*

The Clean Election Act of 1973,[145] introduced in the House by Representatives Anderson and Udall, is another matching payment proposal and is perhaps most notable for its provision for free broadcasting time for candidates. The campaign subsidy is provided in all federal primary and general election campaigns.[146] The proposal is unique among the bills in that, in presidential general election campaigns, funding is to be made to party committees rather than to the candidates themselves,[147] the idea being to allow party committees to play a key role in the campaigns of presidential nominees. Once a candidate or committee has amassed a small "trigger fund," [148] the first $50 of each contribution [149] is matched by the government, until a certain level of subsidy is reached.[150]

Under the proposal for free broadcasting time—to be called "Voter's Time"—federal candidates in general elections may qualify for a certain number of prime time blocks of television time to be aired, in most cases, simultaneously [151] over all stations in the district. Each broadcast must include a substantial live appearance of the candidate and be of a format designed to promote rational political discussion, to illuminate campaign issues, and to give the audience insight into the abilities and personal qualities of the candidate.[152]

THE BIDEN PROPOSAL

The Cannon Bill, as recently passed by the Senate, is a significant step towards the enactment of a plan of publicly financed elections. For this reason I voted in favor of its passage. However, in the process of formulating my own thoughts on the issue of campaign financing, I find that I differ from the Cannon Bill in certain respects. The following is a discussion of what I would propose ideally as a plan for public financing.

Briefly, my proposal would cover both nomination and general elections for all federal offices. It would provide federal subsidies to candidates for nomination based both on petition signatures and on security deposits from small contributions. For general elections it would provide funding for major party candidates, with funding up to the major party amount for other candidates based not on past performance, but on petition signatures or security deposits. Public funding would be adequate to run a competitive race. In addition, subsidies in kind would be given. Small private contributions would be allowed, but cash contributions of $50 or more would be prohibited as well as large contributions from a candidate's personal or family funds. In an effort to offset constitutional objections that expenditure limitations are an infringement on the first amendment, total campaign spending would be limited at either a high level or not at all. To enforce the plan, an independent elections commission would be created. Most importantly, candidates would be required to maintain one central "checkpoint" to monitor all financial transactions.

*Which Elections to Cover?*

The deficiencies of our present method of financing campaigns are found throughout the entire electoral system. Correspondingly, they should be corrected everywhere. Although the problem of presidential campaign financing is perhaps most visible, reform is also needed with regard to congressional campaigns. The Hart [153] and Mondale-Schweiker [154] bills cover only congressional or presidential campaigns respectively and thus leave the completion of the reform process until a later date. Nevertheless, it seems necessary to cover all levels of the federal election process simultaneously. If, for example, large sums of private money were precluded only from presidential campaigns, they might move to congressional campaigns. Reform of presidential campaign financing at the expense of creating more severe problems for congressional campaigns is no reform at all.

The above problem also arises in connection with any attempt to provide public financing for general election campaigns, while leaving primaries and primary run-offs unregulated. It has been suggested that any public financing system which attempts to include primaries within its coverage has a minimal chance of enactment.[155] If the Congress is serious about reform of the political process, however, primaries should not be ignored. Private money statutorily excluded from the general election may be used to influence the primaries and the evil of its presence at that level of an election is no less real than in the general election itself. In fact, in certain circumstances large contributions may be more influential in the primary than in the general election.[156] Thus, any system of campaign financing which would be both workable and fair would necessarily have to cover primary *and* general elections for all federal elections.

*Are subsidies necessary?*

Some have commented that the Federal Election Campaign Act of 1971 [157] should be given an opportunity to demonstrate its effectiveness before further reform is attempted,[158] or that appropriate limitations on contributions and expenditures should be adequate to cure the current evils.[159] It would seem clear, however, that neither of these two partial reforms is sufficient to correct the widspread shortcomings of current campaign practices.

The disclosure requirements of the 1971 Act, it is argued, were not given a chance to prove themselves in the 1972 elections because of the April 7 loophole.[160] If operative for the entire campaign process, the argument continues, the requirements would be effective and render subsidies unnecessary, because large private contributions cannot stand "the light of day." The public reaction to a candidate receiving special interest contributions and to interest groups making large contributions will be so adverse that both parties will stop the practice. Both fact and logic, however, would seem to demonstrate the remoteness of that possibility. First, although substantial 1972 contributions were made before April 7 to avoid the reporting requirement, most candidates, especially those for Congress, appeared to obey both the spirit and the letter of the law and reported large amounts of interest group contributions.[161] Nevertheless, no large scale public reaction to these contributions occurred. There has, of course, been a great public reaction since the 1972 election to allegations of misconduct involving large presidential campaign contributions. The aim of campaign finance reform, however, is to prevent not just the undue influence of a $400,000 presidential contribution but also of a $5,000 congressional contribution.

The problem of insufficient campaign funds is also the drawback of a statutory system dependent solely on limitations on contributions and spending. If contributions by interest groups were sharply limited, many candidates, especially those challenging incumbents, might suffer from a serious lack of funds. Such a system without the addition of public funding would be likely to "lock-in" incumbents to a greater extent than they are at present. Challengers, especially those without access to wealthy individuals as a source of funds, would be likely to have greater difficulty than incumbents in raising adequate small contributions to compensate for the loss of large contributions. This result would be intensified if low limitations on overall spending were enacted. Incumbents already can secure re-election with little effort; we hardly need to make it easier for them. Thus, the need for public subsidies is demonstrated.

*A mixed public and private system*

The answer to the problem of creating a campaign finance system which diminishes the influence of interest groups without "locking-in" incumbents would seem to be a scheme of public subsidies supplemented, for constitutional reasons,[162] by small private contributions. The full subsidy should be sufficient to allow a candidate to run a reasonable race, but additional provisions should be made, particularly in the primaries, for partial funding, at least until a candidate is able to take his campaign to the public and thereby obtain sufficient support to qualify for the full amount of public funds.

My proposal would not be based on matching grants for a number of reasons. Matching

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grant proposals provide money for those who already have sufficient financing under the present system, but makes it difficult for precisely those candidates whom the system should be designed to help—the non-wealthy individual. Incumbents, for example, would not find it difficult to raise the funds necessary to receive similar sums from the treasury. A matching grant of $50 as provided for in the Anderson-Udall Bill [162] or $100 as provided for in the Cranston Bill [164] may not sound like a very large amount to raise when compared with some of the huge contributions publicized recently,[165] but it is clearly beyond the capacities of most Americans. If candidates were permitted to use public money only after they had demonstrated strength by raising private money, the well-to-do would maintain their present stranglehold on the supply of public offices.[166] Furthermore, by magnifying the difference in private money raised by the candidates, matching grants place the non-wealthy individual at a "self-perpetuating disadvantage." [167] Every extra dollar raised by an incumbent or a wealthy candidate over his opponent actually becomes two dollars to use to influence the electorate and to raise more money. The less affluent candidate would thus find it increasingly difficult to catch up. A system of matching grants combined with small private contributions would, in short, satisfy one of the three goals of campaign reform—that of curtailing the influence of special interest money—but not the other two. Non-wealthy individuals with no access to the wealthy would still be shut off from running for public office and incumbents would still retain a tremendous advantage over challengers.[168]

The system which I would prefer to see enacted would allow less wealthy individuals greater financial access to the political arena. The full-funding amount would be, for the Senate and the Presidency, ten cents per voting age person in the district in the primary—including the entire pre-nomination period in the case of the Presidency—and fifteen cents per voting age person in the general election. The minimum subsidy would be $100,000 and $150,000 in Senate primary and general elections. Candidates for the House of Representatives would be eligible to receive a full-funding amount of twenty cents per voting age person in the primary and twenty-five cents in the general election, with a minimum full subsidy of $40,000 and $50,000 respectively. A House candidate from a one-district state would, however, receive the subsidy which a Senate candidate from that state would receive because the constituencies and thus the needs of the candidates are the same. Candidates in primary run-off elections would be given half the total subsidy which they had received in the primary.

The amounts would be sufficient to enable a candidate to take his case before the voters. A candidate for the presidential nomination could receive up to $14,000,000 and could spend that amount in any way which he chose to win the nomination; he would not be restricted to spending his subsidy in primaries, but could use it in state or local conventions or at the national convention. A presidential nominee who qualified for the full-funding amount would receive about $21,000,000.[169] The full-funding amount for a candidate for the Senate from, for example, Minnesota would be about $250,000 in the primary and $375,000 in the general election.[170] The amounts for a Senate candidate from Ohio would be $720,000 and $1,080,000 and for New York $1,280,000 and $1,900,000.[171] A congressional candidate from a typical district with 300,000 residents of voting age would receive up to the full subsidy of $60,000 in the primary and $75,000 in the general election.

In primary elections, funding would be qualified in two ways. The first would be a variation of the Hart Bill's security deposit.[172] As in the Hart Bill, a candidate for the House or Senate would have to raise twenty percent of the full amount of the primary subsidy in contributions of $250 or less.[173] He would then qualify to receive the full subsidy. Also, as in the Hart Bill, if the candidate received ten percent of the vote or more, the security deposit would be refunded to his contributors; otherwise, unless he withdrew from the primary more than one month before the election, it would be forfeited. Unlike the Hart Bill, under my proposal a candidate would not be forced to repay the amount of his subsidy if he received few votes in the election. It hardly seems to be good policy to permit a candidate to risk placing himself in debt for years because he might lose the election. One of the goals of campaign reform is to induce more people to enter the political process. To frighten people away because of a large penalty for failure is inconsistent with that goal.

The security deposit method of qualification would also be available for candidates for the presidential nomination. Because of the great amount of money involved, however, the security deposit would be five percent of the full subsidy, or, for the current population, $700,000 in contributions of $500 or less. The amount would be refunded to the contributors if the candidate attained a minimal level of success, in particular if he received the nomination or if he was one of the top three finishers, in total votes, on the first ballot at his party's convention.

One drawback to the security deposit system is that it would tend to give public money to those already capable of raising a substantial amount of private funds. Nevertheless, the reason for requiring candidates to qualify for public subsidies is to prevent frivolous candidates with no hope of victory from receiving money. It certainly cannot be said that a candidate for the Presidency who is able to raise $700,000 from contributions of $500 or less is a frivolous one. Similarly, an individual able to raise $9,000 from contributions of $250 or less is likely to run a competitive race for the House of Representatives.

Nevertheless, candidates should not be limited to the security deposit method of qualifying for public funds. First, the security deposit would, in practice, be limited to those who have access to substantial amounts of private money. Qualified potential officeholders are not found solely among the rich, but the security deposit system would tend to attract candidates from this group exclusively. Second, since the security deposit is an "all or nothing" device, with no provision for partial funding, it places a premium on immediate celebrity.

Therefore, there should be an alternative method of qualifying for federal funding, namely petition signatures. A candidate for any federal office should, if he submits signatures of ten percent of the registered voters in his potential constituency, receive the full subsidy.[174] Under this system, he would also qualify for partial funding. For each ten percent of the signatures required for full-funding which a candidate submits, he should receive ten percent of the full-funding amount. In other words, if a candidate submitted signatures equaling one percent of the registered voters in his potential constituency, this would amount to ten percent of the amount required for full-funding and he would be entitled to receive ten percent of the full-funding amount. He could then begin his campaign and try to sell the public on his candidacy. If his candidacy "caught hold," he would be able to obtain more signatures and thus receive more money from the government. This method would be especially appealing to potential presidential candidates. An individual could submit the minimal amount of signatures and receive enough money to enter a few primaries. If he did well there, he should be able to obtain additional signatures, sufficient to take his candidacy to primaries in other states. This "snowball" effect might propel to victory a candidate who might otherwise not be able to enter the race at all. In this way candidates would be given the opportunity to prove themselves, and the public would receive the benefit of an influx of new and, in all likelihood, talented individuals into the political process.

In general elections, candidates of major parties—which would be defined, as in present law,[175] as those whose candidates received in the previous election twenty-five percent of the votes for that office—would receive the full subsidy without having to submit signatures or file a security deposit. The danger is present that his proposal would become an "immorality law" for the Democratic and Republican parties because their continual existence would be virtually assured by a guaranteed source of funds for their candidates. Nevertheless, it seems almost certain that their candidates would qualify for full-funding if required to do so. For them to obtain signatures or contributions for a security deposit would amount to mere busywork.

Independent candidates and those of non-major parties, on the other hand, would be required, as in primary campaigns, either to file a security deposit or to submit signatures in order to qualify for public funding. The pending proposals base minor party qualification for funding either on performance in the previous election or, by means of retroactive funding, on the party's performance in the current election, whichever formula generates the greater subsidy. This method, however, has several drawbacks. To base funding on past performance [176] makes it difficult for a new party to become established. A party can rarely become successful without money, yet the parties are not eligible to receive money *unless* they have proven relatively successful in the past. The other proposals generally provide for retroactive funding *after* the election for parties which have done well without it. By its very nature, therefore, this subsidy comes after the money could be of any help to fledgling political parties. Retroactive funding is really a reward for past performance, whereas public funding should be a vehicle for achieving future success.

One objection concerning public financing of general election campaigns is that to finance the campaign of the opponent of an entrenched incumbent is a waste of the taxpayer's money.[177] The opponent has very little chance of winning anyway, the argument goes, so it serves no purpose to give him money.

Furthermore, according to this reasoning, it is wasteful to give money to the incumbent since he can obtain private financing so easily. It seems to me, however, that our electoral system could be improved only by promoting vigorous contests between incumbents and challengers. Perhaps incumbents would still win the vast majority of their elections; nevertheless, with an adequately financed opponent they would not be as assured of victory as they are under the present system of financing campaigns.[178] This increased competition would force incumbents to be more responsive to the interests of their constituents, for they would be truly accountable to the electorate at the next election. As one political scientist has observed: [179]

"Elections have become the first and most important article in our unwritten constitutional arrangements. They give people a direct check upon officials. But elections—like the separation of powers—depend entirely upon the counterposing of ambitions of men. Here candidates provide the necessary competition.

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"Their campaigns alert the people to the on-coming election; advance their personal qualifications and program [sic]; and supply a searching scrutiny of the opposition record. Only with this kind of vigorous competition are elections meaningful. Without it, they present the people no real choices and are as irrelevant to self-government as the staged elections in authoritarian countries."

The argument that incumbents should not receive money from the government because they are able to raise sufficient private funds overlooks one of the major goals which campaign financing reform is designed to achieve. The object of the proposal is not simply to enable poor people or non-incumbents to run for office, but also to diminish the domination of politics by special interests. To achieve that goal, the reliance of incumbents on large private contributions must be ended.

*Payments in kind*

In addition to subsidy payments, the government could provide candidates with services, namely reduced postage rates and free broadcasting time. If these proposals are adopted, campaign expenses would decrease and the amount of the cash subsidy could be decreased accordingly. Although I have serious doubts, on a constitutional level, concerning the proposal, the idea of giving candidates free access to the broadcast media has received great attention and has been endorsed by a number of organizations.[180] Television and radio are perhaps the most effective as well as possibly the most expensive means which a candidate has available for reaching the voters. Campaign advertising through these media have been the subject of increasing criticism because of the "slick" techniques used.[181] In fact, most of the criticism directed against the "Madison Avenue" approach to campaigning has been a result of the use of television, particularly "spot advertising" of a minute or less. A proposal such as the Anderson-Udall Bill's "Voter's Time." [182] which provides for free television use in large blocks of time, would go far toward mitigating these problems. By making free time available to all candidates,[183] the use by well-financed campaigns of what has become known as a "media blitz" would be eliminated. At the same time, because the Anderson-Udall Bill provides for campaign broadcasts to be aired over all stations simultaneously, it removes a traditional drawback of long political programs—the tendency of viewers to watch competing entertainment programs instead.[184]

Candidates could also be provided gratuitious services with respect to their use of the mails. Rather than prohibit the use of the "frank" for mass mailing of newsletters during campaigns, as one bill provides.[185] Congress should extend the "frank" to all candidates for federal office for perhaps two free mailings of campaign materials.[186] Without the full use of the "frank" during campaign periods, incumbents are still able before the campaign period to use the "frank" at least indirectly for re-election purposes by means of both mass mailings and personal letters. Fairness therefore dictates that challengers be allowed to use the "frank" as well. Such a measure would also help decrease campaign costs.

Because of the tendency by voters to ignore campaign mailings as "junk-mail," a sounder proposal would be to issue a "Voter's Pamphlet would be less expensive than individual Washington [187] and Oregon.[188] This pamphlet would be published by the government and mailed to all registered voters. Space would be made available to each candidate for a picture and a statement setting forth his personal background and program. The pamphlet," as is already done by the states of mailings, and because it contains information about all candidates, less likely to be discarded without reading. The pamphlet would probably be the best means available to provide voters with information about the various issues and to make intelligent decisions about the candidates. A "Voter's Pamphlet" proposal was made on the floor of the Senate in 1973 in the form of an amendment to a bill. Regrettably the amendment was withdrawn because it had not been studied in committee.[189] It is hoped, however, that such a proposal will be adopted in the future.[190]

*Limitations on contributions*

The most direct method of curtailing the influence of large contributions on the political process is simply to limit them outright. Because of constitutional considerations,[191] it seems unlikely that contributions can be prohibited entirely. Nevertheless, a reasonable limitation could satisfy the constitutional standard by maintaining an outlet for citizen expression of candidate preference. The $3,000 limitation adopted in the Cannon Bill, [192] however, seems too high to achieve the desired purpose. Many contributions made by special interest groups presently are not above $3,000.[193] An incumbent's campaign for the House of Representatives might cost $75,000, and in such a campaign $3,000 is a significant figure. A limitation of $500 on contributions by individuals or political committees to any campaign or political committee with an overall limitation of $2,500 on all such contributions in a calendar year, would appear more likely to eliminate the undue influence of special interests in the electoral process.

Such a limitation would also be large enough to satisfy constitutional requirements.[194] The limitation on contributions by a candidate or his family to his own campaign, however, should not be quite so small. There are certain "start-up" expenditures involved in any campaign, particularly to qualify for public funding. A limitation of $3,000 from personal and family funds would seem to be sufficiently high for a candidate to begin his campaign and sufficiently low to prevent wealthy candidates from buying their way into office.

*Limitation on Expenditures*

Although the increasing cost of campaigning has been cause for public concern, the beneficiary of a low limitation on total campaign spending will not be the public, but rather incumbents, who do not need to spend as much money on the campaigns as do their challengers.[195] The Senate-passed Cannon Bill in particular works to the advantage of incumbents,[196] with its $90,000 limitation for House campaigns.[197] The average expenses of all challengers who defeated an incumbent Representative in 1972 exceeded that figure by $35,000.[198] Chances are that, had the $90,000 limitation been in effect in 1972, those defeated incumbents would still be serving in the Congress.

Three posible reasons can be advanced for enacting some limitation on overall expenditures. First, it would prevent an affluent candidate from being able to finance a lavish campaign. Second, it would prevent wealthy contributors from doing the same on behalf of favored candidates. And third, it would prevent the use of sophisticated and expensive advertising techniques which sell candidates to the public as if they were laundry detergents. The first two of these goals, however, are achieved more directly by limitations on contributions.

Furthermore, although the present use of certain advertising techniques is disturbing, as well as debasing, it is not nearly as disturbing as the prospect of providing life terms for incumbent office holders which might occur if a fairly low overall expenditure limitation was enacted into law. Moreover, limitations on contributions would provide a rough check on spending. Limited to $500 per contributor, candidates would not easily procure the funds to allow excessive spending.

Nevertheless, campaign expenditures should be limited, at least to some degree, for two reasons. It would assure that expenditures do not get completely out of hand and it would prevent candidates with access to the wealthy from amassing a large number of $500 contributions. For these purposes an appropriate limitation would be $200,000 each for primary and general election campaigns for the House of Representatives and twenty cents and twenty-five cents per voting age person in pre-nomination and general election campaigns respectively for both the Senate and the Presidency.

The best way to enforce these limitations would be to require each campaign to designate one central "checkpoint" through which all receipts and expenditures would be channeled. Similarly, each campaign would be required to maintain one designated bank account, which would be the sole repository of campaign funds. After the campaign—and, perhaps, at periodic intervals during the campaign—a candidate would be required to make public this account together with all its deposits and withdrawals. Since all campaign expenditures could be withdrawn from this account, the amount of withdrawals could not exceed the limitation on spending. To prevent candidates from evading this requirement there would have to be a prohibition on all large cash transactions—for example, above $50.

*Supervision*

The 1971 Campaign Act provides for a tripartite system of supervision, with disclosure reports required to be made to three enforcing congressional officers, the Secretary of the Senate, the Clerk of the House of Representatives, and the Comptroller General.[199] In addition, reports must be made to the Secretary of State of the state in which the campaign is being conducted.[200] This system was generally effective in the last national elections; [201] nevertheless, the full-time and vigorous enforcement necessary to carry out campaign reform requires an independent supervisory commission.

In reforming the electoral process one of the major goals is restoring public confidence in the political system. Thus, any enactment must have the appearance of genuine reform. The major drawback of the present enforcement system is that supervision by employees of those who are to be supervised, no matter how effective it may in fact be gives the appearance of only a half-hearted effort at reform. Not only is there an inherent conflict of interest between the supervisory duties of those to whom reports are presently to be made and their position as employees of party leaders and candidates in their own right, but also it is doubtful that they have the staffs or resources necessary to enforce a public financing system.[202]

The system proposed by the Campaign Amendments Bill [203] is an improvement on the present system. It provides for a bipartisan commission composed of members appointed by a process in which the President, congressional leaders of both parties, and Congress itself participate. This commission would have complete enforcement powers including that of initiating criminal proceedings. It has the advantage of being dominated neither by one branch of government, nor by one political party.

An intriguing suggestion has been made by an academician to draw the members of the commission from the ranks of retired judges.[204] The proposal has the advantage of assuring the public that the commission members would be independent. It could be combined with an attractive proposal made by the Director of the Office of Federal Elections of the General Accounting Office that the commission members serve part-time

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and be supported by a large professional staff and a "strong executive director." [205] Talented individuals might be more attracted to serve in a part-time position rather than in a full-time capacity.[206] In addition,the commission should be given, along with its powers to initiate criminal proceedings, the power to initiate civil proceedings and the power to exact civil penalties.[207]

A provision for a commission was originally part of the 1971 Campaign Act, but was removed because of opposition by the House of Representatives.[208] The same fate should not await any bill enacted in the future. Unless Congress wishes to give the impression that it is converting the present statutory campaign finance system, which is "more loophole than law," [209] into one in which violations are difficult to enforce, a strong, independent campaign commission must be created.

*Summary*

In a fashion similar to the Cannon Bill, recently passed by the Senate, the system which I have outlined here would go a long way towards eradicating the major evils inherent in the current method of financing campaigns. By limiting contributions and by limiting spending, a curb would be imposed on the power of special-interest groups.

The public subsidy would enable more people from diverse economic backgrounds to run for office and would help challengers to run more vigorous campaigns against incumbents. The fulfillment of these last two goals would be served in particular under my proposal by the provisions authorizing an alternative method of qualifying for funding simply by presenting petition signatures, since it would enable individuals without significant access to wealth to run for office and would allow them to receive increasing amounts of partial funding as the campaign progressed.

A CONSTITUTIONAL DEFENSE

Federal regulation of campaign financing poses several potential problems from a constitutional standpoint. Specifically, two general issues are raised by the legislation recommended both by this article and by the other proposals already introduced into the Congress. The first is whether Congress has the constitutional authority to enact such legislation, and the second is whether this type of legislation violates constitutional rights of a candidate or members of the electorate.[210]

*Constitutional authority for regulation of elections*

With respect to the regulation of congressional elections, the authority of Congress is derived from article I, section 4 of the Constitution, which states: "The times, places and manner of holding elections for Senators and Representatives, shall be prescribed in each state by the Legislature thereof; but the Congress may at any time by law make or alter such regulations. . . ." [211] A program which combines federal subsidies with limitations on contributions and expenditures would appear to deal with the "manner" of holding elections and, therefore, to be a proper exercise of congressional authority. This view is supported by a broad interpretation given the phrase "times, places and manner" by the Supreme Court in *Smiley v. Holm*,[212] in which it stated: [213]

"[T]hese comprehensive words embrace authority to provide a complete code for congressional elections, not only as to times and places, but in relation to notices, registration, supervision of voting, protection of voters, prevention of fraud and corrupt practices, counting of votes, duties of inspectors and canvassers, and making and publication of election returns; in short, to enact the numerous requirements as to procedure and safeguards which experience shows are necessary in order to enforce the fundamental right involved."

The *Smiley* Court further ruled that article I, section 4 gave the Congress "a general supervisory power over the whole subject" [214] of congressional elections. It seems apparent, therefore, that, at least with respect to congressional elections, Congress has the authority to regulate federal campaign spending.[215]

The congressional power to impose similar legislation on a presidential campaign presents a more difficult question. The Constitution provides that it is the state which "shall appoint, in such manner as the legislature thereof may direct," its presidential electors.[216] Indeed Congress' express authority extends only to "the time of choosing the Electors, and the day on which they shall give their votes." [217] The propositions, however, that the states possessed exclusive authority over the "manner" of presidential elections was put to rest in *Burroughs and Cannon v. United States*.[218] That case involved a constitutional challenge to a section of the Corrupt Practices Act of 1925,[219] which required that any political committee accepting contributions or making expenditures for the purpose of influencing the election of presidential electors file statements containing the name and address of each contributor. In sustaining the constitutional validity of the statute, the Court expressly rejected the argument that congressional authority in this area was limited merely to setting the date for selection of electors and the date on which those electors were to cast their votes.[220] The Court added that Congress has the power on policy grounds to enact substantive legislation affecting the conduct of elections: [221]

"The importance of [a presidential] election and the vital character of its relationship to and effect upon the welfare and safety of the whole people cannot be too strongly stated. To say that Congress is without power to pass appropriate legislation to safeguard such an election from improper use of money to influence the result is to deny to the nation in a vital particular the power of self protection. Congress, undoubtedly, possesses that power, as it possesses every other power essential to preserve the departments and institutions of the general government from impairment or destruction whether threatened by force or by corruption."

Admittedly, *Burroughs* might be limited on its facts to controversies concerning disclosure laws. In that case, however, the petitioner's constitutional objection was that the statute allowed Congress to invade an area under the *exclusive* authority of the states. Since the Court overruled this objection with respect to a filing requirement, it seems reasonable that an objection to Congress' power to enact a program of federally subsidized elections would similarly be overruled. This conclusion is supported by the broad language employed by the Court in the *Burroughs* opinion. In holding that Congress possessed the power "to pass appropriate legislation to safeguard [a presidential election] from the improper use of money to influence the result," [222] the Court apparently left room for legislation combining government subsidies with limitations on contributions and campaign spending.[223]

A final question with regard to congressional authority to enact one of the proposed reform bills is whether Congress has the power to regulate campaign primaries. Although the Court had discussed the question previously,[224] the first decision on the issue of whether the constitutional grant of power to regulate "the manner of holding elections" [225] extended to primary elections was rendered in *United States v. Classic*.[226] An eight-man majority in that case held: [227]

"[T]he authority of Congress, given in § 4, includes the authority to regulate primaries when, as in this case, they are a step in the exercise by the people of their choice of representatives in congress."

Although a victory in the primary in that jurisdiction was tantamount to victory in the general election, that fact was not crucial to the decision of the Court. Moreover, in subsequent cases, the primary has been held to be a part of the general election process without the presence of any such special circumstances.[228]

The constitutional provisions dealing with the regulation of elections have, as these cases demonstrate, been broadly construed. As a result, Congress possesses far-reaching authority to enact measures necessary to protect the integrity of the electoral process. The scope of the authority extends beyond the comparatively explicit constitutional delegation with respect to congressional elections and includes presidential and primary elections. Given the policy motivation for enactment, passage of the proposed program of federal subsidies combined with contributions and spending limits is clearly within the constitutional authority of the Congress.

*Limitation on contributions*

A number of commentators have expressed doubt concerning the constitutionality of limitations on the size of campaign contributions.[229] Indeed, supporters of public financing themselves have expressed concern in this area. These doubts are based on the belief that a contribution to a political campaign is a means of political expression, and since free political expression is protected by the first amendment,[230] political expression in the form of a campaign contribution is similarly protected. Under this view, the act of contributing is characterized as symbolic speech.

As a threshhold consideration, two factors must be taken into account here. First, it is not at all clear that the act of making unlimited contributions to a political campaign is protected as "speech" under the first amendment. Second, assuming that the act is so protected, the state interest in preserving the integrity of the electoral and governmental processes from the corruptive influence of large contributors might be found to be sufficiently compelling to justify an incidental infringement on first amendments rights.

The first amendment clearly protects more than purely verbal communications.[231] It may well be, however, that courts will not regard a campaign contribution as protected symbolic speech. When pure speech is joined with verbal acts which are not necessary to the communication, the state may regulate that mode of expression.[232] Certainly, a limitation on contributions does not abridge free speech on its face because "there is nothing necessarily expressive about" contributing to a political campaign.[233] Nevertheless, the argument could be made that in particular cases campaign contributions were expressive. The judiciary may, however, hold that the physical act of delivering unlimited is not essential to political expression and that a campaign donation is thus not protected symbolic speech.

To the extent that the right to make unlimited contributions is protected by the first amendment, it is my belief that some limitation on contributions would be constitutionally valid because of the compelling state interest in protecting the electoral and governmental process from the undue influence of excessively large contributions.[234] This view was taken by Mr. Justice Douglas, dissenting in *United States v. United Auto Workers*,[235] a case in which the majority specifically declined to address itself to the question of whether a prohibition on labor union campaign contributions [236] was constitutionally valid. Justice Douglas, joined in his dissent by Mr. Chief Justice Warren and Mr. Justice Black, emphatically stated that the

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absolute prohibition on campaign contributions constituted "a broadside assault on the freedom of political expression guaranteed by the First Amendment." [237] He was careful to note, however, that: [238]

"[I]f Congress is of the opinion that large contributions by labor unions to candidates for office and to political parties have had an undue influence upon the conduct of elections, it can prohibit such contributions."

Thus Mr. Justice Douglas, the jealous protector of first amendment freedoms, adopted the position that large political contributions are not protected under the Constitution to the extent that they exert an undue influence upon the election process.

Justice Douglas' remarks suggest that the constitutionality of limitations on campaign contributions depends upon the particular level of limitation imposed. While Justice Douglas deemed invalid an absolute prohibition on contributions, he recognized that at some point the size of contributions can be restricted because of the very real likelihood of undue influence on the political process. In light of the presumption of constitutionality afforded a congressional act, it would appear, therefore, that a limit on contributions would be held unconstitutional only if it were shown that the limitation was manifestly below the level at which there could be a reasonable fear of improper influence on the recipient candidate. [239]

The level at which restrictions are imposed is a matter largely overlooked by those who would argue that limits on political contributions are unconstitutional. These critics treat a limitation in amount as if it were an absolute prohibition on contributions. The error in so doing is illustrated by *Kovacs* v. *Cooper*, [240] a case which is relevant if a campaign contribution is viewed as symbolic speech. In *Kovacs* the Court [241] upheld against a first amendment challenge an ordinance which forbade the use on public streets of a sound truck emitting "loud and raucous noises." It was noted that an "absolute prohibition within municipal limits of all sound amplification, even though reasonably regulated in place, time and volume, is . . . probably unconstitutional . . . ." [242] The ordinance, however, was upheld because its prohibition applied only to "loud and raucous" noises. Thus, while the absolute prohibition would be unconstitutional, a limitation on the permissible physical volume of the regulated communicative conduct was held valid. In applying this rationale to the issue of campaign contributions, Professor Freund has stated: [243]

"We are dealing here not so much with the right of personal expression or even association, but with dollars and decibels. And just as the volume of sound may be limited by law, so the volume of dollars may be limited without violating the First Amendment."

It might be argued that an overall limit on contributions would be an absolute prohibition on contributions as to those who seek to contribute after the ceiling has been reached. If this situation were to pose a serious obstacle to the passage of the proposed limitations, Congress could enact a program of pro-rata contribution refunds.

Under such a program all who so desired could contribute up to the limit imposed on the individual contribution. If the sum of these contributions exceeded the overall limit on contributions received, the excess could be refunded to all contributors on a pro-rata basis of the size of their original contributions. For example, if total contributions exceeded the overall limit by twenty-five percent, someone who had contributed $80 would receive a refund of twenty-five percent of his contributions, i.e., $20. To avoid the administrative burden of mailing refund checks to each contributor, the amount to be refunded would be turned over to the Internal Revenue Service and would be credited against the contributor's income tax in the following year.

The Supreme Court has held that: [244]

"when 'speech' and 'non-speech' elements are combined in the same course of conduct, a sufficiently important governmental interest in regulating the non-speech element can justify incidental limitations on First Amendment freedoms."

In attempting to define the elements of this "sufficiently important governmental interest," the Court in *United States* v. *Oregon* stated: [245]

"[W]e think it clear that a government regulation is sufficiently justified if it is within the constitutional power of the Government; if it furthers an important or substantial governmental interest; if the governmental interest is unrelated to the suppression of free expression; and if the incidental restriction on alleged First Amendment freedoms is no greater than is essential to the furtherance of that interest."

In view of this standard the proposed limitations on campaign contributions are constitutionally valid. With regard to the first element of the test, it has been previously shown that Congress has power under the Constitution to regulate congressional and presidential elections both at the primary and at the general election levels: [246]

The second element is also satisfied since the limitation on contributions is designed to advance substantial government interests: the independence of elected officials from large contributors and the prevention of fraud and corruption in the electoral process. These interests are sufficiently important to satisfy the *O'Brien* test. In *Ex parte Yarbrough* [247] the Court stated: [248]

"If the government is anything more than a mere aggregation of delegated agents of other States and governments, each of which is superior to the general government, it must have the power to protect the elections on which is existence depends from violence *and corruption.*

"If it has not this power it is left helpless before the two great natural and historical elements of all republics, open violence and *insidious corruption.*"

And in another case the Court said: [249]

"To say that Congress is without power to pass appropriate legislation to safeguard [a presidential and vice-presidential] election from the improper use of money to influence the result is to deny to the nation in a vital particular the power of self protection."

The third element of this test is that "the governmental inerest is unrelated to the suppression of free expression." [250] Since the governmental interest in regulating campaign contributions is to preserve the integrity of the election process and the independence of elected officials, this condition would clearly appear to be satisfied, especially in view of the rationale of the *O'Brien* decision. In that case the defendant contended that a statute which prohibited the knowing destruction of a draft card was unconstitutional as to him because the act of burning his draft card was "symbolic speech" protected under the first amendment. The Court upheld the statute and thereby acknowledged that the governmental interest involved was "unrelated to the suppression of free expression." Such a conclusion was justified since the statute did not seek to prohibit communication of the defendant's antiwar beliefs but only to assure the effective operation of the Selective Service by prohibiting the act of draft card burning.

In much the same way the proposed limitations on campaign contributions seek not to prohibit communication of political beliefs, but only to assure the effective operation of the electoral process and to prevent corruption on the part of elected officials. Furthermore, the Court in *O'Brien* attempted to clarify this third element by citing *Stromberg v. California.* [251] In *Stromberg* the Supreme Court struck down a statute which punished those who expressed their "opposition to organized government" by displaying "any flag, badge, banner or device." Under this statute, therefore, a banner or badge could have been prohibited based solely on the written contents contained thereon. The statute did not seek to prohibit the act of displaying a banner nor the act of displaying a banner for the purpose of expressing any abstract idea; it sought to prohibit the expression of a particular idea or belief. Put another way, the conduct was lawful but for the particular idea it sought to express. The majority in *O'Brien* indicated that a *Stromberg*-type statute could not be sustained because it "was aimed at suppressing communication" and, therefore, violative of the third element of the *O'Brien* balancing test.

The case of limitation on contributions is clearly distinguishable from *Stromberg*. An excessive contribution is unlawful under my proposal regardless of the particular political idea or belief which the contributor seeks to express by his act of contributing money. In *Stromberg* the act was illegal only if it were performed for the purpose of expressing an opposition to government. This type of prohibition clearly suppresses expression and is distinguishable from a ceiling on political contributions where only the act of excessive contributions is suppressed without regard to the idea sought to be expressed by that act. It appears, therefore, that the proposed limitation on contributions satisfies the third element of the *O'Brien* test.

Finally, it must be shown that the alleged incidental infringement on first amendment rights is no greater than is necessary to achieve the governmental interest. Critics of limitations have suggested that alternative remedies could insulate the electoral process from undue influence of unlimited contributions without the arguable infringement on free expression. Suggested alternatives include free broadcast time or franking privilege and tax incentives for contributions. While such measures might solve some of the problems of the current system, none would work to improve all problems as would public financing coupled with limitations on contributions. As long as there are limitations neither on expenditures nor on contributions, a candidate can be expected to spend up to and beyond the limits of the funds which he is able to raise. As a result, any right to mail campaign circulars for free or to receive free radio and television time will not reduce the pressure on the candidate, once elected, to repay in one form or another "debts" owed to major campaign contributors. Clearly, the limitation on contributions is essential to the elimination of this potential for undue influence. Furthermore, this final element of the *O'Brien* test is perhaps not quite as rigorous as are the other elements. Elsewhere, the Supreme Court has stated: [252]

"The power of Congress to protect the election of President and Vice President from corruption being clear, the choice of means to that end presents a question primarily addressed to the judgment of Congress. If it can be seen that the means adopted are really calculated to attain the end, the degree of their necessity, the extent to which they conduce to the end, the closeness of the relationship between the means adopted and the end to be attained, are matters for congressional determination alone."

A judgment by Congress, therefore, that limitation on contributions constitutes the only effective remedy is likely to be given great deference by the Court.

Another line of precedent lends support to

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the conclusion that the right to contribute to a campaign may be outweighed by the strong policy considerations inherent in any congressional act designed to limit the right to contribute. These cases deal with the Hatch Act's [252] prohibition of political activity by public employees. In *United Public Workers v. Mitchell* [253] the Supreme Court sustained the validity of a provision of the Act which prevented employees of the executive branch from taking an "active part in political campaigns." [254] The Court justified this total prohibition of political activity by balancing it against the determination by Congress of the "material threat to the democratic system" [255] posed by partisan activity on the part of government employees. *Oklahoma v. Civil Service Commission*,[256] a case decided the same day, upheld a similar ban imposed on state officials whose work was financed in part by a federal agency.[257]

*Mitchell* was recently reaffirmed by the Court in *United States Civil Service Commission v. National Association of Letter Carriers*.[258] The Court balanced against the infringement of first amendment rights a number of factors which also apply to limitations on contributions: effective and fair operation of the government, protection of the role of elections in representative government, and—a factor not mentioned in the cases discussed thus far—maintenance of public confidence in the government by avoiding the appearance of corruption.[259]

Significantly, these cases upheld a complete ban on all political activity, except the right to vote, on the part of government employees. Such a prohibition was held justified to prevent undue influence on government workers. The proposal made by this article for campaign financing reform would constitute only a partial prohibition on a specific type of political activity—contributions of money. It is designed to prevent undue influences, not on government employees working in a non-political part of the government,[260] but on elected officials. Since the Hatch Act has withstood the constitutional challenge, it seems only reasonable to conclude that limitations on campaign contributions will do so as well.[261]

*Limitation on Expenditures*

Legislation restricting the amount of a particular campaign contribution may be accompanied by limitations on campaign expenditures. Without the restrictions on expenditures candidates with access to large numbers of wealthy individuals might, despite the limitations on contributions, be able to amass a large campaign treasury from many individual $1,000 contributions. Thus, non-wealthy candidates, without significant contacts among the wealthy, would still be essentially shut off in many instances from effectively seeking elective office. Political offices would remain within the reach of the affluent or those associated with them.[262] To avoid such a result it seems necessary to implement the proposed limitations on campaign expenditures.[263]

Limits on expenditures, however, have encountered many of the same constitutional questions raised by limits on contributions.[264] Since campaign expenditures are viewed as indispensible to mass communication of political ideas, it has been suggested that such expenditures constitute speech plus conduct and are protected under the first amendment.[265] The validity of this suggestion hinges on many of the same factors discussed in relation to whether limitations on contributions would be constitutionally permissible.[266]

Accordingly, the first issue is whether the act of making unlimited campaign expenditures is protected under the Constitution. Unquestionably, campaign expenditures are indispensable to effective political speech, probably more so than contributions. If contributions are limited, the candidate can nevertheless effectively communicate his political message to the voters through expenditure of his own personal resources. Once a limit on expenditures is enacted, however, and that limit is reached by a candidate, the prohibition on *effective* political speech by that candidate is absolute. As a result, one could likely make a stronger argument for a constitutional right to unlimited campaign expenditures than could be made for unlimited campaign contributions. This fact alone, however, does not guarantee the right to make unlimited campaign expenditures. Again the sound truck cases are applicable. In *Saia v. New York* [267] the Supreme Court concluded that amplified speech was deserving of first amendment protection since "loud-speakers are today indispensable instruments of effective public speech." [268] Less than a year later, however, the Court allowed a local government to accommodate the public interest in privacy by upholding a reasonable limitation on amplified speech.[269] The rule to be taken from these cases is that where a sufficiently important governmental interest exists as a justification, a reasonable limitation on the use of an instrumentality indispensible to effective public speech may be enacted.

Application of this rule to limits on campaign expenditures again necessitates the balancing test analysis of *O'Brien*.[270] The constitutional authority of the Congress to regulate campaign expenditures is derived from the same source as is the authority to regulate contributions.[271]

The countervailing governmental interest present in this instance is that both the wealthy and the not-so-wealthy, or those without access to the wealthy, share an equal opportunity to participate in the electoral process. The importance of this objective was emphasized in *Kramer v. Union School District*,[272] in which the Court declared that "unjustified discrimination in determining who may participate in political affairs . . . undermines the legitimacy of representative government." [273] Elsewhere, the Court has stated, "wealth, like race, creed, or color, is not germane to one's ability to participate intelligently in the electoral process." [274]

It seems clear therefore, that the governmental interest of fostering equal political opportunity for both those with vast as well as those with meager resources is "important or substantial." With regard to the third requirement of the *O'Brien* test, the governmental interest in equal political opportunity is "unrelated to the suppression of free expression." [275] Any doubt on this point is resolved in favor of limitation on expenditures by the sound truck cases. Finally, without limits on expenditures the candidate who has access to vast financial resources can overwhelm his poorer opponent. Although a ceiling on contributions would prevent an elected official from being unduly influenced by a single large contributor, without a limit on total spending a number of individuals with similar interests could together contribute a large sum of money to a candidate; the same evil of undue influence on elected officials would then be present. Moreover, because of the natural tendency of candidates to spend all available funds, this problem would persist even where a program of federal subsidies would assure a certain level of funds to all qualified candidates. It is apparent, therefore, that a persuasive argument can be made for expenditure limits on the basis of a balancing test analysis.

A second constitutional criticism of campaign spending limits focuses on undue interference with the right of the voter to receive information relevant to his electoral decisions. It is well established that the freedom of speech and press necessarily protects an individual's right to receive information and ideas.[277] Two cases dealing with this right have been cited in support of the position that spending limits are constitutionally invalid.[278] In *Red Lion Broadcasting Co. v. FCC*,[279] the petitioner challenged the Federal Communication Commission's "fairness doctrine" [280] on the ground that it denied the petitioner its right to free speech by dictating in certain cases which material would be broadcast. The essence of the petitioner's argument was that the broadcaster enjoyed the same constitutional right of free speech as the individual. In upholding the "fairness doctrine" the Court emphasized that the public's right to receive diverse social and political ideas overrode the broadcaster's right to free speech by radio.[281] In *Mills v. Alabama* [282] the Court found invalid a statute prohibiting solicitation of votes on election day. The Alabama Supreme Court had sustained the statute on the ground that it protected the public from the confusion of unverified, last-minute political charges. In striking down this statute, the Court in *Mills* has been heralded as sustaining the public's right to receive political information in situations in which that information might be unverifiable. It should be noted, however, that the reasoning of the Court in *Mills* was based on the right of a newspaper to publish an editorial not on the right of the public to read it.

On the basis of this precedent it has been argued that limits on campaign spending abridge the individual's constitutional right to receive political information. Under this view the ceiling on spending is regarded as a restriction upon the ability of the candidate to convey information to the public and is, therefore, unconstitutional.[283]

In my opinion the effect of the proposed spending limits will be precisely the opposite. Instead of reducing the flow of political information to the voting public, these ceilings will help assure a balanced flow of diverse viewpoints. Without spending limits those candidates having unlimited financial resources are able to dominate the flow of political information to the public. They do this by monopolizing the most effective channels of communication. For example, there is only a limited supply of prime time television advertising slots. If these are all taken by a wealthy candidate who can in essence outbid all other candidates, those political viewpoints that are less than extravagantly financed will be denied this highly effective means of presenting their case to the electorate.[284] Limiting expenditures, however, helps to promote "free trade in ideas" [285] and "provides hopes for access to the political process by the weaker minority interests. . . ." [286] The proposed federal campaign subsidies would make this hope a reality. Thus, the ceilings would protect the flow of political information to the public by preventing the well-financed candidates from overwhelming by sheer volume of spending the communications of other candidates. In this manner the public would be exposed to a greater diversity of viewpoints. Such a result seems highly consistent with the constitutional right of the public to receive information and ideas.[287]

Admittedly, the validity of any limitation might hinge upon the level of restriction. A limit could be set so low as to deny all candidates the chance to present their cases effectively to the electorate. Such legislation would be difficult to justify. Thus, the limitations should be set at a relatively high level, but low enough to prevent the heavily financed candidate from "so overloading the channels of communication as to render his opponent's right to speak virtually worthless." [288] The limitations contained in my proposal set forth in this article would seem to meet that test.[289] Once Congress has set such limits, its judgment in setting the level of

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limitation so as to maximize the flow of political information should be given great deference by the Court.[290]

A final challenge to the constitutionality of spending limits is the contention that such limits favor the incumbent because of the public familiarity which he has acquired prior to the campaign. The argument here is that the only way in which the relatively unknown challenger can overcome the "recognition gap" between himself and the well known incumbent is by outspending the incumbent on media campaigning. Under this rationale a limit on spending is thought to preclude the challenger from any chance to close this "recognition gap."[291]

Proponents of this view cite *Williams* v. *Rhodes*[292] authority for their position. In that case the American Independent Party and the Socialist Labor Party challenged the constitutionality of an Ohio law which required a new political party to obtain petitions signed by qualified electors totaling fifteen percent of the number of the votes in the last gubernatorial election to be placed on the presidential ballot. On the other hand, the Democratic and Republican parties retained their positions on the ballot merely by polling ten percent of the votes in the last gubernatorial election, and were not required to obtain signature petitions.[293] The State of Ohio sought to justify the restriction on the ground that it promoted political stability, and that by minimizing the number of new parties placed on the ballot, it would protect voters from "a choice so confusing that the popular will could be frustrated."[294] The Court, however, found that the effect of this election law was to "make it virtually impossible for any party to qualify on the ballot except the Republican and Democratic Parties."[295] Having concluded that the State had failed to demonstrate any "compelling interest" to justify these restrictions, the Court held them to be a violation of both first amendment and equal protection rights.[296]

*Williams* calls into question the constitutionality of any election law which tends to lock in the Democrat-Republican, two-party system. Some have argued that limits on expenditures prevent smaller parties from closing the "recognition gap" by effectively denying them the opportunity to outspend the two major parties. On this basis it is urged that the spending limits fall within the prohibition of *Williams*.[297]

The restrictions overturned in *Williams*, however, are clearly distinguishable from the spending limitations contained in my proposal. In the first place, the burden of the spending limits will fall equally on all parties and on all candidates. The unequal burden of the regulation in *Williams* was obvious. This distinction, however, is unlikely to settle the issue since critics of campaign spending limits view the equal burden of the limits as the factor which will most tend to solidify the presently dominant position of the two major parties.[298] A stronger distinction lies in the existence of a more compelling state interest in the case of campaign spending limits. The state interest articulated in *Williams*, namely to protect the electorate from undue confusion, sounds suspiciously like the state interest rejected in *Mills*.[299] On the other hand, the limits on campaign spending are imposed to further a state interest which has on many occasions been upheld: an equal opportunity to participate in the electoral process regardless of ability to pay.

The principle announced in the *Williams* case does not prohibit every measure which restricts the right of a new party to appear on the ballot, but merely holds that in that particular case the regulation was unreasonably restrictive. Restrictions deemed reasonable by the Court have been upheld subsequently. In *Jenness v. Fortson*[300] a Georgia law was challenged which provided that a candidate for elective public office who did not win a political party's primary election could have his name printed on the ballot at the general election only by filing a nominating petition signed by at least five percent of the number of registered voters who voted at the last general election for that particular office.

The Court unanimously upheld the Georgia statute and distinguished it from *Williams v. Rhodes* primarily on the ground that Georgia's election laws, unlike Ohio's, do not operate to freeze the political status quo."[301] The proposed campaign spending limits would likewise not freeze the existing political status quo, which can be characterized as the domination of politics by those with access to vast financial resources. Furthermore, by providing qualified minor party candidates with funds, the program of subsidies would serve to encourage them actively to challenge the dominance of the major parties and might enable them to become more competitive. Such an effect seems entirely consisent with *Williams* and *Jenness*.

As with limitations on contributions, the conclusion here is that reasonable limitations on campaign spending are constitutionally valid. Because campaign expenditures are essential to effective political speech, it appears that such expenditures are protected under the first amendment. The protection of these expenditures does not, however, guarantee to the candidate the right to make unlimited expenditures when a compelling state interest requires limitation. Equal political opportunity for wealthy classes and prevention of undue influence on elected officials are, as demonstrated, sufficiently compelling interests to justify spending limits. Furthermore, instead of infringing on the voting public's right to receive information, the limits can be set so as to enhance that right by assuring that political information flows to the public from viewpoints which might otherwise be drowned out by the more heavily endowed interests. Finally, rather than freezing the status quo," the limitation on expenditures when combined with the proposed subsidy will enable minor party candidates to challenge the major party candidates with unprecedented vigor. On this basis it seems clear that the spending limits are constitutionally valid.[302]

*Contribution disclosure requirements*[303]

To enforce the limitation on campaign contributions it will remain necessary, as the law now provides,[304] for a candidate to disclose the amount and donor of all political contributions received. While this disclosure requirement raises several constitutional questions, it seems clear upon analysis that such a requirement is constitutionally permissible.

The first question relates to what might be called the first amendment right to anonymity.[305] The rationale supporting this "right" is that, where, because of fear of embarrassment or reprisal a disclosure requirement stifles an individual's freedom of association or speech, the requirement is constitutionally invalid. This doctrine was developed in a series of cases which overturned statutes requiring disclosure of NAACP membership lists.[306] These cases originated in southern communities at a time of violent hostility to civil rights groups. Under these circumstances the fear of reprisals was sufficiently acute that disclosure of membership lists would have severely threatened rights of association. The right of anonymity was also upheld in *Talley v. California*,[307] in which the Court invalidated an ordinance prohibiting the distribution of a handbill which did not have printed on its face the name and address of the person responsible for its printing and distribution. The Court concluded that the ordinance would discourage the expression of unpopular ideas and thereby restrict the freedom of speech. On the other hand, where the government interest was deemed to be sufficiently compelling, disclosure of membership lists have been upheld in spite of the infringement on the right of association.[308]

On the basis of the *Talley* precedent it has been contended that campaign disclosure laws might impose an unconstitutional burden on the freedom of political expression. For example, a resident in a predominantly Republican neighborhood might be discouraged from contributing to a Democratic candidate for fear that disclosure would subject him to social ridicule. The constitutionality of disclosure requirements, however, seems to be established in *Burroughs and Cannon v. United States*.[309] *In* that case the Court upheld the constitutionality of the Federal Corrupt Practices Act of 1925 on the ground that disclosure requirements "would tend to prevent the corrupt use of money to affect elections."[310] It should be noted, however, that the first amendment arguments dealing with the right to anonymity was not raised in *Burroughs*.[311]

Any lingering doubt as to the first amendment constitutionality of campaign disclosure requirements was erased by *United States v. Harriss*.[312] In *Harriss* the Court employed the rationale of *Burroughs* in upholding the constitutionality of a statute which required a lobbyist to disclose the source and amount of any contributions made to him. The majority in *Harriss* declared:[313]

"Congress has . . . merely provided for a modicum of information from those who for hire attempt to influence legislation. . . . It wants only to know who is being hired, who is putting up the money, and how much. It acted in the same spirit and for a similar purpose in passing the Federal Corrupt Practices Act—to maintain the integrity of a basic governmental process."

The first amendment arguments were offered and specifically rejected in *Harriss*.[314] On the basis of *Burroughs and Harriss*, therefore, it seems clear that campaign disclosure requirements do not offend the first amendment.

The second constitutional question raised by the proposed disclosure requirements involves the privilege against self-incrimination. Given that the contributor must report his contribution and that he can be held criminally liable for making a contribution which exceeds the limitation, it would appear that he is compelled to incriminate himself by compliance with the disclosure requirement.[315] This view seems to be supported in *Marchetti v. United States*[316] and *Grosso v. United States*.[317] In each of these cases a statute requiring anyone engaged in specified gambling practices to register and to pay a special tax on gambling activities was held invalid on the ground that compliance would have the unmistakable result of incriminating the registrant.

It is significant to our inquiry that the majority in *Marchetti* made a special point to distinguish and reaffirm *United States v. Sullivan*.[318] In *Sullivan* the taxpayer, a bootlegger, was convicted for failing to file an income tax return despite his claim that filing a return would have necessitated his admission of violations of the National Prohibition Act. The Court in *Sullivan* concluded that the taxpayer could have answered most of the questions on the return without making incriminating disclosures and indicated that he could lawfully withhold answers only with respect to those questions which elicited incriminating answers. *Marchetti* distinguished *Sullivan* on the ground that "every portion of these [gambling] requirements had the direct and unmistakble consequence of incriminating the petitioner,"[319] thereby rendering inapplicable the solution of partial compliance suggested in

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*Sullivan*. The basis for this distinction is that in the case of the income tax return the questions "were neutral on their face and directed at the public at large," [220] while the gambling disclosure requirements were directed at a "highly selective group inherently suspect of criminal activities." [221] In the latter case the disclosure requirement violates the privilege against self-incrimination while in the former it does not.

In applying this test to the campaign contribution disclosure requirements, it seems clear that there is no violation of the privilege. The requirement is neutral on its face and is directed not at some suspect group but at the general public. Furthermore, anyone who makes an illegal contribution can still be required to report all legal contributions he makes. Since the non-incriminating data is severable from the incriminating, the contribution disclosure requirement is analogous to the *Sullivan* case and distinguished from *Marchetti* where selective compliance was impossible without violation of the privilege. On the basis of this distinction the contribution disclosure requirement would not violate the fifth amendment privilege against self-incrimination.

CONCLUSION

Public financing proposals have provoked strong remonstrances from critics, one of the most effective of whom is Representative Bill Frenzel. Mr. Frenzel has charged, among other things, that public financing will have a number of drastic effects on our political system.[222] He believes that, by placing an over-all spending limit on campaigns while inadequately funding them through public subsidies, the re-election of incumbents will be made easier, the influence of political parties will be diminished by direct subsidies for individual candidates and abuse through discriminatory application of the law may result from increased bureaucratic control over our electoral process. Furthermore, taxpayers, in Frenzel's view, will object to government funds provided to candidates whom they oppose. Election for local offices will also be affected by public financing of federal campaigns, Frenzel contends, with one of two consequences: either private money, unable to find an outlet in congressional and presidential campaigns, will flood state and local campaigns; or the entire source of private money will dry up, leaving local candidates unable to fund their own campaigns.

Moreover, special interest groups will concentrate on the non-electoral sources of their power to maintain their control over governmental decision-making, such as increased lobbying efforts. Finally, in Frenzel's view, private financing is not a bad system. Private money, he contends, is not necessarily tainted, and controlled by appropriate limitations it provides an effective "market test" for candidates.

Many of these are valid criticisms. Some of them, such as the possibility of advantage for incumbents, are met through my proposal. Others, such as the possibility of abuse of bureaucratic control, can be prevented by appropriate statutory standards for administration of the system. On balance, however, the advantages of public financing seem to outweigh the potential drawbacks. Although some taxpayers may object to the funding of candidates whom they oppose, it seems better that the public subsidize them rather than allowing special interests to do so. Furthermore, the loss of the "market test" provided by private contributions will be more than offset by its replacement with a system in which the true market test, one in which all citizens participate equally, is that of the election itself.

It is important to recognize that public financing is not a cureall for all the ills besetting our present political system. In particular we cannot expect to see the influence of special interest groups vanish with the enactment of a system of public campaign subsidies. Nevertheless, by eliminating an important source of special interest power, an adequate campaign finance law will go a long way toward reducing the disproportionate political strength of these groups. Similarly, public financing by itself may not provide equal access to elected public office for all those capable and desirous of serving; nor is it alone likely to place incumbents and their challengers on an equal footing. Public financing of elections will, however, constitute a sizeable step in those directions, and that prospect alone should be sufficient reason for its enactment.

FOOTNOTES

[1] Yates Amendment to H.J. Res. 468, 92d Cong., 1st Sess., 117 CONG. REC. 7023–24 (1971); First Senate Committee Amendment to H.J. Res. 468, 117 CONG. REC. 7828–29 (1971).

[2] Emergency Loan Guarantee Act, 15 U.S.C. §§ 1841–52 (1971).

[3] Senator Walter F. Mondale has said, "I think any candid study of American politics shows that that temptation [to receive contributions from the special interests] is almost irresistible." *Hearings on S. 1103, S. 1954 and S. 2417 Before the Subcomm. on Privileges and Elections of the Senate Comm. on Rules and Administration*, 93d Cong., 1st Sess. 29 (1973) [hereinafter cited as *Hearings on S. 1103*]. The pressure, of course, is not always inflicted by the contributor on the candidate. Sometimes the candidate, using the fear of future recriminations as a weapon, pressures the contributor. *See, e.g., id.* at 30 (press release from American Airlines).

[4] It is perhaps presumptuous to speak of "proposing" an idea which, if it were a person, would be of retirement age. Public financing of presidential campaigns was proposed by President Theodore Roosevelt in his State of the Union Message in 1907. 42 Cong. Rec. 78 (1907). President Roosevelt conceded that he was "well aware that it will take some time for people so to familiarize themselves with such a proposal as to be willing to consider its adoption." *Id.*

[5] *Cf.* the observations of Alexis de Tocqueville in 1835 that wealthy men were ill-disposed to seek public office and that the public was less-inclined to elect them. A. de Tocqueville, Democracy in America 182–84, 188–89 (1966 ed.).

[6] A third reason commonly heard for reform is the high cost of the campaigns themselves. Nevertheless, as will be shown, a severe limit on campaign spending would seriously tend to hamper efforts of challengers to unseat incumbents. *See* notes 195–98 and accompanying text *infra*.

[7] An election in which the winning candidate received less than 55% of the vote.

[8] *Hearings on S. 1103, supra* note 3, at 96 (Common Cause study). The exact figure was $107,378. These figures from the Common Cause study represent the first comprehensive spending figures on congressional races ever made public.

[9] *Id.* The Republican candidates averaged $88,375 while the Democratic candidates averaged $89,430.

[10] *Id.* at 97. The Republican candidates averaged $465,264 while the Democratic candidates averaged $496,297.

[11] *Id.* at 96–97.

[12] *Id.* at 102, 105. Moreover, Senate elections were held in neither of the two most populous states, California and New York, where campaigns would tend to be the most expensive.

[13] *Id.* at 105. This trend was not apparent in campaigns for election to the Senate. Two of the five candidates who defeated incumbents spent less than their opponents. *Id.* at 110-11. This difference has been attributed to the greater amount of media attention a Senate race receives as compared to a House race. Thus the need for a Senate challenger to spend money to create name identification is lessened. *Id.* at 142. (remarks of Rep. Bill Frenzel).

[14] 2 U.S.C. § 431 (note) (Supp. II, 1972) [hereinafter cited as Campaign Act of 1971]. The Act did not go into effect until April 7, 1972; thus, many of the expenditures in the presidential campaign went unreported.

[15] *Hearings on S. 23, S. 343, S. 372, S. 1098, S. 1189, S. 1303, S. 1355, & S.J. Res. 110 Before Senate Subcomm. on Privileges and Elections and Senate Comm. on Rules and Administration*, 93d Cong., 1st Sess. 268 (1973) (remarks of Fred Wertheimer, Director, Legislative Activities, Common Cause) [hereinafter cited as *Hearings on S. 372*]. Estimates of the size of President Nixon's campaign fund have ranged as high as $60 million. Reichley, *Let's Reform Campaign Financing—But Let's Do It Right*. Fortune, December, 1973, at 95, 97.

[16] For example the campaigns of victorious Senate candidates in 1972 cost an average of over $500,000. *Hearings on S. 1103, supra* note 3, at 108. The corresponding figure ten years before was perhaps $200,000. Congressional Quarterly Service, Guide to the Congress of the United States, 471–72 (1971).

[17] *See* D. Dunn, Financing Political Campaigns 17 (1972) [hereinafter cited as Dunn]. For example, a common reason for the giving of a campaign contribution appears to be "social." A contributor may desire nothing more than to be able to "show off" a United States Senator as a guest at one of his parties.

[18] *See id.*

[19] *Hearings on S. 1103, supra* note 3, at 323 (remarks of Rep. John Anderson).

[20] Dunn, *supra* note 18, at 17.

[21] Instances of vote-buying through the device of campaign contributions are necessarily hard to document. Nevertheless, in the words of one veteran officeholder, "whether we want to admit it or not, some contributors have at least felt they 'owned' us on certain occasions." *Hearings on S. 1103, supra* note 3, at 86 (remarks of Sen. Frank E. Moss).

[22] In 1972, 18 individuals contributed almost $7.5 million to the Committee to Reelect the President. This was more than the entire amount spent by President Lyndon B. Johnson in his campaign eight years earlier. *Id.* at 66 (remarks of Sen. Adlai E. Stevenson III). One individual alone donated $2 million, almost all of it before the Campaign Act's reporting requirements went into effect. 33 Cong. Q. Wkly Rept. 2382 (Sept. 1, 1973).

[23] This impression is strengthened by the character of many of the contributors. Large contributions have been given by interest groups—organizations of individuals having in common a specialized occupational interest in one aspect of government, for example, businessmen all dealing in the same industry. For a list of 1972 contributions to congressional and presidential candidates of selected interest groups, see 31 Cong. Q. Wkly Rep't 571–88 (March 17, 1973).

[24] *Hearings on S. 1103, supra* note 3, at 34 (remarks of Sen. Hugh Scott).

[25] *Id.* Senator Scott also quoted an expression of former New York Mayor Fiorello LaGuardia: "The most important quality an office-holder can have is monumental ingratitude." *Id.*

[26] *See Hearings on S. 372, supra* note 17, at 207 (remarks of Sen. James Abourezk concerning controversial amendments to a recent farm bill and the donations he received from dairy farmers).

[27] One exception is Common Cause.

[28] In recent years there have been a few noble examples of wealthy candidates, previously politically unknown, gaining electoral victories because of extraordinarily well-financed campaigns. *See* Congressional Quarterly Service, Guide to the Congress of the United States 475–76 (1971). There is no reason for a publicly unknown individual

not to be encouraged to seek public service, and an expensive campaign may be a necessity for such a person to carry his message to the public. Unfortunately, however, if one is neither well-known nor wealthy, his candidacy is often doomed from the start.

[37] Including the author. *See also Hearings on S. 1103, supra* note 3, at 176 (statement of losing candidates for the House of Representatives).

[38] Senator Floyd Haskell recounted his experience in running for the Senate in 1972:

In my case in Colorado, the primary was September 12. That gave me less than 60 days to raise money for the general election. It was necessary to make a commitment the day after the primary for TV productions. If I had not had some money in the bank, I could not have done that and I would not be here today.

*Hearings on S. 1103, supra* note 3, at 69.

[39] 27 Cong. Q. Wkly Rep't 2434 (December 5, 1969).

[40] *Hearings on S. 1103, supra* note 3, at 254 (remarks of Rep. Barbara Jordan).

[41] *Id.* at 159–61 (remarks of Frances Tarlton Farenthold, chairwoman of the National Women's Political Caucus).

[42] *See* Twentieth Century Task Force on Financing Congressional Campaigns, Electing Congress: The Financial Dilemma 6–7 (1970) [hereinafter cited as Electing Congress]; Congressional Quarterly, Inc., Almanac 1073, 1080 (1970); *Hearings on S. 1103, supra* note 3, at 105, 110–11 (Common Cause study).

[43] *Hearings on S. 1103, supra* note 3, at 144 (statement of Rep. Bill Frenzel).

[44] *See, e.g.,* Electing Congress, *supra* note 35, at 26.

[45] Rosenbloom, *A Background Paper,* in Electing Congress 36.

[46] *Hearings on S. 1103, supra* note 3, at 95–96, 101 (Common Cause study). My campaign was an exception. *See* note 13 and accompanying text *supra.*

[47] 119 Cong. Rec. 14794 (daily ed. July 26, 1973).

[48] *See* note 35 and accompanying text *supra.*

[49] *Hearings on S. 1103, supra* note 3, at 176. Another graphic comment was made by Norma B. Handloff, unsuccessful candidate for the House of Representatives from Delaware:

By election day my husband and I had acquired debts that we shall spend the rest of our lives paying off. . . . To those [who talk to me about running "next time"] I have only one possible answer: What kind of a nut do you think I am?

*Id.* at 178.

[50] *Id.* at 97.

[51] 119 Cong. Rec. 14985 (daily ed. July 28, 1973).

[52] For example: is disclosure of contributions and spending enough? How much should contributions be limited, if at all? Should contributions by committees and organizations be limited? Should overall campaign spending be limited? How could these limits be enforced? Should presidential and congressional campaigns be financed by the public? If so, to what extent? Should contributions be limited to money or should they also include services? How should third party and independent candidates qualify for funding? Should primary candidates be financed? If so, how can this policy be carried out without opening the floodgates to frivolous candidates? Should the government finance candidates in "one-party districts" to the same extent candidates are funded in more competitive districts? Finally, would any such system be constitutional?

[53] S. 3044, 93d Cong., 2d Sess. (1974), introduced by Senator Cannon, passed, 120 Cong. Rec. 5853 (daily ed. Apr. 11, 1974).

[54] Congressional Election Finance Act of 1973, S. 1103, 93d Cong., 1st Sess. (1973) [hereinafter cited as Hart Bill]; Federal Election Finance Act of 1973, S. 1954, 93d Cong., 1st Sess. (1973) [hereinafter cited as Stevenson-Mathias Bill]; Clean Election Financing Act of 1973, S. 2417, 93d Cong., 1st Sess. (1973) [hereinafter cited as Cranston Bill]; Presidential Campaign Financing Act of 1973, S. 2238, 93d Cong., 1st Sess. (1973) [hereinafter cited as Mondale-Schweiker Bill]; Federal Election Campaign Fund Act, S. 2297, 93d Cong., 1st Sess. (1973) [hereinafter cited as Kennedy-Scott Bill]; Comprehensive Election Reform Act of 1974, S. 2943, 93d Cong., 2d Sess. (1974) [hereinafter cited as Clark Bill].

[55] Clean Elections Act of 1973, H.R. 7612, 93d Cong., 1st Sess. (1973) [hereinafter cited as Anderson-Udall Bill].

[56] 119 Cong. Rec. 3211 (daily ed. March 8, 1974) (message from the President).

[57] Int. Rev. Code of 1954 §§ 6096 (a), 9001–13, 9021 (1972).

[58] 2 U.S.C. §§ 431–42, 451–54; 18 U.S.C. §§ 591, 600, 608, 610–11; 47 U.S.C. §§ 312, 315, 801–05 (Supp. II, 1972). This legislation repealed the earlier largely ineffective limitations on campaign spending and contributions of the Hatch Political Activity Act. 18 U.S.C. §§ 608, 609 (1970). The Act prohibited campaign contributions exceeding $5,000 per year, 18 U.S.C. § 608 (1970); and the receipt and expenditure by any national political committee of more than three million dollars per year, *id.* § 609; and contributions by national banks, corporations and labor unions to federal election campaigns, *id.* § 610. These limitations were to be enforced by disclosure provisions of the Federal Corrupt Practices Act which directed every campaign committee to account for all its receipts and expenditures, 2 U.S.C. § 242 (1970); and to report such data to a clerk of one of the houses of Congress within thirty days after the election, *id.* § 248.

Enforcement of these early limitations on spending and contributions, however, was quite ineffective. The three million dollar limit on receipts and expenditures by any national political committee was avoided by the formation of numerous independent committees that did not conform to the strict definition of "political committee" found at 18 U.S.C. § 591 (1970). The enforcement problems were compounded by the fact that the expenditure ceilings did not apply to primaries, that contributions received by political committees without the candidate's knowledge were exempt from reporting requirements, that there was no required form for a candidate's financial statements and that complete discretion was given congressional clerks in reporting spending violations. 2 U.S.C. §§ 244–46 (1970).

[59] Campaign Act of 1971 § 104(a)(1), 47 U.S.C. § 803(a)(1) (Supp. II, 1972). The statute does not cover primary or run-off elections. The amount is to be increased as the cost of living increases. Campaign Act of 1971 § 104(a)(4), 47 U.S.C. § 803(a)(4) (Supp. II, 1972).

In order to enforce these limitations regulations have been passed pursuant to the Act that require the media before accepting advertisements in support of a candidate to obtain certification from that candidate that the payment of the charge for such advertisement will not violate the applicable expenditure limitation. 11 C.F.R. § 4.4(a) (1973).

[60] Campaign Act of 1971 § 103(a)(1), 47 U.S.C. § 803(a)(1)(B) (Supp. II, 1972).

[61] Campaign Act of 1971 § 104(a)(3)(A), 47 U.S.C. § 803(a)(3)(A) (Supp. II, 1972).

[62] S. Rep. 93-170, 93d Cong., 1st Sess. 40–41 (1973).

[63] Immediate family was defined as "a candidate's spouse, and any child, parent, grandparent, brother, or sister of the candidate, and the spouses of such persons." Campaign Act of 1971 § 203, 18 U.S.C. § 608(a)(2) (Supp. II, 1972).

[64] Campaign Act of 1971 § 203, 18 U.S.C. § 608(a)(1) (Supp. II, 1972).

[65] The reports must be filed on March 1, June 1 and September 1 during the election year, and also five and 15 days before the election and January 31 after the election. Any contribution of $5,000 received after the last reporting date before the election must be reported within 48 hours of its receipt. Campaign Act of 1971 § 304(a), 2 U.S.C. § 434(a) (Supp. II, 1972).

[66] Campaign Act of 1971 § 304(b), 2 U.S.C. § 434(b) (Supp. II, 1972).

[67] Campaign Act of 1971 § 301(d), 2 U.S.C. § 431(d) (Supp. II, 1972).

[68] Campaign Act of 1971 § 304(a), 2 U.S.C. § 434(a) (Supp. II, 1972).

[69] Campaign Act of 1971 § 301(g), 2 U.S.C. § 431(g) (Supp. II, 1972), 304(a), 2 U.S.C. § 434(a) (Supp. II, 1972).

[70] Campaign Act of 1971 § 309, 2 U.S.C. § 439 (Supp. II, 1972).

[71] *See* notes 7–15 and accompanying text *supra.* The Act did not go into effect until April 7, 1972; thus all contributions and expenditures made before that date were exempt from its requirements, Campaign Act of 1971 § 406, 2 U.S.C. § 431 (note) (Supp. II, 1972).

[72] Int. Rev. Code of 1954. § 6096.

[73] *Id.* § 9002(6).

[74] *Id.* § 9004(a)(1).

[75] *Id.* § 9003(b). It should be noted that if the amount available to the candidate from the fund is less than the amount he is entitled to, he may make up the difference in private contributions.

[76] *Id.* § 9003(a).

[77] *Id.* § 9002(7).

[78] *Id.* §9004(a)(2)(A). In other words, if party A received forty-five percent of the vote, party B thirty-five percent and party C twenty percent, parties A and B would be major parties and party C a minor party. If parties A and B decided to accept federal funding in the next presidential election they would receive the full subsidy of fifteen cents for every voting age citizen in the United States. Since in our example we have assumed that the average vote received by A and B was forty percent, or twice party C's vote of twenty percent, party C would be eligible to receive half the full subsidy.

[79] *Id.* § 9003(c)(2).

[80] *Id.* § 9002(8).

[81] *Id.* § 9004(a)(3).

[82] *Id.*

[83] *Hearings on S. 372, supra* note 15, at 170 (remarks of Sen. Edward M. Kennedy).

[84] *Id.*

[85] *Id.*

[86] Internal Revenue Service Form 1040, 1040A (1974). In March, the three member Delaware delegation (Senator Roth, Representative duPont and I) at my instigation wrote more than 1600 employers in the state and all local union heads urging them to publicize the check-off provision among their employees.

[87] S. 3044, 93d Cong., 2d Sess. (1974) (introduced by Senator Cannon), passed, 120 Cong. Rec. 5853 (daily ed. April 11, 1974).

[88] This is the second bill passed by the Senate in less than a year that imposes such limitations on campaign spending and contributions. In July 1973, the Senate passed and sent to the House of Representatives the Federal Election Campaign Act Amendments of 1973. S. 372, 93d Cong., 1st Sess. (1973). Since that time the bill has remained in committee in the House.

With regard to spending limitations, the 1973 Campaign Amendments Bill requires that spending by Senate and House candi-

dates in states where there is only one congressional district be limited in primary elections to either ten cents for every individual of voting age in the state or $125,000, whichever is greater. House candidates in other states would be limited to ten cents per voting age individual in the respective congressional district or $90,000, whichever is greater. For general elections, the limit would be fifteen cents per person of voting age or $175,000 for candidates for the Senate or House of Representatives in a state with one congressional district, and $90,000 for other congressional candidates, whichever is greater. S. 372, 93d Cong., 1st Sess. § 20(a) (1973) (to create 18 U.S.C. § 614). Candidates running in a primary for the presidential nomination and candidates for the Presidency itself are allowed to spend in each state the amount which a candidate for Senate might spend for the nomination or in the general election respectively. In addition, expenditures for a vice-presidential candidate count toward the totals of his presidential running mate.

The 1973 Campaign Amendments Bill also imposes limits on contributions. *Id.* § 20(a) (to create 18 U.S.C. § 615). Individuals and independent political committees are restricted to total contributions not exceeding $3,000 for any presidential candidate or for any congressional primary or general election. In addition, an individual is prohibited from making total contributions to all candidates and political committees of more than $25,000 per year. The bill would also increase the limitations on the amount which a candidate could spend out of personal or family funds to finance his campaign to $100,000 for a candidate for President or Vice President, $70,000 for candidate for the Senate, and $50,000 for candidate for the House of Representatives. *Id.* § 18(a)(1).

Every candidate would be required to have one central campaign committee through which all donations and contributions must be channeled. A presidential candidate would be allowed one central committee in each state, as well as one overall national committee. Each candidate would also have to designate one bank as a campaign depository to receive all deposits and to make all payments. *Id.* § 9(a) (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create §§ 310, 311). To supervise the law, the bill sets up a Federal Election Commission, similar to that in the Cannon Bill.

In addition, this bill would repeal the "equal time" requirement of the Communication Act of 1934, 47 U.S.C. §315(a) (1970), prohibit the use of the "frank" for mass mailings of congressional newsletters within two months of an election, S. 372, 93d Cong., 1st Sess. § 11 (1973), limit the amounts which citizens could contribute to campaigns and which candidates could spend, and require campaigns to follow certain procedures. For example, a candidate must designate one committee as his central campaign committee through which all financial reports must be channelled. *Id.* § 9(a) (to amend Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 310). A candidate must also designate one checking account to receive all contributions and from which all expenditures must be made. *Id.* (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 311).

[83] S. 3044, 93d Cong., 2d Sess. § 101 (1974) (to create § 503(a) of the Campaign Act of 1971, compiled at 86 Stat. 3 (1972)). In order to avoid the funding of frivolous candidacies candidates would be required to raise a "trigger fund" before qualifying for the subsidy. The "trigger fund" would amount to: $10,000 for House candidates; twenty percent of the maximum spending allowance or $125,000, whichever is lesser, for senatorial candidates; and $250,000 with not less than $5,000 being received from residents of at least twenty states, for Presidential candidates. *Id.* § 101 (to create § 502 (c) of the Campaign Act of 1971, compiled at 86 Stat. 3 (1972)).

[84] *Id.* § 101 (to create § 504(a) of the Campaign Act of 1971, compiled at 86 Stat. 3 (1972)). Candidates who elect not to accept public funding are subject to the same limitations. *Id.* § 304(a) (to create 18 U.S.C. § 614(a)(1)).

[85] *Id.* § 101 (to create § 504(a)(2)(A) of the Campaign Act of 1971, compiled at 86 Stat. 3 (1972)). These limits would be increased in line with the cost of living. *Id.* § 101 (to create § 504(f) of the Campaign Act of 1971, compiled at 86 Stat. 3 (1972)).

[86] Defined as a party whose candidate in the previous election for that office received at least 25 percent or more or finished in second place while receiving at least 15 percent of the vote. *Id.* § 101 (to create § 501(g) of the Campaign Act of 1971, compiled at 86 Stat. 3 (1972)).

[87] *Id.* § 101 (to create § 503(b)(1) of the Campaign Act of 1971, compiled at 86 Stat. 3 (1972)).

[88] *Id.* § 101 (to create § 504(b) of the Campaign Act of 1971, compiled at 86 Stat. 3 (1972)).

[89] A minority party candidate is one whose candidate received between five and twenty-five percent of the vote in the previous election for that office. *Id.* § 101 (to create § 501 (a) of the Campaign Act of 1971, compiled at 86 Stat. 3 (1972)).

[90] A minor party candidate would be allowed the amount which bears the same ratio to the major party amount as the candidate's vote (or the vote of the candidate for that party) in the last election bears to the average major party vote. In addition, a candidate who ran for party A in the previous election and received between five and 25 percent of the vote is eligible to receive funding according to this formula even if he switches from party A to party B in the next election. If this candidate does switch to party B, party A nevertheless remains eligible for funding on the basis of his performance as a party A candidate in the previous election. *Id.* § 101 (to create § 503(b)(2) of the Campaign Act of 1971, compiled at 86 Stat. 3 (1972)). If, after the election, the above formula as applied to the current election would yield a greater amount, the candidate is entitled to retroactive funding in the amount of the difference. *Id.* § 101 (to create § 503(b)(4) of the Campaign Act of 1971, compiled at 86 Stat. 3 (1972)).

[91] A candidate of a party which is neither "major" nor "minor" who receives five percent of the vote is funded in the amount which bears the same ratio to the major party amount as his vote bears to the average major party vote. *Id.* § 101 (to create § 503(b)(4) of the Campaign Act of 1971, compiled at 86 Stat. 3 (1972)).

[92] *Id.* § 207(a) (to create §§ 310, 311 of the Campaign Act of 1971, compiled at 86 Stat. 3 (1972)).

[93] *Id.* § 207(a) (to create § 308 of the Campaign Act of 1971, compiled at 86 Stat. 3 (1972)). The Commission is to consist of the Comptroller General and a bipartisan group of seven other members appointed by the President with the advice and consent of the Senate for staggered seven-year terms. Two of the members are to be appointed from different parties from a list of individuals recommended by the President pro tempore of the Senate with the consultation of the Senate majority and minority leaders. Two of the members are to be members of different parties appointed from a group recommended by the Speaker of the House of Representatives with the consultation of the majority and minority leaders of the House. Of the remaining three members no more than two are to be members of the same parties. *Id.*

The Commission is to be given a wide range of powers, including the power to compel testimony and production of documentary evidence, to initiate civil and criminal proceedings, and to assess civil penalties of up to $10,000. In enforcing these sections the Commission is to take precedence over the Justice Department.

[94] *Id.* § 304 (to create 18 U.S.C. § 615(a)(1), (a)(2) and (d)(1)). In addition, contributions by foreigners are prohibited. *Id.* § 304 (to create 18 U.S.C. § 615(a)(2)(A)(i)). Candidates may not receive from personal or family funds in excess of $50,000 in the case of presidential or vice-presidential candidates, $35,000 in the case of candidates for Senator and $25,000 in the case of candidates for Representative. *Id.* § 302(a)(1).

[95] 47 U.S.C. § 315(a) (1970). The "equal time" requirement compels broadcasting stations which provide air time to a candidate to afford equal broadcast opportunities to his opponents. The effect of this provision of the present law is to prevent stations, particularly in those elections where a great number of minor party candidates are running, from providing free air time to major party candidates. It would be amended to require licensees to provide opponents, in federal elections other than for President or Vice-President, five minutes. *Id.* § 201.

[96] *Id.* § 401.

[97] The first Wednesday after the first Monday in November of all even numbered years would become a national holiday, federal Election Day. *Id.* § 502. All polls in the country in federal elections would close simultaneously at 11 p.m. Eastern Standard Time. *Id.* § 501.

[98] 119 Cong. Rec. 3211 (daily ed. March 8, 1974) (message from the President). The proposal has not been introduced in the form of a bill at this writing.

Other portions of this same presidential message deal with campaign practices, campaign duration, and encouragement of candidate participation. The President proposes that there be enacted federal criminal statutes regulating deceptive campaign practices, such as issuing fraudulent public opinion poll results, placing misleading advertisements in the media, or misrepresenting a Congressman's voting record. In addition, activities involving the use of organized demonstrators to impede entry at a political rally, and practices such as stuffing ballot boxes and rigging voting machines, would become federal offenses. Mr. Nixon recommends that presidential campaigns be shortened by having the primaries and state conventions held no earlier than May of the election year, and urging that the national nominating conventions be delayed until the month of September. The President also urged the Congress to consider possible action to limit the benefits of incumbency such as the 'frank" and large staffs which enhance re-election efforts, and the repeal of the "equal time" provision of the Communications Act of 1934, 47 U.S.C. § 315(a) (1970). Finally the President called for legislation making a libel remedy for public figures more readily available. *Id.* at 3213–14.

[99] *Id.* at 3212.

[100] *Id.* Every donation to the candidate's central committee would have to be tied directly to the original individual donor, except donations by a national political party organization. The exception, of course, is designed to allow individuals to make general donations to a political party without specifying a candidate. *Id.*

[101] Individual contributions to House or Senate campaigns in primary or general elections would be limited to $3,000, and contributions to pre-nomination or general election campaigns for the presidency would be limited to $15,000. Non-monetary campaign contributions, such as the use of a private airplane or paid campaign workers are prohibited when donated by any organization

other than a major political party. If these "in kind" contributions are given by an individual, they are to be covered by the same ceiling applicable to cash contributions. In addition, all loans to political committees are to be prohibited, as are contributions from foreign citizens. The program is to be supervised by a bipartisan Federal Elections Commission. *Id.* at 3212–13.

[102] *Id.* at 3212–13. Mr. Nixon feels as I do, *see* notes 195–98 and accompanying text *infra*, that low spending limitations may unduly hamper the efforts of candidates challenging incumbents.

The major reason for the President's opposition to campaign subsidies seems to be the idea that taxpayers should not be forced to support candidates they oppose. In addition, he makes the point that public financing will not increase but diminish the ability of prospective candidates to enter the political arena:

[I]f we outlaw private contributions, we will close the only avenue to active participation in politics for many citizens who may be unable to participate in any other way. Such legislation would diminish, not increase, citizen participation and would sap the vitality of both national parties by placing them on the federal dole.

*Id.* at 3213. Many public financing proposals, however, including the one suggested by this article, *see* notes 191–94 and accompanying text *infra*, do not prohibit private contributions.

[103] S. 1103, 93d Cong., 1st Sess. (1973). The program is to be carried out by the Congressional Elections Finance Board. *Id.* §§ 5, 6.

[104] *Id.* § 2(1).

[105] A major party is defined as one whose candidate received at least twenty-five percent of the vote for that office in the preceding election. *Id.* § 3(9)(A). In addition, an independent candidate who received twenty-five percent of the vote in the previous election qualifies as a "major party." *Id.* § 3(9)(B).

[106] *Id.* § 7(a)(2).

[107] The contributions may not exceed $250. *Id.* § 12(a)(1).

[108] The percentage is ten percent. Otherwise, the security deposit is forfeited. *Id.* § 7(a)(1)(B).

[109] The percentage is five percent. *Id.* § 7(a)(1)(C).

[110] A candidate of a major party is eligible to receive the greater of ten cents for every voting age person in the state or $75,000 in Senate primary elections and fifteen cents or $150,000 for the general election. *Id.* § 10(a). Major party candidates for Representative may receive fourteen cents for each voting age resident of the district for a primary election and twenty cents for a general election. *Id.* § 10(b)(1). A candidate for Representative in a district representing an entire state, however, is eligible to receive the same amount as the candidate for Senator from that state. *Id.* § 10(b)(2). It should be noted that unless a candidate elects to receive public funding for a primary election (or unless he does not participate in a primary) he is ineligible to receive funding in a general election. *Id.* § 7(c). If a candidate runs unopposed in the primary, he receives one-third the full subsidy. *Id.* § 8(d).

[111] A minor party is defined as one whose candidate received between ten and twenty-five percent of the vote for the previous election. *Id.* § 3(10)(A). An independent candidate who received between five and twenty-five percent of the vote in the previous election also qualifies as a "minor party." *Id.* § 3(10)(B). A minor party candidate may, if he so elects, receive the greater of one-fifth the major party subsidy or the amount which bears the same ratio to the major party subsidy as his vote total in the previous election bears to the vote received by the major party candidate who received the fewest votes. *Id.* § 10(c)(1). A minor party candidate must, of course, post a security deposit of twenty percent of the subsidy. In no event, however, is the security deposit to be less than $3,000. *Id.* § 7(a)(2). Any other candidate may receive the greater of one-tenth the major party subsidy or an amount calculated by the same formula used to calculate the alternative subsidy for minor party candidates. *Id.* § 10(c)(2). Non-major party candidates can make up in private contributions the difference between their subsidies and the total spending allowance of major party candidates who elect to receive public financing. *Id.* § 11(d). If they receive twenty-five percent of the vote in the current election they are to have their expenses reimbursed to the limit of the major party subsidy. *Id.* § 10(d). In addition, a candidate who is neither from a major or a minor party who receives ten percent of the vote may have his expenses reimbursed to the limit of the minor party subsidy. *Id.* § 10(d).

[112] In senatorial primary campaigns, the limit for private funding is the greater of two cents per voting age resident or whatever sum is needed to reach $100,000 for total campaign funds; in general election campaigns, the limit is five cents or whatever is needed to reach $200,000. *Id.* § 11(b). In elections for the House of Representatives the limit is three cents per voting age person in the primary and five cents in the general election. *Id.* § 11(c). No private contribution may exceed $250. *Id.* § 12(a).

[113] *Id.*

[114] S. 2297, 93d Cong., 1st Sess. (1973).

[115] *See* 31 Cong. Wkly. Rep't. 3177 (Dec. 3, 1973).

[116] *See* notes 66–80 and accompanying text *supra*.

[117] S. 2297, 93d Cong., 1st Sess. § 2(a) (1973). The program is to be supervised by the Comptroller General.

[118] *Id.* (to amend Int. Rev. Code of 1954, § 9012(b)). In addition, individuals not authorized by a candidate may not spend more than $1,000 on behalf of a candidate eligible for public funds. *Id.* (to amend Int. Rev. Code of 1954, § 9012(f)).

[119] *Id.* (to amend Int. Rev. Code of 1954, § 9004(a)(1)). The bill follows the same basic formula as the Check-Off Act in allocating funds between major and minor parties. *See* text accompanying notes 67–76 *supra*. As is provided for in presidential campaigns, major party senatorial candidates are to receive fifteen cents per voting age person, with a $175,000 minimum. *Id.* In elections for the House of Representatives, a major party candidate is to receive the greater of $90,000 or the average major party expenditure in that district for the past two elections. *Id.* Congress is to appropriate funds to make up any deficits after the operation of the check-off. *Id.* (to amend Int. Rev. Code of 1954, § 9006(a)).

[120] S. 1954, 93d Cong., 1st Sess. (1973).

[121] *Id.* § 1(c) (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 303(a), present § 303 to be renumbered as § 311).

[122] *See* note 82 *supra*. For presidential candidates there is a limit of fifteen cents per each person of voting age within a state first for the primaries and if the candidate receives the nomination then for the general election. In no event, however, shall a candidate be required to spend less than $175,000 per state in presidential primaries. S. 1954, 93d Cong., 1st Sess. § (c) (1973) (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 308(a), (b), present § 308 to be renumbered at § 316). For senatorial primaries and elections the limit is the greater of twenty cents per voting age person or $175,000 and for the House twenty-five cents or $90,000, except for House candidates running in states with one district where the limit is twenty-five cents of $175,000. *Id.* (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 308(d), (e) present § 308 to be renumbered as § 316).

[123] *Id.* (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 309, present § 309 to be renumbered as § 317). *See* note 82 *supra*. Individual and committee contributions to a single candidate are limited to $3,000 per campaign in the aggregate for both the primary and general election. No limit is made on total donations to all candidates by a contributor. *Id.*

[124] Major party candidates would receive one-third the maximum spending allowance from the public treasury. *Id.* (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 304(a), present § 304 to be renumbered as § 312). The minor party subsidy is calculated by the same formula as in the Hart Bill, *see* note 111 *supra*, except that the *average* major party vote in the previous election is used in place of the *lowest* major party vote. In addition, if a non-major party candidate performs like a major party candidate in the election, he is to be reimbursed his expenses to the limit of the major party candidate's subsidy. A similar reimbursement is provided for in the case of a candidate who before the election qualifies as coming from neither a major nor minor party, but in the particular election performs well enough to meet the requirements of a minor party candidate. Otherwise, such a candidate receives no subsidy funds. S. 1954, 93d Cong., 1st Sess. § 1(c) (1973) (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 304, present § 304 to be renumbered as § 312).

[125] The two methods of qualification are implicit in the definitions of major and minor parties. A major party is one whose candidate received twenty-five percent of the vote in the previous election for that office or, in the case of Senate and House candidates, if a party's candidate did not attain the requisite twenty-five percent figure, the party will still be considered a major one if it received twenty-five percent of the vote in that state's previous gubernatorial election. In addition, if a candidate presents to the supervisory commission petitions containing signatures of eight percent of the voting age population of the district, or, in the case of a presidential election, eight percent of the voting age population of half the states, such a candidate would be treated as a major party candidate. A minor party is one which received ten percent of the vote in the previous election or presents signatures of four percent of the voting age population. A presidential candidate would have to present signatures of five percent of the voting population from half the states, ten percent from one-third of the states, or fifteen percent from one-fourth of the states, to qualify as a minor-party candidate. *Id.* § 1(b)(6). In addition, to be eligible for funding a candidate must furnish a security deposit of one-fifth the amount which he is entitled to receive, but in no event less than $3,000. *Id.* § 1(c) (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 305(a)(2), present § 305 to be renumbered as § 312). Each candidate must also designate one central campaign committee to make all required reports and receive all subsidies. *Id.* § 1(d).

[126] S. 2238, 93d Cong., 1st Sess. § 4 (1973).

[127] *See* notes 66–80 and accompanying text *supra*. S. 2238, 93d Cong., 1st Sess. § 4 (1973). The bill attempts to remedy the situation which occurred in 1973, when many people were unaware of the check-off provision, by directing the Secretary of the Treasury to publicize it through the use of poster, media publicity, and the like. *Id.*

[128] *Id.*

[129] *Id.* § 7 (to amend Int. Rev. Code of 1954, § 9012(b)).

[130] The first $100 of every private contribution is to be matched by the government, so long as total payments do not exceed five

cents for every voting age person in the United States. *Id.* § 8 (to create Int. Rev. Code of 1954, §§ 9034(a), 9035(a)(2)). To be eligible for payments a candidate must raise $100,000 in contributions of $100 or less during the fourteen months preceeding his party's convention. As soon as he does so, this money is matched. *Id.* (to create Int. Rev. Code of 1954, § 9035(b)).

[131] Candidates may not spend more than $30,000,000 in the general election campaign, *id.* § 6, nor more than $15,000,000 in the prenomination campaign. *Id.* § 8 (to create Int. Rev. Code of 1954, § 9037(a)). Contributions to presidential candidates are limited to $3,000 per candidate per year by an individual and $25,000 by a registered political committee. *Id.* § 10. The bill also limits cash transactions to $100, *id.* § 9 (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 310, present § 310 to be renumbered as § 313), and repeals the "equal time" requirement for presidential and vice-presidential candidates. *Id.* § 11.

[132] S. 2417, 93d Cong., 1st Sess. (1973). The program is to be supervised by a bipartisan commission. *Id.* § 2 (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 502).

[133] *See* notes 66-80 and accompanying text *supra*. Under this bill the amount of the check-off is to be increased from one dollar to two dollars and four dollars for a joint return. In addition, instead of indicating that he wishes to participate, as the program works now, the taxpayer is to "check-off" if he desires not to participate. S. 2417, 93d Cong., 1st Sess. § 4 (1973).

[134] No private contributions may exceed $250. *Id.* § 2 (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972) to create § 507(a)). No matching payment at all is awarded for any aggregate contribution of over $100 from one contributor. *Id.* (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 505(b)(2)). In primary elections, candidates may not receive from all sources total contributions which do not qualify for matching funds in excess of $100,000 for President, $10,000 for Senator and $5,000 for Representative. *Id.* (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 507(b)(2)). A candidate is also limited to $250 from personal funds. Family funds are not included in this limitation. *Id.* § 3.

[135] Primary candidates are limited to the following total expenditures: for Senator or President the greater of fifteen cents for every voting age person in the State or $250,000, for Representative, $150,000, or $200,000 if the candidate's state has only one congressional district. *Id.* § 2 (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 506(b)). The spending limits for general elections are, for Senator or President, the greater of $250,000 or twenty cents for each voting age person in the state, and, for Representative, $150,000. The limit for candidates for the House of Representatives in states with one Congressional district is, however, $200,000. *Id.* (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 506(a)).

[136] The trigger fund is $2,500 for candidates for the House of Representatives, $5,000 for the Senate and $50,000 for the Presidency. A candidate for the Presidency must raise $50,000 no matter how many primaries he enters. A candidate for the Senate from a state with only one congressional district need only raise $2,500. *Id.* (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 504(c)).

[137] *Id.* (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 505(b)(1)).

[138] *Id.* (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 505(a)(1)). The definitions of major, minor and new parties are the same as those in the Campaign Act of 1971. Int. Rev. Code of 1954, § § 9002(6), (7), & (8).

[139] Minor and new party candidates are awarded twenty-five percent of the maximum expenditure, with provision for retroactive major party payments if they receive at least twenty-five percent of the vote. In the latter case, they must return all private contributions which exceed twenty percent of the maximum expenditure. *Id.* (to create § 505(a)(2) of the Campaign Act of 1971).

[140] S. 2943, 93d Cong., 2d Sess. (1974).

[141] *Id.* § 3(a) (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 504(d)). A candidate for Representative must file petitions 210 days before the primary election with the supervisory commission containing signatures of more than two percent of the voting age population of the district. Candidates for President, Vice-President, Senator, or Representative in a state which is entitled to only one representative must file petitions containing signatures of more than one percent of the voting age population of the state in which the primary election is being conducted.

Primary candidates are to receive an amount equal to the entire spending limit. *Id.* § 3(a) (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 505(a)). The spending limit for candidates for representative is twenty-five cents for each voting age person. For President, Senator, or Representative in a state with only one congressional district the limit is fifteen cents for each voting age person of $175,000, whichever is greater. *Id.* § 3(a) (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 506(a)(1) and (b)(1)). Where a convention or caucus is held in place of a primary, candidates are limited to ten percent of the amount to which they would otherwise be entitled. *Id.* § 3(a) (to amend the Campaign Act of 1971, to create § 506(c)(3)). All expenditures incurred by any candidate or political party are to be paid by the supervisory commission directly to the person contracting with the candidate or party. *Id.* § 3(a) (to amend the Campaign Act of 1971, to create § 509(d)(1)).

[142] A candidate in the general election for Representative may receive thirty cents for every voting age person in the district. A candidate for Senator or Representative in a state with one congressional district is to be subsidized twenty cents for each voting age person in the United States or $250,000, which ever is greater. Presidential candidates are to be allotted twenty cents for each voting age person in the country. *Id.* § 3(a) (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 506(a)(2) and (b)(2)). Minor party and independent candidates are to be funded according to whichever of two formulae yields the greater amount. Under the first formula, such a candidate is to receive the amount which bears the same ratio to the major party amount as the vote received by the minor party candidate in the previous election bears to the average major party vote. Under the second formula the current election is used in place of the previous election. *Id.* § 3(a) (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 505(b)(1)(B) and (b)(2)(B)).

A major party is defined as one whose candidate in the previous election for that office received at least twenty-five percent of the vote or finished first or second. A minor party is any other party. *Id.* § 3(a) (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 501(7) and (8)). A minor party or independent candidate is treated as a major party candidate if he was the candidate of a major party in the previous election for that office, finished first or second in total votes in the previous selection, or received more than twenty-five percent of the vote in the previous election. *Id.* § 3(a) (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 505(c)).

Political parties are entitled to payment for expenditures incurred in voter registration efforts, get-out-the-vote drives and nominating conventions. These expenditures are limited during a presidential election year to twenty percent of the amount to which the party's presidential candidate is entitled and during any other year to fifteen percent of the presidential allotment. *Id.* § 3(a) (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 505(d)).

[143] *Id.* § 3(a) (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 507(a)). Minor parties and minor party candidates may accept contributions of $100 or less until the major party entitlement is reached. *Id.* § 3(a) (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 507(b), (c), (d), and (e)). Candidates are allowed to use private contributions in connection with primary election petition drives. In such efforts, a candidate for Representative may spend two cents for each voting age person in the district. Candidates for President, Senator, or Representative in a one-district state may spend one cent for each voting age person or $7,500, whichever is greater. *Id.* § 3(a) (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 508(a)). Each contributor is limited to overall contributions of $1,000 a year, with contributions to be made directly to the commission. *Id.* § 3(a) (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 507 (g) and (h)). Candidates themselves are limited to $1,000 out of personal or family funds. *Id* § 5. The public subsidies are to be financed out the Dollar Check-Off Act, *see* notes 66-80 *supra*, with the amount paid to the campaign fund to be increased to two dollars or four dollars for a joint return. The taxpayer is to "check-off" if he wishes not to participate. *Id.* § 8(a) (to amend Int. Rev. Code of 1954, § 6096(a)).

[144] A major candidate must repay the subsidy if he fails to receive fifteen percent of the votes in the primary or of the delegate votes in the nominating convention or if he fails to receive twenty-five percent of the vote in the general election. *Id.* § 3(a) (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 510(a)(3)). In addition, a candidate who withdraws more than forty-five days before the primary or thirty days before the general election and before receiving twenty-five percent of the subsidy must repay half the amount received. *Id.* § 3(a) (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 510(d)).

Other provisions of the Clark bill would repeal for federal elections the equal time requirement of the Communications Act of 1934, 47 U.S.C. § 315(a) (1970), *Id.* § 6(a), and would eliminate the franking privilege. The Frank would not be allowed within ninety days of a federal election. In its place, all federal candidates would be allowed to mail campaign material at a reduced rate. *Id.* § 4.

[145] H.R. 7612, 93d Cong., 1st Sess. (1973).

[146] *Id.* § 201 (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 402(a), present § 402(a) to be renumbered at § 502).

[147] *Id.* Party congressional campaign committees, as well as congressional nominees themselves are also eligible to receive funding.

[148] The fund must come from contributions of $50 or less. A candidate for the House of Representatives must raise $1,000 and a candidate for the Senate $5,000. Both national party committees and candidates for presidential or vice-presidential nominations must raise a fund of $15,000. *Id.* (to amend the Campaign Act of 1971, compiled at 86

Stat. 3 (1972), to create § 403, present § 403 to be renumbered as § 503).

[119] Individual contributions are limited to $2,500 for a presidential campaign and $1,000 for a congressional one. Contributions to or by political committees are limited to $2,500. *Id.* § 301 (to create 18 U.S.C. § 608 (c), (d), present subsection (c) to be redesignated as (f)).

[120] Total payments from the government fund are limited to ten cents per eligible voter for congressional candidates and candidates for presidential or vice-presidential nomination, and to $15,000,000 for a national party committee and its affiliated congressional campaign committees. *Id.* § 201 (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 403(a)(2), present § 403 to be renumbered as § 503).

[121] *Id.* § 501 (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 603 (c), (d)(1), and (f)(1)). Eligibility for "Voter's Time" depends on the status of a candidate's party. Any party whose candidate finished first or second in either of the last two elections for that office is a "major party." A "third party" is one whose candidate received fifteen percent of the vote in the previous election for that office. A "minor party" for the purposes of presidential elections is one whose candidate appears on the ballot in more than thirty states or, in the case of Senate but not House elections, received over five percent of the vote in the previous election for that office or presents petitions containing signatures of registered voters equal to five percent of the total vote for Senator in the previous election, including signatures from each congressional district in the state equal to at least two percent of the vote in that district. *Id.* (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 602). Under the proposal, presidential candidates of major parties would receive five half-hour blocks of air time with each block to be broadcast simultaneously over all stations and networks in the country. Each third party candidate for President would receive two such half-hour blocks, and each minor party candidate one such block. *Id.* (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 603(a)(1)).

In Senate elections, each candidate would receive three half-hour blocks of time, each block of time to be broadcast simultaneously by every station in the state and, where part of the state is served only by out-of-state stations, by those stations. Each third party Senate candidate is to receive one half-hour block, and each minor party candidate one fifteen-minute block. *Id.* (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 603(a)(2) and (d)(2)).

Major party candidates for the House of Representatives are to receive two half-hour blocks and minor party candidates one fifteen-minute block. *Id.* (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 603(a)(3)). These broadcasts are to be aired over one station, if that station is the only one which substantially serves the district. If more than one station substantially serves the district they are to broadcast the "Voter's Time" simultaneously unless any of them substantially serves a part or whole of an adjoining district not substantially served by another station. In districts where no station is located, the broadcasts are to be carried on a nearby station. In large metropolitan areas where two or more stations serve a number of districts, the Federal Communications System is to allocate broadcasts over the stations, with all broadcasts to be aired simultaneously, provided no broadcasts of competing candidates are aired at the same time. *Id.* (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 603(f)).

[122] *Id.* (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 603 (h)).

[123] S. 1103, 93d Cong., 1st Sess. (1973). *See* notes 103–13 and accompanying text *supra*.

[124] S. 2238, 93d Cong., 1st Sess. (1973). *See* notes 126–31 and accompanying text *supra*.

[125] *Hearings on S. 1103, supra* note 3, at 39 (remarks of Sen. Hugh Scott).

[126] In order to see how effective large private primary contributions could be, you need only ask any successful politician what particular financial help he valued above any he has received in his career. Almost always the answer will come back that the money that helped him most was the early primary contribution in his very first race. The refrain is certainly familiar to all of us here. "So and so has become one of my closest friends. He helped me back when I really needed it. In those days nobody had ever heard of me and I couldn't raise a dime," is the way most candidates would put it.

*Id.* at 71 (remarks of Sen. James Abourezk).

[127] 86 Stat. 3 (1972).

[128] *See Hearings on S. 372, supra* note 15, at 81, 93–94 (remarks of Sen. Claiborne Pell).

[129] *Hearings on S. 1103, supra* note 3, at 142–45 (remarks of Rep. Bill Frenzel).

[130] *See* note 65 and accompanying text *supra*.

[131] *See* note 24 *supra*.

[132] *See* notes 240–43 and accompanying text *infra*.

[133] H.R. 7612, 93d Cong., 1st Sess. § 201 (1973) (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 402 (a), present § 402 to be renumbered as § 502). *See* notes 145–52 and accompanying text *supra*.

[134] S. 2417, 93d Cong., 1st Sess. § 2(a) (1973) (to amend the Campaign Act of 1971, compiled at 86 Stat. 3 (1972), to create § 505 (b)). *See* notes 132–39 and accompanying text *supra*.

[135] One contributor reportedly donated approximately $2,000,000 in the presidential campaign alone. Reichley, *supra* note 15, at 96.

[136] *Cf.* Comment of Sen. Adlai E. Stevenson III that a matching grant system "runs counter to the purpose of reducing or eliminating private moneys in politics." *Hearings on S. 1103, supra* note 3, at 64.

[137] *Id.* at 259 (remarks of Sen. Philip A. Hart).

[138] One writer in a business magazine favored a matching grant system because "businessmen as a group [would] still be able to gain some extra leverage within the political system." Reichley, *supra* note 15, at 162. It is for precisely this reason that a matching grant system should not be adopted. Neither businessmen nor anybody else should be able to buy any more political leverage than they already possess as interested and concerned citizens.

[139] *See* S. REP. No. 93–170, 93d Cong., 1st Sess. 40 (1973).

[140] *Id.*

[141] *Id.*

[142] S. 1103, 93d Cong., 1st Sess. § 7(a)(2) (1973). *See* notes 105–09 and accompanying text *supra*.

[143] Individuals could actually contribute up to $500 to a candidate under my proposal but only the first $250 could be used for the security deposit. *See* notes 191–94 and accompanying text *infra*.

[144] The signatures would be submitted to the supervisory commission which would have the task of verifying them. *See* notes 199–209 and accompanying text *infra*. This process would be potentially difficult and contain the risk of fraud. One method of preventing this possibility which has been suggested is that each registered voter receive a computer card, one each for the offices of President, Senator, and Representative, which he would give to the candidate instead of signing his name on a petition.

[145] Int. Rev. Code of 1954, § 9002(6).

[146] *E.g.*, S. 1103 § 10(c)(1)(B).

[147] *Hearings on S. 1103, supra* note 3, at 144 (remarks of Rep. Bill Frenzel).

[148] Members of the House might have to neglect their duties as congressmen, at least during the second year of their terms, to run for re-election. During this time Congress might come to a standstill. For this reason, the proposal made by, among others, President Richard M. Nixon to amend the Constitution to provide for a four year term of office for representatives should receive careful consideration. 119 Cong. Rec. 3698 (daily ed. May 16, 1973).

[149] *Hearings on S. 1103, supra* note 3, at 188 (remarks of David Admany, Professor of Political Science, University of Wisconsin).

[150] This idea has been endorsed by the National Committee for an Effective Congress, *Hearings on S. 1103, supra* note 3, at 202; the AFL–CIO, *id.* at 347; the Communications Workers of America, *id.* at 359; and Common Cause, *id.* at 140. In addition, a Twentieth Century Fund study recommended providing candidates with air time at reduced rates. Electing Congress, *supra* note 35, at 21.

[151] *See generally* The Twentieth Century Fund, Voter's Time (1969).

[152] H.R. 7612, 93d Cong., 1st Sess. § 501 (1973). *See* notes 151–52 and accompanying text *supra*.

[153] The Anderson-Udall Bill provides for payment by the government to the television station for "Voter's Time."

[154] *See* Dunn, *supra* note 18, at 38–39.

[155] S. 372, 93d Cong., 1st Sess. § 11 (1973). *See* note 82 *supra*.

[156] *See* Electing Congress, *Supra* note 35, at 26; *Hearings on S. 1103, supra* note 3, at 202–03 (remarks of Russell Hemenway, National Director, National Committee for an Effective Congress); *Id.* at 347 (remarks of Andrew J. Biemiller, Director, Department of Legislation, AFL–CIO).

[157] Wash. Rev. Code Ann. § 29.81 (West Supp. 1972).

[158] Ore Rev. Stat. § 255 (1971).

[159] 119 Cong. Rec. 14859–60 (daily ed. July 27, 1973).

[160] This proposal was also recommended in Electing Congress, *supra* note 35, at 23.

[161] *See* notes 240–43 and accompanying text *infra*.

[162] S. 3044, 93d Cong., 2d Sess. § 304(a) (to create 18 U.S.C. § 615(a)(1) (1974)).

[163] *See* note 24 *supra*.

[164] *See* notes 240–43 and accompanying text *infra*.

[165] *See* Electing Congress, *supra* note 35, at 18.

[166] During debate over a similar limitation in the Campaign Amendments Bill of 1973 the following colloquy took place on the Senate floor between Senator John Pastore and Senator Marlowe Cook:

Mr. PASTORE. Is it not a fact that the lower you make the amount [for overall spending] the more you make it an incumbent's bill?

Mr. COOK. That is what bothers me.

Mr. PASTORE. That is just the point.

119 Cong. Rec. 14985 (daily ed. July 28, 1973).

[167] S. 3044, 93d Cong., 2d Sess. § 101 (to create § 504(b) of the Campaign Act of 1971, compiled at 86 Stat. 3 (1972)). The $900,000 limitation applies if it is greater than an amount equal to twelve cents times the number of voting age persons. In most cases it will be greater.

[168] *See* text accompanying note 13 *supra*.

[169] Campaign Act of 1971 §§ 301, 304, 2 U.S.C. §§ 431(g), 434 (Supp. II, 1972), *formerly*, ch. 368, title III, 43 Stat. 1070 (1925).

[170] *Id.* § 309.

[201] *See generally Hearings on S. 372, supra* note 15, at 33–65 (remarks of Francis R. Valeo, Secretary of the Senate); *Id.* 66–73 (remarks of Phillip S. Hughes, Director, Office of Federal Elections, General Accounting Office).

[202] *See* ELECTING CONGRESS, *supra* note 35, at 19, 48–49.

[203] S. 3044, 93d Cong., 2d Sess. § 207(a) (1974). *See* note 93 and accompanying text *supra*.

[204] *Hearings on S. 1103, supra* note 3, at 228–29 (remarks of Joel L. Fleishman, Director, Institute of Policy Sciences & Public Affairs, and Associate Professor of Law, Duke University).

[205] *Id.* at 283 (remarks of Phillip S. Hughes).

[206] We believe men and women who have demonstrated their ability and integrity would be more easily persuaded to serve part-time, rather than full-time, especially given the intermittent nature of elections. *Id.*

[207] *See Hearings on S. 372, supra* note 15, at 91 (remarks of Fred Wertheimer, Director of Legislative Activities for Common Cause).

[208] *Id.* at 190 (remarks of Chairman Pell).

[209] 112 Cong. Rec. 11951 (1966) (message of Pres. Lyndon B. Johnson).

[210] For a discussion of the constitutional questions raised by regulation of election campaign practices see *Hearings on S. 372, supra* note 15, at 356; Court & Harris, *Free Speech Implications of Campaign Expenditure Ceilings*, 7 Harv. Civ. Rights-Civ. Lib. L. Rev. 214 (1972); Ferman, *Congressional Controls on Campaign Financing: An Expansion or Contraction of the First Amendment?*, 22 Am. U.L. Rev. 1 (1972); Fleishman, *Public Financing of Election Campaigns: Constitutional Constraints on Steps Toward Equality of Political Influence of Citizens*, 52 N.C.L. Rev. 349 (1973); Fleishman, *Freedom of Speech and Equality of Political Opportunity: The Constitutionality of the Federal Election Camapign Act of 1971*, 51 N.C.L. Rev. 389 (1973); Redish, *Campaign Spending Laws and the First Amendment*, 46 N.Y.U.L. Rev. 900 (1971); Rosenthal, *Campaign Financing and the Constitution*, 9 Harv. J. Legis. 359 (1972).

[211] U.S. Const. art. I, § 4.

[212] 285 U.S. 355 (1932).

[213] *Id.* at 366.

[214] *Id.* at 367.

[215] The expansive definition of "manner" was first employed by the Court in *Ex parte Siebold*, 100 U.S. 371 (1879) ("manner" held to include authority to provide for election marshalls to supervise congressional elections) and *Ex parte Yarbrough*, 110 U.S. 651 (1884) (sustaining a congressional act which protected voters from intimidation, threat, force or hindrance with respect to exercise of right to vote).

For a discussion of alternative theories concerning the authority of Congress to regulate congressional elections, see Rosenthal, *supra* note 210, at 364–65.

[216] U.S. Const., art. II, § 1, cl. 4.

[217] U.S. Const., art II, § 1, cl 2.

[218] 290 U.S. 534 (1934).

[219] 2 U.S.C. §§ 241 *et. seq.* (1970).

[220] 290 U.S. at 544.

[221] *Id.* at 545.

[222] *Id.*

[223] The view that Congress has broad authority to regulate presidential elections is supported by Mr. Justice Black in Oregon v. Mitchell, 400 U.S. 112 (1970). In an opinion announcing the judgment of the Court and expressing his own view of the cases, Justice Black stated:

I would hold, as have a long line of decisions in this Court, that Congress has ultimate supervisory power over congressional elections. Similarly, it is the prerogative of Congress to oversee the conduct of presidential and vice-presidential elections and to set the qualifications for voters for electors for those offices. It cannot be seriously contended that Congress has less power over the conduct of presidential elections than it has over congressional elections.

*Id.* at 124 [footnotes omitted].

[224] In Newberry v. United States, 256 U.S. 232 (1921), the Court split four to four on the issue of whether Congress had the constitutional power to regulate primaries, with the ninth Justice reserving the question and holding that, since the statute involved was enacted prior to the adoption of the seventeenth amendment, it did not cover senatorial primaries. His reasoning was apparently that before the passage of the seventeenth amendment senatorial primaries were merely advisory and not binding on the state legislatures, and thus they were not elections within the meaning of article I, § 4. *See* United States v. Classic, 313 U.S. 299, 317 (1941). In addition, United States v. Gradwell, 243 U.S. 476, 489 (1917), discussed but reserved the question of Congress' constitutional power to regulate primaries.

[225] U.S. Const. art. 1, § 4.

[226] 313 U.S. 299 (1941).

[227] *Id.* at 317.

[228] Terry v. Adams, 345 U.S. 461 (1935); Smith v. Allwright, 321 U.S. 649 (1944); Rice v. Elmore, 165 F.2d 387 (4th Cir. 1947), *cert. denied*, 333 U.S .875 (1948).

[229] Ferman, *supra* note 210, at 9–12; Lobel, *Federal Control of Campaign Contributions*, 51 MINN. L. REV. 1, 24 (1966); Rosenthal, *supra* note 210, at 372.

[230] De Jonge v. Oregon, 299 U.S. 353 (1937).

[231] *See, e.g.*, West Virginia Bd. of Educ. v. Barnette, 319 U.S. (1943); Stromberg v. California, 283 U.S. 359 (1931).

[232] Cox v. Louisiana, 379 U.S. 536 (1965); *cf.* California v. La Rue, 409 U.S. 109, 117 (1973).

[233] United States v. O'Brien, 391 U.S. 367, 375 (1968).

[234] An argument advanced by Common Cause on behalf of limitations on contributions has been that they effectuate the constitutional policy of "one person, one vote." Gray v. Sanders, 372 U.S. 368, 381 (1963). *See Hearings on S. 372, supra* note 15, at 364 (Memorandum from Common Cause on the Constitutionality of Contribution and Expenditure Limitations). This argument is not that limitations on contributions are constitutionally mandated, for presumably the element of state action is absent; rather, the argument seems to be that the limitations help assure equality of voting power and that this policy goal outweighs the incidental infringement on first amendment rights. The policy basis of the argument seems to be supported to some extent by language in Columbia Broadcasting Sys. v. Democratic Nat'l Comm., 412 U.S. 94 (1973), a case holding that broadcasting stations were not required by the first amendment—assuming governmental action—to accept editorial advertisements. The Court stated: [T]he public interest in providing access to the marketplace of "ideas and experiences" would scarcely be served by a system so heavily weighted in favor of the financially affluent, or those with access to wealth. . . . Even under a first-come-first-served system . . . the views of the affluent could well prevail over those of others, since they would have it within their power to purchase time more frequently. Moreover, there is the substantial danger . . . that the time allotted for editorial advertising could be monopolized by those of one political persuasion.

*Id.* at 123. Nevertheless, as a policy justification for incidental infringement of first amendment rights, effectuation of the principle of one person, one vote seems questionable. No matter how much money is spent in a political campaign, each voter retains his equal voice at the ballot box. Thus, the case involving limitations on contributions is not similar in all respects to cases involving malapportioned legislative districts, Reynolds v. Sims, 377 U.S. 533 (1964), or unit voting districts, Gray v. Sanders, 372 U.S. 368 (1963), nor is it like the imposition of financial burdens on the right to vote. Harper v. Virginia Bd. of Elections, 383 U.S. 663 (1966). In fact, this policy basis seems valid only if it is assumed that the principle of one person, one vote is a reflection of a larger constitutional policy of equal political input or "one person, one unit of political power"—an assumption that is dubious at best. For example, aside from financial considerations, some individuals have greater influence over the outcome of elections than others by virtue of their positions as publishers of newspapers, or as leaders of organizations, or even by virtue of their ability as speechwriters or orators. Still, the power of certain people to influence the votes of others most certainly does not violate the policy of one person, one vote.

Fleishman, in his article *Public Financing of Election Campaigns: Constitutional Constraints on Steps Toward Equality of Political Influence of Citizens, supra* note 210, makes the further argument that the current system of private financing of elections is a violation of the federal equal protection requirement incorporated into the due process clause of the fifth amendment, and thus that the courts have an affirmative obligation to require public financing of elections. *Id.* at 352–68. Mr. Fleishman appears to reason that private financing discriminates against the non-wealthy in three ways: first, as Common Cause also argues, it violates the principles of one person, one vote; second, it deprives potential candidates of the right to compete equally for elective office; and third, it denies citizens of the opportunity to vote for non-wealthy candidates. Fleishman translates this discrimination into a denial of equal protection of the laws by asserting, without support of case citation, that there is no "state action" requirement contained in the equal protection guaranty. He adds that, even if the fifth amendment is deemed to require some sort of governmental participation before a finding of unconstitutionality may be made, the requirement is met for two reasons: first, state action is present because of government regulation of campaign financing; and second, Congress by permitting private contributions participates in the present discriminatory system of financing.

There are several problems with Fleishman's analysis. It is highly doubtful that the court would either make the novel ruling that state action is not required for purposes of equal protection or find that it is present in private financing of elections. Although government compulsion of private discrimination constitutes a violation of equal protection, Adickes v. S. H. Kress and Co., 398 U.S. 144, 170 (1970), the element of state action is absent when the government, as it does in campaign financing, merely regulates private conduct. Moose Lodge No. 107 v. Irvis, 407 U.S. 163 (1972). In that case, for example, the granting by the state of a liquor license to a private club even when combined with a number of regulations such as the keeping of financial records did not constitute state action. Fleishman's argument that discriminatory campaign financing is an act of the state because of state permission to finance campaigns would seem to mandate a finding of state action in any case where the government is able to but does not prohibit private action; this argument is dubious at best. *See* Lucas v. Wisconsin Elec. Power Co., 466 F.2d 638 (7th Cir. 1972), *cert. denied*, 409 U.S. 1114 (1973). Moreover, it is questionable whether private financing, even were state action present, would constitute an unconstitutionally discriminatory practice. Of Fleishman's three reasons supporting such a finding of unconstitutionality, the one based on the principle

of one man, one vote has been discussed *supra*. The argument that private financing prevents citizens from voting for non-wealthy candidates is founded on the assumption that non-wealthy individuals are prevented from running for office because of private financing. In truth, they are merely prevented from waging effective campaigns. Private financing does not prevent individuals from voting for non-wealthy candidates, but merely from voting for viable non-wealthy candidates, and it is highly questionable whether there is a constitutionally protected right to vote for a *winning* candidate. On the other hand the argument that private financing discriminates between candidates on the basis of wealth may have some validity, but only if it be assumed that the right to run a viable campaign is a constitutionally protected right. Thus far the Court has not held that the right to wage a serious campaign—as opposed to the right to a place on the ballot—is a fundamental interest. *See* Bullock v. Carter 405 U.S. 134, 142–44 (1972). Finally, there is the problem of what kind of relief the Court could fashion to remedy the discriminatory system of private financing—a problem which Fleishman, to be sure, acknowledges.

[225] 352 U.S. 567 (1957).

[226] 18 U.S.C. § 10 (1970).

[227] 352 U.S. at 598.

[228] *Id.* at 598 n. 2 (emphasis added).

[229] Rosenthal, *supra* note 210, at 373.

[230] 336 U.S. 77 (1949).

[231] Although there was no majority rationale in *Kovacs*, its holding and reasoning were approved by the Court in Red Lion Broadcasting Co. v. FCC, 395 U.S. 367, 386–87 (1969).

[232] 336 U.S. at 81–82.

[233] Commentary of Professor Freund, of the Harvard Law School, in Rosenthal, Federal Regulation of Campaign Finance: Some Constitutional Questions (1971) included in *Hearings on S. 372, supra* note 15, at 357.

[234] United States v. O'Brien, 391 U.S. 367, 376 (1968). *See* Sherbert v. Verner, 374 U.S. 398, 406 (1963); NAACP v. Button, 371 U.S. 415, 433 (1963); Bates v. Little Rock, 361 U.S. 516, 524 (1960).

[235] 391 U.S. 367, 377 (1968).

[236] *See* text accompanying notes 211–28 *supra*.

[237] 110 U.S. 651 (1884).

[238] *Id.* at 657–58 (emphasis added).

[239] Burroughs & Cannon v. United States, 290 U.S. 534, 545 (1934).

[240] 391 U.S. at 377.

[241] 283 U.S. 359 (1931).

[242] Burroughs & Cannon v. United States, 290 U.S. 534, 547–48 (1934).

[243] 5 U.S.C. §§ 1303, 1502, 3333, 7311, 7324, 7325, 7327; and 18 U.S.C. §§ 594, 595, 598, 600, 601, 604, 605, 1918 (1970).

[244] 330 U.S. 75 (1947).

[245] *Codified at* 5 U.S.C. § 7324(a)(2) (1970).

[246] 330 U.S. at 99.

[247] 330 U.S. 127 (1947).

[248] Two previous Supreme Court cases dealt with similar issues. In *Ex parte* Curtis, 106 U.S. 371 (1882), the defendant was convicted of violating the predecessor of the Hatch Act which prevented subordinate government employees from receiving money from other government employees. The Court upheld this statute on the ground that the need to "promote efficiency and integrity in the discharge of official duties," justified the prohibition on political contributions. *Id.* at 373. The Court held that the statute was within the legislative power of Congress and that it did not restrict any political privileges of government employees. It "simply for[bade] their receiving [money] from or giving [money] to each other." *Id.* at 372. It should be noted that even Justice Bradley, who dissented on the grounds that the statute was an infringement of government employees' freedom of speech and assembly, observed, "The legislature may make laws ever so stringent to prevent the corrupt use of money in an election, or in political matters generally . . . ." *Id.* at 378. In United States v. Wurzbach, 280 U.S. 396 (1930), the respondent was indicted on charges of having violated an act under which members of Congress were prohibited from receiving contributions for "any political purpose whatever" from any federal employee. The respondent, a member of the House of Representatives, was alleged to have received contributions from United States employees to promote his nomination in a party primary. The Court, per Justice Holmes, dismissed in one sentence the respondent's argument that the act was unconstitutional because of its interference with the rights of a citizen to make a political contribution. *Id.* at 399.

[249] 413 U.S. 548 (1973). A few courts had taken exception to the validity of *Mitchell*. *See* Hobbs v. Thompson, 448 F.2d 456, 472 (5th Cir. 1971); Mancuso v. Taft, 341 F. Supp. 574, 581 (D.R.I. 1972).

[250] 413 U.S. at 564–65.

[251] The employee in *Mitchell* was a roller in the government mint, with no contact with the public.

[252] It should be noted here that the Supreme Court on three occasions has dealt with the absolute prohibition on labor union contributions to federal political campaigns under 18 U.S.C. § 610 (1970). Pipefitter's Local 562 v. United States, 407 U.S. 385 (1972); United States v. UAW, 352 U.S. 567 (1957); *cf.* United States v. CIO, 335 U.S. 106 (1948). Each time, however, the Court failed to address itself specifically to the issue of whether such a prohibition was constitutionally valid.

There is also a ban on corporate contributions which is contained in the same section of the United States Code, 18 U.S.C. § 610 (1970), as the restriction on labor union contributions, but it has never been construed in a Supreme Court case. As a result of the Campaign Act of 1971, the Court may never reach this issue because the Act makes legal accumulation of "voluntary" labor union and corporate funds for the purpose of political contributions. 18 U.S.C. § 610 (Supp. II, 1972).

[253] Some would say that politics has already become a plaything of the wealthy. *See* F. Lundberg, The Rich and the Super-Rich 584–678 (Bantam ed. 1968).

[254] For a discussion of similar issues see Ferman, *supra* note 210, at 24.

[255] Since the existing campaign spending limits have been largely unenforced, there is very little case law dealing with the constitutionality of such regulations. Indeed, State v. Kohler, 200 Wis. 518, 288 N.W. 895 (1930) is the only case reported which addresses itself to this question. The Wisconsin Supreme Court upheld the validity of such ceilings in that case. The court declared:

"It is a matter of common knowledge that men of limited financial resources aspire to public office. It is equally well known that successful candidacy often requires them to put themselves under obligation to those who contribute financial support. If such a candidate is successful, these obligations may be carried over so that they color and sometimes control official action. The evident purpose of the act is to free the candidates from the temptation to accept support on such terms and to place candidates during this period upon a basis of equality so far as their personal ambitions are concerned, permitting them, however, to make an appeal on behalf of the principles for which they stand, so that such support as may voluntarily be tendered to the candidacy of a person will be a support of principles rather than a personal claim upon the candidate's consideration should he be elected. . . . It may be replied that the act seeks to throw democracy back upon itself, and so induce spontaneous political action in place of that which is produced by powerful political and group organizations."

*Id.* at 565–66, 228 N.W. at 912.

[256] Court & Harris, *supra* note 210, at 220; Ferman, *supra* note 210, at 13.

[257] *See* text accompanying notes 229–62 *supra*.

[258] 334 U.S. 558 (1948).

[259] *Id.* at 561.

[260] Kovacs v. Cooper, 336 U.S. 77 (1949). *See* text accompanying notes 240–42 *supra*.

[261] *See* notes 244–52 and accompanying text *supra*.

[262] *See* notes 244–45 and accompanying text *supra*.

[263] 395 U.S. 621 (1969).

[264] *Id.* at 626.

[265] Harper v. Virginia Bd. of Elections, 383 U.S. 663, 668 (1966).

[266] United States v. O'Brien, 391 U.S. 367, 377 (1968).

[267] Stanley v. Georgia, 394 U.S. 557, 564 (1969).

[268] *See* Redish, *supra* note 210, at 908.

[269] 395 U.S. 367 (1969).

[270] The "fairness doctrine" is the term used to describe the requirement imposed by the Federal Communications Commission on radio and television broadcasters that discussion of public issues be broadcast and that each side of those issue be given fair coverage. The "fairness doctrine" is separate from the statutory provision § 315(a) of the Communications Act of 1934, *as amended*, 47 U.S.C. § 315(a) (1970), which requires that equal time be allotted all qualified candidates for public office.

[271] 395 U.S. at 390.

[272] 384 U.S. 214 (1966).

[273] *See* Redish, *supra* note 210, at 910–11.

[274] At first glance, limitations on spending may seem to be no different for purposes of the right to receive information from the law struck down in *Mills*. Even assuming that the Court in *Mills* was concerned with the right to receive information, see text accompanying note 282 *supra*, there are several distinguishing factors. In *Mills* the prohibition was absolute; in order to protect the public from some potentially false and unrebuttable charges, all election day editorials were banned. Limitations on spending, on the other hand, prohibit individuals from spending money on a campaign only after a certain point—indeed, under the system recommended by this article, after a point which is more than adequate to run an effective campaign. *See* text accompanying notes 195–98 *supra*. The limitations are designed not to protect the public from the evils of potentially false, unrebuttable speech, but from the corruptive influence which it is felt is present in all excessively financed campaigns. Furthermore, the limitations are designed not to stifle speech, but rather to perfect the right to receive campaign information from all sides—to assure that the few hours a member of the public has to devote to politics are not dominated by the din emanating from one or two campaigns. This idea of perfectiing competition in the "marketplace of 'ideas and experiences'" received the approval of the Supreme Court in a somewhat different context in *Columbia Broadcasting Sys. v. Democratic Nat'l Comm.*, 412 U.S. 94, 123 (1973), a case holding that the first amendment did not require broadcasters to sell air time for editorial advertisements in part because of the public interest in receiving a balanced viewpoint on public issues. *See* note 234 *supra; cf.* Justice Stewart's concurring opinion, 412 U.S. at 133.

[275] Abrams v. United States, 250 U.S. 616, 630 (1919) (Holmes, J., dissenting).

[276] Ferman, *supra* note 210, at 24.

[277] It is interesting to note here that the governmental interest in limiting expenditures (i.e., to open the channels of political process and expression to the weaker minor-

ity viewpoints is derived from the same constitutional source as the first amendment rights which have been viewed as the countervailing interest in this balancing test. In the more typical case the constitutional interest is balanced against an interest which derives from the police or health and safety powers of the state, examples being the interest in keeping sidewalks open for pedestrians or in maintaining the efficiency of the Selective Service System. When both interests are constitutionally derived the balancing test will merely weigh the extent to which the regulation serves each first amendment interest. *See* Ferman, *supra* note 210, at 25; Redish, *supra* note 210, at 907.

[295] Rosenthal, *supra* note 210, at 389.

[296] *See* notes 195–98 and accompanying text *supra*.

[297] *See* text accompanying note 252 *supra*.

[298] *See* Fleischman, *Freedom of Speech and Equality of Political Opportunity: The Constitutionality of the Federal Election Campaign Act of 1971*, *supra* note 210, at 468; Redish, *supra* note 210, at 917–20.

[299] 393 U.S. 23 (1968).

[300] For additional burdens Ohio law places on those seeking to establish a new party *see id.* at 25 n. 1.

[301] *Id.* at 33.

[302] *Id.* at 25.

[303] *Id.* at 30, 34.

[304] *See* Fleishman, *Freedom of Speech and Equality of Political Opportunity: The Constitutionality of the Federal Election Campaign Act of 1971*, *supra* note 210, at 468; Redish, *supra* note 210, at 919.

[305] *Id.*

[306] *See* text accompanying note 282 *supra*.

[307] 403 U.S. 431 (1971).

[308] *Id.* at 438.

[309] In order to enforce these spending limitations the proposals generally provide that a candidate must certify that a given expenditure will not violate the applicable limitation on spending. Before accepting any campaign expenditure, therefore, a newspaper or radio station must obtain such certification from the candidate's central campaign finance committee. In this manner, however, the candidate is given the veto power over campaign expenditures an independent party might want to make in his behalf. Recently, a federal district court held this type of requirement to be an unconstitutional prior restraint of free speech. ACLU v. Jennings, 366 F. Supp. 1041 (D.D.C. 1973). If this holding is ultimately sustained, it will require implementing an alternative method for enforcement of spending limitations. In that case one possible solution would be to require affidavits of all those making expenditures on behalf of a candidate stating that they are making such expenditures independently of the candidate and not through his central finance committee. In this manner the level of expenditures attributable to the candidate himself could be monitored without the prior restraint of free speech.

[310] For a discussion of the constitutionality of campaign disclosure laws, see Note, *The Constitutionality of Financial Disclosure Laws*, 59 CORNELL L. REV. 345 (1974).

[311] 2 U.S.C. §§ 431 *et seq.* (Supp. II, 1972). *See* notes 59–65 and accompanying text *supra*.

[312] This is the term used by Redish, *supra* note 210, at 925.

[313] Louisiana *ex rel.* Gremillion v. NAACP, 366 U.S. 293 (1961); Shelton v. Tucker, 364 U.S. 479 (1960); Bates v. City of Little Rock, 361 U.S. 516 (1960); NAACP v. Alabama *ex rel.* Patterson, 357 U.S. 449 (1958).

[314] 362 U.S. 60 (1960).

[315] *See, e.g.*, Rabinowitz v. Kennedy, 376 U.S. 605 (1964) (registration of foreign agents); Communist Party of the United States v. Subversive Activities Control Bd., 367 U.S. 1 (1961) (registration of Communist Party members and officials). *See also* Pilcher v. Jennings, 347 F. Supp. 1061 (S.D.N.Y. 1972) where the court dismissed a constitutional challenge to the financial disclosure provisions of the Campaign Act of 1971. 2 U.S.C. §§ 431–41 (Supp. II, 1972). *See* notes 59–65 and accompanying text *supra*. The complaint was dismissed for failure to allege any specific deprivations of first amendment rights.

[316] 290 U.S. 534 (1934).

[317] *Id.* at 548.

[318] The narrow constitutional holding of *Burroughs* was that Congress had authority under the Constitution to regulate presidential and vice-presidential elections. The regulation which was the subject of the constitutional challenge to the power of Congress to regulate presidential elections was a disclosure requirement.

[319] 347 U.S. 612 (1954).

[320] *Id.* at 625 (citations omitted).

[321] *Id.* at 625–26.

[322] The Supreme Court has stated that:

By its very nature, the privilege [against compulsory self-incrimination] is an intimate and personal one. . . . The Constitution explicitly prohibits compelling an accused to bear witness "against himself": it necessarily does not proscribe incriminating statements elicited from another.

Couch v. United States, 409 U.S. 322, 327, 328 (1973).

Since enforcement authorities would acquire knowledge of an illegally large contribution only though the candidate's campaign finance reports, there may well be no self-incrimination questions here because of the personal nature of the privilege. The following textual discussion, however, takes the position that there is a self-incrimination question and demonstrates that even if there is, the disclosure requirements here do not violate the privilege.

[323] 390 U.S. 39 (1968).

[324] 390 U.S. 62 (1968).

[325] 274 U.S. 259 (1927).

[326] 390 U.S. at 49.

[327] Albertson v. Subversive Activity Control Bd., 382 U.S. 70, 79 (1965).

[328] *Id.*

[329] Hearings on S. 1103, *supra* note 3, at 141–58.

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## INFLATION: ANALYSIS AND CURE

Mr. TALMADGE. Mr. President, I and other Members of the Senate concerned about the economy have been denouncing the irresponsibility of Federal spending policies that have allowed virtually limitless spending regardless of the limits of revenue.

The idea that government could, or even should, be all things to all people is at last being exploded into the fragments of fiscal insanity that it is. The people of the country are, I believe, ready to sacrifice in the short run in order to maintain the economy and our form of government in the long run.

There may well be the need for individual Americans, as well as their Federal bureaucracy, to do some belt tightening. Faced with the example set in Washington, too many families have adopted the practice of living on credit. This private financial folly, like excessive government spending, has got to be halted.

I was given an analysis of inflation cures by Mr. William A. Trotter, Jr., a businessman from Augusta, Ga. It is a very concise view of what I believe to be the mandatory economic course for us to follow immediately. I ask unanimous consent that it be printed in the RECORD, There being no objection, the analysis was ordered to be printed in the RECORD, as follows:

THE PROBLEM—INFLATION ANALYSIS AND CURE

(By William A. Trotter, Jr.)

The commonly accepted definition of inflation is "too much money chasing too few goods". If this is true, there are only two ways of attacking this problem. The first is reducing the amount of money and the second is increasing the production of goods. Both of these corrections have to be applied at the consumer level. Applying the first correction (reducing the supply of money) at the banking level does not solve the problem but actually increases it. To see that this is true, let's look at what this policy has done for us in recent years.

In 1969 when inflation seemed to be getting out of hand, the Federal Reserve Board and the U.S. Treasury instituted a program of tight and expensive money. This had the adverse effect and the rate of inflation actually increased. It was discontinued and the rate of inflation dropped back to a normal 4 to 5 percent per year. In 1973 the inflation rate of 5% per year was deemed intolerable and so again a tight and expensive money policy was instituted. Again it had the adverse effect and the rate of inflation rapidly increased. As it increased, the money managers decided that more drastic action was needed and so they made money scarcer and more expensive. The rate of inflation is now at an annual rate of over 12%. The administration is now trying to get it back to 9% by year end. This policy didn't work in 1969 and it did not work in 1973 or 1974 for the following reasons.

Tight and expensive money which costs the banks from 7½ to 10% and even 12%, has to be loaned at rates which will pay them a profit in addition to their cost of operation. This greatly discourages businesses and factories from expanding since the resultant high cost of amortizing the plant would increase the cost of their products beyond a price at which they can sell them. Two other things happen. When the plants do not expand, new jobs are not created and the unemployment rate goes up. Also, less goods are produced to meet an ever increasing demand and this forces prices to rise.

High cost of money is as of itself very inflationary. There are three major elements in production; labor, capital, and management. It is readily understood that when the cost of labor goes up and higher wages must be paid the resultant price must be passed on to the consumer in the form of an increased cost of the product. Why then is it so hard to understand that you cannot increase the cost of money without increasing the cost of every single thing produced since money is one of the three basic items of production.

To increase the cost of money actually has little effect on consumer demand. The consumers are accustomed to paying service charges or interest rates of 1½% per month. The banks and financial institutions, because of the high price they have to pay for the money, advertise extensively in all of the media for the consumer loans trying to persuade all of the people to buy whatever they want at the moment and pay for it later on. The banks have to favor consumer loans in order to make a profit. This means that in times of expensive money, the buying American public which is not accustomed to denying itself anything, still buys, still can get the financing that they need at prices they are used to paying, and their competition to buy the reduced supply of products available pushes the prices upward.

To correct inflation then, the problem must be attacked in two ways. The first is

that the amount of goods available must be increased. This is done by making money less expensive not more expensive. The second is by reducing the demand for the products. This cannot be done in our time of affluence by promoting the buy now-pay later technique. It can only be done by controlling consumer credit. Inflation must be attacked at the consumer level because it is a disease of retail products and prices primarily.

I suggest that three steps must be taken if inflation is to be cured. First, the government must learn to live within its budget. Deficit financing at the government level is one of the most inflationary forces. The American people, through their representatives in Congress, must learn that they cannot spend money that they do not have. To do so merely reduces the value of the money that they do have and their purchasing power remains approximately the same. We must pay the price, we simply pay it in a different way. I believe that the American public is now well ready to make some sacrifices of expenditures at the national level to stop the erosion of their paycheck.

The second step is to reduce the cost of money and free money for productive use. This will encourage businesses to expand, homes to be built, farmers to plant more land, and bring all of our productive forces into play. The expansion of industry will create jobs and will increase the supply of goods available. This will be deflationary.

The third correction is to institute a credit regulation on consumer financing which would require a minimum of ⅓ down payment on the purchase of any item. This was done, I recall, in the 50's and I believe was called Regulation W. It was very effective at that time in reducing the effective consumer demand. The only way to make the American public trim their buying and postpone their purchases is to require a down payment. They will not deny themselves as long as the means for obtaining their wants is readily available. A reduced effective demand for products will allow our production facilities to catch up and stop the frenzied competition for the goods and services which are in short supply. This will be again deflationary.

Now a prediction of what will happen if these steps are not taken is in order. Historically small businesses and many of the large ones have programmed 87% of the sales price for cost of raw materials, labor, management, overhead, taxes, and any other production costs. The remaining 13% was allocated to cost of money and profit for the investors. At a typical cost of money or return on investment capital of 8%, 5% was left for profit which was a very minimal amount. With the prime rate at 12¼%, most small businesses can't raise prices to meet this increase because the increased prices do not even cover the increased cost of production by virtue of the inflated cost of labor and raw materials. Small businesses and large alike are heading for great difficulty unless the cost of money is drastically cut. It simply is not profitable to stay in business today. The price of money must be paid first as a basic cost of doing business whether it is return on invested capital of the owners or whether it is borrowed from a financial institution.

As these businesses fail, people are going to be put out of work. This increases the welfare rolls and expenditure of the Federal Government while removing from the revenue of the government a major source of income. If the business community of our nation gets into financial difficulty, the owners are hurt, the workers are hurt, and government at all levels is hurt. Our country is geared to run on the free enterpise system and this system must be maintained if we are to preserve our form of government.

One of the best examples can be seen in the home building industry. The going rate on construction loans for the purpose of building homes in our area is now 15–18% including the fees. There is no way that a home builder can produce a house at the increased cost of labor and materials and sell it for a price that will return to him more than 12–15% over and above his direct cost not including construction financing. Builders are therefore going out of business every day and the trend is increasing week by week.

This is greatly hurting the American people because the most optimistic estimates show that this year we are going to be approximately 1,200,000 units short when you consider the number of units needed as a result of demolitions and new family formations and the number of units built. This shortage is increasing every year. This is forcing the price of homes to rise so rapidly that within a very few years no one but the very rich can afford to own their own home. They can't afford to rent either because the price of new rental units has gone up in the same proportion as the price of single family homes. This will take away from the American people a major incentive for the free enterprise system—the desire and ability to own their own piece of this great country. In addition, when homes are not produced, carpets, draperies, furniture, appliances and many other related items are not sold. No single business affects the entire economy as greatly as home building. Home building is grinding to a stop. What will start it again? The freeing of money so that construction loans can be secured at reasonable rates (under 10%) will allow a small profit for the home builder and reduce the amount that he will have to add to the price of his home in order to market it. It is imperative to the health of the entire nation and every person in it that interest rates be reduced. It is not a matter of choice—it is a matter of pure survival

## HOW THE WORLD ECONOMY GOT INTO THIS MESS

Mr. KENNEDY. Mr. President, the economic difficulties we have been facing in the United States are not limited to this country. All the world's market economies—and even some nonmarket ones—are being shaken to the roots by sweeping changes in economic relations within and among states. Inflation is rampant, as the cost of food and fuel rockets upward, and as domestic economies face the export of this inflation from country to country. The international monetary system is in disrepair; patterns of trade are disrupted; and the world's developing countries suffer most of all from economic crisis.

So far, no Lord Keynes has emerged to give us a coherent explanation of what is happening, as he did during the great depression three decades ago. Yet the need for understanding—and for action—is as great now as it was then.

Recently, Mr. Leonard Silk, of the New York Times, wrote an insightful article on the woes of the world's economy, and presented his own program for action—New York Times Magazine, July 28, 1974. I commend it to the attention of my colleagues, and ask unanimous consent that it be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

### HOW THE WORLD ECONOMY GOT INTO THIS MESS

(By Leonard Silk)

The world has been slow to realize that we are living this year in the shadow of one of the greatest economic catastrophes of modern history. But now that the man in the street has become aware of what is happening, he, not knowing the why and wherefore, is as full today of what may prove excessive fears as, previously, when the trouble was first coming on, he was lacking in what would have been a reasonable anxiety. He begins to doubt the future. Is he now awakening from a pleasant dream to face the darkness of facts? Or dropping off into a nightmare which will pass away?

John Maynard Keynes wrote those words in 1930—and the nightmare proved to be all too real. Today, the world economy is again threatened with breakdown and disintegration. Monetary disorder afflicts the entire non-Communist world. Nations coming up against the interlocked threats of trade and payments deficits, inflation, energy shortages and unemployment are growing increasingly nationalistic in their policies. It was beggar-my-neighbor nationalism that brought on the debacle last time, for in the end the nationalism turned demonic and aggressive in Germany and Japan. Such an outcome seems unthinkable today—as it did in 1931. The time has come to review recent economic history, whose chief lesson seems to be that we are again facing a choice between economic chaos and a difficult, unprecedented, peacetime collaboration among major Governments.

History does not repeat itself precisely. One of the great differences today from the world of which Keynes was writing in 1930 is the revolution in national economic policy fathered by Keynes himself—the use of government spending, tax cuts, budget deficits and the pumping of money into an economy to prevent deep depression. Every government, prodded by powerful political forces, has been using the Keynesian medicine for keeping employment at a high level.

An unwanted consequence has been a quickening of inflation, the worst in a generation. Throughout the industrialized world, including the United States and Canada, Western Europe and Japan, consumer prices rose by an average of 12 per cent in the 12 months ending in May, 1974. In Britain the rise was 15 per cent. in Italy 16 per cent. Japan has been boiling along at an annual rate of 23 per cent. One can find far worse rates in some of the developing countries—40 per cent in the Philippines, 47 per cent in Indonesia, 63 per cent in Taiwan and a horrendous 709 per cent in revolution-racked Chile.

In the United States, consumer prices climbed by 10.7 per cent in the 12 months ending last May. But the climb in American consumer prices accelerated to an annual rate of 12.6 per cent in the first half of this year, and wholesale prices shot up at an 18.2 per cent annual rate. Chairman Arthur F. Burns of the Federal Reserve Board warned that "if long continued, inflation at anything like the present rate would threaten the very foundation of our society."

A doomsday mood has been stealing into the thinking of a great many people—stockbrokers, small investors, gold speculators and many ordinary people watching the value of their savings, pensions and insurance policies erode. Even among sophisticated economic observers, worries have been growing that the inflation could end in a crash. Ashby Bladen, a senior financial executive of the Guardian Life Insurance Company, says: "A return to either price stability or financial stability without an intervening crash appears to me to be practically impossible. ... And the longer the crash is postponed by continuing the inflationary process

of excessive credit expansion, the worse it will be when it does come."

The threat of a crash is worldwide, and has been seriously exacerbated by the enormous deficits being incurred by oil-importing nations as a result of the quadrupling of oil prices after the Arab-Israeli war last fall. David Rockefeller, chairman of the Chase Manhattan Bank, has been warning that the existing financial system may be unable to stand the strain of the sudden transfer of tens of billions of dollars a year from oil-importing to oil-exporting nations. The International Institute for Strategic Studies in London regards the use of the oil weapon by the Arabs, Iranians and other members of the international oil cartel as the greatest immediate threat to world economic and political stability. The rich, industrial countries are threatened, and so are the oil-poor developing nations, such as India, Bangladesh and Pakistan.

How did the world economy get into this pickle? Can we get out of it? I believe that it will take extraordinary measures by the United States and other nations, working together—as they failed to do in the nineteen-twenties and thirties until the roof finally fell in.

A way must be found to achieve the kind of international cooperation that made possible the reconstruction of the world economy after World War II, the most devastating in history. But the United States can no longer call the tune or provide the bulk of resources to resolve the current crisis as it did after the Second World War. "It is no exaggeration," says Dr. H. Johannes Witteveen, the Dutch economist who serves as managing director of the International Monetary Fund, "to say that the world presently faces the most difficult combination of economic policy decisions since the reconstruction period following World War II."

That brilliant job of resuscitation is now taken for granted, but can anyone who in those days saw the grim shattered cities of Europe and Asia, the disease and famine, the desperate mood and the corruption of the people forget it? In the decades after the war, the world economy experienced the greatest upsurge of growth in all history. World trade revived, and the world monetary system was rebuilt as the United States deliberately incurred deficits in its balance of payments to feed dollars and gold out to the world. In effect, the United States was acting like the big winner in a poker game who knows that unless the poker chips are redistributed, the game is over. Those deliberately incurred American deficits made the best of sense, both for the United States and for the rest of the world. The concept of an interdependent world economy was no mere intellectual abstraction, but the basis for shared prosperity and growth.

The reconstructed world monetary system was founded on the strength of the American economy, on the strength of the dollar and on the deficits in the United States balance of payments. Therein lay a serious contradiction: A strong dollar and chronic deficits in the United States balance of payments would in time prove to be incompatible; either the dollar would weaken or the American deficits would have to be ended. There was a further contradiction: If the American deficits ended, the flow of dollars that was providing the monetary reserves for world economic expansion would also cease.

In fact, when the United States decided in the late nineteen-fifties that the reconstruction period was over, it turned out to be extremely hard to end the deficits. One reason was that the United States was reluctant to give up its role as leader of the non-Communist world. The 20th century had acquired the billing, at least in the United States, as "the American century." Both the Korean and Vietnam wars signified American determination to carry the "free-world's burdens"—the equivalent of Britain's "white-man's burden" a century earlier.

America's persistent payments deficits were not due solely to its military actions and economic aid programs. Of growing importance, as the deficits went on year after year, was the overvaluation of the United States dollar in relation to gold and to other currencies. This hurt American exports and made imports, as well as travel and foreign investment, cheaper for Americans. So the migration of American business overseas went on apace, with corporations using abundant and overvalued dollars to buy up foreign assets, start branches and subsidiaries abroad, hire foreign labor and use other foreign resources to increase their worldwide profits.

Foreigners, in the midst of the dollar prosperity, were schizoid about the trend. Many, especially those in close partnership with the Americans, welcomed the growth that United States capital, technology and managerial know-how helped bring. But there was increasing concern in Europe about the inflation that the dollar inflow was also helping to breed. And there was growing opposition to the "American challenge" of economic and political dominance—and about the recklessness of American military policy. Vietnam particularly strained the political bonds between the United States and its European allies. It also sealed the doom of the postwar world monetary system that had been built on a strong dollar and fixed exchange rates between the dollar, gold and all other currencies. For Vietnam accelerated the outflow of dollars from the United States and, even more damaging, increased domestic inflation. President Lyndon B. Johnson unleashed inflation at home by his unwillingness to ask Congress either for a tax increase to pay for the Vietnam war or to cut his Great Society programs to make rom for the war in the Federal budget.

President Nixon inherited the inflation—and eventually made it worse. After a year of trying to stop it by tight money alone, Mr. Nixon brought the country a recession. Finding rising unemployment politically intolerable—especially with the 1972 Congressional elections looming—he switched to a highly expansive fiscal and monetary policy aimed at restoring full employment. For political reasons, he announced—few politicians had ever made it so explicit—"I am now a Keynesian."

Under Nixonian management, the U.S. balance-of-payments deficit worsened. Dollars poured out of the country, and on Aug. 15, 1971, as part of the "New Economic Policy," Mr. Nixon slammed shut the gold window, refusing to pay out any more gold to foreign claimants in exchange for their surplus dollars. Nevertheless, overvalued dollars continued to gush out as expectations of what would once have been unthinkable—a dollar devaluation—grew. Finally, on Dec. 18, 1971, at an extraordinary monetary conference at the Smithsonian Institution in Washington, held amid the trappings and relics of the greatest achievements of American technology, the dollar was devalued by 8 per cent.

The object of the Smithsonian conference, from the American standpoint, was to devalue the dollar enough to produce equilibrium, or, if possible, a big surplus, in the American balance of payments. This would, it was hoped, restore American economic power and prestige; it would also save the "dollar standard," with the United States as kingpin of the world monetary system. For this reason the Nixon Administration was, somewhat paradoxically, eager not to "devalue the dollar" officially, but to make other Governments upvalue their currencies.

Logically, there would seem to be no difference between devaluing one currency and upvaluing others in relation to it—and indeed there is virtually none. However, there was one important difference. The dollar had been regarded as the fixed star of the world monetary system, the star around which all the other national currencies revolved. For the dollar to change its own value—to be devalued in relation to other currencies and to gold—would symbolize a radical change in the conception of the world monetary order, like the Copernican revolution in which the earth was no longer seen as the unchanging center of the universe.

After the Smithsonian devaluation of the dollar, no matter how much the Americans might insist that the dollar was still the fixed center of the world monetary system, the skeptics would go on saying, like Galileo, "But it does move." And in fact, after the Smithsonian agreement, United States officials themselves gradually accepted the new concept of a movable dollar.

The Smithsonian agreement—the "greatest monetary agreement in the history of the world," Mr. Nixon called it—was supposed to be a one-shot realignment of exchange rates that would preserve the fixed-exchange-rate system created by Bretton Woods, N. H., in 1944. However, the Smithsonian agreement failed to hit on a rate structure that would restore monetary stability. With inflation raging at differential rates, that was doubtless impossible. The Nixon Administration, in any case, made virtually no effort to defend the Smithsonian exchange rates. It practiced the doctrine of "benign neglect," smug in the belief that foreigners had no alternative to taking in more dollars unless they would be willing to further increase the value of their own currencies, which the United States still wanted them to do.

The impact of devaluation on inflation caught Washington and most economists by surprise. American economists tend to minimize the importance of foreign trade to the United States, since exports or imports constitute less than 5 per cent of this country's gross national product. But the dollar devaluation, combined with expansive fiscal and monetary policy, intensified inflationary pressures which price controls could barely suppress. Devaluation spurred domestic inflation in the United States, certainly in the short run, by raising the dollar prices here of internationally traded goods, not only those of imports entering the United States but also, and more important, those of all exportable American goods as well. Many American products suddenly looked like a terrific bargain to foreigners, and they rushed to buy—beef in Chicago, oil in Baton Rouge and paintings at Sotheby Parke-Bernet Galleries in New York. The impact on prices was dramatic. As Randall Hinshaw of Claremont Graduate School has found, the effect of devaluation was immediate on primary products, such as food and raw materials, but more gradual on the prices of manufactured goods such as automobiles and tractors, especially under then existing price controls. However, as the prices of such basic internationally traded raw-material "inputs" as iron and steel, copper, aluminum, zinc, lead and plastics have risen, so have the prices of autos, tractors and other manufactured goods. And when price controls were lifted, the prices of industrial goods soared.

Ironically, the devaluation of the dollar initially had a perverse effect on the United States balance of trade and payments. Economists had expected some lag, but it lasted longer than it was supposed to. Indeed, the dollar outflow quickened. The reason was the devaluation increased the dollar price of imports more than it reduced the *volume* of imports, especially as the American economy was expanding more rapidly and sucking in more imports. Simultaneously, devaluation cut the dollar price of American exports, causing foreign demand for cheaper American goods to boom; but the United States

imposed export controls on soybeans and other agricultural goods, restricting the rise of its earnings abroad. Even more important, booming demand at home restricted the growth of United States exports. Hence the American trade position worsened in 1972, and dollars continued to flow overseas to cover the payments gap. The basic United States blunder was to think it could run a devaluation of the dollar without first slowing the economy. It did just the reverse—coupling devaluation with strong fiscal and monetary stimulus.

The fixed-exchange-rate system could not survive the continuing dollar outflow. In early 1973, there was a second dollar devaluation, amounting to 10 per cent, following a dramatic around-the-world flight by Under Secretary of the Treasury Paul Volcker. But instead of calming the foreign-exchange markets, it roiled them further. And in late February and early March, dollars began to flood into West Germany because the mark looked like the safest port in a storm. The German central bank took in over $3,-billion a day, paying out marks to all comers in a vain attempt to keep the mark's exchange rate from rising. After dishing out more than $10-billion worth of marks, German monetary officials finally grew frightened of inflation and threw in the sponge. They stopped defending the fixed exchange rate between the dollar and the mark; so the mark floated upward, and the dollar floated downward.

The Bretton Woods fixed-rate system was dead; the whole world monetary system was afloat But inflation was anything but dead.

The loss of respect for the dollar, the key currency of the world monetary system, brought on a flight from all currencies into anything precious and scarce that would hold its value in a time of monetary crisis—gold, silver, platinum and many other commodities. Overnight, it seemed as though the Club of Rome's long-range forecasts of the exhaustion of world resources were coming true in a rush, with soaring prices the fever gauge of commodity shortages.

Accidents of nature fed the commodity inflation. One of the weirdest was the disappearence of anchovies off the coast of Peru. Why this happened is still unclear. One theory is that the cause was the 1972–73 invasion of a warm-water current called El Niño, which upset the ecology of the cold-water Humboldt Current, drastically reducing the supply of plankton and other nutrients in which the anchovies feed. Most marine biologists doubt this, pointing out that El Niño comes roughly every seven years—it had last arrived in 1957 and 1962—but had not earlier seriously damaged the anchovy stock. Did an influx of predators eat the spawn? Were the young fish blown into hostile waters? Nobody really knows. Whatever the explanation, as Morgan Guaranty Bank economists correctly stressed, Peru's anchovy catch fell from more than 10 million tons to 2 million tons in 1973, wiping out a critical part of the world's fishmeal supply, which is used to feed livestock.

Bad growing weather for cereals, the failure of much of the Soviet crop, the massive Soviet-American wheat deal—a key element in détente—exacerbated the commodity inflation. But the over-all inflationary trend was no fluke. All nations were in a simultaneous boom, and world demand was outrunning supply. The perception of rising prices was transmogrified, as inevitably happens when an inflation lasts long enough, into a public perception that paper money is losing value and is not worth holding. Speculators rushed from currencies into commodities. By October of 1973, world commodity prices had more than doubled from the start of the year. And then, with the outbreak of the Yom Kippur war in the Middle East, the Arabs launched their oil weapon against the West.

World commodity inflation had given the oil producers both the motivation and the opportunity to boost their prices sky high. The rising cost of imports to the Arabs, Iranians and other oil-producing states, the rapidly growing demand for oil, thanks to the simultaneous boom in all the major industrial countries, the disappearance of American buffer stocks of oil—all these factors gave the Organization of Petroleum Exporting Countries, which includes Saudi Arabia, Kuwait, Abu Dhabi, Iran, Libya, Iraq, Algeria, Qatar, Indonesia, Venezuela, Nigeria and Ecuador, the golden opportunity for a financial killing.

The Arab oil embargo, designed to induce the Western powers to force Israel to yield to Arab demands, cut the world oil supply at the critical moment, threw the Western allies into disarray in a mad scramble for oil and paved the way for the fourfold increase in oil prices. The price in the Persian Gulf was jacked up from about $2.10 a barrel to $8 a barrel. That meant the greatest single financial coup in history—a $70-billion haul by the oil producers in a single year. In 1975, their extra take will amount to $90-billion. And, if oil prices hold, they will be taking in over $100-billion a year—year after year. The World Bank estimates that by 1980 the oil-producing countries' holdings of liquid surplus capital will total $400-billion. This would mean that just six years from now they will hold at least 70 per cent of the world's total monetary reserves.

The fantastic transfer of money to the oil-producing states has created an unprecedented shock for the world economy. That shock is, paradoxically, both inflationary and contractionary. The huge increase in oil prices and payments worsens inflation in the United States, Japan and Western Europe by increasing both living costs and costs of production. It puts powerful pressure, both direct and indirect, upon the industrial and the developing countries to increase their export prices, in order to cover their oil deficits. To be sure, high prices are bringing out more oil and curbing demand. There is now, therefore, some downward pressure on prices. The crucial issue is whether the international oil cartel will hang together, even if this means cutting production to hold up prices.

At the same time, the enormous transfer of funds to the oil producers can choke off consumption and productive investment in the West. The build-up of Arab holdings, and the huge deficits that are their counterpart, could cause a breakdown in the world monetary system.

Prof. Richard Cooper of Yale says it is as though the Shah of Iran, the King of Saudi Arabia and the others had levied an annual tax amounting to $70-billion a year upon the rest of the world. Such a tax increase, as modern economic theory teaches us, will have a contractionary effect on national economies unless the money collected is put back into the economies from which it is collected in the form of expenditures on consumer goods or capital goods. If the major share of "oil taxes" collected by foreign Governments is not respent or reinvested in production, it will choke off output and income in the oil-importing countries. Some nations—those that are the best investment bets—will receive major shares of the oil money back; that is likely to be true of the United States and West Germany. Others, less creditworthy, will suffer huge deficits; that is already true of Italy, and it could be true of many others. The nations of the West could fall into economic warfare, each fighting to reduce its own deficit, and blocking imports or depreciating its currency to do so. Competitive deflation could bring on a world depression. The most agonizing peril faces the poor, developing countries, whose markets would contract drastically.

For those nations caught with the worst deficits, there will be severe risks of defaults on their foreign obligations. This is precisely the Italian situation now. In the past two years, the Italians have borrowed more than $10-billion in the so-called Eurocurrency market, taking funds from syndicates of private lenders on the credit of Italian state-owned utilities and other Government agencies. With the Italian balance-of-payments deficit running at a rate of more than $1-billion a month, Italy is having trouble raising more money abroad. Its gold reserves would barely last a year. If the Italians—and a few other governments with heavy balance-of-payments deficits—should default on their debts, some of the biggest and seemingly strongest private financial institutions all over the world would lose hundreds of millions of dollars, and the entire world financial system would be in jeopardy.

Once again, as in 1929–31, the world is facing the danger of a liquidity crisis, which, simply put, is the inability of financial institutions or governments to meet their current debts. Such a crisis, if it hit two or more countries simultaneously, could race like greased lightning through the entire world financial system. That was what happened in 1931 when the Austrian *Creditanstalt* failed. It was the breakdown of the world monetary system in 1931 that turned the sharp 1929–30 recession into the worst depression in history. Not even Keynes expected the nightmare that began in 1931. It is this kind of international catastrophe we must prevent now.

But how? There are many ways to do it, but the above account of how we got where we are today suggests the main elements essential to a solution:

First, the United States, Western Europe and Japan must recognize that they are all in the same boat, and must either work together or they will sink together.

The United States cannot dictate to the others; it does not have the power to do so, and it would only defeat its own purposes if it tried. What is needed now is genuinely shared leadership and the forging of a spirit comparable to that achieved in wartime—and to the reconstruction of the world after the last war.

Second, this cooperation must immediately take the form of preventing any single country, or its major financial institutions, from going under.

One of the reasons we in the United States are not already suffering from a major domestic financial panic is that our central bank, the Federal Reserve System, has been prepared to rescue any major financial institution that gets into serious trouble, as it has done this year in the case of the Franklin National Bank of New York. Internationally, we do not yet have a "lender of last resort." Some national central banks have met in Basel, Switzerland, to work out plans for rescuing endangered financial institutions, though not all central banks have joined the effort and it is not yet clear how far those participating are ready to go. The nations of the Western world and Japan should either create an international lending agency of last resort, or transform the International Monetary Fund into a true world central bank that can rescue major financial institutions and nations themselves from financial collapse.

Third, the world monetary system must be restored to equilibrium.

The most important single step toward that end would be a significant reduction in the price of oil, which would reduce the imbalance of payments between the oil-importing and oil-exporting countries. The oil-importing countries should develop a broad strategy to bring down the price, a strategy that should include: an effective conservation program to reduce the demand

for oil; an accelerated program to develop other energy technologies; a warning that, if necessary, the United States and its allies are prepared to withhold trade and the managerial and technological skills the oil-exporting countries want for their own economic development; and a refusal by this country and its allies to provide arms if the oil-producing states persist in threatening Western economic stability.

But if the oil-producing countries are willing to work with the West for world stability and their own development, the United States and its partners should extend the hand of friendship to them. It should facilitate expansion of their trade and foreign investment, the "recycling" of oil dollars.

Fourth, the Western nations must avoid like the plague the beggar-by-neighbor policies that helped destroy world trade in the thirties.

Such policies broke the world into hostile trading blocs, including the nations that joined in Nazi Germany's barter and rigged-exchange rate deals and Japan's Asian Co-Prosperity Sphere. The Western nations must reinforce their liberal trading policies, banning both import and export controls. They must hold their markets open to one another and seek particularly to create markets for the surplus and distress goods of nations that get into severe balance-of-payments trouble.

The nations should also forswear resorting to competitive devaluations of their currencies aimed at gaining a trading advantage over one another. They must coordinate their fiscal and monetary policies to avoid competitive deflations that could bring on world depression. The Organization for Economic Cooperation and Development (O.E.C.D.) provides a forum for the joint review of national policies; this process should be strengthened to ensure that world employment and trade are mutually sustained.

While the world monetary system remains chaotic, it would be madness to try to repeg exchanges rates; floating rates have reduced the massive money flows from one currency to another that propagated world inflation. In time, the reduction of those money flows should help to bring world inflation under control and enable exchange rates to stabilize. But the nations must work toward stability; a "great leap forward"—or backward—could be disastrous.

Fifth, nations must resolve to check their domestic inflations, controlling the excess claims of special-interest groups that are its root cause.

Inflation, while communicated internationally, originates basically from domestic sources. This is one reason why rates of inflation vary so much from country to country. There is no monetary formula or technical solution that will provide Governments with the political courage and the economic skills to reduce the excessive demands that propel domestic inflation. Governments must resist the multitude of special-interest pressures that distort or waste resources—as in the multibillion-dollar military programs which exacerbate inflation and, even more ominously, increase the danger of arms races and war itself.

Under the sway of Keynesian economic theory, inflation has been regarded by most contemporary economists as a "technical" problem resulting from a gap between the excess demand for all goods and services and what the economy is capable of producing at existing prices. The basic remedy has been to close that inflationary gap by reducing total demand, whether by tax increases, cuts in Government spending or by making less money and credit available to the private economy.

It has become clear that the problem of stopping inflation is not technical but *political* in the large, systemic sense. Inflation is a consequence of the way massive, organizational, pressure-group economies operate. The military-industrial complex is only the most celebrated example of the special interests which capture a huge share of national resources and give less productivity in exchange. Other groups that have won special benefits and protection from Government—whether in the form of subsidies, huge appropriations, tax breaks, tariffs, import quotas or other rules limiting foreign industry, the maritime industry, civil aviation, the highway-building industry and its supporters, dairy producers, wheat farmers, cattlemen, steel producers and textile producers. Labor unions fight for a growing share of the national pie partly by backing the demands for special favors and protection of the industries that employ them and partly by waging side-contests with managements for a bigger slice of the take.

The pressure-group economy not only breeds inflation but biases national choices on *what* is produced and by whom, and how income is distributed. Political power shapes the national use of resources and has a major influence on who gets what. This may be the major long-run lesson of that political fiasco whose code name is Watergate.

An effective program against inflation must be one that faces up to the necessity of curbing the power of the special interests and removing their corrupting influence on Government or, the other side of the coin, curbing the efforts of Government officials to invite bribes in exchange for favors as a means of consolidating political power in a corporate state. The old-style, laissez-faire capitalism is dead. Yet the mixed economy—that is, the mixture of Government and private interests that has replaced it—needs better methods of harmonizing competing group pressures in a noninflationary way and of guiding the economy to serve broad social needs such as protection of the environment, development of crucially needed energy, and provision of medical care, education and other vital services.

Specifically, this nation and other capitalist democracies need an incomes policy, a means of regulating the growing income claims of contending groups, together with their access to money and credit through the banking system. In periods of monetary tightness and very high interest such as the present, the inequities of only general controls on money and credit become obvious, as the most powerful financial groups drain funds away from the least powerful.

Similarly, this nation and many others need more effective and democratic ways of planning their long-run social and economic development. Increasing the supply of resources, human and material, and in the proportions needed, is essential to curbing inflation in a way that will not require periodic bouts of recession, depression and high unemployment.

In an increasingly integrated world economy, such programs need to be international and not merely national in scope. Yet the time for supranational government is not yet. The fundamental decisions needed to get the world through the current economic crisis, which could become a world political crisis as well, still must be taken at the national level. Is such an effort to restore world economic order politically feasible and realistic? It had better be. The potential tragedy of the moment is that all the Governments of the major democracies are in a weakened state—weakened in large degree by the socially and politically debilitating effect of inflation itself. And the crisis of leadership and moral authority is perhaps greatest of all in the United States, on which any coordinated action program among the Atlantic nations and Japan must still depend. We know what we must do; the issue now is whether we have the will and the unity to do it.

## KIDNEY DISEASE PROGRAM—VI: 1 YEAR OF OPERATION

Mr. HARTKE. Mr. President, on July 1, the end-stage chronic renal disease program under medicare passed a milestone of 1 year of operation. That program, which was created as the result of an amendment sponsored by the distinguished chairman of the Finance Committee (Mr. LONG) and myself, is designed to provide financial assistance to people of all ages suffering from chronic kidney disease. These are people who need dialysis, a mechanical blood cleansing process that replaces the function of diseased kidneys, or who are suitable for kidney transplantation. With a year's operation of the program behind us, this is a good time to examine its effectiveness.

In October of 1972, the Social Security Amendments of 1972 became law, Public Law 92-603. This legislation included an amendment, section 299-I, to provide medicare benefits to all eligible patients with end-stage renal disease—ESRD. Unfortunately, the past 20 months have highlighted the weaknesses of the Federal bureaucracy in dealing with a relatively small health insurance program serving a small number of patients. By the same token, we in Congress have much to learn from the kidney disease program because it also highlights the difficulty which we have in coping with the bureaucratic process within the Department of Health, Education, and Welfare in order to assure that the laws are faithfully executed.

Since the ESRD provisions were part of the Social Security Amendments of 1972, and benefits are financed through the social security trust fund, the program was initially assigned to the Bureau of Health Insurance—BHI—within the Social Security Administration. BHI is essentially an insurance indemnification agency, well experienced in claims processing, money disbursements, and the like. In the fall of 1972, it was clear that BHI lacked the medical expertise necessary to devise a sophisticated program with such elements as medical review boards, limitations on facilities, minimum utilization rates, and quality of care assurances.

As a result, the medical profession arm of HEW, the Office of the Assistant Secretary for Health, Dr. Charles C. Edwards, asserted its position that it possessed the expertise in health planning and medical care and therefore was a logical choice for the responsibility to design and implement the ESRD program. The Secretary of HEW was persuaded by this argument and assigned the major policy role in the kidney program to the Assistant Secretary for Health.

It should be noted that, at the time, the Office of the Assistant Secretary for Health was in the midst of a reorganizational upheaval, and there was no clear choice of an agency or bureau within that Office for the ESRD program. Policy was thus developed by Dr. Edwards' personal staff in the Office of Policy Development and Planning. However, because that staff lacked experience with kidney

disease, several questionable policy decisions were made, causing much adverse reaction from the medical professional community.

As the new organizational lines for agencies within the Office of the Assistant Secretary for Health became more clearly defined, the Bureau of Quality Assurance was created within the Health Services Administration—all of which were under the Assistant Secretary—to implement the Professional Standards Review Organizations which had also been created by other provisions of the Social Security Amendments of 1972. Because several elements of the kidney program were similar to PSRO functions, the Bureau of Quality Assurance actively sought to put that program under its umbrella. When assigned that program, the Bureau of Quality Assurance also had no staff experienced with kidney disease. BQA then obtained three staff members with experience in the kidney disease field who were detailed from other agencies. These personnel were assigned 10 months after the passage of Public Law 92-603. They came into an atmosphere clouded with bureaucratic infighting involving the Bureau of Health Insurance, the Bureau of Quality Assurance, and the Office of Policy Development and Planning, coupled with the preoccupation within the Bureau of Quality Assurance with PSRO's.

The most immediate result of this bureaucratic and alphabetical jungle was delay. Simple policy decisions often took more than 8 weeks for low level approval, with higher level approval often taking twice as long. In fact, HEW's policy statement which outlined its criteria for operation of the program was first drafted in November of 1973, but did not get approved until April of 1974.

Since July 1, 1973, the ESRD program has functioned under interim guidelines which were drafted in the days immediately preceding the beginning operating date of the program. There is general agreement that the interim program had several flaws which created confusion and aroused opposition among patients, doctors, hospital, and intermediaries. There was no effort made to publish the guidelines in the Federal Register or to make them available for public comment prior to putting them into effect. This procedure leaves significant questions as to the legal basis for the interim program. This is further complicated by the fact that the assignment of the ESRD program to the Bureau of Quality Assurance was never made part of a formal delegation of authority from the Secretary of HEW. This may have had the effect of nullifying BQA's authority to draft and implement the program since the statutory authority for ESRD appeared to be with the Bureau of Health Insurance under its general medicare responsibilities.

While all the wrangling was taking place within the Office of the Assistant Secretary of Health, the Bureau of Health Insurance, within the Social Security Administration, was beginning to realize the importance of the ESRD program as a prototype for any kind of catastrophic or national health insurance program. This realized, coupled with the growing interest within Congress to remove the Social Security Administration from HEW caused BHI to reassert its role in ESRD.

In April of this year, the Bureau of Quality Assurance belatedly announced the broad policy issues on which the ESRD program will be based. It is administering the program under the interim guidelines established by the Office of Policy Development and Planning and has set a timetable for the publication of final regulations in early 1975. So far, minimum utilization rates have not been established, nor have medical review boards been established. Both are required by law. Considering all of the hurdles which the program still has to overcome, it is unlikely that it will be in full swing until late 1975—3 years after Congress passed the legislation.

As national attention focuses on health care, the kidney program underscores the need for Congress to deal effectively with the HEW bureaucracy in order to assure that the laws are faithfully executed. Such diverse topics as national health insurance, health planning agencies, and medical manpower are under active consideration by Congress at this time, but these subjects fall within different committee jurisdictions. If we allow the narrow strictures of committee jurisdiction to cloud our view of this subject, there can be no coherent approach to the national health insurance debate.

We can avoid this pitfall by creating an ad hoc Committee on National Health Insurance to consist of members of the Finance, Labor and Public Welfare, Veterans, and Appropriations Committees, or of the appropriate subcommittees of those committees, to begin joint consideration of national health insurance and provide the Senate with a coherent report on the need for it and the administrative problems which may arise. That is the only way we can take a coherent approach to one of the most important subjects to come before Congress in this half of the 20th century.

The ad hoc committee would make it possible for the various committees with an interest in national health insurance to share information and evaluations of proposed legislation. In the long run, it will also help Congress to oversee the Federal health bureaucracy more effectively.

Mr. President, the end-stage renal disease program is but one example of the failure of the executive branch to implement the law in a proper and timely fashion and of the difficulties which Congress has in performing its oversight function. I intend to do all that I can to make the ESRD program work, but I hope that we all can learn from its mistakes before they are repeated on a massive scale in any national health insurance program we adopt.

## ILLINOIS FINDS ERTS VALUABLE

Mr. MOSS. Mr. President, while no line agency in Illinois yet uses ERTS imagery, the Center for Advanced Computation—CAC—at the University of Illinois is finding ERTS data to be a valuable input to an experimental land use mapping computer system being developed at the center.

Mr. President, I ask unanimous consent that the letter I have received from the Honorable Hal Hovey, director, bureau of the budget, State of Illinois, be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

SPRINGFIELD, ILL., *July 24, 1974.*

Mr. FRANK MOSS,
*Chairman, Committee on Aeronautical and Space Sciences, Washington, D.C.*

DEAR CHAIRMAN MOSS: In response to your letter of June 24 to Governor Walker regarding the merits of establishing an operational ERTS system, please be advised that at present no line agency within the state uses ERTS imagery. However, the Center for Advanced Computation (CAC) at the University of Illinois is finding ERTS data to be a valuable input to an experimental land use mapping computer system being developed at the Center.

Sincerely,

HAL HOVEY,
*Director, Bureau of the Budget.*

## SENATOR MANSFIELD

Mr. BAKER. Mr. President, during the past week, the Senate has noted with pleasure and with pride the historic record of service established by the distinguished majority leader, Senator MANSFIELD.

The Senator from Montana has reacted with characteristic modesty, but it is clear to all who know him that the many tributes have been richly deserved and the many honors have been rightly earned. In setting a new record of tenure, he has carried out his responsibilities with competence and with civility. Each Member of the Senate has personally benefited from his counsel, his consideration, and his cooperation. The people of Montana and, indeed, all the citizens of our land, have been well represented by MIKE MANSFIELD.

It is, I believe, no coincidence that this former professor has become a textbook model of an effective Senate leader. His approach to leadership and life has been hallmarked by rationality and respect for others. His fairness has been especially appreciated by those of us on the Republican side of the aisle. As a result of conversations with my father-in-law, the late Senator Everett Dirksen, I became intimately aware of this quality even before I came to the Senate.

Senator MANSFIELD and Senator Dirksen worked quietly and effectively in moving and scheduling the business of the Senate, just as Senator MANSFIELD and Senator SCOTT do today. This gave a special meaning to the term "joint leadership." In a very subtle manner that is close to the essence of good leadership, they molded and framed the results of what we recognize as the landmark legislative achievements of the past decade.

Senator MANSFIELD's continued leadership, his guidance and good judgment, will be just as important as we face the challenges of the years ahead.

## CONCLUSION OF MORNING BUSINESS

The PRESIDING OFFICER. The time for morning business has now expired.

## DEPARTMENT OF DEFENSE APPROPRIATION ACT, 1975

The PRESIDING OFFICER. Under the previous order, the hour of 10 a.m. having arrived, the Senate will now resume consideration of H.R. 16243, which the clerk will report.

The second assistant legislative clerk read as follows:

A bill (H.R. 16243) making appropriations for the Department of Defense for the fiscal year ending June 30, 1975, and for other purposes.

The PRESIDING OFFICER. The pending question is on the amendment of the Senator from Wisconsin (Mr. PROXMIRE), No. 1810. The time on this amendment is divided equally between and controlled by the Senator from Wisconsin (Mr. PROXMIRE) and the Senator from Arkansas (Mr. MCCLELLAN). The vote on the amendment is to occur at 11 a.m. today.

Mr. PROXMIRE. I yield myself such time as I may require.

MILITARY AID TO SOUTH VIETNAM

Mr. President, I want to make clear what this amendment does and does not do.

First, it would establish a ceiling on expenditures for U.S. military assistance to Vietnam at the level accepted by the Senate Appropriations Committee last year—that is, 1973, for the 1974 budget.

During consideration of the fiscal year 1974 defense appropriations bill, the full Appropriations Committee reduced military assistance funding to $650 million. About $100 million of this was for Laos.

Since money for Laos is no longer contained in this bill—its in the foreign aid bill—the equivalent figure for Vietnam military assistance as reported out by the Appropriations Committee last year was $550 million.

That is the same level as my amendment would establish. It is not a drastic amendment or a radical amendment or an amendment that would leave Vietnam high and dry. It would give them the same amount the Senate recommended last year.

There is another set of figures we will hear about during this debate. The administration asked for $1.6 billion last year. We ended up giving them a ceiling of $1.126 billion. This happened when the lower figure of $650 million on the Senate side was compromised with a larger House figure.

I do not want to mislead anyone. That was the final figure approved after the conference last year.

But the fact remains that the only time that the Senate voted on the individual item of military assistance to Vietnam last year during the appropriations debate, the Senate accepted $100 million for Laos and $550 million for Vietnam. That was the Senate position. That is what we took into conference. That is what my amendment would restore for the fiscal year 1975 bill—the same amount of $550 million.

Yes, this amendment would be a reduction from what the Pentagon ended up with last year. No, this amendment would not be a reduction from what the Appropriations Committee recommended and the full Senate accepted last year. It would be holding the line at the same level.

UNITED STATES GIVES MORE AID

Last night, Senator KENNEDY perceptively pointed out what U.S. diplomats have been saying about the purpose of U.S. military aid to Vietnam. The purpose, it was stated by U.S. Ambassador Graham Martin, was to keep support for each side in balance. That means that the support the United States would give South Vietnam and the support the Soviet Union and the People's Republic of China would give North Vietnam would be kept in balance.

Has this been the case? We have the definitive figures from the Defense Intelligence Agency to put that into perspective. The estimates by the reputable DIA indicate that except for an increase in aid in 1972, military assistance by the People's Republic of China and the U.S.S.R. to North Vietnam has been declining yearly.

In 1973, the U.S.S.R. gave $175 million in military aid to North Vietnam, and the People's Republic of China gave $115 million, for a total of $290 million. If those figures are not correct, I think we should know the source before impugning them. They come from the Defense Intelligence Agency. They may be wrong. If there are better figures, let us have them, and let us find out why the Defense Intelligence Agency is not telling us the truth.

That same year, the United States spent a total of $5.3 billion in Southeast Asia.

Over the longer period of 1966 to 1973, the Defense Intelligence Agency statistics show that the United States spent 29 times as much in Indochina as the Soviets and PRC combined. This amounts to $2.57 billion from the U.S.S.R. and $1.08 billion from the PRC.

The United States, on the other hand, spent $107 billion in the same period including $10.4 billion in direct military aid. And that figure for U.S. expenditures probably is far on the conservative side. It may be closer to $140 or $150 billion when everything is included related to those expenditures.

Mr. President, who are we kidding? That is not balancing military aid by any stretch of the imagination. If it is, the U.S.S.R. and PRC are getting the better end of the deal. Ask any taxpayer if a military standoff with expenditures 29 times as large on one side as the other is an economic or military victory.

Every year we hear the same cries of doom. If the bill does not contain $700 million, Vietnam will go down the drain. If the bill does not contain $1 billion, Vietnam will go down the drain. If the bill does not contain $1.5 billion, Vietnam will go down the drain.

The latest to issue such an alarmist appeal was the State Department. They said that if we do not appropriate $1 billion, it will weaken the South Vietnamese to the point that they cannot defend themselves, and Hanoi might be tempted to launch another 1972 type offensive.

Well, the Senate and House Appropriations Committee have already violated that rule. According to the State Department, South Vietnam should now be going down the drain.

I cite this letter from the State Department as evidence that the point of doom is whatever the current budget request is. Does anyone find that unusual? To ask for less than the administration requests for anything is to invite disaster. Whatever they ask for is bare bones. Whatever we try to cut is endangering security and inviting disaster. Such is the state of rethoric and the art of jawboning the Congress.

We heard yesterday that to approve the Proxmire amendment is to predetermine that South Vietnam will have to abandon large segments of the country.

And yet both the Frelinghuysen report from the House Foreign Affairs Committee and the testimony of Gen. William B. Caldwell before the Senate Armed Services Committee earlier this year indicates that the Saigon regime has increased its population control by 6 percent since the ceasefire and its control over hamlets by 770.

At one time I thought that the ceasefire established in 1973 meant that both sides were to occupy only the territory where they were at the time.

That is what article 3, section B, of the Paris agreement says:

The Armed Forces of the two South Vietnamese parties shall remain in place.

But that is not what has happened. Both sides have continually violated the ceasefire agreements. Until this time, the government forces seem to have gotten the upper hand in terms of hamlets controlled.

We will also hear that once Vietnam goes Communist, because we cut $150 million from their budget, then Thailand will go Communist, and Burma, and Cambodia and the rest of Southeast Asia.

That is the old domino theory. But I would like to add a new twist to the old theory. It goes like this:

If the Senate does not reduce unnecessary military spending—the largest controllable item in the Federal budget, then inflation will continue to rage, Americans will be able to purchase less, confidence in Government will continue to fall, industry will reduce production, the money market will fail, and we will have economic chaos beyond our wildest dreams. That is a real domino theory to ponder and it is a lot closer to home.

Mr. President, it would be one thing if we knew that the U.S. dollar given to Vietnam went for an efficient and effective purpose. Some support for Vietnam is necessary, we all recognize.

But what happens to our dollars now?

Any man here who has talked with those who have been in Vietnam can give a ready answer to that question. The U.S. dollars go into the pockets of the corrupt bureaucracy in Vietnam. Black market operations abound. Here are some

pictures of black market goods taken from U.S. depots and PX's. You can recognize goods from Sears, Lipton tea, fans, coolers, radios, hi-fi's, electric saws, grinders, scales, thermos, blankets, tennis rackets. Anything you can buy or steal from a PX, a U.S. Government warehouse, or a U.S. supply depot can be found on this black market.

And the person who pays for it is Uncle Sam and the taxpayers of this Nation.

We know about the thousands of "ghost" soldiers added to military payrolls—that is, nonexistent soldiers, soldiers that do not exist, but added to military payrolls—for which the United States pays about 40 percent of the salaries and the corrupt officers and officials reap enormous profits and benefits from it. That has been documented.

South Vietnam's 92 generals have only recently been ordered to cut their personal staffs of chauffeurs, bodyguards, and servants from 36 to 11 each. They have also been told that they must make do with two rather than four motor vehicles. That is where U.S. tax dollars have gone. Think of it. Only 11 chauffeurs and servants each.

Why should the American taxpayer be required to provide that kind of fat and waste and extravagance to South Vietnam in a time of inflation, when we are all being hit as hard as we are?

Evidence has also been uncovered recently that a number of new American A-37's worth $500,000 each—are being dismantled and sold for scrap on the black market in Saigon. A police raid on an illegal scrap operation yielded the wings of 15 planes as well as substantial amounts of other U.S. made military equipment which were being readied for foreign export.

We ship it to them. They tear it down and export it out of the country for a profit. That is where U.S. dollars go.

Obviously, Mr. President, in wartime, we know there is waste. In wartime, we know there is extravagance and, often, corruption. But what we can do about it is to cut the amount available. This is the one action we can take. We cannot administer this program. But we can make the amount available so limited that it will be used for the purposes they have to use it for and should use it for, to defend their country.

Mr. President, there is $150 million that will be used for graft and corruption in this bill if there is a penny. The only thing worse than a dollar spent abroad when we need it here at home is a dollar spent abroad and utterly wasted in corruption.

Mr. President, we are supposed to be keeping South Vietnam strong and free. Unfortunately somewhere along the line the American concept of "free" has been dropped from that phrase.

The distinguished Senator from Rhode Island (Mr. PASTORE), spoke on this yesterday and pointed out the fact that President Kennedy, in that great address he made to the country when he was inaugurated, said that we would meet any burden, no matter how heavy it might be, in the cause of freedom. We believe in freedom. We will help freedom. The question is whether we are helping freedom when we provide this kind of assistance to the South Vietnamese military government that has the track record it has.

I admit it is better than a Communist regime by far, and I admit that we should do everything we can to prevent a Communist regime. But I say we do not do that when we provide such abundant funds that they can have this kind of luxurious, wasteful, expensive, extravagant operation.

I trust that no one here will say that South Vietnam is a democracy where freedom of speech flourishes and dissent is the building block of compromise and moderation.

We are not building democracy in Vietnam. That may well be impossible. The roots of that society are not easily grafted with the American model of democracy and freedom.

So why do we hide under the charade that in some way we are preserving peace and freedom for the people of South Vietnam?

We are supporting South Vietnam for geopolitical purposes. That support should continue for geopolitical purposes. But there is a limit to everything and the American people have met the limit with huge sums of money for the regime in South Vietnam.

The $550 million is enough. It would have built hundreds of hospitals in the United States, provided mass transit for tens of thousands, begun research on new medical cures for the diseases of our people, provided a maintenance income for our poor or even built five new Senate office buildings if you will pardon the reference to our own boondoggle.

Mr. President, it would also provide tens of thousands of houses at a time when housing is so urgently needed and when unemployment in the construction trades is so high.

Enough is enough. Let us draw the line at $550 million and tell the South Vietnamese that their defense rests first on the will of their own people; that they will stand or fall in the long run not by the amount of U.S. aid but in the competition between efficiency and lassitude, good government and corruption, freedom and repression, land reform and oligarchy.

Such has it always been in that region of the world.

Mr. President, I reserve the remainder of my time.

Mr. GOLDWATER. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Who yields time?

Mr. McCLELLAN. Mr. President, I yield the distinguished Senator from Arizona 5 minutes.

The PRESIDING OFFICER. The Senator from Arizona is recognized.

Mr. GOLDWATER. Mr. President, we have heard the figure 8 to 1 on this floor quite often in the last few days, and I think this RECORD should be made clear. This is a report I put in the RECORD on July 10 of this year:

Evidence presented in these reports also put the lie to the preposterous new myth that the United States is providing eight to twenty nine times the amount of military aid to South Vietnam as the Soviet Union and China are providing to North Vietnam. Comparing apples with apples, that is hardware with hardware, Communist military aid to North Vietnam is only slightly less, if that, than the comparable level of United States military aid to South Vietnam.

Congressional critics of United States support for South Vietnam would compare estimates of hardware aid alone, such as weapons and ammunitions, by the Communists, with the total program of our aid to the South which includes not just the cost of hardware, but the cost of rations, clothing, transportation from the United States, training, and so forth. These same critics would calculate our program over the period *prior* to the conclusion of the Cease-Fire Agreement, a period when the war was still in full progress, while ignoring Communist shipments *since* the Cease-Fire which, as these reports have revealed, enabled North Vietnam to send illegally over 50,000 soldiers, 1,000 artillery and anti-aircraft pieces, 400 tanks and enormous stockpiles of ammunition to its invading forces in South Vietnam.

Looking again at this ratio of 8 to 1, the latest figures that I have, made available to me by the Department of State on August 2 of this year, however, and using our best estimate based on hardware costs alone, indicate that in 1973, we outspent the Russions and the Chinese at most by a ratio of just over 4 to 3—about $400 million for us as compared to about $290 million for them.

I think, in all due respect to my friend from Wisconsin, he should have this clear, that we not only supply hardware, munitions, and so forth, used for war, but we are building hospitals, we are supplying medical aid, we are supplying food, we are paying for transportation, we are paying for the training of Vietnamese troops, pilots, and so forth, in this country. So let us get this straight in the RECORD: We are doing for South Vietnam far, far more than just shipping them aircraft, tanks, and the hardware of war, and it is not accurate to compare the total costs of all these programs with the cost of Communist hardware aid alone.

Mr. President, I ask unanimous consent that this report from the State Department be made a part of my remarks.

There being no objection, the report was ordered to be printed in the RECORD, as follows:

COMPARISON OF U.S. MILITARY AID TO SOUTH VIETNAM WITH COMMUNIST AID TO NORTH VIETNAM

Recently released intelligence estimates of Chinese and Soviet military aid to North Viet-Nam have been compared to the cost of our military aid to South Viet-Nam under the MASF (Military Assistance, Service Funded) program, to indicate that we are vastly outspending the Chinese and Soviets in Viet-Nam. Such comparisons are grossly misleading. This is because the estimates of aid to the North include only military hardware costs, while the MASF figures cover the total costs of the program, i.e., not just the cost of the hardware but also the costs of rations, clothing, spare parts, gasoline, maintenance, transportation from the U.S., transmitting, procurement, etc.

It is impossible to be precise in comparing Sino-Soviet aid to the North with our aid to the South because of the necessarily incompletely and fragmentary nature of our intelligence information as well as various costing and accounting difficulties. However, our best estimate, based on hardware costs only, indicate that in 1973 we outspent the Russians and Chinese by a ratio of just over four

to three (about $400 million for us as compared to $290 million for them).

There are several reasons why we have to spend somewhat more money to help the South Vietnamese defend their country than the Chinese and Russians spend to help North Viet-Nam invade it, but the most fundamental reason is that it is more expensive to guard a bank than to rob it. Thus the South Vietnamese defense forces are necessarily larger and more costly to maintain than the Communist forces, because they must defend virtually all of their country—the cities and towns, the roads and railroads, the rice fields and factories—and they must defend it all of the time; while the Communist main forces are free to mass and attack at times and places of their choosing. With a considerably smaller and less expensive force structure, therefore, the Communists can often bring superior arms to bear on any given battlefield in South Viet-Nam.

It has been suggested that regardless of the relative value of U.S. military aid to the South and Sino-Soviet aid to the North, U.S. intelligence estimates indicate that in 1973 the North received slightly less than half what it received in 1972, and consequently our aid to the South should be cut correspondingly. In fact, it already has been—in FY 1973 it amounted to $2.3 billion, and dropped to $1.0 billion in FY 1974. This latter level has not been sufficient for us to replace South Vietnamese losses at the one-for-one rate permitted by the Paris Agreement.

Moreover, Sino-Soviet military aid over the years has allowed the North to build up massive stockpiles of equipment and munitions in the South and adjacent base areas in Laos and Cambodia. We estimate these stockpiles could support an expanded North Vietnamese military campaign in the South for about 18 months, even without further replenishment. On the other hand, we have never built up such stockpiles for the South Vietnamese, maintaining only about a two-month inventory of most categories of ammunition and other expendables. Consequently, reductions in our aid to the South have a much more immediate impact than Sino-Soviet reductions in aid to the North.

Finally, basic to U.S. combat doctrine, which we successfully imparted to the South Vietnamese, is the concept of achieving maximum effect with minimal loss of personnel. This requires high equipment utilization and expenditure of ordnance, as compared to the North Vietnamese concept of relatively higher expenditure of manpower. The South Vietnamese (and American) way of waging war costs more money, but it saves lives. Cuts in U.S. assistance and consequent shortages in some military items have already resulted in a relatively higher South Vietnamese casualty rate, and further cuts in our aid would produce an even greater casualty rate.

Mr. PROXMIRE. Will the Senator yield?

Mr. GOLDWATER. Mr. President, I have only a few minutes. The Senator will have to yield on his time.

Mr. PROXMIRE. If the Senator will yield on my time, I ask that I have some time so that I may discuss it briefly with the Senator from Arizona.

I think that the Senator from Arizona makes an excellent point. The fact is that a great deal of what we give is not used for hardware for tough, military purposes. It should be. We have an economic aid program, too. The Committee on Foreign Relations has recommended half a billion dollars, $500 million, of economic aid. This $550 million should be confined to the sinews of war—the ammunition, the tanks, the planes, and so forth.

Mr. GOLDWATER. But it is not.

Mr. PROXMIRE. Well, if the Pentagon is not doing that, all we can do is provide the funds.

Mr. GOLDWATER. I just gave the Senator some figures, and it runs about $400 million, not $550 million.

I suggest to the Senator from Wisconsin that he amend his amendment to knock out all aid to South Vietnam if we are going to chop a little bit off of it and do the damage I think it will do. And I am not one who is generally interested in giving money away. I have never voted for foreign aid on this floor in my life, and I never will.

But I do not want to see Southeast Asia go down the drain, and I think it will unless we continue to give them aid. If the Senator wants to knock the whole thing out, I think it would be interesting to see how this body feels about that. I think the Senator might as well knock the whole thing out as remove $150 million. It has already been cut.

Mr. PROXMIRE. May I just say to the Senator from Arizona that we are proposing that we provide the same amount we provided last year. Under the circumstances, it seems to this Senator that that should be enough, in view of the fact that the Soviet Union and the People's Republic of China have, on the basis of documentation, sharply reduced the amount which they provided last year.

I reserve the remainder of my time.

Mr. GOLDWATER. Mr. President, I have said all I wanted to say on this subject. I just do not want to hear the figure 8 to 1 bandied around on this floor any more, because that is not exactly correct. We are talking about apples, oranges, bananas, hospital supplies, schools, and everything else, not just the hardware of war.

The PRESIDING OFFICER. Who yields time?

Mr. McCLELLAN. Mr. President, I yield the distinguished Senator from North Dakota 5 minutes.

Mr. YOUNG. Mr. President, as one who was opposed to getting into the Vietnam war in the first place—it never made sense to me—it is unusual for me to be defending military assistance to South Vietnam. I know that many of the sponsors of big cuts now thought this war was a great adventure about 10 years ago; but after we lost more than 50,000 lives, the thousands who are missing, over 300,000 casualties, and over $150 billion in expenditures, I think it wise that we give some money to salvage something out of this great loss to this Nation.

The President's budget estimate for this purpose submitted by the Bureau of the Budget was $1.4 billion. The Armed Services Committee—and their authorization bill passed both Houses of Congress—called for $1 billion. We have now cut it down to $700 million. I agree with the Senator from Arizona that if we are going to cut it further, we might just as well cut it all out.

We have a new dimension in our foreign policy now, in Secretary Kissinger. I think he has done more for peace in the world than any other man in the history of the United States. He believes that our foreign assistance is a part of his bipartisan foreign policy, and to that extent I am willing to change some of my thoughts of the past and give some foreign assistance, if he believes it necessary, as he does.

Mr. President, I would like to read a letter addressed to Chairman McCLELLAN of the Senate Appropriations Committee, received this morning, signed, in behalf of Secretary Kissinger, by Robert S. Ingersoll, Assistant Secretary. It reads as follows:

AUGUST 20, 1974.

DEAR MR. CHAIRMAN: Secretary Kissinger, who is out of town, has authorized me to send you the following statement concern-the Defense Assistance for Viet-Nam (DAV) funding appropriation that may be discussed in the Senate August 21:

"I understand there may be moves to reduce further the amount to be appropriated for Defense Assistance for Viet-Nam.

"As I stated in my letter to you of August 12, cuts already made in our military assistance, combined with the rapid inflation which has eroded the value of that assistance, have brought the South Vietnamese armed forces to a level of austerity which, if reduced further, might affect their ability to defend their country against continuing Communist military pressure. Even the full $1.0 billion which the Congress has authorized for Viet-Nam military aid would be dangerously austere, particularly in view of the increased North Vietnamese military pressure in recent months. At the $700 million level currently under discussion, I fear that the North Vietnamese will be strongly tempted to increase their pressure still more, and the South Vietnamese will be in danger of running out of military necessities for defending themselves well before the end of the fiscal year. Still further cuts would clearly vitiate our policy of supporting the conditions which made the Paris Agreement possible and would call into question the reassurances President Ford and I have been giving of the continuity and constancy of American foreign policy.

"As I also stated in my August 12 letter, the best hope for a genuine negotiated settlement and eventual reconciliation in Viet-Nam is to maintain the balance of forces which has permitted the progress made thus far. I continue to believe that it is extremely important in furthering progress toward the goals of American foreign policy of the past five years that no further cuts be made in our assistance to South Viet-Nam.

Best Regards,

ROBERT S. INGERSOLL.

Mr. President, I have great confidence in Secretary Kissinger. I think he is one of the most popular men in America today. I believe he is using good judgment; and, as I stated before, he has done more for peace in the world than any other man in the history of this Nation. If he so strongly advocates this $700 million, I am willing to go along.

The PRESIDING OFFICER (Mr. HATHAWAY). Who yields time?

Mr. McCLELLAN. Mr. President, I yield 5 minutes to the distinguished Senator from Mississippi.

Mr. STENNIS. Mr. President, I thank the Senator very much for yielding to me.

I have not been able to attend the debate this morning, except to hear the

statement made by the Senator from North Dakota, and I wish to emphasize that I endorse every word of what the Senator from North Dakota has said about the beginning of this war and the continuing of it, and it being part of the foreign policy. That is certainly something we cannot just turn away from, throw down and go off and leave.

I have no complaints as to anyone's position on this bill, of wanting a reduction and wanting to save money. We all do. But those of us who have carried a good part of the load here concerning this year, and legislating on it, have been some of the ones who warned against going in there in the first place; but we stood firmer not to be run out of there, not to be chased out or leave, either, with our POW's left behind.

What the Senator has said about Mr. Kissinger is every bit true. But I want to say that no man has served, under the circumstances, in a finer way than did former President Nixon, when he had the courage and he took all the beating over the head politically and otherwise about withdrawing from this war under conditions where we were not going to be defeated, and under conditions where we were not going to leave until our POW's came with us. So I commend him for that again.

Now, on this matter: In this bill—may we have order, Mr. President?

The PRESIDING OFFICER. The Senate will be in order.

Mr. STENNIS. Our committee has been dealing with this matter for several years, military aid to South Vietnam, as an exception to the general rule that the Foreign Relations Committee deals with it. We were the ones, in our committee, who first put a ceiling on this amount of $2.5 billion.

Then we brought that down as much as circumstances would allow. This year, now, there is written into the authorization bill a requirement, in hard law, requiring that this money be used under circumstances that require standard accounting methods, whereby the General Accounting Office can go in and chase down every single dollar that may be used in this way. That is an innovation. It is something new, and I think that we are going to have a far better chance to make a real test out of this matter, as to how much they may need, barring one extraordinary thing that no one can foretell, and that one thing is, How hard is North Vietnam going to press this matter for a decision?

In extremity, I judge almost everyone here would be willing to appropriate more money if needed to keep these people, the South Vietnamese, from being exterminated or virtually enslaved.

So I have said this in conference, that no one can actually say how much we will need, but just to get the ordinary things, artillery shells, ammunition, rifles, small arms, and items of that kind, is going to require about just as much as we have in the bill anyway.

It will not buy a lot of planes and tanks and a whole lot of things of that kind. If it has to be had, we have to consider this in a supplemental bill. We had an understanding in the Appropriations Committee that we would make these reductions, and if there was an emergency arose and the administration asked for it, we would consider the facts as they developed then, just to furnish the elementals.

I hear all these stories about the artillery shells being stolen and sold for scrap. We have not had any of that that could be traced down with any authenticity. I do not know, I suppose we have a little stealing going on, thefts here and there, we usually do have, but that is certainly incidental.

The main matter here is—and I am not happy about it, I have never been enthusiastic about a whole lot of foreign aid—are we going to let this ally of ours, which is what we were calling them 2 or 3 years ago, die on the vine and be annihilated as a government and taken over by the Vietnamese Communists with us just standing by? Are we going to give them the minimum—now that is all it is in this bill, a minimum—that will keep them alive militarily, militarily under the ordinary, and they are having heavy lines of battle now, the enemy is closer to Saigon, the capital, than they have ever been.

Coming back to this question, are we going to keep them alive militarily?

I believe an old diehard like I am, to a degree, on military aid to every country in the world, and particularly with the background I have outlined, does not want to see that happen, not repudiate those 54,000 men killed over there and these thousands of others that were wounded, maimed, and their lives partly ruined. We do not want to repudiate them.

Just on that basis alone, I would stand strongly for the minimum.

Now, next year this matter is going to be handled by the——

The PRESIDING OFFICER (Mr. McINTYRE). The Senator's 5 minutes have expired.

Mr. STENNIS. One more minute.

Next year this matter is going to be handled by the Foreign Relations Committee along with all the other foreign aid matters and they will have an excellent chance to take a look and straighten out anything that is the matter with this program.

I think we have cleaned it up very much ourselves, but if we just let them sink into the mire and be defeated or exterminated, it will be too late.

I thank the Senator very much.

Mr. McCLELLAN. Mr. President, I yield 5 minutes to the distinguished Senator from Wyoming.

Mr. HANSEN. Mr. President, I ask unanimous consent that my staff member, Mr. John Napier, may be on the floor during the debate on this bill and on H.R. 12628, including the voting on the bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. McCLELLAN. Mr. President, I ask unanimous consent that Mr. Bill Kennedy, of the appropriations staff, may have the privilege of the floor during future debate on this bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. McCLELLAN. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. The Senator has 13 minutes remaining.

Mr. McCLELLAN. I thank the Chair.

Mr. President, it certainly is not with any great enthusiasm or with any real pleasure that I undertake to defend the action of the Appropriations Committee in this instance in placing the amount of this appropriation at $700 million, the same as that by the House.

I say, it is not any pleasure, because I am placed in a different role from any I have experienced in the past. Some who are very enthusiastic about this amendment have possibly over the years supported large sums of foreign aid spending. I have opposed these measures. I have not voted for foreign spending for a foreign aid bill since 1954, and it is not with any degree of satisfaction at all that I support any amount, not one nickel, for Vietnam or for Southeast Asia.

But it is not what I would personally like to do or would not like to do. We have a question here on what is the duty and the responsibility of our country to do under the present circumstances.

When we made the settlement in Vietnam that enabled us to bring our boys home, we called it peace with honor. I do not know, in my judgment—it was not a complete peace nor was it with complete honor, but it did result in the saving of thousands and thousands in American boys' lives. Recognizing that fact I am confident that we made some obligation, I do not think this will be denied, that we made some obligation to help Vietnam militarily, and economically, in the hope and expectation that possibly she could defend herself.

That was the whole theory, let us get out and we will give them help, so that they can defend themselves.

We got out and our boys are home, we are not fighting, we are not dying over there any more. I want to say that at $700 million a year it is a small amount to get our boys home if that is all it is going to cost us.

For that reason, I am going along and supporting this provision again this year.

Now, if we are going to absolutely stop it, let us say so. Let the authorization committee say so. Do not bring out any more authorization for it and let us give them notice a year in advance that we are not going to do it.

We have cut them this year just over 50 percent—51 percent of what amount the administration requested. We are giving them about the same amount they received last year.

I want to add, we are not giving them as much assistance in goods, material, ammunition, and supplies as we gave them last year, because $700 million this year will not buy the same amount of ammunition, it will not buy the same amount of gasoline, it will not buy the same amount of clothing, it will not buy the same amount of food, it will not buy the same amount of hospitalization, the same medical care, so we are cutting them down.

We are not advancing them more than last year. We are gradually cutting them down.

We ought to do one of two things, make up our mind as national policy we are going to stop it altogether, or we ought to do a little to help them sustain themselves. Particularly, that is true, as it has been pointed out here this morning, with the enemy now within 16 miles of the capital city.

I do not doubt that there is corruption. I do not doubt there are many things wrong. There were many things wrong with a whole lot of other countries and governments, and we kept financing them. We have financed dictatorships.

Where we have already invested 50,000 American lives, plus 300,000 other casualties, that is our treasure.

I do not know whether we ever belonged there in the first place. My belief was when we went in there we should have gone in to win, and we did not.

I think our policy has been wrong from the beginning, but now we want out. Our boys are not dying, and after we induced them to agree to the terms of the peace with the understanding that we would give them some military aid, I think, Mr. President, we have some obligation to do it.

Now, let me point out, and I say I do not relish this, but here is a letter I received this morning from the Secretary of Defense.

Mr. President, I ask unanimous consent that it be inserted in the RECORD at this point.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

AUGUST 21, 1974.

Hon. JOHN L. MCCLELLAN,
*Chairman, Department of Defense Subcommittee, Committee on Appropriations, U.S. Senate*

DEAR MR. CHAIRMAN: I am concerned about a further reduction in the FY 1975 level of support to South Vietnam below the $700 million recommended by both the House and Senate Appropriations Committees. A reduction below the $700 million level would lead to a serious crippling of the South Vietnamese capability to defend themselves, would have a demoralizing effect on them, and could be taken by the enemy as an invitation to increase hostilities. There is no assurance, for example, that we will be able to provide adequate levels of ammunition stocks since the stated requirement for ammunition and essential operating costs alone exceed the $700 million.

As you know, the Department of Defense originally requested funds in the amount of $1.450 billion. As a result of recommendations of the House and Senate Armed Services Committees, Congress previously provided an authorization of $1.000 billion for this purpose. Notwithstanding the level authorized, both the House and Senate Committees on Appropriations have recommended a funding level of $700 million. Congress also denied the use of about $300 million in unobligated balances from FY 1974 and prior programs. This further compounds the impact of cuts in the FY 1975 request. To avoid the loss of all prospects for a negotiated settlement, I urge your support against further reductions in the program of military assistance for South Vietnam.

Sincerely,

J. R. SCHLESINGER.

Mr. MCCLELLAN. Mr. President, I will read a sentence from it:

A reduction below the $700 million level would lead to a serious crippling of the South Vietnamese capability to defend themselves, would have a demoralizing effect on them, and could be taken by the enemy as an invitation to increase hostilities.

I do not know that this allegation is true, but I know it is quite probable. I do know they mean to control that country some day, if they can.

It is perfectly obvious to me, and I do not think anybody can deny it. It is just a question of how much more obligation we feel to try to help these people defend themselves.

Another portion of the letter reads:

Congress also denied the use of about $300 million in unobligated balances from FY 1974 and prior programs. This further compounds the impact of cuts in the FY 1975 request. To avoid the loss of all prospects for a negotiated settlement, I urge your support against further reductions in the program of military assistance for South Vietnam.

Mr. President, I am going to support it this year, the amount that is in the bill, the amount that the House has approved. But I am making reservations, and I do not hesitate to say so. I think the appropriate committees, the Armed Services Committee and the Foreign Relations Committee, ought to look into it very closely. We ought to make a policy that we are going to stand by and live by, and not have this problem every time an appropriations bill comes up. Let us determine what we are going to do, and then do it. We ought to give them notice that within a year's time, or some such time, we are not going to provide any further assistance. If we are going to provide help this year, we should give them notice that within a year's time, or some such time, we are not going to provide any further assistance. If we are going to provide help this year, we should give them enough funds to try to make certain that it will sustain them until we reach that point next year for a final decision.

Mr. President, I do not relish supporting this matter at all. I do not like it. I do not like it a bit. I have not liked it, any of it, in the last 20 years. But we do have a problem here, and we have an obligation, as I see it, at this moment to try to help these people to protect themselves; try to prevent their being overrun and conquered, and their government and their freedom destroyed.

The PRESIDING OFFICER. Who yields time? The Senator from Wisconsin.

Mr. PROXMIRE. Mr. President, I yield myself such time as I may require.

I am practically through. I do not think we need to spend further time on this.

Mr. President, I think we ought to recognize some of the facts.

Fact No. 1 is what this amendment does is propose that we provide in military assistance for South Vietnam exactly the same as the Senate voted last year, $550 million, not a reduction from what we recommended last year. Last year we did settle for a higher figure. We went to conference. This year we will go to conference and we would presumably settle for some kind of a compromise figure. I am simply recommending that we provide the same amount as last year.

No. 2, in spite of all the argument and all the rhetoric, the fact is that the best evidence we have from the Defense Intelligence Agency is that the People's Republic of China and the Soviet Union have sharply reduced the amount that they have been giving to North Vietnam.

The statistics are very clear. They cut the amount they gave in 1972 by more than one-half what it was. Their figures show that we are providing 8 times as much money to South Vietnam as the major Communist countries are providing North Vietnam.

The Senator from Arizona disputes that, and argues that we include in our military figures not only hard goods but many other things.

I say that is the discretion of the Defense Department. If they want to confine it to planes, tanks, ammunition, rifles, and so forth, good. That is what they should do.

Mr. President, in addition to these points, I would like to discuss the argument that has been made that there has been exaggeration of the corruption in South Vietnam. General Thieu's own paper, the most conservative paper in Saigon, and the paper that supports the administration, was responsible for the evidence that uncovered the fact that a number of new American A-37's worth $500,000 each were being dismantled and sold for scrap on the black market in Saigon.

Furthermore, there is the fact the police raid on an illegal scrap operation yielded the wings of 15 planes as well as substantial amounts of other U.S.-made equipment which was being readied for foreign export.

I realize that corruption does take place under these circumstances. But the one action—the one action—Congress can take to reduce that is to limit the amount of funds available. This is the only way we can put real pressure on the Thieu administration to make sure that this kind of corruption does not take place in the future. As long as they have an abundance of hundreds of millions of dollars, it is predictible that this type of corruption is going to recur.

One further point, Mr. President: It has been said that if we do not provide the full amount the Appropriations Committee has recommended and the Secretary of Defense says he has to have, South Vietnam is going to go down the drain.

This is very hard to accept in view of the findings of congressional committees and the testimony of Gen. William Caldwell. The Frelinghuysen report, for example, and the testimony of General Caldwell before the Senate Armed Services Committee this year, showed that the Saigon regime has increased its population control by 6 percent since the ceasefire and its control over hamlets by 770. This is not what happens when a regime is in dire straits. It is improving its position.

So on every score, from the standpoint of the balancing of the amount of aid on the other side, which has been set by our officials as the principal purpose of our military aid, we are giving more. No matter whether you accept my statistics or the statistics of the Senator from Arizona, that is the case. We are giving more, substantially more. If my amendment is accepted we would still give more than the Communist countries are giving.

There is not any question that we can help put pressure on reducing corruption if we reduce the amount of money available.

There also seems to be little question that, when you look at the facts, the South Vietnamese are not about to go under if we provide a limited reduction in the amount of military assistance. They have been doing well and they will continue to do all right.

Mr. President, I do not know if the Senator from Arkansas has any request for any further time.

Does the Senator from Arkansas wish to yield back his time or have a quorum call with the time taken from both sides?

Mr. McCLELLAN. I will yield 1 minute to the Senator from Mississippi.

Mr. STENNIS. Mr. President, I thank the Senator for yielding.

Mr. President, just for the record, back when we had this matter up for consideration in the Armed Services Committee on Thursday, May 23, 1974, as chairman I issued a press statement calling upon the Department of Defense for a closer surveillance, and so forth, with reference to this program. My recollection is I wrote the Secretary of Defense a letter to that effect, but I have been unable to locate the letter. As a substitute, I will use the press release to describe it.

I ask unanimous consent that a copy of this press release to improve surveillance over the matter be inserted in the RECORD at this point.

There being no objection, the press release was ordered to be printed in the RECORD, as follows:

NEWS RELEASE OF SENATOR JOHN C. STENNIS

Senator John C. Stennis, Chairman of the Senate Armed Services Committee, requested today that "a highly competent individual of top reputation" be assigned to take full charge of the billion-dollar program of military aid to South Vietnam.

Senator Stennis made the request in a statement directed to the Defense Department and the White House. He stressed that a top administrator should have full-time responsibility for the program under the general direction of the Secretary of Defense.

The text of the Senator's statement:

"In recent weeks the Senate Committee on Armed Services has devoted much time to the program of military aid for South Vietnam. That program was originally designed to finance a shooting war in which U.S. troops, South Vietnamese, and others were engaged.

"The after-the-fact accounting procedures which may have been necessary for full-scale fighting with allies are wholly inappropriate for providing aid to a single nation—South Vietnam. I think this program must be tightened up and put on a sound basis, and I am asking the Defense Department and the White House to do that.

"In the pending Military Procurement Authorization Bill, the Senate Armed Services Committee has provided a new accounting format for military aid to South Vietnam. In place of the merged accounting arrangement known as Military Assistance Service Funded, MASF, our Committee has set up for this assistance a separate appropriations account which, in contrast to the present arrangement, would be subject to the same auditing and review procedures as any other appropriations account. Among other things, it would be subject to audit by the General Accounting Office. Obligations would require approval by the Secretary and would be charged immediately against the ceiling set by Congress.

"To administer this new program, I think a highly competent individual of top reputation should be assigned to take full charge and supervise operations here and in South Vietnam.

"I understand that the program will be the general responsibility of the Secretary of Defense and the Assistant Secretary for International Security Affairs, but I want a top-man assigned full-time to this job.

"I favor a reasonable amount of military aid for South Vietnam in the wake of our withdrawal. I am sure, however, that the Program must be put on a new basis which reflects the present situation."

Mr. GOLDWATER. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. GOLDWATER. If both sides yield back their time——

Mr. McCLELLAN. Has the Senator from Wisconsin yielded back his time?

Mr. PROXMIRE. I yield back, unless the Senator from Arizona wishes to ask a question.

Mr. GOLDWATER. If both sides yield back their time, does the vote occur at 11 o'clock or now?

The PRESIDING OFFICER. The unanimous-consent agreement was for the vote to occur at 11 o'clock. That is the time the vote will occur.

Mr. GOLDWATER. I thank the Chair.

The PRESIDING OFFICER. Who yields time?

Mr. McCLELLAN. I am willing to yield back the remainder of my time.

Mr. PROXMIRE. I had a request from the Senator from Missouri to speak briefly. I will yield to the Senator from Missouri for 2 minutes.

Mr. SYMINGTON. Mr. President, yesterday, I gave reasons why I was going to support the Proxmire amendment. This morning I found that due to a rather intricate formula in the Corps of Engineers, a very important and essential dam for my State, slightly north of Kansas City, has been rejected. I also found that an important dam in Southwest Missouri, where the amount of money being asked was $75,000—$75,000—was rejected. The total project to go to completion would be $18 million.

I have respect for those who believe that we have an obligation to the South Vietnamese. But the longer I am in this body the more I believe that our basic obligation is to the people of the United States, many of whom are poor, many of whom need their water developed, many of whom wonder why it is so necessary for us to spend all these billions upon billions of dollars in foreign countries when they cannot get the opportunity to have the Congress approve a few thousand dollars or in some cases a few million dollars to improve their own quality of life.

I thank the Senator for yielding to me.

Mr. PROXMIRE. May I say to the Senator from Missouri I think he raises one of the most important points of all, one that has been neglected this morning in the debate.

The Senator from Rhode Island discussed it yesterday very eloquently. It is a fact that this inflationary year, when we have to do everything to hold down every nickel of spending we possibly can, when we are denying assistance for health, for education, for well being, for housing, for transportation, for so many purposes that we need—and the House just yesterday made an extremely sharp reduction in the mass transit bill—here is one area of assistance to South Vietnam where a modest reduction back to the level we recommended last year, it seems to me, is in order.

Mr. SYMINGTON. Mr. President, I thank the Senator for his remarks.

May I say that I have been in South Vietnam many times—in 1961, in 1965, in 1966, in 1967, and in 1972—and every time I went there I became more and more convinced that the sooner we got out of South Vietnam, and stopped pouring these billions of dollars down the rathole of that country, the better off it would be for the people of this country.

Mr. PROXMIRE. Mr. President, I thank the Senator.

Mr. HUGHES. Mr. President, I am pleased to join in supporting the amendment of the distinguished Senator from Wisconsin (Mr. PROXMIRE), for I believe that military assistance to South Vietnam can and should be reduced further.

As a result of a compromise in the Senate Armed Services Committee, I supported that committee's recommendation of a $900 million ceiling for this MASF program. As I said at the time, however, I hoped and expected that the Appropriations Committee would examine these requests on the basis of later evidence in order to consider further sensible reductions.

That committee has already seen fit to reduce the funding to $700 million. I believe that recent evidence also justifies a further cut—to the $550 million figure proposed in this amendment.

One of the most significant recent studies of this program was conducted by staff members of the Foreign Relations Committee, whose report was published just 3 weeks ago.

That report makes these major findings:

U.S. officials who study North Vietnam most closely agree that a major Communist attack is unlikely this year and perhaps even next year.

While overall North Vietnamese and PRG military strength has increased about 30,000 men since the Paris Agreements were signed, Saigon has added over 50,000 men.

Both sides have continued military operations to consolidate their respective positions, but Saigon has expanded its control by 6 to 15 percent.

U.S. officials acknowledge that the mass of military equipment poured into

South Vietnam just before the cease-fire has not been well utilized.

And although officials in Washington continue to worry about alleged ammunition shortages in view of congressional cutbacks in MASF, the Foreign Relations Committee staff members report that "no mention of such shortages was made to us in briefings or discussions in Vietnam."

In fact, U.S. officials have no reliable means of verifying expenditures of ammunition by the South Vietnamese.

In view of these facts, I do not see why we should continue to fund this program at nearly last year's level. A $550 million program would be much more in keeping with our desire to phaseout of this huge monetary commitment to Saigon and also to encourage the transition from a military to a political struggle.

After all, the South Vietnamese are far from defenseless. They have the fifth largest armed force in the world, and one of the largest and best equipped air forces. Even this $550 million in military aid will be more than double what North Vietnam received last year from its allies.

The military machine we have built in South Vietnam is also an instrument for repression and the locus of waste and corruption. By continuing massive aid to the Thieu regime, we are in fact undermining the chances for peace or democratic government in South Vietnam.

Cutting military aid to $550 million now is a responsible and a moral action.

Every time one of these requests is debated in the Congress, there seems to be a flood of scare stories from Saigon. We heard dire predictions last winter, when we denied the request for $266 million in the supplemental. We heard more in June, when we cut the request to $900 million. Now we hear them again.

What we do not hear is that plaintive cry for peace, for an end to the violence, which comes from the innocent people caught in the crossfire of the contending armies.

These farmers and orphans and urban squatters do not care who sits in the presidential palace, or who collects the taxes. Or if they do care, they have never been given a free choice or a free vote to express their preference.

The United States, by its own actions, cannot impose peace where there is no will for peace. But we can reduce our own involvement in perpetuating this long and tragic conflict.

This amendment contributes to that worthy goal, and I shall gladly support it.

Mr. McCLELLAN. Mr. President, I yield 2 minutes to the distinguished Senator from Texas.

Mr. TOWER. Mr. President, we do have many pressing domestic problems here, and there are many important Government programs that need to be funded and funded adequately. But this does not obviate the fact that we have a world responsibility. We have to think in terms of the role of the United States in trying to promote a climate in this world in which we can achieve peace and security, a climate in which people can aspire to self-determination and have some reasonable hope of realizing that aspiration. If we do not promote that climate in this world, I think we are going to inflict damage on the security of the United States.

Domestic problems are important. But it is also important that we create the kind of climate in this world in which we can preoccupy ourselves with domestic problems and not with international problems. To walk away from Vietnam and turn Vietnam over to Hanoi—and that is precisely what we would do if the amendment of the Senator from Wisconsin were adopted—would be a dereliction of our responsibility. It would mean that we are saying that 50,000 American have died in vain. It would mean that the Paris agreement, which was so painfully put together, would be treated as a scrap of paper, because we would leave the South Vietnamese without the capacity to defend themselves. Already, in violation of the Paris agreement, the North Vietnamese have built up their forces to the greatest strength ever in South Vietnam.

I do not see how we can, in good conscience, abandon these people to what will be a major offensive and a certain blood bath should we fail to supply them with the military equipment they need.

Mr. PROXMIRE. Mr. President, I say to the Senator from Texas that I am not proposing that we get out of Vietnam. Perhaps I should, but I am not. I am proposing that we allow $550 million, an enormous amount, for military assistance to Vietnam, in addition to the extra $500 million that the Committee on Foreign Relations has recommended we provide in economic aid for South Vietnam. This is more aid than we provide to any other country in the world, more than we provide to all of South America. This is not abandoning our world responsibilities at all.

Further, in terms of the Paris agreement, the fact is that the Soviet Union and the People's Republic of China have reduced their assistance far more than we have—as a matter of fact, far more than we would even if we adopted my amendment.

Mr. RANDOLPH. Mr. President, will the Senator yield?

Mr. PROXMIRE. I yield 1 minute to the Senator from West Virginia.

Mr. RANDOLPH. Mr. President, I appreciate the cooperation of the able Senator from Wisconsin in permitting me to present a matter to the Senate.

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## PUBLIC WORKS AND ECONOMIC DEVELOPMENT AUTHORIZATIONS EXTENSION

Mr. RANDOLPH. Mr. President, I ask the Chair to lay before the Senate a message from the House of Representatives on H.R. 14883.

The PRESIDING OFFICER laid before the Senate a message from the House of Representatives announcing its disagreement to the amendment of the Senate to the bill (H.R. 14883) to amend the Public Works and Economic Development Act of 1965 to extend the authorizations for a 2-year period, and for other purposes, and requesting a conference with the Senate on the disagreeing votes of the two Houses thereon.

Mr. RANDOLPH. I move that the Senate further insist upon its amendment.

The motion was agreed to.

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## DEPARTMENT OF DEFENSE APPROPRIATION ACT, 1975

The Senate continued with the consideration of the bill (H.R. 16243) making appropriations for the Department of Defense for the fiscal year ending June 30, 1975, and for other purposes.

The PRESIDING OFFICER. Who yields time?

Mr. THURMOND. Mr. President, will the Senator yield?

Mr. McCLELLAN. I yield 1 minute to the Senator from South Carolina.

Mr. THURMOND. Mr. President, I would just remind the Senate that the President of the United States feels very strongly about this appropriation. The Secretary of Defense has written a letter, a copy of which is on the desk of each Senator, showing the importance of this appropriation. The Secretary of State has made a statement strongly favoring this appropriation.

I remind Senators, too, that this amount of $700 million is only four-fifths of 1 percent of the defense budget. Originally, the Defense Department requested $1.45 billion. That was cut to $1 billion in conference with the Senate and the House. The Senate Appropriations Committee has now cut it to $700 million.

Mr. President, if we go below that amount, we are jeopardizing the freedom of the people of South Vietnam. Furthermore, we will not be keeping our commitment there, which was the promise to those people of a talk for a tank, a gun for a gun, so that they can fight their own war and retain their freedom.

I hope that this amendment will be defeated.

Mr. PROXMIRE. Mr. President, I yield back the remainder of my time.

Mr. McCLELLAN. I yield back the remainder of my time.

The PRESIDING OFFICER. All time has been yielded back.

Mr. GOLDWATER. Mr. President, would it be in order at this time for me to call up my amendment to the Proxmire amendment?

The PRESIDING OFFICER. The amendment would be in order.

Mr. GOLDWATER. I call up my amendment, Mr. President, and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

On page 1, line 2, of amendment No. 1810, in lieu of "$550,000,000" insert "0".

Mr. GOLDWATER. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. STENNIS. Mr. President, will the Senator yield for a question?

Mr. GOLDWATER. I yield.

Mr. STENNIS. I did not hear the last word in the proposed amendment.

Mr. GOLDWATER. The word is "zero."

The PRESIDING OFFICER. The clerk will state the amendment again.

The assistant legislative clerk read as follows:

On page 1, line 2 of amendment No. 1810, in lieu of "$550,000,000" insert "0".

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Arizona (Mr. GOLDWATER) to the amendment of the Senator from Wisconsin (Mr. PROXMIRE). On this question the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. ROBERT C. BYRD. I announce that the Senator from Alaska (Mr. GRAVEL), the Senator from Massachusetts (Mr. KENNEDY), the Senator from Wyoming (Mr. McGEE), the Senator from South Dakota (Mr. McGOVERN), and the Senator from Alabama (Mr. SPARKMAN) are necessarily absent.

Mr. GRIFFIN. I announce that the Senator from New Jersey (Mr. CASE) and the Senator from New York (Mr. JAVITS) are necessarily absent.

I also announce that the Senator from Illinois (Mr. PERCY) is absent on official business.

I further announce that, if present and voting, the Senator from New Jersey (Mr. CASE) would vote "nay."

The result was announced—yeas 21, nays 71, as follows:

[No. 373 Leg.]

YEAS—21

| | | |
|---|---|---|
| Abourezk | Hartke | Schweiker |
| Biden | Haskell | Scott, William L. |
| Burdick | Hatfield | Symington |
| Church | Hughes | Tunney |
| Cranston | Mansfield | Weicker |
| Eagleton | Muskie | |
| Fulbright | Pell | |
| Hart | Ribicoff | |

NAYS—71

| | | |
|---|---|---|
| Aiken | Dominick | Metcalf |
| Allen | Eastland | Metzenbaum |
| Baker | Ervin | Mondale |
| Bartlett | Fannin | Montoya |
| Bayh | Fong | Moss |
| Beall | Goldwater | Nelson |
| Bellmon | Griffin | Nunn |
| Bennett | Gurney | Packwood |
| Bentsen | Hansen | Pastore |
| Bible | Hathaway | Pearson |
| Brock | Helms | Proxmire |
| Brooke | Hollings | Randolph |
| Buckley | Hruska | Roth |
| Byrd, Harry F., Jr. | Huddleston | Scott, Hugh |
| Byrd, Robert C. | Humphrey | Stafford |
| Cannon | Inouye | Stennis |
| Chiles | Jackson | Stevens |
| Clark | Johnston | Stevenson |
| Cook | Long | Taft |
| Cotton | Magnuson | Talmadge |
| Curtis | Mathias | Thurmond |
| Dole | McClellan | Tower |
| Domenici | McClure | Williams |
| | McIntyre | Young |

NOT VOTING—8

| | | |
|---|---|---|
| Case | Kennedy | Percy |
| Gravel | McGee | Sparkman |
| Javits | McGovern | |

So the amendment was rejected.

The PRESIDING OFFICER (Mr. MONTOYA). The question now recurs on agreeing to the amendment of the Senator from Wisconsin (Mr. PROXMIRE). On this question, the yeas and nays have been ordered, and the clerk will call the roll.

The second assistant legislative clerk called the roll.

Mr. JOHNSTON (after having voted in the negative). Mr. President, on this vote I have a pair with the senior Senator from Massachusetts (Mr. KENNEDY). If he were present and voting, he would vote "yea." If I were at liberty to vote, I would vote "nay." Therefore, I withdraw my vote.

Mr. ROBERT C. BYRD. I announce that the Senator from Alaska (Mr. GRAVEL), the Senator from Massachusetts (Mr. KENNEDY), the Senator from Wyoming (Mr. McGEE), the Senator from South Dakota (Mr. McGOVERN), and the Senator from Alabama (Mr. SPARKMAN) are necessarily absent.

Mr. GRIFFIN. I announce that the Senator from New Jersey (Mr. CASE) and the Senator from New York (Mr. JAVITS) are necessarily absent.

I also announce that the Senator from Illinois (Mr. PERCY) is absent on official business.

I further announce that, if present and voting, the Senator from New Jersey (Mr. CASE) and the Senator from Illinois (Mr. PERCY) would each vote "nay."

The result was announced—yeas 44, nays 47, as follows:

[No. 374 Leg.]

YEAS—44

| | | |
|---|---|---|
| Abourezk | Haskell | Nelson |
| Bayh | Hatfield | Packwood |
| Bible | Hathaway | Pastore |
| Biden | Huddleston | Pell |
| Brooke | Hughes | Proxmire |
| Burdick | Inouye | Randolph |
| Cannon | Magnuson | Ribicoff |
| Church | Mansfield | Schweiker |
| Clark | Mathias | Scott, William L. |
| Cook | Metcalf | Stevenson |
| Cranston | Metzenbaum | Symington |
| Eagleton | Mondale | Tunney |
| Fulbright | Montoya | Weicker |
| Hart | Moss | Williams |
| Hartke | Muskie | |

NAYS—47

| | | |
|---|---|---|
| Aiken | Dole | Long |
| Allen | Domenici | McClellan |
| Baker | Dominick | McClure |
| Bartlett | Eastland | McIntyre |
| Beall | Ervin | Nunn |
| Bellmon | Fannin | Pearson |
| Bennett | Fong | Roth |
| Bentsen | Goldwater | Scott, Hugh |
| Brock | Griffin | Stafford |
| Buckley | Gurney | Stennis |
| Byrd, Harry F., Jr. | Hansen | Stevens |
| Byrd, Robert C. | Helms | Taft |
| Chiles | Hollings | Talmadge |
| Cotton | Hruska | Thurmond |
| Curtis | Humphrey | Tower |
| | Jackson | Young |

PRESENT AND GIVING A LIVE PAIR, AS PREVIOUSLY RECORDED—1

Johnston, against.

NOT VOTING—8

| | | |
|---|---|---|
| Case | Kennedy | Percy |
| Gravel | McGee | Sparkman |
| Javits | McGovern | |

So Mr. PROXMIRE's amendment was rejected.

Mr. McCLELLAN. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. THURMOND. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

## STATE, JUSTICE, COMMERCE, AND JUDICIARY APPROPRIATIONS—TIME LIMITATION AGREEMENT ON NELSON-ERVIN AMENDMENT

Mr. MANSFIELD. Mr. President, I ask unanimous consent that it be in order at this time to ask for a 1-hour limitation on the Nelson-Ervin amendment which will be offered to the State Department appropriation bill. This has been cleared with the manager of the bill.

I wish to ask if the distinguished ranking Republican would agree, as has the distinguished ranking Republican of the subcommittee.

Mr. YOUNG. I have no objection.

Mr. MANSFIELD. And the chairman of the subcommittee.

Mr. PASTORE. I have no objection.

Mr. HRUSKA. I have no objection.

The PRESIDING OFFICER. There being no objection, it is so ordered.

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## J. ALLEN FREAR BUILDING

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1064, S. 3815.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Montana?

There being no objection, the Senate proceeded to consider the bill (S. 3815) to designate the Federal office building located in Dover, Del., as the "J. Allen Frear Building" which had been reported from the Committee on Public Works with an amendment on page 1, in line 5, strike out the words "the late" so as to make the bill read:

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the Federal office building located in Dover, Delaware, is designated as the "J. Allen Frear Building", in honor of Senator J. Allen Frear.

SEC. 2. Any reference to such building in any law, rule, document, map, or other record of the United States is deemed to be a reference to such building by the name designated for such building by the first section of this Act.

Mr. ROTH. Mr. President, I thank my colleague from Delaware for his support of this bill to name the new Federal office building in Dover, Del., the J. Allen Frear Building. I have spoken on this matter on two previous occasions, so my remarks shall be brief.

Mr. Chairman, I believe that Federal buildings should be more than concrete and steel—they should embody and complement the community in which they stand. Federal buildings can do this by bearing as their name the name of a distinguished member of the local community. In Dover, Del., such a man is former U.S. Senator J. Allen Frear.

J. Allen Frear's entry in the Biographical Directory of the American Congress reads as follows:

Frear, Joseph Allen, Jr., a Senator from Delaware; born on a farm near Rising Sun, Kent County, Del., March 7, 1903; attended the Rising Sun rural school and Caesar Rodney High School; graduated from the University of Delaware in 1924; president and

owner of a retail business in Dover, Del.; Commissioner of Delaware State College 1936–1941 and Delaware Old Age Welfare Commission 1938–1948; director, Federal Land Bank Board, Baltimore, Maryland 1938–1947, being chairman of the board the last two years; director of the Farmer's Bank of Dover and the Baltimore Trust Co., of Camden, Del.; president of Kent General Hospital, Dover, Del., 1947–1951; during World War II served in the United States Army as a major, with overseas service in the European Theater of Operations with the Military Government, 1944–1946; delegate to Democratic National Conventions in 1948, 1952, and 1956; elected as a Democrat to the United States Senate in 1948 for the term commencing January 3, 1949; reelected in 1954 for the term ending January 3, 1961; unsuccessful candidate for reelection in 1960; appointed to the Securities and Exchange Commission on March 15, 1961, resigned in October 1963; elected a vice president of the Wilmington Trust Co., in Delaware, 1963; is a resident of Dover, Delaware.

This entry is enough to tell us that former Senator Frear has led a worthwhile life of community service, that he has done much for the people of Delaware. But it does little to point out the essential humanity of this man—his perception, his warmth, and his good sense; the qualities that have earned him friendship as well as respect, and deserve note.

Mr. President, in a time when suspicion is widespread that many in public office are not worthy of trust, it is important that we honor those who have lived a public life that is worthy of trust. For that reason I sponsor and urge my colleagues to support S. 3185, to designate the Federal office building located in Dover, Del., as the J. Allen Frear Building.

Mr. President, shortly after I first suggested that the Federal office building in Dover be named for former Senator Frear, an article appeared in the Delaware State News supporting that idea. I ask unanimous consent that it be inserted in the RECORD at this time.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

[From The Delaware State News, July 9, 1974]

NAMING OF FED BUILDING FOR FREAR IS GOOD IDEA

(By Harry C. McSherry)

A proposed action that was met with pleasure by all persons learning about it was the one to name the new Dover federal office building in honor of former U.S. Sen. Allen J. Frear of Dover.

The fact that the former Senator is a prominent Democrat apparently did not deter U.S. Sen. William V. Roth, a Republican, from suggesting it and, further, indicating he planned to confer with the proper Senate Committee concerning the matter.

As a supporter of civic matters, either in public, or privately, the former Senator has been acknowledged in the front ranks of affairs locally for a long term of years.

His pleasant manner has brought him an untold number of friends and has likewise aided his efforts in many activities.

It is needless to say the local public will be greatly pleasured should the proposal of Senator Roth be successful.

Mr. BIDEN. Mr. President, I have cosponsored S. 3815, a bill to designate the new Federal Office Building in Dover, Del., as the "J. Allen Frear Building."

At the request of Senator ROTH, I have had the bill reported out of the Public Works Committee of which I am a member. The Public Works Committee in its report stated that,

The committee believes that it would be most appropriate to name the New Federal Office Building in Dover the "J. Allen Frear Building."

J. Allen Frear served as the U.S. Senator from Delaware for two terms from 1949 to 1961. Senator Frear has dedicated his entire life to public service. A person of the highest moral integrity, Senator Frear has conducted himself in both elected office and his many public service activities, in a fair, impartial, nonpartisan manner. He has always placed the interests of the Nation and the people of the State of Delaware before self or party.

The best indication of this is demonstrated by the fact that my Republican colleague from Delaware first came up with the idea to name this building after Senator Frear, a Democrat.

I, therefore, in recognition of his outstanding record of public service, urge your support of S. 3815 when it comes before the Senate for consideration.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

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## VETERANS EDUCATION AND REHABILITATION AMENDMENTS OF 1974—CONFERENCE REPORT

Mr. MANSFIELD. Mr. President, I submit a report of the committee of conference on H.R. 12628, and ask for its immediate consideration.

The PRESIDING OFFICER. The report will be stated by title.

The second assistant legislative clerk read as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 12628) to amend title 38, United States Code, to increase the rates of vocational rehabilitation, educational assistance, and special training allowances paid to eligible veterans and other persons; to make improvements in the educational assistance programs; and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses this report, signed by all the conferees.

The PRESIDING OFFICER. Is there objection to the consideration of the conference report?

There being no objection, the Senate proceeded to consider the report.

(The conference report is printed in the House proceedings of the CONGRESSIONAL RECORD of August 19, 1974, at pp. 29015–29040.)

Mr. MANSFIELD. Mr. President, I ask unanimous consent that there be a time limitation of not to exceed 5 minutes on the consideration of the conference report.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HARTKE. Mr. President, I rise to urge the Senate to adopt the conference report to H.R. 12628, the Vietnam Era Readjustment Assistance Act of 1974. The conference report before you has reconciled the differences between the Senate and the House versions and has been agreed to unanimously by the Senate and House conferees. Mr. President, this bill is not all that we had hoped for but by and large it does contain the vast majority of the provisions passed by the Senate on June 19 of this year.

The one item which occasioned the greatest opposition from both the administration and from the House conferees was the partial tuition assistance provision which would have provided up to $720 a school year in additional educational allowances. While the tuition provision was dropped from this compromise bill, the conferees have agreed to a provision directing the Veterans' Administration to carry out a thorough study and to report to Congress and the President within 12 months on the opportunities for abuse and administrative difficulties arising from a tuition assistance program if one were to be enacted. Various interested organizations and agencies are to be consulted and their views solicited as part of the study process. The study would draw its context from the findings of abuses in connection with the World War II GI bill program and from an investigation of these problems as presently being experienced under the GI bill tuition assistance programs such as chapter 31, vocational rehabilitation, correspondence courses, flight training and PREP, and would include recommendations by the Veterans' Administration as to legislative or administrative ways in which any such abuses and difficulties could be prevented and mitigated under present or future programs.

Mr. President, I believe such a study would be valuable and may put to rest some of the persistent fears that exist with respect to any tuition assistance program. I must be candid and admit that I am disappointed that this provision was not agreed to, because it remains my contention that the concern over possible abuses in the GI bill program does not rest so much in the level or manner of payment as it does either with the quality of services offered by some institutions presently eligible to participate in the VA program or with deceptive, erroneous, or misleading advertising sales or enrollment practices by them. I am thus gratified that new and important controls added by the Senate which should mitigate against those abuses have been retained in the compromise version. Perhaps with the prospective study by the Veterans' Administration and the operation of these new controls added by the Senate, we will be able to approach the issue of tuition with increased knowledge, decreased concern and reduced emotion.

Mr. President, there have been some suggestions that this bill is inflationary and that more "compromise" is needed. I believe this suggestion is not in accord with the facts and ignores the extensive amount of compromise which has occurred already. The Senate by receding on the partial tuition assistance allowance has agreed in effect to a net reduction in the original Senate bill approved by a vote of 91 to 0 of almost $500 million. I believe any objective observer will

agree that this represents a substantial compromise on the part of the Senate.

Second, the 22.7-percent increase clearly does not outpace the inflation which has been and continues to be experienced by our younger veterans. Since the effective date of Public Law 92-540 in 1972 the increase in the basic cost of living alone has reached almost 19 percent as of today and can easily be expected to reach 23 percent by the end of this year. But even this fails to take into account that increases in the consumer price index have consistently been outpaced by increases in the cost of education. It should be remembered that the educational assistance allowance scheduled to be increased by 22.7 percent is meant to cover both subsistence costs and educational costs. Thus I believe that the increases that we have provided in the compromise agreement are responsible and thoroughly warranted measured by any standard including our justifiable concern over inflation and the impact of governmental expenditures on it. I am hopeful that President Ford will realize that this is a responsible and necessary measure, because I am convinced that Congress and the American people view it as such.

Mr. President, the American people became increasingly disenchanted with President Ford's predecessor, whose actions were so often at variance with his words. Veterans particularly noted the disparity between President Nixon's rhetorical praise for those who sacrificed for their country and his actions which so often belied that praise. Perhaps most shocking to our Nation's veterans was the pocket veto of two important veterans' measures in 1972—the first such vetoes in over 30 years. Of course, both bills were overwhelmingly passed in the following Congress and signed into law, but the distress created by those vetoes was lasting.

I am most hopeful that President Ford will take the opportunity to demonstrate his genuine concern for those who sacrificed for their country by signing the bill promptly when it is presented to him. Some schools have already begun and the overwhelming majority will begin shortly. It is important that this legislation be signed now so that veterans can get on with the task of educating themselves and becoming more productive citizens.

Mr. President, before I briefly summarize the provisions of the conference report, I want to take this opportunity to express my deep gratitude and appreciation to each member of the committee, which I am privileged to chair, for their hard work, their dedication, and their typically bipartisan approach to this bill which has characterized their efforts with respect to all veterans legislation which has been considered by the committee. The Senator from Georgia (Mr. TALMADGE), the Senator from West Virginia (Mr. RANDOLPH), the Senator from Iowa (Mr. HUGHES), the Senator from California (Mr. CRANSTON), the Senator from Wyoming (Mr. HANSEN), the Senator from South Carolina (Mr. THURMOND), the Senator from Vermont (Mr. STAFFORD), and the Senator from Idaho (Mr. MCCLURE) have all worked hard on this bill and have contributed to the final product which you see before you.

I particularly want to commend them for the unity they displayed in our conference with the House.

GENERAL SUMMARY OF THE PROVISIONS OF THE VIETNAM ERA VETERANS READJUSTMENT ASSISTANCE ACT OF 1974

Mr. President, there are five titles in the Vietnam Era Veterans Readjustment Assistance Act of 1974 as agreed to in conference. Briefly summarized, they are as follows:

TITLE I

Title I amends title 38 as follows:

First, increases the rates for the monthly educational assistance allowance by 22.7 percent fo religible veterans under chapters 31 and 34 and for eligible wives, widows, and children training under chapter 35. The monthly allowance for a single veteran with no dependents is increased from $220 to $270. A married veteran's allowance is increased from $261 to $321 monthly. The allowance for a married veteran with a child is increased from $298 to $366 a month with provision for $22 for each additional dependent.

Second, increases by 22.7 percent the monthly training assistance allowance payable to eligible veterans or persons pursuing a full-time program of apprenticeship or other on-job training program. The initial monthly allowance for a single veteran with no dependents is increased from $160 to $196.

Third, liberalizes eligibility requirements for disabled Vietnam veterans to train under the vocational rehabilitation provisions of chapter 31 to equalize them with those in effect for veterans of World War II and the post-Korean conflict.

Fourth, clarifies and liberalizes the circumstances under which disabled veterans training under the vocation rehabilitation provisions of chapter 31 may qualify for individualized tutorial assistance.

TITLE II

Title II amends title 38 as follows:

First, permits the initial 6 months of active duty training by Reserve and National Guard members to be counted toward entitlement for educational assistance under chapter 34, if the Reserve or Guard members subsequently serve on active duty for a consecutive 12 months or more.

Second, extends the maximum entitlement of educational benefits to veterans from 36 to 45 months.

Third, clarifies and strengthens certain administrative provisions of the veterans VA educational assistance programs to prevent and mitigate against abuses by providing that courses with vocational objectives must demonstrate that at least 50 percent of the course graduates obtained employment in the occupational category for which the course was designed to provide training.

Fourth, provides that the Administrator shall not approve enrollment of an eligible veteran or person in any course which utilizes significant avocational and recreational themes in its advertising, or in any proprietary below-college level course in which more than 85 percent of the eligible students are wholly or partially subsidized by the Veterans' Administration.

Fifth, clarifies and strengthens certain administrative provisions of the VA educational assistance program to prevent abuses.

Sixth, authorizes up to 6 months of refresher training for veterans eligible under the current GI bill to update knowledge and skills in light of the technological advances occurring in their fields of employment during and since the period of their active military service.

Seventh, liberalizes the veteran-student service programs by raising the maximum work-study allowance from $250 to $625—increasing the maximum number of hours a veteran may work from 100 to 250 hours—and removing any statutory ceiling on the number of veterans who can participate in the program.

Eighth, liberalizes the tutorial assistance program by extending the maximum assistance period from 9 to 12 months and increasing the monthly tutorial allowance from $50 to $60.

Ninth, liberalizes permissible absences for courses not leading to standard college degrees by excluding customary vacation period established by institutions in connection with Federal or State legal holidays.

Tenth, permits any joint apprenticeship training committee which acts as a annual reporting fee of $3 for each eligible veteran or person enrolled in VA educational programs in return for furnishing the VA with the reports or certificates of enrollment, attendance, and terminations of such eligible veterans.

Eleventh, increases by 22.7 percent the educational allowance payable to eligible veterans or persons who are enrolled in PREP, flight training, or pursuing a program of education by correspondence.

Twelfth, provides that occupational-vocational courses not leading to a standard college degree but offered on a clock-hour basis may in the alternative be measured on a credit-hour basis, provided that there is a minimum 22 hours of attendance per week.

Thirteenth, provides that the Administrator shall not approve the enrollment of any eligible veteran or person in any course offered by an institution which utilizes erroneous, deceptive, or misleading advertising, sales, or enrollment practices of any type.

Fourteenth, directs the Administrator to measure and evaluate all programs authorized by title 38 with respect to their effectiveness, impact, and structure and mechanisms for the delivery of services, and to collect, collate, and analyze, on a continuing basis, full data regarding the operation of all such programs and to make available to the public and the Congress on a regular basis such information and the results of his findings.

Fifteenth, increases the allowance payable to the Administrator for administrative expenses incurred by the State approving agencies in administering educational benefits under title 38.

Sixteenth, clarifies and strengthens the Administrator's functions and responsibilities under the VA outreach pro-

gram to include greater use of telephone facilities and peer-group contact.

Seventeenth, establishes a veterans representative program to station a full-time VA employee at each educational institution where at least 500 veterans are enrolled to serve as a liaison between the VA and the school and to identify and resolve various problems with respect to the educational assistance program.

Eighteenth, directs the Administrator of Veterans' Affairs to seek to achieve maximum feasible effective coordination and interrelationship of services among all Federal programs and activities affecting veterans, and to seek to achieve the maximum coordination of their programs with the programs carried out by the Veterans' Administration.

TITLE III

Title III amends title 38 as follows:

Authorizes supplementary assistance to veterans or eligible wives, widows, and children by direct loans to such individuals from the Veterans' Administration—utilizing the National Service Life Insurance Trust Fund—of up to $1,000 a school year to cover educational costs not otherwise provided for in title 38 or other Federal loan or grant programs.

TITLE IV

Title IV amends title 38 as follows:

First, extends chapter 41 benefits of job counseling, training, and placement services to wives and widows eligible under chapter 35.

Second, expands and strengthens the administrative controls which the Secretary of Labor is directed to establish in order to insure that eligible veterans, wives, and widows are promptly placed in a satisfactory job or job training or receive some other specific form of employment assistance; also requires the Secretary of Labor to establish standards for determining compliance by State public employment service agencies with the provisions of chapters 41 and 42.

Third, clarifies and strengthens existing law requiring that Federal contractors take actions in addition to job listing in order to insure affirmative action to employ and advance in employment qualified disabled and Vietnam era veterans.

Fourth, provides that it is the policy of the United States to promote maximum employment and job advancement opportunities within the Federal Government for qualified disabled and Vietnam era veterans, and provides for special Federal appointment authority and other mechanisms to carry out that policy.

Fifth, provides for clarification and recodification into title 38 of existing law on veterans' reemployment rights, and further extends those rights to veterans who were employed by States or their political subdivisions.

TITLE V

Title V provides:

All amendments become effective on the date of enactment except that the rate increase will be effective September 1, 1974, and the new loan program will be effective November 1, 1974. Veterans or dependents eligible for a loan on or after November 1, 1974, shall be entitled to a loan amount reflective of the full amount of their tuition and all other costs of attendance which they incur for the academic year beginning on or about September 1, 1974.

Mr. President, I also ask unanimous consent that the joint explanatory statement of the committee on conference which explains the compromise bill be inserted in the RECORD at this point.

There being no objection the material was ordered to be printed as follows:

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE ON CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 12628) to amend title 38, United States Code, to increase the rates of vocational rehabilitation, educational assistance, and special training allowances paid to eligible veterans and other persons; to make improvements in the educational assistance programs and for other purposes, submit the following joint statement to the House and Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

The Senate amendment struck out all of the House bill after the enacting clause and inserted a substitute text and made a title amendment.

The House recedes from its disagreement to the amendment of the Senate with an amendment which is a substitute for the House bill and the Senate amendment and with a title amendment. The differences between the House bill, the Senate amendment, and the substitute agreed to in conference are noted below, except for clerical corrections, conforming changes made necessary by agreements reached by the conferees, and minor drafting and clarifying changes.

TITLE I. VOCATIONAL REHABILITATION AND EDUCATIONAL, AND TRAINING ASSISTANCE ALLOWANCE RATE ADJUSTMENTS

Both the House bill and the Senate amendment liberalize eligibility requirements for disabled Vietnam era and post-Korean conflict veterans to receive training under the vocational rehabilitation program in chapter 31 so as to provide all post-Korean conflict veterans equal treatment for purposes of these benefits with veterans of service during World War II and the Korean conflict. The conference agreement provides for this liberalization of chapter 31 benefits—made available to any veteran with a 10-percent compensable service-connected disability or higher—for any veteran of World War II service or later service.

The House bill provides for increasing the rates of monthly educational assistance and training allowances by 13.6 percent for eligible veterans and dependents under chapters 34 and 35 and a comparable percentage increase for the vocational rehabilitation subsistence allowance under chapter 31 for service-connected disabled veterans. (This would increase the monthly educational assistance allowance for a single veteran with no dependents from $220 to $250 for full-time institutional study.) The Senate amendment provides for an increase in these rates of 18.2 percent and includes as an integral part of the rate increase package a partial tuition assistance allowance program, under which an additional allowance of up to $720 per school year would be paid to eligible veterans and persons under chapters 34 and 35, the VA paying according to the following formula: 80 percent of a school's yearly tuition charges up to $1,000 after excluding the first $100 of tuition. (The basic monthly educational assistance allowance for a single veteran with no dependents under the Senate amendments is increased from $220 to $260 for full-time institutional study plus the tuition assistance allowance entitlement, as appropriate, which would average out to approximately $31 more per average veteran per month—a total educational assistance average payment of $291 per month.)

The conference agreement provides for an increase in the monthly educational assistance, training, and vocational rehabilitation subsistence allowances of 22.7 percent, an increase for the single veteran with no dependents of from $220 to $270 for full-time institutional study. The conference did not approve the tuition assistance allowance portion of the Senate amendment, after the most extensive and careful consideration. The conferees instead substituted a provision (section 105) directing the Veterans' Administration to carry out a thorough study, and to report to the Congress and the President within 12 months, on the opportunities for abuse and administrative difficulties arising from a tuition assistance program if one were to be enacted. Various interested organizations and agencies would be consulted and their views solicited as part of the study process. The study would draw its context from the findings of abuses in connection with the World War II GI bill program and from an investigation of these problems as presently being experienced under GI bill tuition assistance programs such as chapter 31 vocational rehabilitation, correspondence courses, flight training, and PREP, and would include recommendations by the Veterans' Administration as to legislative or administrative ways in which any such abuses and difficulties could be prevented or mitigated under present or future programs.

TITLE II. EDUCATIONAL ASSISTANCE PROGRAM ADJUSTMENTS

The Senate amendment clarifies and liberalizes the circumstances under which service-connected disabled veterans training under the vocational rehabilitation program in chapter 31 may qualify for individualized tutorial assistance. The House bill contains no comparable provision. The House recedes.

Both the House bill and the Senate amendment, by an amendment to the section 1661 (a) entitlement provision, permit the initial six months of active duty training by Reserve and National Guard members to be counted for entitlement for educational assistance under chapter 34 if such members subsequently serve on active duty for 12 or more consecutive months. The conference agreement provides for this new eligibility by amending the definition of "active duty" in section 1652(a)(3) in order to provide greater clarity.

The Senate amendment extends the maximum entitlement to educational assistance for eligible veterans and eligible dependents from 36 to 45 months. The House bill contains no comparable provision. The House recedes.

Both the House bill and the Senate amendment extend to 10 years the current 8-year delimiting date for veterans and chapter 35 eligible dependents to complete their programs of education (and exclude in computing such delimiting date the period of time that such veteran-civilians were held as prisoners of war during the Vietnam conflict). The conference agreement does not contain such a provision since the conferees decided during the course of their deliberations to separate this agreed-upon item and proceeded to pass S. 3705 in early July, which has now been enacted into law as Public Law 93-337 (July 10, 1974).

The Senate Amendment clarifies and strengthens certain administrative provisions governing the chapters 34 and 35 educational assistance program in order to prevent and mitigate against abuses by requiring that courses with vocational objectives must demonstrate a 50-percent placement record over

the receding two-year period in the specific occupational category for which the course was designed to provide training; by prohibiting enrollment in courses which utilize significant avocational or recreational themes in their advertising; and by providing that not more than 85 percent of eligible students enrolled in proprietary below-college level courses may be wholly or partially subsidized by the Veterans' Administration or the institution. The House Bill contains no comparable provisions. The conference agreement includes these provisions, clarifying that the 50-percent placement requirement does not apply where it is clear that the individual graduate is not available for employment or trained during active duty. Situations in which a graduate could be regarded as not available for employment would include a graduate who becomes disabled, is continuing schooling, is pregnant, or undergoes a change in marital status which compels the graduate to forego a new career. In addition, a graduate who unreasonably refuses to cooperate by seeking employment should not be counted in determining whether the placement percentage has been attained. Such a lack of cooperation can include unreasonable demands as to job location, remuneration, or working conditions. (The "reasonableness" of graduate cooperation should be tested, in part, against normal expectations created by the nature of the training offered by the institution and the advertising, sales, or enrollment practices which it utilizes.)

In addition, the conferees have agreed to add a parenthetical provision so as to exclude from the computation of the 50-percent placement requirement those numbers of persons who receive their vocational training while on active duty military service. The purpose of this modification is merely to avoid imposing an unreasonable requirement on such vocational institutions to follow such servicemen throughout their period of military service—which might be a matter of several years—in order to determine whether appropriate job placement had been secured following release from active duty. On the other hand, the conferees do not intend by this modification to manifest any less concern about the quality of training which active duty servicemen obtain under the GI bill, and the conferees continue to expect, as expressed in connection with consideration of Public Law 92-540 in 1972, that the base education officers and education program of the Defense Department will generally continue adequately to counsel active duty servicemen and to monitor closely the utilization by such servicemen of their GI bill entitlements.

The conference agreement also deletes the word "specific" in modification of the term "occupational category." This deletion was agreed to in order to permit the Veterans' Administration somewhat more latitude in writing regulations to carry out this requirement. The conference has been made aware that use of the Dictionary of Titles is in some cases obsolete or unduly restrictive. Accordingly, as defined by VA regulations, closely related employment obtained by course graduates could also qualify in determining placement figures. In providing for this flexibility, however, the conferees stress that it is still their intention that this requirement be interpreted in light of the very specific discussion and examples contained in the Senate committee report (No. 93-907) on pages 64 through 72.

The conferees are aware of the inherent difficulties in locating all course graduates and intend that a statistically valid and reliable sample approved and verified by the Veterans' Administration will satisfy the requirement of this section without necessitating that the institution secure information about each course graduate. The conferees would also anticipate that, in implementing the placement requirement under this section, the Veterans' Administration will allow schools a reasonable period of time to collect and submit the required data.

Both the House bill and the Senate amendment authorize up to six months of refresher training for veterans with current GI bill eligibility in order to update knowledge and skills in light of the technological advances occurring in their fields of employment during and since the period of their active military service; however, the House bill permitted such refresher training to be initiated not later than 6 months after the veteran's discharge. The House recedes.

Both the House bill and the Senate amendment liberalize the veteran-student services program by raising the maximum work-study allowance (the House bill from $250 to $500 and the Senate amendment to $625), commensurately increasing the maximum number of hours a veteran-student may work (the House bill from 100 to 200 hours and the Senate amendment to 250 hours), and removing any statutory ceiling on the number of veterans permitted to participate in this program. The Senate amendment also limited to $250 the amount of the work-study educational assistance allowance which may be paid to a participating veteran in advance. The House recedes.

The Senate amendment liberalizes the tutorial assistance program by extending the maximum assistance period from 9 to 12 months and increasing the maximum monthly tutorial assistance allowance from $50 to $60. The House bill contains no comparable provision. The House recedes.

The Senate amendment liberalizes permissible absences from courses not leading to a standard college degree by excluding customary vacation period established by institutions in connection with Federal or State legal holidays. The House bill contains no comparable provision. The House recedes.

In this connection, the conferees note that in numerous places in the bill, the Senate amendment and the conference report have deleted the words "below the college level" and inserted in lieu thereof "leading to a standard college degree". The House conferees have agreed to these stylistic changes only with the very explicit understanding, which is also shared by the Senate conferees, that this change in terminology makes no substantive alteration in the scope and applicability of all of the sections being so modified.

Both the House bill and the Senate amendment extend to eligible dependents under chapter 35 eligibility for farm cooperative training under the same terms and conditions as apply to eligible veterans under chapter 34. The conference agreement contains this provision.

The Senate amendment increases the allowance payable by the Administrator for the administrative expenses incurred by State approving agencies and administering educational benefits under title 38. The House bill contains no comparable provision. The House recedes.

Both the House bill and the Senate amendment permit any joint apprenticeship training committee which acts as a training establishment to receive the annual reporting fee of $3 for each eligible veteran or person enrolled in educational assistance programs in return for furnishing the VA with required reports and certificates of enrollment, attendance, and terminations regarding such eligible veterans. The conference agreement includes this provision.

Both the House bill and the Senate amendment permit an educational institution offering courses not leading to a standard college degree to measure such courses on a quarter- or semester-hour basis provided certain specific measurements of the academic, laboratory, and shop portions of such courses meet minimum requirements. The House bill adds a proviso that in no event shall such course be considered a full-time course when less than 25 hours of attendance per week is required; the Senate amendment reduces this minimum requirement to 18 hours. The conference agreement provides that 22 hours of attendance per week shall be required.

The Senate amendment repeals the current 48-month limitation on any person training under more than one VA educational assistance program. The House bill contains no comparable provision. The Senate recedes.

The Senate amendment provides that the Administrator shall not approve the enrollment of any eligible veteran or dependent in any course offered by an institution which utilizes erroneous, deceptive, or misleading advertising, sales, or enrollment practices of any type and provides that a final cease and desist order entered by the Federal Trade Commission shall be conclusive as to disapproval of such a course for GI bill enrollment purposes. The House bill contains no comparable provision. The conference agreement contains the Senate provision without the above described FTC-order-conclusiveness provision.

The Senate amendment provides for a new subchapter under which the Administrator is directed to measure and evaluate all programs authorized by title 38 with respect to their effectiveness, impact, and structure and mechanisms for service delivery, and to collect, collate, and analyze on a continuing basis, full data regarding the operation of all such programs and to make available to the public the results of his findings. The House bill contains no comparable provision. The conference agreement embodies the essence of the Senate provision, although somewhat revising and condensing the language in order to provide for greater focus and more specificity.

The conferees wish to stress that in condensing the new section 219 (evaluation and data collection), as added in section 213 of the conference report, the requirement in subsection (c) of the original Senate provision, that, whenever feasible, the Administrator should arrange to obtain the specific views of program beneficiaries and program participants with respect to evaluations of such programs, was deleted as unnecessary. The conferees believe that the Administrator already possesses inherent authority to do this, and that it would be desirable for him to exercise that authority. The conferees also believe that the most effective evaluations are those conducted by fully independent personnel.

The Senate amendment clarifies and strengthens the Administrator's functions and responsibilities under the VA outreach program provisions to include a greater use of telephone and mobile facilities and peer-group contact, as well as providing for certain stress on bilingual services in certain areas and providing explicit contract authority with respect to certain outreach activities. The House bill contains no comparable provision. The conference agreement contains the Senate provisions, except that it eliminates the requirement that contract authority be exercised for outreach activities, and any statutory specification of mobile facilities.

The conferees do not intend by the deletion of specific statutory reference to the use of "mobile" facilities to indicate in any way their disapproval of or lack of support for the appropriate use of such facilities as mobile vans and wish to stress, moreover, their belief that these vans, which hitherto have generally been employed only in rural areas,

could serve as useful a purpose in urban areas with high population concentrations.

The Senate amendment establishes a veterans representative (Vet Rep) program to provide for a full-time VA employee at, or in connection with, each educational institution where at least 500 GI bill trainees are enrolled, to serve as a liaison between the VA and the institution and to identify and resolve various problems with respect to VA benefits, especially educational assistance, for veterans attending each such insitution. The House bill contains no comparable provision. The House recedes.

In adopting this provision, the conferees were keenly aware of the concerns which have been expressed to members of both bodies about the implementation of this program which has already been undertaken administratively by the VA, and of the assurances received from the Office of Management and Budget, the White House, and the VA with respect to the intended operation of this program. Of specific concern is the understanding, most recently embodied in the Senate Appropriations Committee report (No. 93-1056) on H.R. 15572, the Fiscal Year 1975 HUD-Space-Science-Veterans Appropriations Act, that VA regional offices, with the concurrence of the Chief Benefits Director, will have considerable flexibility in the assignment of these new Vet Reps in terms of particular campus needs. This same flexibility is provided for in the conference report. In those instances where a Vet Rep can perform more effectively in terms of carrying out the special responsibilities of liaison with the campus veterans, assignment of the Vet Reps to regional offices should be carried out in order to improve the capacity of those offices to provide effective services. At the same time, the conferees wish to call attenion to the conference report provision which is intended to avoid any situation in which an educational institution might be in any way compelled to accept such an on-campus assignment by the VA (new section 243(a)(4) provides that the "inappropriateness of assignment of veterans' representatives to a particular educational institution" shall be grounds for reallocation of such Vet Reps to other educational institutions or to the regional office). The conferees expect that such assignment matters will be resolved amicably in close consultation and coordination with individual institutions, GI bill trainees at such institutions, and other interested parties.

The Senate amendment establishes an Inter-Agency Advisory Committee on Veterans Services to be composed of the heads of various Federal departments and agencies (with the Administrator as Chairman) to promote maximum feasible effectiveness and coordination of and interrelationship among all Federal programs affecting veterans and dependents, and to make recommendations to the President and the Congress regarding the annual budget and the development, coordination, and improvement of Federal programs and laws affecting veterans and their dependents. The House bill contains no comparable provision. The conference agreement provides that the Administrator shall seek to achieve the maximum feasible effectiveness, coordination, and interrelationship of services among all Federal programs and activities affecting veterans and seek to achieve the maximum coordination of their programs with the programs carried out by the Veterans' Administration. The conferees expect the Administrator to specify in his annual report the results of this new process.

TITLE III. VETERANS AND DEPENDENTS EDUCATION LOAN PROGRAM

The Senate amendment authorizes supplementary assistance to veterans and eligible dependents by direct loans to them from the VA (utilizing the National Service Life Insurance Trust Fund) of up to $2,000 a year to cover educational costs not otherwise provided for in title 38 or other Federal loan or grant programs. The House bill contains no comparable provision. The conference agreement provides for such a supplementary loan program, reducing the maximum yearly loan to $1,000, increasing the maximum amount of the loan fee which the Administrator may charge for such loans, directing the Administrator to collect any delinquent amounts in loan principal and interest payments in the same manner as any other debt due the United States, and directing the Administrator to report to the Congress annually on the default experience at each institution. The conferees are concerned that excessive default rates at certain institutions might jeopardize the success of the program, and both Committees will closely monitor default experience and expect the Administrator to do so as well. In this connection, the conferees direct the Administrator to utilize his new authority under new section 1796, added to title 38 by section 212 of the conference report, with respect to deceptive and misleading advertising, to take affirmative steps to prevent any questionable sales or enrollment practices utilizing advertising about the availability of the new loan program as a promotional technique. The Administrator should, in this regard and as part of fulfilling his notification requirement under section 502 of the conference report, promulgate in regulations a model loan description which shall be used by institutions in their advertising if they wish to refer to the loan availability.

TITLE IV. VETERANS, WIVES, AND WIDOWS EMPLOYMENT ASSISTANCE AND PREFERENCE AND VETERANS' REEMPLOYMENT RIGHTS

The Senate amendment extends chapter 41 benefits (job counselling, training, and placement services) to wives and widows eligible for educational assistance benefits under chapter 35. The House bill contains no comparable provision. The House recedes.

The Senate amendment expands and strengthens the administrative controls which the Secretary of Labor is directed to establish under chapter 41 in order to ensure that eligible veterans, wives, and widows are promptly placed in a satisfactory job or job training opportunity or receive some other specific form of employment assistance, and requires the Secretary to publish standards for determining compliance by State Public Employment Service agencies with the provisions of chapters 41 and 42. The House bill contains no comparable provision. The House recedes.

The Senate amendment clarifies and strengthens existing law requiring that Federal contractors and all of their subcontractors take particular actions in addition to job listing in order to give "special emphasis" to the employment of qualified service-connected disabled and Vietnam era veterans. The House bill contains no comparable provision. The conference agreement provides further clarification in this provision by making clear the intention of the Congress that affirmative action is to be taken by all Federal contractors and all of their subcontractors with respect to their employment practices in order to promote the greatest possible employment and advancement in employment of qualified service-connected disabled veterans and veterans of the Vietnam era. It is the conferees' objective in making this clarification to ensure that the goals of the program, as spelled out above, will be achieved according to an orderly and effective timetable, backed up by an effective compliance mechanism. The provision in the conference report is thus substantially identical in language and intended scope with the provisions of section 503 of the Rehabilitation Act of 1973 (Public Law 93-112).

The Senate amendment includes a provision stating that it is the policy of the United States to promote maximum employment and job advancement opportunities within the Federal Government for qualified service-connected disabled and Vietnam era veterans, and providing for special Federal appointment authority and other mechanisms to carry out such policy. The House bill contains no comparable provision. The House recedes.

The Senate amendment provides for the codification into title 38 of existing law on veterans' reemployment rights, and further extends such rights to veterans who were employed by States or their political subdivisions. The House bill contains no comparable provision. The House recedes.

TITLE V. EFFECTIVE DATES

The House bill makes all amendments effective on the date of enactment except for rate increases which are to be effective on the first day of the second calendar month which begins after the date of enactment. The Senate amendment makes the provisions in titles II and IV of the Senate amendment effective on the date of enactment (improvements in GI bill provisions and in employment assistance), the new loan program in title III effective on September 1, 1974, and the rate increases and other provisions of title I effective on July 1, 1974. The conference agreement makes all amendments effective on the date of enactment except that the rate increase will be effective September 1, 1974, and the new loan program will be effective November 1, 1974 (except that veterans or dependents eligible for such loan entitlement on or after November 1, 1974, shall be entitled to a loan amount reflective of the full amount of their tuition and all other costs of attendance which they incurred for the academic year beginning on or about September 1, 1974).

TITLE AMENDMENT

The Senate amendment amends the title of the bill to reflect the provisions in the Senate amendment. The conference agreement amends the title to reflect the provisions in the conference report.

Mr. HARTKE. Mr. President, beyond the joint explanatory statement I believe that a few additional remarks are in order.

PARTIAL TUITION ASSISTANCE ALLOWANCE

Mr. President, as I remarked earlier I believe the concept of a partial tuition assistance allowance to be quite important and I would hope that a truly good faith study would be promptly implemented by the Veterans' Administration. The interest in this program continues to be quite intense and I ask unanimous consent that the letter I recently received cosigned by 27 senators be made a part of the hearing record. There being no objection the letter was ordered printed as follows:

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

U.S. SENATE,
*Washington, D.C., August 19, 1974.*

HON. VANCE HARTKE,
*Chairman, Committee on Veterans' Affairs, U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: Your efforts in drafting a conference report on the Vietnam Era Veterans Readjustment Assistance Act of 1974 are to be congratulated. The provisions of this legislation as approved by the Conferees will go a long way toward bringing veterans educational benefits in line with today's needs.

We are concerned, however, over the decision not to include in the final bill the partial

tuition assistance allowance which was an essential element in the Senate version of this legislation and which was approved unanimously by your Committee and the entire Senate.

Your Committee's report on S. 2784 stated, "The creation of a partial tuition assistance allowance (is) necessary as part of an effort to deal effectively with the G.I. bill educational assistance comparability problem." We believe that need still exists.

The effectiveness of the improved benefit as approved by the Conferees will continue to vary dependent upon the availability of low-cost, readily accessible, public, post-secondary schools. Despite the increased benefits in the conference bill, some form of variable tuition payments is needed to ameliorate the differences in educational costs incurred by veterans residing in different states with different systems of public education and to restore equity among these veterans.

We understand the need to gain quick Congressional and Presidential approval of improved educational benefits legislation so that plans for the fall can be made by the veteran. The intransigence of some members of the House conference stands in the way of a timely implementation of a tuition grant program. Therefore, we will support the conference report on the Senate floor.

We would recommend that, during the fall, your Committee continue to work with the Veterans Administration to design a tuition grant program that will protect against potential abuses and that will provide equity to all veterans regardless of their state of resistence. We recognize and appreciate your own strong commitment to this objective. Given that this issue has already been examined in depth and received broad bipartisan support, we are certain that a tuition bill can be reported to the floor of the Senate and considered early in the 94th Congress.

Sincerely,

GEORGE MCGOVERN,
CHARLES MCC. MATHIAS, JR.,
WILLIAM D. HATHAWAY,
MIKE MANSFIELD,
*Majority Leader.*
JOHN O. PASTORE,
EDWARD W. BROOKE,
DANIEL K. INOUYE,
BOB DOLE,
WALTER F. MONDALE,
HUGH SCOTT,
THOMAS F. EAGLETON,
HUBERT H. HUMPHREY,
JAMES ABOUREZK,
JOHN TUNNEY,
DICK CLARK,
ABE RIBICOFF,
HARRISON A. WILLIAMS,
EDMUND S. MUSKIE,
ROBERT TAFT, JR.,
QUENTIN BURDICK,
PHILIP A. HART,
FRANK CHURCH,
TED MOSS,
DICK SCHWEIKER,
CLIFFORD P. CASE,
HOWARD M. METZENBAUM,
JACOB K. JAVITS,
*United States Senators.*

VETERANS' LOAN PROGRAM

Mr. HARKE. Mr. President, I am particularly pleased that the bill before you contains the new veterans' and dependents education loan program which authorizes supplemental assistance to veterans and eligible dependents by direct loans to them from the Veterans' Administration of up to $1,000 a year to cover educational costs not otherwise provided for in title 38 or other Federal loan or grant programs. It is fitting I think that these loans are to be made from the $7 billion National Service Life Insurance Trust Fund which consists entirely of paid-in Government life insurance premiums by our Nation's veteran population. It is a good example of one generation of veterans lending a helping hand to a succeeding generation.

Mr. President, I believe this program is needed particularly with the partial tuition assistance allowance omitted from the final bill. As my colleagues will recall, I authored a similar loan program in 1972 which unanimously passed the Senate but was not included in the compromise version of the Vietnam Era Veterans Readjustment Assistance Act of 1972, enacted as Public Law 92-540. The compromise version of the Vietnam Era Veterans Readjustment Assistance Act of 1974 however does include the loan provision although the conference agreement limits the total amount a veteran could borrow in any school year to $1,000 rather than the $2,000 as originally passed by the Senate.

While I believe that the higher $2,000 figure was and is warranted for those veterans choosing to attend the higher cost institutions, there was some reluctance on the part of the House conferees to authorize such a figure without first having an opportunity to view the loan program in operation. I am most hopeful however that House members will favorably consider increasing the amount once the program has demonstrated that it can operate successfully, and the need for the higher amount can be justified.

The conference agreement provides that the loan program shall become effective on November 1, thus giving the Veterans' Administration some time to set up the new program. Once in process however the veterans or dependents eligible for such loan entitlement on or at November 1, shall be entitled to a loan amount reflective of the full amount of their tuition and all other costs of attendance which they occurred for the academic year beginning on or near September 1.

Mr. President, I urge that the Senate adopt the conference report.

CONTROLS AGAINST ABUSES

Mr. President, as you know since becoming chairman of the Senate Committee on Veterans' Affairs I have been most concerned about the quality of education received by veterans enrolled in courses with vocational objectives as well as with the advertising sales enrollment practices of some schools whose courses are approved by GI bill benefits.

Amendments I authored in 1972 as part of Public Law 92-540 were helpful in establishing more equitable refund policies for those who drop out before completing as well as establishing a 10-day cooling off period followed by a formal reaffirmation in order to give veterans an opportunity—away from high pressure salesmen—to reflect on whether or not they in fact wished to enroll in a given school or course of education.

I believe the amendments which I authored this year requiring a 50-percent placement course graduates as well as the prohibition against erroneous, deceptive or misleading advertising sales or enrollment practices are equally important. I will not dwell at length on the amendments which have been accepted by the conferees because their intent and scope have been clearly defined in the Senate report, but it should be observed that there is perhaps no more important investment a person can make than the investment he makes in his education, for this is an investment in his future. As such it is not unreasonable to expect that the performance of a school should match its promises either expressed or implied. And for schools with a vocational objective, attainment of appropriate and satisfactory employment is perhaps the most important indicator of whether a school is performing as it should. I wish to emphasize that many schools are performing an outstanding job and I do not wish the amendments adopted here today to be considered as a reflection on them. We are only concerned with those schools who do not deliver what they either directly or indirectly promise they will.

These amendments are intended to aid the veteran and the Senate committee will be monitoring the program closely in the coming months to see that it does. If the operation of these provisions is in fact detrimental to the well-being of the veteran I believe Congress will be responsive in making whatever adjustments are necessary.

Finally, I also wish to note that the proposed trade regulation rules for private vocational home study schools recently announced by the Federal Trade Commission complements the actions taken by Congress in Public Law 92-540 and the bill which we are considering today.

This rule would require a pro rata refund provision and a 10-day cooling off reaffirmation provision closely similar to those adopted in the Vietnam Era Veterans Readjustment Assistance Act of 1972.

In addition the rule would require that prospective students be provided with information which may aid them in making an informed and intelligent decision as to whether or not to enroll in a school. This should provide additional protection for veterans training under the GI bill as well as other prospective students. The proposal rule would require that all employment and earning claims be substantiated by the school's actual experience in placing these graduates and enrollees in jobs; and further, that the school furnish the prospective student with a disclosure statement which contains the dropout rate and the number and percentage of enrollees and graduates who got a job as a result of the school's training. I believe the intent of these provisions is consistent with what we have done and are continuing to do to aid and protect veterans and dependents training under the GI bill. I would ask unanimous consent that the text of the proposed rule be inserted in the RECORD at this point.

There being no objection the rule was ordered printed as follows:

ADVERTISING, DISCLOSURE, COOLING OFF AND REFUND REQUIREMENTS CONCERNING PROPRIETARY VOCATIONAL AND HOME STUDY SCHOOLS

[Notice of Public Hearings and Opportunity to Submit Data, Views or Arguments Regarding Proposed Trade Regulation Rule]

Notice is hereby given that the Federal Trade Commission, pursuant to the Federal Trade Commission Act, as amended, 15 U.S.C. 41, *et seq.*, the provisions of Part 1, Subpart B of the Commission's Procedures and Rules of practice, CFR, 1.11 *et seq.*, and Section 553 of Subchapter II, Chapter 5, Title 5, U.S. Code (Administrative Procedure), has initiated a proceeding for the promulgation of a Trade Regulation Rule concerning proprietary vocational and home study schools.

Accordingly, the Commission proposes the following Trade Regulation Rule:

Section I. Definitions.

For the purposes of this Rule, the following definitions shall apply:

(a) *Seller.* (1) Any individual, firm, corporation, association or organization engaged in the operation of a privately owned school, studio, institute, office or other facility which offers residence or correspondence courses of study, training, or instruction purporting to prepare or qualify individuals for employment or training in any occupation, trade, or in work requiring mechanical, technical, business, trade, artistic, supervisory, clerical or other skills or purporting to enable a person to improve his skills in any of the above designated categories.

(2) Nothing in this Rule shall be construed to affect in any way those engaged in the operation of not-for-profit residence or correspondence, public or private institutions of higher education which offer students at least a two year program of accredited college level instruction which is generally acceptable for credit toward a bachelor's degree.

(b) *Buyer.* Any individual who purchases any correspondence or residence course of study, training, or instruction from any seller purporting to prepare or qualify individuals for employment or training in any occupation, trade, or work requiring mechanical, technical, business, trade, artistic, supervisory, clerical or other skills or purporting to enable a person to improve his skills in any of the above designated categories.

(c) *Total contract price.* The total price paid or to be paid by the buyer for the property or services including any and all equipment; ancillary services, such as but not limited to, charges for room and board which are the subject of the contract; and any finance charges determined in accordance with the Federal Reserve Regulation Z (12 CFR 226.4).

(d) *Course.* The term "course" means, but is not limited to education, training, or instruction consisting of a series of lessons or classes sold collectively, including lessons or classes which consist of several parts and are coordinated, arranged, or packaged to constitute a curriculum or program of instruction and sold collectively.

(e) *Combination course.* Any course that consists of both correspondence lessons and residence classes shall be treated as a residence course for the purpose of applying the advertising and disclosure requirements of this Rule.

(f) *Enrollee.* A buyer who has affirmed his enrollment contract, whether or not he completes his course of study.

(g) *Failure to complete a course of study.* Includes any enrollee who drops out, is expelled, fails for academic reasons or does not complete a course within the time that is scheduled for that course's completion, including any enrollee who takes a leave of absence.

(h) *New course.* Any course of study which has substantially different course content and occupational objectives from any course of study previously offered by seller and which has been offered for a period of time less than three (3) months after the graduation of one class, if offered by a residence school, or less than three (3) months after the completion of one fiscal year, if offered by a correspondence school.

(i) *New school.* Any school that has been in operation for a period of time less than three (3) months after the graduation of one class if a residence school or less than three (3) months after the completion of one fiscal year, if a correspondence school.

Section II. The Rule.

In connection with the sale or promotion of any course of instruction by a proprietary home study or residence vocational school in commerce, as "commerce" is defined in the Federal Trade Commission Act, it is an unfair method of competition and an unfair or deceptive act or practice for any such seller to fail to comply with the following requirements:

(a) *Employment and earnings claims.* (1) No written or broadcasted claim, direct or indirect, whether disseminated through the media, mails, or in any other manner shall be made with respect to:

(i) The general conditions or employment demand in any employment market now or at any time in the future; and

(ii) The amount of salary or earnings generally available to persons employed in any occupation.

(2) Unless it is substantiated according to the standards and confined to the format prescribed herein, no written or broadcasted claim, direct or indirect, disseminated through the media, mails, or in any other manner, shall be made with respect to:

(i) The specific employment opportunities available or demand for buyers who purchase seller's course of study; and

(ii) The specific amount of salary or earnings available to buyers who purchase seller's course of study.

(3) Written or broadcasted claims subject to the exception in paragraph (a) (2) above shall be limited to claims substantiated by the seller's actual knowledge of his buyers' experiences in obtaining placement at specific salary levels in the employment positions for which seller's course of study prepares buyers. Actual knowledge shall be verified, at a minimum, by a list including the following information for each enrolled person who meets the requirements of paragraph (a) (4) below.

(i) his name, address and telephone number;

(ii) the name, address and telephone number of the firm or employer who hired each enrollee;

(iii) the name or title of the job position obtained;

(iv) the date on which the job position was obtained;

(v) his monthly or annual salary.

(4) Employment and earnings claims covered by paragraph (a) (2) above shall be confined to the following statements and no others, for each course for which such claims are made and if any one permitted statement is made, it shall be accompanied by the others;

(i) For correspondence courses of study, a statement of the total number of buyers whose enrollment terminated during the school's last fiscal year and who obtained positions of employment within three (3) months of leaving the school in job positions for which seller's course of study prepared them; a statement of the monthly or yearly range of salaries obtained by such buyers; a statement of the percentage ratio of such buyers by salary ranges to the total number of buyers who were enrolled in the seller's course during the last fiscal year; and a statement of the percentage ratio of such buyers who graduated, by salary ranges, to the total number of graduates who graduated from seller's course during the last fiscal year. For purposes of this subparagraph (i), the last fiscal year shall be the most recent fiscal year that terminated at least three (3) months before the claim is made.

(ii) For the residence courses of study, a statement of the total number of buyers whose enrollment terminated during the period that begins with the entrance and ends with the graduation of the school's most recent graduating class and who obtained positions of employment within three (3) months of leaving the school in job positions for which seller's course of study prepared them; a statement of the monthly or yearly range of salaries earned by such buyers; a statement of the percentage ratio of such buyers by salary ranges to the total number of buyers who were enrolled in the seller's course during the period that begins with the entrance and ends with the graduation of the school's most recent graduating class; and a statement of the percentage ratio of such buyers who graduated, by salary ranges, to the total number of graduates who graduated from seller's course during the period that begins with the entrance and ends with the graduation of the school's most recent graduating class. However, these statements must be based on the experiences of enrollees who resided at the time of their enrollment in the metropolitan area or State where the statements are made. For purposes of this subparagraph (ii) the most recent graduating class shall be that class which graduated at least three (3) months before the claim is made.

*Provided however,* That where an employment or earnings claim covered by this paragraph (a) is made, the written or broadcasted claim must be presented so that each of the permitted statements appears in the same portion of the written or broadcasted claim and each is made in precisely the same form and with the same emphasis, including, but not limited to, the same size type or print, as all other statements covered by this paragraph (a).

(5) The foregoing (paragraph (a) (1) to (4)) shall not apply to any new course of instruction offered by seller or a course of study offered by seller at a new school.

In lieu thereof seller shall confine any advertisement or any representation covered by paragraph (a) to actual job commitments made in writing by businesses and other prospective employers, wherein such prospective employers indicate that they will offer a specific number of jobs at specific salaries to buyers who complete seller's course of study.

*Provided further,* That seller's advertisements and representations shall be limited to the following statements:

This school has not been in operation long enough or this course of study has not been offered long enough to indicate how many enrolled students will obtain employment in positions for which this course trains them. However, [number] employers have indicated that they will make available [number] jobs to students who complete this course of study. [Number] jobs represent [%] of our expected total enrollees which will be [number].

(b) Affirmative disclosure of drop-out rate and placement record.[1] After buyer has signed an enrollment contract seller shall make the following disclosures to buyer in the manner and method prescribed by paragraph (c) below:

(i) the total number of buyers who fail

[1] See Appendices A and B for illustrations of Disclosure and Affirmation Forms for Correspondence and Residence Schools.

to complete the full course of study for the seller's most recent graduating class[2] if a residence school or the seller's most recent fiscal year[3] if a correspondence school.

(ii) the percentage of buyers who fail to complete the full course of study, expressed as the percentage ratio of the number of buyers who fail to complete the full course of study as defined in paragraph (b)(1)(i) above to the total number of buyers who enrolled in that course of study for the seller's most recent graduating class[2] if a residence school or seller's most recent fiscal year[3] if a correspondence school.

(2) If seller has made any oral, written or broadcasted earnings or employment representations to buyer then, after buyer has signed the enrollment contract, seller shall make the following disclosures to buyer in the manner and method prescribed by paragraph (c) below:

(i) For correspondence courses of study a statement of the total number of buyers whose enrollment terminated during the school's last fiscal year and who obtained positions of employment within three (3) months of leaving the school in job positions for which seller's course of study prepared them; a statement of the monthly or yearly range of salaries obtained by such buyers; a statement of the percentage ratio of such buyers, by salary ranges, to the total number of buyers who were enrolled in seller's course during the last fiscal year; and a statement of the percentage ratio of such buyers who graduated, by salary ranges, to the total number of buyers who graduated from seller's course during the last fiscal year. For purposes of this subparagraph (i) the last fiscal year shall be the most recent fiscal year that terminated at least three (3) months before the claim is made.

(ii) For residence courses of study a statement of the total number of buyers whose enrollment terminated during the period that begins with the entrance and ends with the graduation of the school's most recent graduating class and who obtained positions of employment within three (3) months of leaving the school in job positions for which seller's course of study prepared them; a statement of the monthly or yearly range of salaries obtained by such buyers; a statement of the percentage ratio of such buyers, by salary ranges, to the total number of buyers who were enrolled in seller's course during the period that begins with the entrance and ends with the graduation of the school's most recent graduating class; and a statement of the percentage ratio of such buyers who graduated, by salary ranges, to the total number of buyers who graduated from seller's course during the period that begins with the entrance and ends with the graduation of the school's most recent graduating class. However, this disclosure must be based on the experiences of enrollees who resided at the time of their enrollment in the metropolitan area or State where the disclosure is being made. For purposes of this subparagraph (ii) the most recent graduating class shall be that class which graduated at least three (3) months before the claim is made.

(3) For each of the disclosures covered by paragraph (b) above, seller shall maintain complete records as provided in paragraph (a)(3) above.

(c) *Method of making disclosure of drop-out rate and placement record.*[4] (1) After buyer signs an enrollment contract, seller shall mail to buyer, by certified mail, return receipt requested, a written form, in duplicate, containing the following information, and none other, except the Affirmation Statement required by paragraph (e) below, in bold face type of at least ten (10) points for each course of study offered to the buyer.

Disclosure and affirmation form for drop-out and placement record for [course] for period [date] to [date].

(1) Total enrollments [number].

(2) Total who failed to complete the course [number]. (as provided in paragraph (b)(1)(i) above.)

(3) Percentage who failed to complete the course [%] (as provided in paragraph (b)(1)(ii) above.)

(Seller shall use number (4) below if no oral, written or broadcasted earnings or employment representations have been made. If seller has made oral, written or broadcasted earnings or employment representations to buyer, seller shall use numbers (5), (6), (7), (8), and (9) below).

(4) This school has no information on the number or percentage of its students who obtain jobs in the occupation for which we train them. Consequently, this school and its representatives have no basis on which to make any representations or claims about job opportunities available to students who take [name of course]. Prospective students are advised that enrollment in this course should not be considered vocational training that will result in employment in job positions for which this course offers instruction.

or,

(5) Total number of students who obtained employment in the position for which this course of study trained them [number]. (as provided in paragraph (b)(2) above.)

(6) Percentage of students who obtained employment in the position for which this course of study trained them [%]. (as provided in paragraph (b)(2) above.)

(7) Number and percentage of total enrollees who obtained employment in the following salary ranges [expressed in $100 increments for monthly salaries or $1000 increments for yearly salaries]. [Dollars] to [dollars] per [month or year]: [Number] students which is [%] of total enrolles. (as provided in paragraph (b)(2) above.)

(8) Percentage of graduates who obtained employment in the position for which this course of study trained them [%]. (as provided in paragraph (b)(2) above.)

(9) Number and percentage of graduates who obtained employment in the following salary ranges [expressed in $100 increments for monthly salaries or $1000 increments for yearly salaries]. [Dollars] to [dollars] per [month or year]: [Number] students which is [%] of total graduates. (as provided in paragraph (b)(2) above.)

(2) Where seller has instituted a new course of instruction or where seller has established a new school, the seller's disclosure as required by paragraph (b) of this Rule shall contain the following information, and none other, except the Affirmation Statement required by paragraph (e) below, in bold face type of at least ten (10) points:

IMPORTANT INFORMATION

This school has not been in operation long enough or this course of study has not been offered long enough to indicate how many enrolled students will complete their course of study or to indicate how many students who take this course of study will obtain employment in positions for which this course trains them.

Except that where the seller has received actual written job commitments from businesses and other prospective employers, seller may add the following statement to the disclosure required above:

However, [number] employers have indicated that they will make available [number] jobs to students who complete this course of study. [Number] jobs represent [%] percent of our expected total enrollees which will be [number].

(d) *Ten day affirmation and cooling-off period.*[5] An enrollment contract between a seller and buyer will not be effective unless the buyer affirms that enrollment contract by signing and returning to seller the Disclosure and Affirmation Form specified in paragraph (e) below within ten (10) days of his receipt of that Form. If the buyer fails to affirm the enrollment contract within the ten (10) day period, seller shall consider the contract null and void, and within ten (10) business days of the expiration of the affirmation period, shall refund all monies paid by the buyer and cancel and return to buyer any evidence of indebtedness.

(e) *Disclosure and operation of ten (10) day cooling-off period.*[6] (1) After receiving from the buyer his signed enrollment contract, seller shall mail to buyer, by certified mail return receipt requested, a one page form, in duplicate, that contains the placement and drop out disclosures required by paragraphs (b)(1) and (2), above, in the form required by paragraph (c), above; and at the bottom of the same form the following unsigned Affirmation Statement printed in bold face type of at least ten (10) points:

NOTICE TO THE BUYER:

The enrollment contract that you signed with [name of school] on [date] to enroll in [name of course] is not effective or valid unless you first sign this statement and return it to the above named school within ten (10) days from the time that you received this statement. You are free to cancel your enrollment and receive a full refund of any monies you have paid to the school by not signing or mailing this statement within ten (10) days. At the expiration of this ten (10) day period the school has ten (10) business days to send you your refund (if any) and to cancel and return to you any evidence of indebtedness that you signed.

However, if you do want to enroll in the above named school, you should sign your name below and mail this statement to the school within ten (10) days. Keep the duplicate copy for your own records.

(Date) and (signature).

(2) The Disclosure and Affirmation Form shall not contain any information or representations other than the drop out and placement disclosures provided by paragraphs (b)(1) and (2), above, and the Affirmation Statement in (1) above. Seller shall not send any document or material to buyer other than the Disclosure and Affirmation Form during the ten (10) day affirmation and cooling-off period that commences with buyer's receipt of the Disclosure and Affirmation Form.

(3) Sellers who are subject to the provisions of this Rule are exempted from compliance with the Federal Trade Commission's Trade Regulation Rule concerning a Cooling-Off Period for Door-to-Door Sales effective June 7, 1974.

(f) *Refund upon cancellation.* (1) Upon cancellation of an affirmed contract the seller shall not receive, demand or retain more than a pro rata portion of the total contract price, plus a registration fee of five percent (5%) of the total contract price but not to exceed twenty-five dollars ($25).

(2) The pro rata refund shall be determined by dividing the number of classes at-

[2] As most recent graduating class is defined in paragraph (a)(4)(ii).

[3] As most recent fiscal year is defined in paragraph (a)(4)(i).

[4] See Appendices A and B for illustrations of Disclosure and Affirmation Forms for Correspondence and Residence Schools.

[5] See Appendices A and B for illustrations of Disclosure and Affirmation Forms for Correspondence and Residence Schools.

[6] See Appendices A and B for illustrations of Disclosure and Affirmation Forms for Correspondence and Residence Schools.

tended by buyer or held up to the time of buyer's cancellation or, for correspondence courses, the number of correspondence lessons submitted by the buyer prior to cancellation, by the total number of classes or lessons contained in the course, and then by multiplying the total contract price by the result thereof. This amount shall constitute the buyer's total obligation. The difference between this amount and the amount the buyer has already paid the seller shall constitute either the buyer's refund or the amount of the buyer's remaining obligation to the seller.

(3) Within ten (10) business days of the date of notification of cancellation, the seller must provide the buyer with his correct refund payment, if any, and must cancel that portion of the buyer's indebtedness that exceeds the amount due the seller under the refund formula of this Rule.

(g) *Disclosure of cancellation and refund.*

(1) The seller shall furnish the buyer with a fully completed copy of the buyer's enrollment contract and in close proximity to the space reserved in the contract for the buyer's signature, and in bold face type of at least ten (10) points, include the following statement:

Notice to the buyer: Do not sign this contract before reading the provisions under the caption "cancellation and refund".

(2) For correspondence courses of study, the seller shall include in the contract in bold face type of at least ten (10) points the following provision:

CANCELLATION AND REFUND

You are free to cancel this contract at any time. You will have to pay only for lessons submitted to the school plus a registration fee of five percent (5%) of the total contract price, not to exceed twenty-five dollars ($25).

You may cancel the contract by mailing or delivering to the school a signed and dated copy of the "notice of cancellation" sent to you by the school or by mailing or delivering to the school your own written letter of cancellation. Cancellation will be effective on the date of mailing or delivery. You may also cancel by failing to submit a lesson for ninety (90) days.

The amount you will have to pay for the lessons submitted will be determined by dividing the number of lessons submitted up to the time of your cancellation by the total number of lessons contained in the course. If, prior to cancellation, you have paid more than this amount plus the registration fee, the excess will be refunded to you within ten (10) business days.

(3) For residence courses of study, the seller shall include in the contract in bold face type of at least ten (10) points the following provision:

CANCELLATION AND REFUND

You are free to cancel this contract at any time. You will have to pay only for those classes the school has held prior to your cancellation plus a registration fee of five percent (5%) of the total contract price, not to exceed twenty-five dollars ($25).

You may cancel the contract by mailing or delivering to the school a signed and dated copy of the "notice of cancellation" sent to you by the school or by mailing or delivering to the school your own written letter of cancellation. Cancellation will be effective on the date of mailing or delivery. You may also cancel by not attending scheduled classes nor in any other manner utilizing the school's facilities for thirty (30) days.

The amount you will have to pay for those classes the school has held will be determined by dividing those classes held up to the time of your cancellation by the total number of classes contained in the course. If, prior to cancellation, you have paid more than this amount plus the registration fee, the excess will be refunded to you within ten (10) business days.

(4) For a combination correspondence and residence course of study, the seller shall include in the contract in bold face type of at least ten (10) points the following provisions:

CANCELLATION AND REFUND

You are free to cancel this contract at any time. You will have to pay only for those correspondence lessons you submitted to the school and those residence classes held by the school prior to your cancellation plus a registration fee of five percent (5%) of the total contract price, not to exceed twenty-five dollars ($25).

You may cancel the contract by mailing or delivering to the school a signed and dated copy of the "notice of cancellation" sent to you by the school or by mailing or delivering to the school your own written letter of cancellation. Cancellation will be effective on the date of mailing or delivery. You may also cancel by failing to submit a correspondence lesson for ninety (90) days or by not attending scheduled classes nor in any other manner utilizing the school's facilities for thirty (30) days.

The amount you will have to pay for the lessons submitted and the classes held will be determined by dividing those correspondence lessons submitted and those residence classes held up to the time of your cancellation by the total number of correspondence lessons and residence classes contained in the course. If, prior to cancellation, you have paid more than this amount plus the registration fee, the excess will be refunded to you within ten (10) business days.

(h) *Method of cancellation.* (1) After buyer has signed and affirmed an enrollment contract, seller shall furnish buyer with a postage pre-paid card, plus duplicate card, addressed to seller and captioned:

Notice of cancellation.

I hereby cancel this contract

(Date) (Buyer's Signature).

The buyer's cancellation is effective on the date that the buyer mails or delivers to the seller a signed and dated copy of the above described cancellation notice or any other written notice or, in the alternative;

(2) The buyer's cancellation is effective on the date that buyer gives the seller constructive notice of his intention to cancel his contract by failing to attend residence classes or failing to utilize residence instructional facilities for such a period of time, of 30 days or less, that the seller should reasonably conclude that the buyer has cancelled the contract; or for correspondence courses of instruction, by failing to submit a lesson for any period of 90 days.

(i) *Packaged courses and/or services.* Where seller offers a course of instruction involving two or more segments, and sells them together as a unit at a single price, then seller shall add the segments together and use the entire period in calculating buyer's refund, even if one or more of the segments is offered as "free". Where seller offers a course of instruction consisting of both correspondence lessons and residence classes, the total number of lessons and classes shall be added together for the purpose of calculating the refund.

APPENDIX A

Disclosure and affirmation form (for correspondence schools that have made earnings or employment representations.)

(Name of school).

Drop out and placement record for air conditioning and refrigeration course for the period January 1, 1973 to December 31, 1973.

1. Total enrollees, 1500.

2. Total who failed to complete the course, 1050.

3. Percentage who failed to complete the course, 70%.

4. Total number of students who obtained employment in the position for which this course of study prepared them, 60.

5. Percentage of students who obtained employment in the position for which this course of study prepared them, 4% of total enrollees.

6. Percentage of graduates who obtained employment in the position for which this course of study trained them, 11% of graduates.

7. Number and percentage of total enrollees and graduates who obtained employment in the following salary ranges:

$5,000–$5,999 per year: 30 students which is 2% of total enrollees and 7% of total graduates.

$6,000–$6,999 per year: 30 students which is 2% of total enrollees and 7% of total graduates.

Notice to the buyer:

The enrollment contract that you signed with (*name of school*) on (*date*) to enroll in (*name of course*) is not effective or valid unless you first sign this statement and return it to the above named school within ten (10) days from the time that you received this statement. You are free to cancel your enrollment and receive a full refund of any monies you have paid to the school by not signing or mailing this statement within ten (10) days. At the expiration of this ten (10) day period the school has ten (10) business days to send you your refund (if any) and to cancel and return to you any evidence of indebtedness that you signed. However, if you do want to enroll in the above named school, you should sign your name below and mail this statement to the school within ten (10) days. Keep the duplicate copy for your own records.

(Date) (signature).

APPENDIX

Disclosure and affirmation form (for residence schools that have made earnings or employment representations)

(Name of school.)

Drop out and placement record for computer programing course for the last graduating class (January 2, 1973 to June 29, 1973).

1. Total enrollees, 200.

2. Total who failed to complete the course, 150.

3. Percentage who failed to complete the course, 75%.

4. Total number of students who obtained employment positions for which this course of study prepared them, 20.

5. Percentage of students who obtained employment in the positions for which this course of study prepared them, 10% of total enrollees.

6. Percentage of graduates who obtained employment in the position for which this course of study trained them, 35% of graduates.

7. Number and percentage of total enrollees and graduates who obtained employment in the following salary ranges:

$5,000–$5,999 per year: 10 students which is 5% of total enrollees and 17% of total graduates.

$6,000–$6,999 per year: 10 students which is 5% of total enrollees and 17% of total graduates.

Notice to the buyer:

The enrollment contract you signed with (name of school) on (date) to enroll in (name of course) is not effective or valid unless you first sign this statement and return it to the above named school within ten (10) days from the time that you received this statement. You are free to cancel your enrollment and receive a full refund of any monies you have paid to the school by not

signing or mailing this statement within ten (10) days. At the expiration of this ten (10) day period the school has ten (10) business days to send you your refund (if any) and to cancel and return to you any evidence of indebtedness that you signed. However, if you do want to enroll in the above named school, you should sign your name below and mail this statement to the school within ten (10) days. Keep the duplicate copy for your own records.

(Date) (signature).

EMPLOYMENT ASSISTANCE FOR VIETNAM VETS

Mr. President, I was particularly heartened to hear that President Ford, in his address to the Veterans of Foreign Wars in Chicago last Monday, acknowledged serious unemployment problems that continue to exist particularly among our younger veterans. This was in marked contrast to his predecessor who for over a year and a half has been insisting that the problem was over, so President Ford's candor in Chicago was most welcome. I am therefore pleased that there are significant provisions in the Vietnam Era Veterans Readjustment Assistance Act of 1974 which further strengthen and clarify provisions in Public Law 92-540, designed to aid unemployed and disabled Vietnam era veterans. The strengthening of the employment provisions added by the Senate amendments and accepted by the conference should, if properly implemented, go a long way to provide the sort of affirmative action to aid veterans which the Senate and Congress has intended for some time.

INCREASE IN ELIGIBILITY FROM 36 TO 45 MONTHS

Mr. President, although the increase in eligibility from 36 to 45 months is not particularly costly, having a first-year cost of only approximately $55.5 million, I believe it is a particularly valuable provision. Because of the previously low levels of the GI benefits many veterans have been unable to take a full course load thus making it impossible for them to obtain an undergraduate degree within the normal 4 years. This additional year of eligibility will enable those veterans to complete their education and obtain their degree. If the amount of mail my office has been receiving is indicative of the importance of this provision, there are many veterans who are in this position and could use the additional entitlement. Of course other veterans will be able to use this entitlement for a year of graduate study if necessary. I believe this is also consistent with our philosophy of enabling veterans to become economically competitive in our society. Additional education beyond the baccalaureate degree is becoming more important with each passing day and in many ways it has become as important for the veteran of today as the simple baccalaureate degree was for the veteran of World War II over 30 years ago.

Mr. HARTKE. Mr. President, we are going to ask for only a voice vote on this conference report.

This is done following discussion with the ranking minority Members. At this time I think that a record vote might prolong debate upon this matter, and in our judgment it is better to go ahead and proceed with a voice vote with the understanding that we can proceed much more expeditiously.

The PRESIDING OFFICER. The question is on the adoption of the conference report.

Mr. HANSEN. Mr. President, the distinguished floor manager of the bill and, I think, most of us on my side have agreed upon the procedure that he has indicated here this morning.

I would be less than fair to the President if I were to fail to observe that with the cascading of innumerable issues upon him, he has not had as much of an opportunity as he might have wished to have been able to make input on this bill.

But, nevertheless, I am in complete agreement with the procedure that has been suggested by the distinguished Senator from Indiana.

Mr. THURMOND. Mr. President, I rise in support of the conference report on H.R. 12628.

While this bill is not a panacea for all of the problems of our young veterans, I am convinced that, on the whole, it is a good bill and merits the full support of the Senate.

Unfortunately the student-veterans, like all others in our present day society, are caught up in the spiraling effects of inflation. While this bill provides an approximate 23 percent across-the-board increase in the subsistence allowance, it represents no windfall to the veteran. Much of this projected increase has already been diminished by the decreasing buying power of the dollar. It is therefore prudent at this time, I believe, to admonish the student-veterans that this increase will not mean extra money in their pocket. It will only go toward helping them to keep abreast of the rising cost of living.

Mr. President, while on the one hand this bill represents an approximate $50 increase per month in the fulltime student's subsistence rate, it also represents a tremendous outlay in Federal dollars. The initial first-year cost, when calculated with the 2-year extension of the delimiting date already signed into law, is in excess of $1½ billion.

The outlay of these additional funds, and their effect on the economy, concern me. Mr. President, we are truly engaged in a war against inflation. The crux of this battle lies in not incurring new debts through increased spending or in the creation of new obligations. The GI bill is, however, an old and overdue debt, whose payment we are just now making.

Mr. President, the cost of this bill should not be minimized, but neither should the dividends of past expenditures on the GI bill.

An analysis of the economic return of the GI bill substantiates this fact.

In 1965, the Department of Labor and the Department of Commerce analyzed the incomes of veterans and nonveterans in the same age groups. Approximately 10 million World War II and Korean conflict veterans enrolled for education or training under the GI bill. The total cost to the Government was $19 billion.

The income of the veteran who received GI bill assistance averaged from $1,000 to $1,500 a year more than those who did not. On this basis, it was estimated that the trained and educated veterans generated additional income taxes in excess of $1 billion per year for over 20 years. This represented a $20-billion return in the taxes alone on the $19 billion cost of the program.

Additionally, the skill levels of those who participated in the program were raised significantly. Around 45 percent of the World War II veterans, 29 percent of the Korean conflict veterans, and 8 percent of the Vietnam era veterans had less than a high school education when they entered training under the GI bill.

Since World War II, the GI bill has provided an impressive part of the Nation's professional and skilled manpower. The number of jobs added to the national productive capability is revealing: 523,000 in engineering; 350,000 in education; 365,000 in the life sciences, physical sciences, and health sciences; over 1 million in business, commerce, and law; and almost 4 million in skilled trades, crafts, and industrial pursuits.

In each instance, the veteran has not been the only beneficiary. Society as a whole has benefited from the training and educational pursuits of veterans under the GI bill. It has paid for itself many times over.

Mr. President, while the cost of this program ranges to $1.5 billion during the coming year, I am convinced it is in the best interest of both the Nation and the veteran to recommend its early enactment. I am convinced that the American people will reap the benefits of the authorization of these funds today. These funds represent not merely an outlay, but an investment in the future of our country.

The American people reposed a great trust in the young men who served us on the field of battle. These young men met the demands which were put before them with the courage and stamina consistent with what the American people expect of their soldiers.

Mr. President, the House has accepted the great majority of the Senate amendments. I take great pride in the progress represented by other provisions in the bill. Greater employment benefits and reemployment advantages, changes in the vocational rehabilitation program, and programs to provide on-campus assistance to student-veterans, are all included in this bill.

The tuition assistance proposal which was included in the Senate bill is not included in the final version. It was deleted in conference after extensive consideration.

The conferees substituted a provision which directs the Veterans' Administration to carry out a thorough and intensive study on the opportunities for abuses and the administrative difficulties which would be encountered if a tuition assistance program were to be enacted. Further, the conferees have requested:

Recommendations by the Veterans' Administration as to legislative or administrative ways in which any such abuses and

difficulties could be prevented or mitigated under present or future programs.

Mr. President, I look forward to the findings of the VA study, and anticipate that further legislative proposals for tuition assistance can and will be drafted to obviate the difficulties which the VA study might expose.

On the whole, Mr. President, this bill is a good one. I urge the Senate to adopt it.

Finally, Mr. President, I would like to pay tribute to the chairman of the conference, Senator HARTKE, who did an outstanding job. His willingness to listen to opposing views and to guide the conference was commendable.

Also, I want to express my thanks to the ranking minority member, Senator HANSEN, who always does an outstanding job. The distinguished Senator from Wyoming knows the problems of our veterans, and is always willing to go the extra mile in an effort to resolve them.

Other members of the committee, on both the majority and the minority side, have worked diligently on this bill.

It is indeed a pleasure to work with the distinguished Senators on the committee. Each one is dedicated to the best interest of the veteran and the country. As much can be said for the conferees on the part of the House. The Senate Veterans' Affairs Committee did a fine job on this bill.

Mr. President, I am pleased to join with the other conferees in urging the adoption of the conference report.

Mr. McCLURE. Mr. President, I rise in support of the conference report on H.R. 12628, the Vietnam Era Veterans' Readjustment Act of 1974.

To be candid, I believe this could be a better bill in several respects. But I have signed the conference report with the feeling that after more than 2 months of negotiations, this bill represents the most equitable compromise we could achieve for our veterans at this time.

I am not at all happy that the tuition provisions contained in the Senate bill were dropped from the final conference version. Over the last 25 years, the increasing cost of education has exceeded the cost of living threefold. Yet, rather than meet those costs directly, we have been limited to a cost-of-living increase coupled with an educational loan program. Do not misunderstand me. The assistance increase and loan program are a substantial step forward in our efforts to assure that sufficient educational benefits are within the reach of all veterans wanting to take advantage of them. But a partial tuition grant would have met directly the one factor which prevents veterans from having comparable educational opportunities—high and varying educational costs.

Combined with the present high cost of tuition are the family responsibilities nearly one-half of our Vietnam veteran trainees have. Even in relatively low-cost education States, as is Idaho, many of these veterans find it impossible to attend school either full time or continuously. Yet we have not provided a tuition grant to help with their transitional training period.

Historically, the intent of the GI bill has been to provide a readjustment benefit which would allow a veteran who took full advantage thereof to complete a vocational or 4-year college program. However, the high cost of education coupled with family responsibilities and an inflationary economy, the loss of credits involved in transferring from one institution or educational objective to another, and the previous low benefits have all combined to make it unlikely that many Vietnam-era veterans will complete their basic educational objectives in 4 years.

For these individuals who are compelled to forego full-time educational training or cannot complete such in 4 years, we have added another 9 months of entitlement eligibility. Thus we have guaranteed all veterans sufficient time in which to attain a standard college degree or vocational objective.

I do have strong reservations, however, about the language providing for such a 9-month benefits entitlement increase. Without restrictive language as to use of eligibility I fear we are unwittingly exceeding the clear historical purpose of the GI bill. To be blunt, that purpose is not to provide a veteran with advanced degrees. The clear congressional intent has been to help the veteran with basic educational attainment. I firmly believe that 36 months is adequate for those veterans who have no educational difficulties or who are seeking advanced educational attainment.

Mr. President, I also have strong reservations about the probable cost of an unrestricted 9-month entitlement increase. The VA estimates first-year costs of this program will be $55 million, decreasing to about $20 million in succeeding years. I fear, however, that succeeding years' costs will actually be closer to $40 million.

I also have reservations, Mr. President, concerning the method of determining educational benefits entitlement. Basically, a veteran is entitled to 1½ months of benefits for each 1 month of active duty served. After serving 18 months, he automatically becomes entitled to the maximum educational benefits of 36 months. This entitlement system fits the 2-year draft, with its usual 1-year Vietnam tour. But under the proposed 45-month maximum entitlement, a new peacetime veteran who has had no threat of the draft or Vietnam over him will be entitled to nearly 3 months of benefits for each 1 month of peacetime active duty. For those who served in time of war or involuntary servitude, such an increase is valid—so far as is needed to obtain a basic degree or vocational objective. But if the GI bill is to be continued for peacetime veterans, total entitlement should be based on no more than 1½ months per 1 month of active duty up to the proposed maximum entitlement.

A valuable provision in this bill is one to place VA representatives on college campuses to aid veterans there in resolving problems relating to VA benefits. Recently, we received a letter from President Dallin H. Oaks, of Brigham Young University in Provo, Utah, indicating his concern that the bill might be construed as imposing these Federal employees upon religiously connected private institutions against their will. We have, therefore, expressed in the conference report that our intention is to avoid any situation in which an educational institution might in any way be compelled to accept such a campus assignment by the VA. We expect that such assignment matters will be resolved amicably by consultation and coordination between the institutions and the regional VA offices.

Mr. President, I ask unanimous consent that President Oaks' letter be included at the end of my statement.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. McCLURE. Mr. President, I believe the other provisions in this bill provide a good basis from which to assess the criteria of comparability. In my view, this bill provides comparable benefits to those of World War II and Korea. It is a step forward in our efforts to assure that sufficient educational benefits are within the reach of all veterans who wish to take advantage of them.

Mr. President, I urge my colleagues to adopt this measure.

EXHIBIT 1

BRIGHAM YOUNG UNIVERSITY,
*Provo, Utah, July 23, 1974.*

Re S. 2784—Vietnam Era Veterans' Readjustment Assistance Act of 1974.

Hon. VANCE HARTKE,
*U.S. Senate,*
*Washington, D.C.*

GENTLEMEN: I am writing you on behalf of religiously connected private universities to express the concern we have related to the above mentioned legislation. Since this matter is about to be considered by the Conference Committee, I strongly urge that the Conference Committee include a clarifying statement in its report to avoid a possible misunderstanding outlined below.

We are afraid that Section 243 of the bill, providing for Veterans' representatives on college campuses, might be construed and applied in such a way as to invade the traditional separation of church and state and the privacy of private educational institutions. Our own institution provides, through its staff, all of the counsel, advice and assistance which the veterans need on campus. We have a very harmonious relationship with the Veterans Administration and there is no apparent need for additional persons to be placed on our campus at the expense of the United States.

On the other hand, Section 243 (a) (one) provides that the administrator of the Veterans Administration "shall assign" certain personnel to college campuses except in circumstances outlined in clause (four) of Section 243. We feel that the words "shall assign" might be interpreted or applied to require the administrator to inject or impose a representative on a private religiously connected institution which does not desire and does not need such a representative. We have real concerns about having government employees assigned to and housed on the campus of a college or university that has traditionally worked to preserve its independence and separation from government programs.

In Senate Report 93-907, at page 96, the Senate Committee recognized that the director of the appropriate VA Regional office based upon demonstrated lack of need, or in consideration of other factors indicating in-

appropriateness of assignment of veterans' representative to a particular educational institution, may provide for other use of the veterans' representative. Apparently, therefore, it is not the real intent of Congress that the representative be forced upon a private religiously connected educational institution against its wishes. However, as indicated, the legislative history may not now be entirely free from doubt in view of the words "shall assign" mentioned above.

This matter could be clarified by an appropriate insertion in your Conference Report that it is not the intention of the Congress that the veterans' representative be imposed upon a religiously connected private institution against its will. We urge that your report so state.

We are sympathetic with the objectives of seeing that veterans are given all necessary assistance to permit efficient and effective use of their benefits. On the other hand, on campuses such as our own where the veterans are getting all required assistance, it would be much preferred if the available resources were used in another way to assist the Veterans Administration in carrying out its program. If this were done, efficiency would be improved and the government would not be invading the privacy of religiously connected private educational institutions.

If we can be of any assistance to you in clarifying this matter, please do not hesitate to call on our Washington representative, Mr. Robert W. Barker, telephone 833-9800.

Sincerely,

DALLIN H. OAKS.

VETERANS EDUCATION BILL

Mr. DOLE. Mr. President, the final passage of the Vietnam veterans education bill is the culmination of many months of effort by the junior Senator from Kansas and his colleagues.

SIMILARITIES NOTED

For 39 cosponsors of a veterans education bill I originally helped introduce last year, this legislation is especially significant. It contains several provisions similar to those in the bill we introduced last year. The 23-percent increase in monthly assistance is an example of one of those similar provisions.

HIGHER ASSISTANCE RATES

The low assistance rates in the early stages of the Vietnam-era GI bill are an important reason to increase the tuition and subsistence payments along the lines proposed in this bill. Many of these men and women who could not afford further schooling earlier now have families and financial commitments. Increasing financial assistance will provide these and also those with marginal jobs the means to get advanced training to improve their career potential.

The figures from Kansas show that Vietnam veterans need a higher level of financial assistance. Tuition and fees at public universities in Kansas range from $390 to $544. With an assistance rate of $1,980 for single veterans in a 9-month academic year, each veteran must make up a difference of $600 to $1,500 each year, according to the individual's curriculum and living expenses. The situation is even more difficult for veterans with dependents. VA assistance falls short by $1,300 to $3,000 or more every year. The differences between VA assistance and school expenses are difficult or impossible to make up in part-time or summer jobs for many veterans.

ENTITLEMENT AND WORK-STUDY PROGRAM

Two other provisions similar to the bill I helped introduce are extension of entitlement from 36 to 45 months and reduction of limitations on the work-study program. The first measure will be of great benefit to veterans in obtaining the more sophisticated and longer education programs being offered today. With all professions becoming more technical, the length of training necessary to be proficient is constantly growing. I believe the extension of entitlement from 36 to 45 months will be beneficial to the country as a whole.

Reduced limitations on the work-study program should be of benefit in allowing veteran-students to help themselves. The wages they earn there will help defray the school expenses they must meet. In addition, the manpower veteran-students contribute to the VA should help improve the services provided by that organization.

This bill contains several other provisions which should be helpful to Vietnam-era and other veterans. Of particular significance are the provisions to provide for education loans to veterans to improve reemployment benefits.

VETO RUMORS

There have been numerous reports in the press recently about a possible veto of this bill. The Senator from Kansas would hope these rumors will be proven untrue.

Fiscal responsibility is of critical importance; however, I am in concurrence with the majority of Congress in viewing benefits for Vietnam veterans as an investment in America's future. It is an investment that will more than repay by far our initial investment. We will benefit directly from increased tax revenues and more productive employment coming from better trained veterans. This measure should benefit the entire Nation—and veterans as well. It is clear, in my view, that an improvement in veterans' education benefits is greatly needed before the beginning of this school year.

TUITION PAYMENTS

The decision not to include partial tuition assistance allowance in this final version of the bill is of great concern to me. It was an essential element in the Senate version of this legislation and was approved unanimously by the Veterans' Affairs Committee and the entire Senate. It is my recommendation that, during the fall, the Senate Veterans' Affairs Committee continue to work with the Veterans' Administration to design a tuition grant program that will protect against potential abuses and that will provide equity to all veterans regardless of their State of residence. Given that this issue has already been examined in depth and received broad bipartisan support, I am hopeful that a tuition bill can be reported to the floor of the Senate and considered early in the 94th Congress.

The importance of and need for getting improved education assistance to veterans for this school year is paramount. It would be self-defeating to delay this bill longer in an effort to obtain tuition payments. However, the experiences of nearly three decades ago should not be permitted to breed blind fear and opposition to the development of a meaningful tuition payments provision with adequate safeguards to prevent abuses.

I believe the Vietnam-era veterans education bill we are considering today will be beneficial to all the veterans eligible for assistance under it. I give my wholehearted support to this measure and am pleased to have cosponsored it.

Mr. CRANSTON. Mr. President, I rise to give my full support, and to urge my colleagues in the Senate to approve the pending measure, the Vietnam Era Veterans Readjustment Assistance Act of 1974 (H.R. 12628), as reported from the committee on conference.

INTRODUCTION

Mr. President, as the principal coauthor of the reported bill with the distinguished chairman of the Committee on Veterans' Affairs, the Senator from Indiana (Mr. HARTKE), I believe the bill we are considering today will provide the most comprehensive extension of benefits of any veterans' measure considered in the Congress in the last several years. It is a fine bill, the provisions of which will go far in dealing with the widest possible range of education, training, and employment programs and problems for the veterans and his or her family. Although one major compromise had to be made during deliberations with the House, I am confident that the bill we have reported from conference is the best possible bill we could achieve and will come very close to providing a true measure of comparability of GI bill educational assistance for Vietnam-era veterans with the level of benefits provided after World War II and the Korean conflict.

Mr. President, I am fully aware of the importance of both compromise and cooperation—two of the four "c's" our new President stressed in his recent address to a joint session of Congress. I believe this bill is a symbol of such compromise and cooperation, not only between the House and the Senate Veterans' Affairs Committees, but also between the Congress and the executive branch. The major point of contention—the Senate's tuition assistance program—was objected to strongly by President Nixon in a July 30, 1974, letter to Chairman HARTKE. That provision costing $585 million the first full year, has been dropped, thereby reducing the overall cost of the conference report by $490 million in view of the $270 rate figure.

I strongly support this spirit of compromise and cooperation, and I will do my best to further it.

But the time has come, Mr. President, for definitive action, not just words connoting the arrival of an era of good feeling. Vietnam-era veterans have waited too long for a benevolent executive branch to seek for them the benefits they earned by their military service. They have watched too often as their promised benefit increases have been compromised away in lieu of such excessive military hardware as the SAM-D or the CVN-70, or overseas troop support. Further compromises are unacceptable now. The hour has come for a decision—a decision concerning our national priorities.

Mr. President, I am totally in agreement with President Ford's desire to cut the budget, to reduce Federal spending. I have been deeply concerned and involved in efforts to cut wasteful Government spending since coming to the Senate. Combating inflation and attempting to right our economy-gone-awry by reducing veterans' benefits, however, is, in my opinion, not responsible budgeting.

There is no question, Mr. President, that one of the first responsibilities of a democratic society is the maintenance of a stable economy—an economy which will provide all citizens with a fair opportunity to find work and earn a decent living. I have no argument with this, and I congratulate President Ford for his determination to achieve this goal.

This cannot be done, however, by asking young veterans to continue to make double and triple sacrifices. They have already given up 2 years or more to military service, often risking their lives and limbs. Yet, in the name of combating inflation, the past administration has steadily resisted congressional efforts to get additional funds for badly needed programs for veterans. Most young veterans have thus encountered difficulty in completing or even beginning their educations; many cannot find jobs, and some cannot get adequate medical care for their disabilities.

Mr. President, in November 1970, as chairman of the Veterans' Affairs Subcommittee of the Labor and Public Welfare Committee, I chaired hearings on unemployment and readjustment problems among young veterans. I stated then that there was great irony, as well as tragedy, in the economic recession and high unemployment.

The Vietnam war had been a major cause of our runaway inflation, and the Nixon administration instituted a number of fiscal year monetary policies to stop that inflation. All those policies succeeded in doing was depressing the economy and increasing unemployment. Most paradoxically, among the principal victims of unemployment were the young servicemen returning from the very war that brought about the inflation—and the administration's recessionist policies—in the first place.

Mr. President, in the spirit of the justice and conciliation sought by the new administration, we must correct this great injustice. Providing equitable benefits and services, employment opportunities, and quality medical care to our Nation's veterans is a cost of war that we can no more avoid than the costs of bombs and bullets, airplanes, and tanks—the necessities of waging war. Providing the funds necessary to afford veterans this just readjustment assistance is a cost of war we must and will pay. And we must do so willingly, not begrudgingly.

Mr. President, there is no room for compromise in this regard. The men and women who served in Vietnam cooperated when they were asked to serve their country. They did not ask about the cost. I believe it is our moral obligation to reconcile the sacrifices they made by insuring Vietnam-era veterans of adequate readjustment assistance.

I would point out, Mr. President, that not only is this a cost of war which we are morally obliged to pay, but the amounts involved in the conference report represent sound fiscal policy, as well. This morning, at the inaugural hearings of the Senate Committee on the Budget, on which I am privileged to serve under the distinguished leadership of the Senator from Maine (Mr. MUSKIE), we heard testimony from two impressive but rather conflicting authorities: Honorable Arthur F. Burns, Chairman of the Board of Governors of the Federal Reserve System; and Prof. Walter W. Heller of the University of Minnesota, former Chairman of the Council of Economic Advisers. Much of their testimony focused on whether or not there was a need for significant cuts in the fiscal year 1975 budget for Federal Government spending. These gentlemen differed with regard to this point, at least insofar as the magnitude of such proposed cuts.

They did not differ, however, on one very salient point. Chairman Burns stated that along with the need for the Congress and the executive branch to make certain substantial cuts in the Federal budget which he was advocating, there must be compensatory increases in Federal spending for certain programs too. I will quote the word he used. He said we must "ameliorate" the impact which inflation has already had on certain groups in our society.

Professor Heller, who probably would define this group of inflation victims more broadly than Chairman Burns, made the same point and termed such "amelioration" as "reparations" for the sacrifices and hardship which these groups of individuals have experienced at the hands of our devastating inflation rate.

That, Mr. President, is really what this conference report is all about: restoring the purchasing power, in terms of education and subsistence of GI bill educational assistance and training allowances. This purchasing power already has been badly eroded and eaten up by the ravaging inflation of the 18 months since the last GI bill increase. Anyone who has tried to pay for an education in 1974 with the same amount of money needed to purchase an education in 1972, obviously knows that the 22.7-percent increase in the conference report is fully justified.

So, Mr. President, I point out that in essence what we have here is a reparation in the war on inflation which we owe to our Vietnam-era veterans in terms of their right to adequate education and training benefits, to facilitate their readjustment.

Mr. President, during the 5½ years in which I have been deeply involved in matters affecting our Nation's veterans, particularly Vietnam-era veterans, I have learned to expect, as a matter of course, threats of Presidential vetoes of legislation providing for badly needed increases in benefits to veterans, or administration recommendations of pitifully small budgetary increases in veterans' benefit programs.

I was encouraged, therefore, with aspects of President Ford's address to the Veterans of Foreign Wars—VFW—convention on Monday, August 19, 1974. Particularly noteworthy, I think, was his expression of concern for the appalling rate of joblessness among young veterans and minority veterans, as well as his demand for the highest quality of care in VA hospitals and humane treatment for every veteran. These are concerns I share and long have been working to deal with. In the past, however, my concerns have fallen on deaf ears. The Nixon administration was long on rhetoric with regard to helping veterans, but short on action. President Ford's apparent awareness of the importance of these matters gives me hope that he will also recognize the great need to enact into law all the provisions on H.R. 12628, as reported from conference.

Mr. President, the reported bill is a tribute to the skill, dedication, and perseverance of the distinguished Senator from Indiana. Through his leadership, Chairman HARTKE has brought all members of the Veterans' Committee together behind this very broad, comprehensive measure. It has been a great privilege for me to collaborate with him in producing this very broad-based measure, and I want personally to thank him for all his cooperation and that of the committee staff and congratulate him for having produced such a truly beneficial and important measure.

SUMMARY AND DISCUSSION OF MAJOR PROVISIONS OF REPORTED BILL

Mr. President, in my remarks during Senate consideration and approval of the bill reported from the Senate Committee on Veterans' Affairs, H.R. 12628, as amended, this past June 19, 1974, I discussed, in detail, the many comprehensive provisions of the bill. At this time, I would like to focus on the major provisions of the bill reported from the committee on conference on Monday, August 19, 1974.

INCREASE IN RATES

Mr. President, in the committee bill as introduced, the basic monthly educational assistance allowance rate was set at $270 in an attempt to restore comparability with World War II GI bill rates. This rate was based on the $250 level which had been adopted unanimously, both in committee and in the Senate, in 1972, which our calculations showed were necessary to achieve GI bill benefit comparability at that time. This $250 figure was then adjusted by the cost-of-living increase—CPI—from fall 1972 to late fall 1973, when S. 2784 was introduced—December 6, 1973—which required about an 8-percent increase over this $250 figure. This basic GI bill rate was lowered to $260 per month in order to allow for the tuition assistance allowance program provision added to the bill in committee. The partial tuition assistance allowance program was considered, by the committee, to be an integral part of the rate increase package. The two together were a substitute for the original 22.7-percent rate increase included in S. 2784, as introduced last December 6.

In view of the House conferees' insistence that the tuition assistance pro-

vision be dropped from the bill, I am pleased that we were successful in insisting that the 23-percent increase in rates be restored.

NINE ADDITIONAL MONTHS OF GI BILL ELIGIBILITY

Mr. President, during Senate committee consideration of S. 2784, I proposed an amendment to increase the total GI bill entitlement period by 9 months, from the present 36-month period to 45 months. I am especially gratified that this amendment accepted by the committee is retained in the conference report, as I believe it improves significantly the overall educational assistance program. Many veterans, who must take reduced credit loads in order to work to supplement their incomes, will be insured of the additional months of educational assistance they may need to complete their education, as a result of this provision.

Mr. President, the GI bill educational assistance program was originally designed to assist veterans in their readjustment to civilian life. Particularly, during this period when an undergraduate degree is absolutely necessary to achieve minimum competitiveness in today's job market, the GI bill should at least provide a fair opportunity for all veterans to obtain a bachelor's degree.

However, the high cost of education, the loss of credits involved in transferring from a 2-year college to a 4-year college, and the lack of adequate GI bill benefits until very recently, have combined to make it difficult, if not impossible, for many veterans to complete baccalaureate degree requirements within 4 school years.

Further, Mr. President, VA statistics indicate that 48.8 percent of all GI bill trainees have dependents. Many of these veterans are forced to take reduced workloads in school in order to take jobs to support their families. The American Association of Community and Junior Colleges noted in testimony before the committee that "most veterans averaged only 12 credit-hours for an average semester." Under current law, veterans can receive full monthly benefits for 12 credit-hours of study. But as the National Association of Concerned Veterans—NACV—pointed out, 12 credit-hours per semester adds up to 96 credit-hours after 4 school years, or 24 credit-hours short of the 120 required for graduation. On a quarter system, 4 years of the minimum requirement will accumulate 144 or 36 credits short of the 180 necessary for graduation.

Additionally, many lower cost public institutions, where most veterans turn for their education, are overcrowded. As a result, it is often difficult for veterans to gain admission to required courses. According to a recent survey, it took 690 veterans an average of 5 years to complete their degrees at the California State University at Fullerton and the University of California at Irvine.

Mr. President, a final consideration is reflected in a recent report by the Carnegie Institute on Higher Education, which points out that educational requirements imposed by employers, State licensing agencies, and professional certification boards demand increasing periods of higher education. In plain terms, what a bachelor's degree would qualify a veteran for in 1948 or 1955 in terms of salary and job responsibility may very well require a master's degree in 1974. Although the extension of monthly entitlement from 36 to 45 months is primarily intended as a means to insure that all veterans may obtain at least an undergraduate degree, I believe this provision will do much to enhance the ability of many veterans to be economically and educationally competitive with their nonveteran peers.

PROGRAM EVALUATION AND COLLECTION OF STATISTICAL DATA

The Senate-passed version of H.R. 12628, as amended, provided for a new subchapter under which, for the first time, the Administrator of Veterans' Affairs would be required to provide for independent measurement and evaluation of the impact and effectiveness of all programs authorized under title 38, and their mechanisms for service delivery, and to collect, collate, and analyze on a continuing basis, full data regarding the operation of all such programs. The Administrator would be required to make available to the public the results of his findings.

Presently, Mr. President, the VA's evaluation activities are sporadic and limited. The evaluation provisions in the new section 219 contained in the Senate-passed bill—in subsections (a) through (f)—are based directly on the evaluation provisions in sections 401 and 402 of the Rehabilitation Act of 1973—Public Law 93–112, of which I was a principal author with Senators RANDOLPH and STAFFORD, who are also members of the Veterans' Affairs Committee, and who collaborated along with Senator HARTKE and me on this provision in the Senate-passed bill. Interim regulations regarding these Rehabilitation Act provisions were published in the Federal Register on July 2, 1974.

Since the House-passed bill contained no comparable provision, I am most pleased that the conference agreement embodies the essence of the Senate provision, although somewhat revising and condensing the language in order to provide for greater focus and more specificity.

In the joint explanatory statement, however, the conferees stressed that in condensing the new section 219—evaluation and data collection—as added in section 213 of the conference report, the requirement that, whenever feasible, the Administrator should arrange to obtain the specific views of program beneficiaries and program participants with respect to evaluations of such programs, was deleted as unnecessary. The conferees further stressed their belief that the Administrator already possesses the authority to do this, and that it would be desirable for him to exercise that authority, in addition to providing for evaluations conducted by fully independent personnel rather than those directly responsible for program operation and administration.

PROGRAM

STATUTORY AUTHORITY FOR VA'S VET REP

Mr. President, another provision I authored in the Senate-passed bill, establishing a veterans representative—Vet Rep—program, was accepted by the Conference Committee. This program will provide for a full-time VA employee at, or in connection with, each educational institution where at least 500 GI bill trainees are enrolled, who will serve as a liaison between the VA and the institution and identify and resolve various problems with respect to VA benefits, especially educational assistance, for veterans attending each such institution.

Mr. President, Senators may recall that on May 31, 1974, the White House released a formal announcement concerning the Veterans' Administration's new man-on-the-campus program. Earlier in May, the Veterans' Administration had briefed the Congress on its plans to implement this program designed to improve service relationships with veterans, their dependents, and veterans' service organizations. The man-on-the-campus, or Vet Rep program involves placing VA counselors on college and university campuses to identify and resolve VA educational assistance allowance problems.

Mr. President, in the weeks that followed the original VA announcement of these plans, there was considerable confusion, and much concern expressed by those persons already involved in campus veterans' programs. Specifically, Veterans cost-of-instruction—VCI—program campus coordinators, who are responsible for planning, implementing, and directing the full-time offices of veterans affairs established under a provision I authored in the Education Amendments of 1972, Public Law 92–318, feared their programs were about to be taken over by the VA. The VCI program was designed to provide incentives and supporting funds for colleges and universities to recruit veterans and to establish the kinds of special programs and services necessary to assist many veterans in readjusting to an academic setting.

VCI programs achieved a high level of success in their first year of operation despite the fact that in many cases VCI coordinators were unable to plan and develop special programs because they were forced to devote far too much of their time to the task of assisting veterans with VA-related problems, especially late arrival of GI bill checks. VCI coordinators were, in many cases, simply acting as a liaison between the veteran and the VA in the veteran's frustrating battle to receive VA educational benefits.

Unfortunately, Mr. President, the VA's early plans and job descriptions for the Vet Reps appeared suspiciously duplicative of the responsibilities already being met by VCI coordinators. VA memos concerning the Vet Rep program contained terms such as "outreach" and "peer counseling"—activities specifically required by law of VCI programs. Aggravating the situation was the fact that the VA, in the weeks just after announcing the program, made no attempt to consult VCI coordinators or to include them in any of the initial planning and imple-

mentation of this program, a program which directly would affect these already existing programs.

This understandably led to much hostility on the part of VCI coordinators and other campus veterans representatives across the Nation. My staff worked closely, during this period, with the Veterans' Administration, the Civil Service Commission, the Office of Management and Budget, and the White House to work out details of the program, and to insure that the concerns of VCI coordinators would be taken fully into consideration before plans for the program were finalized.

In connection with the Vet Rep provision, in the conference report, the joint explanatory statement offers the following explanation:

In adopting this provision, the conferees were keenly aware of the concerns which have been expressed to members of both bodies about the implementation of this program which has already been undertaken administratively by the VA, and of the assurances received from the Office of Management and Budget, the White House, and the VA with respect to the intended operation of this program. Of specific concern is the understanding, most recently embodied in the Senate Appropriations Committee report (No. 93–1056) on H.R. 15572, the fiscal year 1975 HUD-Space-Science-Veterans' Appropriations Act, that VA regional offices, with the concurrence of the Chief Benefits Director, will have considerable flexibility in the assignment of these new Vet Reps in terms of particular campus needs. This same flexibility is provided for in the conference report. In those instances where a Vet Rep can perform more effectively in terms of carrying out the special responsibilities of liaison with the campus veterans, assignment of the Vet Reps to regional offices should be carried out in order to improve the capacity of those offices to provide effective services. At the same time, the conferees wish to call attention to the conference report provision which is intended to avoid any situation in which an educational institution might be in any way compelled to accept such an on-campus assignment by the VA—new section 243(a)(4) provides that the "inappropriateness of assignment of veterans' representatives to a particular educational institution" shall be grounds for reallocation of such Vet Reps to other educational institutions or to the regional office. The conferees expect that such assignment matters will be resolved amicably in close consultation and coordination with individual institutions, GI bill trainees at such institutions, and other interested parties.

VETERANS' OUTREACH

Mr. President, in 1970 and 1972 I authored and coauthored with Senator HARTKE, respectively, major new programs to provide special assistance to high school dropout veterans. These were the predischarge education program—PREP—the special tutorial assistance program, the refresher, deficiency on-campus program, and the veterans outreach services program in 1970 in Public Law 91–219; and expansions and improvements of those programs and the addition of the veterans-student-services program in Public Law 92–540.

Unfortunately, the implementation of these programs by the Veterans' Administration has continued to be less than adequate and less than enthusiastic. There is a substantial need for improvement in the scope of the VA's outreach program and the methods which it employs to reach out to returning veterans, particularly educationally disadvantaged veterans, to attempt to encourage them to use their GI bill eligibility to receive education and training. I find the figures in a study by the General Accounting Office, in terms of the lack of actual knowledge on the part of returning veterans about their benefits, to be very discouraging and to be evidence of a very haphazard implementation by the Veterans' Administration since we inaugurated the program in 1970.

Mr. President, in the conference report we have adopted the Senate provisions to increase the tutorial assistance allowance from $50 to $60 a month and the number of months of tutorial assistance entitlement during which such allowance may be paid from 9 to 12 months. As I indicated above, I originally authored this provision, in the 1970 GI bill amendments, Public Law 91–219, to provide tutorial assistance to veterans in academic difficulty.

In addition, the veteran-student services program which we placed into law in Public Law 92–540, and which I originally proposed in 1970 in the Senate-passed S. 3657, and again in 1971 in S. 740 with Senator HARTKE, would also be improved and expanded by provision in the conference report. When we originally passed this program in the Senate in 1972—as well as in 1970—there was no limitation on the number of veterans who could participate in this work-study program. However, in 1972, in working out the provisions which became Public Law 92–540, we agreed with the House to try this program out on the basis of about 16,000 so-called work/study agreements, effectuated through the limitation to 800 man-years of work contained in section 1685 of the present law. We also agreed to limit the number of hours that any veteran could work to 100 hours per academic year.

Given the experience with this new program and comments we have received from various VA regional offices and others, the conferees agreed to the Senate provision to expand the program so as to permit up to 250 hours of work for each individual veteran over an academic year and to remove the limit on the number of veterans who can participate during any one fiscal year.

We see this program as a major way for the VA to improve and expand outreach efforts, pursuant to the new directions and authorities made by other amendments in the Conference report, especially on college campuses under the supervision of the new veterans' representatives, provided for in section 214 (4) of the Conference report, and also strongly believe that the program, as indicated in the provisions of the present law itself, should be directed far more to providing work/study veterans to carry out certain functions in connection with the VA medical program—a statutory function which has been virtually totally overlooked by the Veterans' Administration in its implementation of the present program.

PROVISION OF EMPLOYMENT ASSISTANCE TO VIETNAM-ERA AND SERVICE-CONNECTED DISABLED VETERANS

Mr. President, in 1972 in title V of Public Law 92–540, we enacted the Veterans Employment and Readjustment Act of 1972, which was derived directly from the provisions of S. 2091 which Senator HARTKE and I had introduced in June of 1971. Given our experience with the implementation of the various provisions added to title 38 in 1972 in chapters 41 and 42, Senator HARTKE and I proposed a series of strengthening amendments, which have been retained in the conference report.

First, Veterans Employment Service job counseling, training, and placement services would be expanded to serve wives and widows who are eligible for chapter 35 GI bill assistance.

Second, the Secretary of Labor is directed to establish stronger, expanded administrative controls under chapter 41 in order to insure that eligible veterans, wives, and widows are promptly placed in a satisfactory job or job training opportunity or receive some other specific form of employment assistance. The Secretary is also required to publish standards for determining compliance by State Public Employment Service agencies with the provisions of chapters 41 and 42.

Mr. President, the need for such mandatory specificity regarding this annual report was made very clear to us by the ridiculous three-page annual report concerning the implementation of existing chapter 41 provisions submitted—4 months after it was due—by the Secretary of Labor, and by the failure of the Secretary to carry out the chapter 42 "special emphasis" program.

Third, with regard to the chapter 42 "special emphasis" program the conference report clarifies and strengthens existing law by requiring that Federal contractors and all of their subcontractors take particular actions in addition to job listing in order to give "special emphasis" to the employment of qualified service-connected disabled and Vietnam-era veterans. The conference agreement provides further clarification in this provision by making clear the intention of the Congress that all Federal contractors and all subcontractors under Federal contracts—not just prime subcontractors—are to take affirmative action in their employment practices in an effort to promote the greatest possible employment and advancement in employment of qualified service-connected and disabled veterans and veterans of the Vietnam era.

Mr. President, this provision is essentially a clarification and a refinement of the existing provision in section 2012 of title 38. The language of the modified provision was worked out in close consultation with the Department of Labor;

the Department seems committed to doing better in terms of hiring veterans. The existing provision, given the Department's very restrictive interpretation in the regulations governing this section, has clearly not been carried out as Congress had intended.

Unemployment continues to be a substantial problem among young veterans, of whom more than 9.5 percent are presently unemployed. The unemployment rate for young minority group veterans was 19.5 percent for the second quarter of 1974, more than twice as high as that of other young nonminority group veterans, and on the west coast, 30,000 veterans in the 20- to 24-age bracket were out of work during the second quarter of 1974, with an unemployment rate of almost 12 percent. Nationwide, the July unemployment rate for young Vietnam-era veterans is 9.6 percent, with 130,000 young veterans out of work.

Thus, we felt it necessary, not only to try to provide greater focus to the efforts of the Veterans Employment Service, but also to provide the Department of Labor with greater statutory specificity with respect to its efforts to promote employment of Vietnam-era veterans and service-connected disabled veterans in the private sector.

Mr. President, in clarifying this provision, it was the conferees' objective to insure that the goals of the program, as spelled out above, would be achieved according to an orderly and effective timetable, backed up by an effective compliance mechanism. The provision in the conference report is thus substantially identical in language and intended scope with the provisions of section 503 of the Rehabilitation Act of 1973 (Public Law 93-112), a law I coauthored with Senators RANDOLPH and STAFFORD, who also serve with me on the Veterans' Affairs Committee, and who collaborated with me in the revised section 2012 in the conference report.

Fourth, the conference report also includes a provision I authored with Senator HARTKE stating that it is the policy of the United States to promote maximum employment and job advancement opportunities within the Federal Government for qualified service-connected disabled and Vietnam-era veterans, and providing for special Federal appointment authority and other mechanisms to carry out such policy.

Fifth, the conference report provides for the codification into title 38 of existing law on veterans' reemployment rights, and further extends such rights to veterans who were employed by States or their political subdivisions.

EDUCATION LOAN PROGRAM

Mr. President, the conference report contains, with some modification, the Senate provisions proposing a new education loan program for eligible veterans and chapter 35 eligible dependents, which was in the Senate amendment. This is very similar to the measure Senator HARTKE and I had proposed originally in 1972 in S. 2161 and which the Senate had passed at that time. Unfortunately, in our consultations with the House on that legislation we were unable to convince them of the necessity for that program. I am pleased that we were able to do so this time.

Mr. President, the new loan program should provide the wherewithal for veterans in high- and higher-cost institutions to receive loans to cover their tuition and other expenses at low interest rates and with the principal and interest payments deferred until after they have completed their education. This loan program now represents our efforts to enact some program to deal with the variable tuition costs among universities and colleges and particularly the education costs as they vary from State to State depending upon the availability of lower-cost public education.

Mr. President, I think the fact that the VA estimates that approximately 136,000 veterans would receive these loans—permitted up to $1,000 per academic year in the revision in the conference report—in the first full year of operation of the new program is probably the most telling argument showing the need for such a program. This very high rate of projected use for the first year of such a new program clearly demonstrates the difficulty which GI bill trainees are experiencing in obtaining regular education loans even under the program of federally insured loans under the Higher Education Act of 1965.

The new loan program certainly should fill this gap by providing a substantial benefit for veterans and eligible dependents who cannot obtain Higher Education Act federally-insured loans.

INTERAGENCY ADVISORY COMMITTEE ON VETERANS SERVICES

Mr. President, the conference agreement—in a new section 220 added to title 38—provides that the Administrator shall seek to achieve the maximum feasible effectiveness, coordination, and interrelationship of services among all Federal programs and activities affecting veterans, in addition to the maximum coordination of their programs with the programs carried out by the Veterans' Administration. The conferees expect the Administrator to specify in his annual report the results of this new process.

This provision gives the Administrator for the first time a central role and responsibility in coordinating and stimulating all Federal programs affecting veterans. It is hoped that this responsibility will insure far more efficient implementation of these programs designed to help veterans. This was the purpose of the original provision I authored in the Senate amendment to establish an Inter-Agency Advisory Committee on Veterans Services, a structure which the House conferees found unnecessary to achieve these goals.

CONCLUSION

Mr. President, in closing, I again want to express my congratulations to Senator HARTKE and the other members of the Veterans' Affairs Committee for having worked so hard to produce what I consider to be such a significant and far-reaching measure. I am equally grateful to the leadership in the other body for their accommodating spirit, dedication to veterans, and hard work. The House committee staff did a fine job throughout, as did our staff on this side.

This bill when enacted will help literally millions of veterans, particularly Vietnam-era veterans, and dependents in our Nation. As I have said many times in the past, what these veterans really are asking for is no more than they deserve and are entitled to—that is, simple justice and equity, and comparability in benefits with what their fathers and brothers received after their service in prior wars.

I would like to stress, once again, Mr. President, that this conference report is a symbol of compromise and cooperation. We must not ask Vietnam veterans to wait for further compromises. They have waited long enough.

I strongly urge a unanimous vote of approval by my colleagues for this vital and comprehensive measure.

THE VIETNAM ERA VETERANS' READJUSTMENT ASSISTANCE ACT OF 1974

Mr. CLARK. Mr. President, inflation has been officially recognized as this country's No. 1 domestic problem. Our Vietnam veterans, however, have been well aware of that problem for several years.

Thousands of these veterans have written, telephoned, and testified that the current GI bill is insufficient to cover the cost of continually rising tuition rates and today's inflated living expenses. The Vietnam-Era Veterans' Readjustment Assistance Act of 1974 should go a long way toward rectifying that situation. That is why I support it, and recommend its passage by the full Senate.

This legislation would provide Vietnam-era veterans with a 23-percent increase in educational benefits—the biggest increase since World War II. Economists predict that by the beginning of the 1974–75 school term, the cost of living will be 18 percent higher than it was 2 years ago—when the Congress approved the last hike in the monthly educational assistance allowance.

Under the bill, benefits would be increased for single veterans from $220 a month to $270; for married veterans from $261 a month to $321; and for a married veteran with one child from $298 to $366 a month. Veterans also would receive $22 monthly for each additional dependent compared to the previous $18.

This legislation would extend a veteran's eligibility for educational benefits from 36 months to 45 months—a total of 5 school years. This provision complements another bill, recently signed into law, which increases from 8 to 10 years the time in which a veteran is able to utilize the GI bill once he or she leaves military service.

Unfortunately, a Senate provision to provide partial tuition assistance of up to $720 a year was not acceptable to the House of Representatives. This provision would have restored equity among veterans residing in different States with divergent systems of public education, and it would have been an important step forward. The Senate bill provided specific

controls to offset the possibility of abuse that characterized the post-World War II tuition program. Nevertheless, some Members of the Congress adamantly opposed this provision, and it was not included in this piece of legislation.

I am hopeful that a tuition program for veterans will be approved by both Houses of Congress in the future because I am convinced that only this kind of tuition assistance will allow Vietnam-era veterans to get the educational benefits that were available to World War II veterans. A bill will be introduced in the next session of Congress to accomplish this goal, and it will have my full support.

Given these reservations, I believe that this compromise legislation is excellent, and I will vote for its approval, with the full confidence that it will be speedily approved by the Congress and signed into law by the President.

Vietnam veterans served their country during a period in history when it was not always easy to serve. They more than deserve the benefits contained in this bill.

Mr. RANDOLPH. Mr. President, it is a privilege to cosponsor and support the Vietnam-Era Veterans' Readjustment Assistance Act of 1974. The conference report on this measure should be adopted and I am hopeful President Ford will sign it into law to assist our men and women who were involved in the longest and most controversial war in this Nation's history.

The able and distinguished chairman of our Committee on Veterans' Affairs (Mr. HARTKE) has outlined the details of the vital measure and the basis for our conference agreement. I will comment only briefly on the reemployment rights provisions which I introduced on April 18, of last year, and which have been incorporated into this bill. These provisions extend reemployment rights to veterans employed by State and local governments prior to entering the service. Those who held jobs with the Federal Government or private industry will be assured that their job rights are protected. This has not been the case with those veterans who previously held jobs as schoolteachers, policemen, firemen and other State, county and city employment.

Some State and local jurisdictions have demonstrated an unwillingness to rehire such veterans. Or if they do, they seem unwilling to grant them seniority or other benefits which would have accrued to them had they not served their country in the military. For 1973 over 600,000 veterans were discharged from military service. More than 50 percent were employed prior to entering service.

This legislation leaves no doubt for State and local government employers that Congress feels all veterans should receive equitable treatment in the matter of reemployment rights.

Also section 2023 of the bill provides that Postal Service employees retain the right to appeal veterans' reemployment rights to the Civil Service Commission. Because of past precedents it is the committee's position that the Postal Service Commission be considered a Federal agency for the purpose of veterans' reemployment rights.

The reemployment provisions reaffirm that legal proceedings shall be governed by equity principles of law, specifically by barring the application of State statutes of limitations. The equity doctrine of laches will accomplish the application of any time-barred defense in cases under this law. This very important amendment made necessary by several court decisions which misconstrued the 1940 act by erroneously applying State statutes of limitations to reemployment actions, makes explicit Congress' original intent that laches is the governing doctrine in determining whether such actions are time barred.

Mr. President, the coverage of State and local employees under this bill is not legally retroactive. However, it is my strong hope and the committee's intent that those veterans employed by State and local governments, who were separated from military service prior to enactment of this measure, will be accorded the same rights and protection as returning veteran employees covered under this bill.

In addition to the effective coverage of this bill, the broad mandate of the reemployment rights section should give the Department of Labor, through its Office of Veterans' Reemployment Rights, to the fullest extent possible, the right to assist State and local employees who are not actually covered under the bill to attain their reemployment rights.

I am aware of a case currently pending in Wheeling, W. Va., in which the 1-year statute of limitation has been asserted in an action by a disabled veteran to gain reemployment rights. The veteran contacted the Department of Labor within 1 year of the denial of reinstatement to employment. However, due to efforts by the Department of Labor and the U.S. attorney in investigating, negotiating, and preparing the case, suit was not filed until approximately 2 years after the denial of reinstatement. If a 1-year statute of limitation is allowed to bar this reemployment action—which I understand to be one of great significance insofar as the rights of disabled veterans are concerned—I believe a great injustice will be done not only to this veteran but to the veterans' reemployment rights as a whole. The enactment of reemployment rights will preclude such an injustice.

The PRESIDING OFFICER. The question is on agreeing to the conference report.

The conference report was agreed to.

Mr. HARTKE. Mr. President, I move to reconsider the vote by which the conference report was agreed to.

Mr. HANSEN. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

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## DEPARTMENT OF DEFENSE APPROPRIATION ACT, 1975

The Senate continued with the consideration of the bill (H.R. 16243) making appropriations for the Department of Defense for the fiscal year ending June 30, 1975, and for other purposes.

AMENDMENT NO. 1811

Mr. PROXMIRE. Mr. President, I call up my amendment, No. 1811.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk read as follows:

At an appropriate place in the Act, insert a new section as follows:

SEC. —. None of the funds, appropriated by this Act may be used to support more than two hundred and eighteen enlisted aides in the United States Armed Forces.

Mr. HARTKE. Mr. President, I wish to pay a special compliment to the members of the committee who worked so diligently on this matter with us. It took a lot of hours and time. There could be no committee which would respond more affirmatively and cooperatively than this committee has on this very important legislation.

The staff members have worked long hours, over weekends and nights, to make it possible for the veterans to have their opportunities for the future.

In particular, Mr. President, I would like to commend the staff director, Frank J. Brizzi, and the general counsel, Guy H. McMichael III, for their invaluable assistance. Professional staff members, Mary Whalen, John Szabo, and Larry Chernikoff, were also of valuable assistance in obtaining the final product we have today. We are also fortunate in our committee that we are able to work closely with the minority staff and I particularly want to single out the minority counsel, Tyler Craig, and professional staff members, John Napier and Jim Fields, for their work on the bill.

Mr. PROXMIRE obtained the floor.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. PROXMIRE. Yes, I yield to the Senator.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. PROXMIRE. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. PROXMIRE. Mr. President, I shall be very brief.

Mr. President, there should be no need for this amendment today. Of all the issues brought before the Senate during debates on the military bills the last 2 years, the question of military servants has been resolved in the clearest possible manner.

On two occasions this body has voted to restrict the number of military servants to 218. In 1973, we voted the 218 ceiling by a margin of 78 to 4. Just this year, we again voted to restrict the number to 218 by a 74-to-4 margin.

SENATE POSITION IS CLEAR

What could be clearer? What could be more precise? How could there be any confusion on this point by the Department of Defense? The message is plain.

We have told the Defense Department to cut back on their servant program, to find other alternatives because time is running out.

And yet, even given these overwhelming votes, we still have 675 servants in the service of 450 generals and admirals worldwide. Two years of Senate votes have been frustrated in the conference committee.

Mr. President, the amendment I offer today is exactly the same as the amendment worked out by the distinguished Senator from Mississippi (Mr. STENNIS), chairman of the Armed Services Committee, during the procurement bill debate. At that time, the chairman, the Senator from Georgia (Mr. NUNN) and the Senator from Wisconsin agreed to a compromise amendment which would limit the number of servants to 218. That ceiling was passed in a 74-to-4 vote.

The fact is that we have far more servants than that, we have about 675 servants in the military and I am very hopeful that we can have reconsideration of this.

Of course, that was on the authorizing bill and the bill before us today appropriates funds for the Department of Defense.

Here too, the precedent is clear and convincing. Last year, the Senate Appropriations Committee provided only enough funds to cover the support for 218 servants in the Senate bill.

The record then is without qualification. The Senate's position is that no more than 218 military servants be allowed for the generals and admirals.

Amendment No. 1811 will return us to that position.

If we do not return to that stance, the effect will be to institutionalize the present number of military servants at 675—a figure the Senate has rejected time and time again.

Mr. President we are faced with this issue again this year because the overwhelming Senate position on military servants has been dropped in conference after conference with the House. There have been four conferences with the House the last 2 years on the two major military bills. At each time, the Senate conferees have given way to the House position for more military servants.

During the conference on the fiscal year 1975 military procurement bill, the Senate conferees did not even retain a numerical limitation. They took in a vote of 74 to 4 for 218 servants and they came out with no ceiling, a report, and a commitment to hold hearings.

Now, I understand how the conference process works. There is give and take. There is compromise. That is normal. But for 2 years, it has been all give by the Senate and all take by the House on this issue. I could understand this if there were close votes in the Senate. But that has not been the case. The vote has been overwhelming.

WHO ARE THE SERVANTS?

Mr. President, who are these men I refer to as servants in uniform?

What are the facts? Are these men really servants?

The answer is an emphatic "yes." According to scientific interviews conducted by the General Accounting Office, these men prepare food, serve meals, clean quarters, perform gardening on the grounds of the quarters, provide maintenance on the rent-free homes of the generals and admirals, bar-tend for official and private parties, do the grocery shopping, run errands, and chauffeur the officers around.

In the Navy, they spend an average of 4 hours a day preparing and serving meals in the homes of the admirals and 3.1 hours cleaning their homes. In the Air Force they spend 2.4 hours preparing and serving meals and 4 hours cleaning quarters. The comparable figures for the Army are 2.5 and 4.2.

Twenty-eight percent of the representative sample of servants interviewed said they were required to do the laundry of the officers' dependents. Twelve percent reported being required to prepare lunch for the officers' dependents even though the officer was not home and did not eat at the same time.

The GAO concluded that the tasks performed by these men are those normally associated with domestic servants.

They are servants—plain and simple. About that there can be no dispute.

As with any servant, they come in handy when entertaining is required. A full 100 percent of the Navy and Marine Corps officers reporting to the GAO said they used their servants for official entertaining—meaning as bartenders, for clean up and food preparation; 97 percent of the Army generals and 91 percent of the Air Force generals reported using servants for the same purpose.

But official entertaining is not the only requirement for a personal servant. They must also serve drinks and clean up at unofficial parties put on by the brass—private parties for their personal friends.

They use military men and American tax dollars for private parties that have no official function. Seventy-eight percent of the Army generals, 83 percent of the Navy admirals, 82 percent of the Air Force generals and 57 percent of the Marine Corps generals reporting to the GAO said they used their servants for unofficial private parties. In other words, if they were having a few friends over for a drink or entertaining relatives from out of town, their personal military servants do the work. They purchase the food at cutrate commissary prices, serve the beverages and food and clean up afterwards. All courtesy of the American taxpayer.

The average number of parties of each officer is 4.5 a month or a little over 1 per week for which their personal servants are called upon to work. Not a bad life.

What about the men involved? Who are they and where did they come from?

We have often heard that these men are volunteers. It is in the regulations that these men be volunteers. Unfortunately, this simply is not true. The GAO interviewed about 25 percent of all the military servants in the continental United States. Contrary to the Pentagon argument about being volunteers, it was found that over 12 percent of these men were assigned to their jobs. They did not volunteer. They were assigned to be servants.

WHO HAS SERVANTS?

Right now there are 675 servants in the service of 450 generals and admirals. All members of the Joint Chiefs of Staff have five servants each. Five men personally assigned to them to care for their every need. Five human beings receiving on the average of between $7,000 and $8,000 per year. This means that every member of the Joint Chiefs has the personal use of about $40,000 of manpower for his personal convenience and that of his family.

Thirteen other Army generals, 8 admirals, 1 Marine Corps general and 14 Air Force generals all receive 3 servants each courtesy of the American taxpayer.

The unfortunate remaining officers of the 450 have to make do with one or two servants with the exception of the Superintendent of the Naval Academy who gets four for some reason.

These servants are attached almost permanently to an individual officer. They go where he goes. They serve where he serves. They are an integral part of his family. If they complain about their working conditions, they can be informally disciplined, as many have been, by sending them to do undesirable jobs or by refusing promotions. I presented evidence of one such case during the procurement bill debate.

Of the 675 servants, 189 are based in the Washington, D.C. area. Washington is the capital of the military servants because so much of the military brass is based here.

Outside of Washington, we have military servants for our brass in Italy, England, Belgium, Taiwan, Japan, Germany, Korea, Brazil, the Canal Zone, Okinawa, Turkey, Thailand, Guam, Spain, and Holland.

JUSTIFYING SERVANTS

How does the Pentagon justify these military servants? Let us go into each justification and I will demonstrate just how sterile, just how unbelievable the rationale is.

The Pentagon makes the argument that military servants are necessary because generals and admirals have duties affecting the welfare of thousands of men and women in uniform. They are said to be responsible for billions of dollars in materials and Government funds. Therefore, these men should not be required to take care of their own laundry, cars, food, or homes.

Mr. President, for those who would defend the use of military servants under this justification, I would ask do not Senators and Congressmen have similar responsibilities? Does not the Secretary of Defense or the Secretary of the Air Force, Army or Navy have responsibilities as great as any of our generals and admirals? What about the Justices on the Supreme Court?

Do mayors of this Nation's cities have large civic responsibilities? Do they not look after the welfare of millions and handle billions of dollars in Government funds?

And do they have servants provided to

them at the expense of the beleagured American taxpayer? No, not one.

Perhaps the supporters of the military servant program would be willing to introduce legislation to authorize military servants for every taxpayer who has large responsibilities and handles great sums of money.

The Pentagon also states that military servants are needed because these high ranking officers work long hours.

Now I ask you: Are generals and admirals the only people that work long hours in this country? Do other citizens have to come home from a long day's work and do their own chores? Of course they do.

The brass would also have us believe that they need servants because of all the parties they have to put on. Think of that argument for a moment. Our mighty military machine demands servants because it has so many parties to give.

What kind of defense force do we have on our hands? What war are we preparing to win on the party circuit?

Granted, sometimes official entertainment is required, but let that come on a case by case basis from a manpower pool instead of having full time personal servants.

The GAO found that generals and admirals want servants because they claim their wives have to attend social and military functions and take part in civic duties and charity work and therefore, they cannot do the housework.

What makes military wives so special? Military wives are not the only women in this country that have social obligations and take part in civic and charity work. And yet other American women either manage to do their own housework or pay for it out of the family budget. At the same time their tax dollars go for free servants for the brass. Is that fair?

The most recent argument in favor of military servants is that these unfortunate generals and admirals have the bad luck to be living in free housing—large homes provided by the Government. These spacious and sometimes quiet elegant homes need constant upkeep, the Pentagon states now. Although the Pentagon is arguing this point, only 8 percent of the generals and admirals replying to the GAO mentioned this issue. Obviously, there is a lack of communication here, or maybe just some good public relations work.

What other reasons have been given for justifying military servants? Some generals have said they were bachelors and needed the help because they had no wives. Some said they had to host women's groups. Some said they were the only high ranking officer in the area. Some said they had to promote good community relations. Imagine that—promoting community relations by using taxpayers' money for their own personal servants.

During the Civil War, we had an easy answer to this military servant problem. Title 12, section 594 of chapter 200 stated that when an officer used another soldier as a servant he had to reimburse the Government for the full wages and allowances of that soldier. That was a good law. It is too bad that it was taken off the books. We should have it now. Then we would see how many generals and admirals really needed personal servants.

Well, Mr. President, the time has come for this body to come again to a vote on the military servant issue.

Perhaps this is a small question in terms of money. After all, the total cost involved is only about $5.4 million or so. But in terms of policy, in terms of human dignity, in terms of what we say about the American way of life by our actions, in view of economy, and considering the effect on civil rights, this vote carries a significance far beyond its immediate impact.

If we want a strong military, an efficient and economy minded military; if we want to show the world the true value of the American sense of justice and equality, then the Senate should once again send a message across the Potomac that it is time that military servants be eliminated.

I have discussed this with the distinguished chairman of the Appropriations Committee and I understand he is sympathetic and would be willing to consider taking this to conference. I have also talked with the distinguished Armed Services Committee chairman, Senator STENNIS, and the ranking Republican member of the Committee on Appropriations, the Senator from North Dakota (Mr. YOUNG), and as I understand it, it is acceptable to go to conference with this amendment.

Mr. McCLELLAN. Mr. President, I have no strong feelings on this proposed amendment, since the Senate has voted at one time to substantially reduce, and I am perfectly willing if there is no objection, to take it to conference.

I am not sure what the attitude of the House will be, but I am willing to take it to conference and present it as the Senate's position.

Mr. STENNIS. Will the Senator yield to me?

Mr. McCLELLAN. Yes, I yield.

Mr. STENNIS. I have only a brief statement.

Mr. President, when the authorization bill was before us, and the Senator from Wisconsin is correct, we had an understanding and kind of a compromise figure of 218.

Now, I want to assure the Senate that we went to conference, with all deference to everyone, and we tried very hard to get some kind of a figure adopted in this conference. We made propositions far above the 218, but finally did not get anything.

But I want to doubly assure everyone that we spent almost an entire afternoon on it and about an hour of another afternoon. Frankly, I think that is enough for 1 year.

But we did not get any agreement. Last year there had been an agreement worked out on this high figure—that did not go into effect until September 1974, and I think that is one reason why the House conferees were so adamant—that had an agreement by the conferees a year before to a certain plan, and it had not gone into effect and had not been tried.

I frankly think an $81 billion bill is not an earth-shaking issue. I say that with all respect to my friend. I think in taking it to conference the chances are that it will be highly unsuccessful. I want to be frank about that part now.

But it is a matter he has worked on, and with credit to the Senator.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Wisconsin (Mr. PROXMIRE).

The amendment was agreed to.

Mr. HATHAWAY. Mr. President, I have an amendment at the desk.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

On page 42, line 4, beginning with the word "*Provided,*" strike out all down through the colon in line 7.

Mr. HATHAWAY. Mr. President, this amendment, which is cosponsored by the distinguished Senator from Rhode Island (Mr. PASTORE), would strike from the defense appropriation bill the provision that no funds shall be used for the payment of a price differential on contracts made for the purpose of relieving economic dislocation.

This has greatly inhibited the program. I have discussed it with the chairman of the committee and I believe that it is acceptable.

This language in the bill has come to be known as the Maybank amendment. It was named for Senator Burnet R. Maybank, who offered the amendment in 1953. Its restrictive language has the effect of severely limiting the Government's program of aiding areas of high unemployment through the award of contracts under the labor surplus area procurement program.

The Maybank amendment was first inserted in the defense appropriation bill over 20 years ago to prevent negotiations of contracts at premium prices with firms in labor-distressed areas. At that time the New England textile industry was moving south, and in an effort to keep some of the textile industry in New England, the Defense Department was inclined to award contracts at a higher price to New England mills than to southern mills.

During that period southern mills were able, because of lower labor costs, to bid much lower on contracts than the New England mills were. The Maybank amendment was intended to prevent the Secretary of Defense from awarding a contract to a New England textile mill at a higher price than he would award the same contract to a southern textile mill, in order to keep the New England mills where they were.

The problem that existed then has now taken care of itself. Most of the textile mills have moved south and very few are left in the New England area. Even though the problem, which the amendment addressed itself to, has been taken care of, the prohibitory language has been included in the Defense Appropriations Act year after year for more than 20 years.

In my opinion, the Maybank amendment is an idea whose time has passed. It has outlived its usefulness, and we

should reconsider the purpose of this provision in the light of present economic conditions.

Although the language of the Maybank amendment does not specifically state that it applies to the labor surplus area procurement program, as authorized in Defense Manpower Policy No. 4, it has been interpreted by the procuring agencies, as well as the Comptroller General, to apply to that program.

The labor surplus area program was initiated in 1952 to encourage full utilization of existing production facilities and workers in preference to creating new plants or moving workers. By channeling Government contracts into areas of high unemployment, the program helps preserve management and employee skills, maintains productive facilities, improves utilization of the Nation's total manpower, and helps assure timely delivery of required goods and services.

There are three categories of labor surplus areas under the program: First, areas of substantial unemployment, second, areas of sustained unemployment, and third, areas of concentrated unemployment or underemployment.

Under the program, certain Government contracts are set aside for bidding by firms in labor surplus areas. In other words, in such a set-aside, only firms located in areas of high unemployment may bid on the contracts. At that point the problem arises with the application of the Maybank amendment. The prohibitory language of the amendment requires the guarantee that any contract which is awarded as a result of preference procedures to firms that qualify for labor-surplus-area assistance must be awarded at the lowest possible price.

To meet this required guarantee of the lowest possible price, every procurement set-aside for labor surplus area firms must be split. One part of the procurement is open for unlimited competitive bidding by any firm interested in bidding on the contract. The other part is set aside for exclusive award to labor surplus area firms.

Once the price has been established for the part of the procurement that is open to competitive bidding throughout the country, that is the price the Government will pay for the remaining part of the procurement made available for firms in labor-surplus areas.

This complicated procedure greatly restricts the labor-surplus-area program by making only partial set-asides rather than total set-asides available to labor-surplus-area firms.

The amendment I offer today would delete from the Defense Appropriation Act the recurring restrictive language of the Maybank amendment and assure that labor surplus areas get a greater share of Defense Department contracts by allowing total set-asides for labor-surplus-area firms rather than partial set-asides.

In fiscal year 1973 civilian and defense procuring agencies total contract expenditures amounted to $45 billion. Only 0.4 percent, or $195.7 million, was awarded under the labor surplus area program.

Several witnesses testifying before the Government Procurement Subcommittee of the Small Business Committee on this program last year agreed that, without the Maybank amendment restricting the program, labor surplus area procurement would surely expand.

In 1952, when the labor surplus area program was initiated, unemployment was 3 percent. From the most current data, for July of this year, it is 5.3 percent. Unemployment today is more grave than it was when this program was initiated. Expanding the labor surplus area program would be one means of combatting this unemployment problem, but unfortunately the restriction imposed by the Maybank amendment against total set-asides for labor surplus area firms is one of the reasons the program is not more effective. I think it is time to look at the program in terms of giving it new life and direction.

With the deletion of the restrictive language of the Maybank amendment from the defense appropriations bill, procuring agencies would have the right to set aside totally an appropriate procurement for firms which qualify under the labor surplus area program. They would no longer be required to go through the complicated process of splitting the procurement.

This does not mean that the Defense Department would be allowed to confine bidding to a particular labor surplus area in, say, New England, or California, or in any other specific geographical area of the country. It would mean that firms in any labor surplus area would have an opportunity to bid, so there would be bidders on the contract all the way from Maine to Hawaii.

The program does not favor any particular section of the country. Classified sections of concentrated unemployment or underemployment include parts or all of 421 cities, 677 counties, in all states, 31 Indian reservations, and the Commonwealth of Puerto Rico.

Firms in labor surplus areas are fully competitive businesses.

The facts do not indicate that contracts awarded under a total labor surplus area set aside, now prohibited by the Maybank amendment, would be at substantially higher prices. In a total set-aside, that would allow only labor surplus area qualified firms to bid, those qualified firms from all over the country would be competing among themselves and their prices would necessarily be competitive. If in the opinion of procurement officials the lowest bid is considered excessive, compared with current prices in the marketplace, then the Government could, and indeed it should, cancel the set-aside and readvertise the procurement without restriction.

A high percentage of the contracts awarded under the labor surplus area program go to small businesses. It is a valuable means of placing more contracts with small business and there can be no more worthy goal than that. By helping small businesses to grow, we are investing in their long-term growth, with attendant new job opportunities.

The cost of the program is very reasonable. During hearings held by the Government Procurement Subcommittee, a witness from the Department of Labor testified that the cost per placement of a person under this program is only $40, as compared with $1,000 to several thousand dollars per individual placement under other job preparation and training programs.

Operation of the program under the encumbrance of the Maybank amendment also makes the program more costly. The requirement that no price differential is to be paid necessitates the splitting of the procurement into two or more contract awards. This increases the time, work, and resulting expense to the procuring agencies. Instead of one contract award there are two or more contracts to award, two or more contract performances to administer and close out and more contractors to pay. These additional measures necessarily add to the cost of administering the contract. Costs are also increased by the Government's not being able to take advantage of greater quantity discounts which would be available if the procurement were not split.

The restrictive language of the Maybank amendment is highly detrimental to the labor surplus area program. In my opinion this obstacle, which is no longer relevant to the evil it was designed to avoid, should be removed.

The labor surplus area program holds out promise for relief of our unemployment problem. It should not be fettered with an outdated restriction which prevents it from fully operating to supply an ever-growing need. In the interest of aiding business, particularly small business, and adding stimulus to a much needed program, I urge my colleagues to join with me in striking from the Defense appropriations bill the restrictive language of the Maybank amendment.

Mr. McCLELLAN. Mr. President, I have considered this matter. It has been in the law for a long time. It would appear now that it is more or less obsolete, and no longer needed. I have agreed to take it to conference. Unless the House has some strong position about it, I would have no objection to its passage.

If there is no objection on the part of anyone, I will agree to take it to conference.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Maine. (Putting the question.)

The amendment was agreed to.

The PRESIDING OFFICER. The Senator from New Hampshire is recognized.

Mr. McINTYRE. Mr. President, I call up my amendment now at the desk to the pending bill, H.R. 16243, making appropriations to the Department of Defense for fiscal year 1975.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk proceeded to read the amendment.

Mr. McINTYRE. Mr. President, I ask unanimous consent that we dispense with further reading of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. McINTYRE's amendment is as follows:

On page 25, lines 9 and 10, strike out "$1,749,152,000" and insert in lieu thereof "$1,796,152,000".

On page 25, lines 17 and 18, strike out "$2,979,612,000" and insert in lieu thereof "$3,005,712,000".

On page 26, lines 2 and 3, strike out "$3,144,460,000" and insert in lieu thereof "$3,165,460,000".

Mr. McINTYRE. Mr. President, the distinguished Senator from Arizona (Mr. GOLDWATER) is a cosponsor of this amendment.

The purpose of my amendment, Mr. President, is to restore $94.1 million of the $933.2 million reduction recommended by the Committee on Appropriations in the research, development, test, and evaluation appropriations. But before addressing the specifics of my amendment, I want to congratulate the chairman of the Committee on Appropriations on having accomplished the most difficult task of making a substantial reduction in the Department of Defense budget. This task, to say the least, is most difficult.

I must add, too, at this time, that I wish to congratulate the able manager of this bill for the manner in which he has put the appropriation bills into such good shape as we have them at this moment. It has been due not only to the fine work of the Appropriations Committee but, undoubtedly, to the leadership of the able and distinguished Senator from Arkansas.

Our most serious problem today is inflation and the economy. In this we are all agreed. The need to reduce Federal spending, and to restrain the overflow of dollars into military as well as domestic programs is acute. However, we must be extremely careful to avoid being stampeded in this process. Arbitrary budget cutting can be more detrimental to the overall well-being of our Nation than even the erosive effects of inflation. What value is a sound economy if the price is to weaken our present and future national security? The vultures circle over a weakened and fluttering bird, but scatter to avoid a strong and vigil eagle.

And this, Mr. President, brings me to the substance of my amendment. As chairman of the Research and Development Subcommittee of the Armed Services Committee for the past 6 years, I have come to understand some very basic facts. And this did not happen overnight. Each and every year the Department of Defense, from the Secretary of Defense and the Chairman of the Joint Chiefs of Staff down, every principal witness, has emphasized the need to maintain a strong technology base to insure the continued qualitative superiority of our weapons to meet any future challenge by any enemy. The former Director of Defense Research and Engineering, Dr. John Foster, was the most outspoken and emphatic proponent of this basic truism. I was pleased to hear his successor, Dr. Malcolm Currie, state this premise with equal conviction and force. And the Research and Development Subcommittee has consistently upheld this principle, although at the same time recommending substantial reductions in specific programs for which the justifications were found lacking.

But, Mr. President, the recommendations of the Appropriations Committee have, with all due respect to its fine membership, in my opinion, been too severe in the technology area of the research and development program. In fact, even the overall reduction recommended in the R.D.T. & E. program is disproportionate to the overall reduction in the Defense budget. Let us examine the facts.

The committee recommends a decrease of $5.5 billion, or 6.4 percent, in the $87.1 billion requested for the fiscal year 1975 Defense budget. Within this total, the research and development appropriations are reduced by $933.2 million, which is 10 percent of the $9.3 billion requested for R. & D. Therefore the R. & D. appropriations are being cut by 50 percent more than the overall reduction in the Defense budget. In gross terms, even this disparity could be argued. But, the situation is even more acute in the technology programs which are a substantial part of the research and development program. For the benefit of my colleagues who may not be familiar with the details of research and development, let me explain that the technology program covers the basic inventive work which is done by Defense industry, including the thousands of companies of all sizes from the major aerospace corporations down to the smallest research companies which employ a handful of scientists and engineers.

The technology program does not include the major weapon system, the airplanes, missiles, tanks, and ships which appear in our daily publications. It includes the thousands of individual efforts being supported in industry, in our military laboratories, in private laboratories, in our educational and other institutions which lead to advances in the building blocks that are put together to form the most modern weapons that can be fashioned.

Today's transistors, for example, are the product of yesterday's technology. Tomorrow's breakthrough in fluid dynamics of fluidics could revolutionize missile-control systems of the future. Laser technology, which may change the nature of warfare, has had a dramatic spinoff in the medical field and is used in surgery every day to save eyesight.

The problem with technology, Mr. President, is that it is not only perishable and fragile, but more importantly it has tenure. Technology is not a sometime thing which can be turned on and off like a faucet. It is a living, breathing aggregation of our most talented scientific, technical, and engineering minds who are relentless in their pursuit of solutions to technical problems, and in the furtherance of man's knowledge.

They must be supported at affordable and realistic levels on a sustaining basis so that their vital work will not be interrupted. Surely, they do not all succeed, but mistakes and failures are the essence of this trial and error technical world. A major cut of 10.4 percent in this ongoing work technology, as would be imposed by the Appropriations Committee recommendations, would have a critical effect on thousands of individual basic and applied research tasks. It would force the wholesale termination of numerous small contracts throughout the country and set the pursuit of technology back for many years to come.

These losses could not be recovered even if increased amounts of funds were provided in future years. Effective teams of scientists and engineers would be disrupted in their work and their talents dispersed as they were forced to seek employment elsewhere.

Before addressing the specific details of the technology program, Mr. President, let me take a moment to clarify an important point about the overall research and development program amounts.

The R. & D. request for fiscal year 1975 amounts to $9.3 billion. Superficially, this seems to be $1.2 billion higher than was appropriated originally for fiscal year 1974. However, in fact, only $494 million, or less than half, was for increased work. The larger portion, or $740 million, includes $515 million for inflation which may prove to be inadequate, and $225 million for items transferred from other appropriations.

To give an example of that, the component improvement programs, like airplane engines, were removed from procurement requests and included in R. & D. requests.

Therefore, only $494 million could be reduced without bringing the fiscal year 1975 program below that for fiscal year 1974.

Measured against the requested real increase of $494 million, the reductions already made in the authorization act and by the House on the appropriations bill aggregate $532.4 million which brings the fiscal year 1975 appropriation $38 million below the fiscal year 1974 level in real effort.

The recommendations of the Senate Appropriations Committee would reduce this by another $400.8 million. In terms of real buying power on a basis comparable with fiscal year 1974, this would bring the fiscal year 1975 program down to $438 million below the 1974 level. As Secretary Schlesinger stated last Sunday when he was interviewed on television, this large reduction in research and development is mortgaging the future of the United States.

Mr. President, my amendment would restore $94.1 million of the $167.8 million reduced by the committee in its action on the technology programs. This will involve 38 individual programs for the Army, Navy, and Air Force out of 102 individual technology programs reduced by the committee.

I request unanimous consent to have a complete list of these 38 programs and amounts, which add up to the $94.1 million covered by my amendment, inserted in the RECORD at the conclusion of my remarks. These 38 items and amounts represent the highest priority technology programs which have been provided informally at my request by the Department of Defense.

(See exhibit 1.)

Mr. McINTYRE. I have not addressed the separate issues relating to other major program reductions recommended by the committee.

Instead, I have concentrated on the technology program which I consider to be of very great importance and which does not have a broad based and effective constituency. This should not be interpreted as prejudicing my strong support for some of the other major R. & D. programs reduced by the committee. The Department of Defense will reclaim these to the conferees of the House and Senate when they meet to resolve differences in the bill.

There is a need to elaborate and emphasize the point I have made regarding the lack of an effective constituency for the technology program. There are literally thousands of small research and development companies spread through every one of our 50 States. These are the spawning grounds and incubators where most American technical genius breeds. This is where our basic scientific and technical problems meet their greatest challenge, where our most competent independent minds translate visions and dreams into the dramatic technical breakthroughs which have made the United States the most advanced industrial and military nation in the world; and more importantly, which will keep us in that position only as long as we continue to provide the necessary financial resources. These small companies are coupled closely with our technical universities and colleges. Together, they cover the whole field of technology.

Yet, this critical, fertile source of our technology generally lacks the political, corporate, or bureaucratic influence to compete with the powerful combinations that develop in support of major weapon systems.

The irony, Mr. President, is that hundreds of millions of dollars have been wasted over the years on major weapon system developments because of unwarranted duplication, oversophistication of design, overstatement of performance requirements, and gold plating, because of corporate and bureaucratic momentum. Yet basic R. & D., our critical technological base, is a political orphan.

The restoration of $100 million for technology will prevent the serious interruption and termination of the vital work done by thousands of small contractors, colleges and universities, and other institutions. This is a simple voice, I would hope that others would join me in expressing their strong support for the technology program.

I should take this opportunity to express my disappointment that the committee did not delete or reduce the $77 million strategic initiatives package which was the subject of an amendment that I introduced during the debate on the authorization bill. My amendment was vigorously debated and was defeated by a small margin. The Nation would be far better off if these three programs had been denied and the $77 million applied instead to technology.

In conclusion, it may interest the Members to know that Dr. Currie heads a new team of Assistant Secretaries for Research and Development of the three services who are facing their first full year of managing the defense research and development program. The cut recommended by the committee will handicap their efforts and could undermine the organization and program which they were appointed to manage. Let us give them a fair chance. Restoration of the technology cuts would be a strong vote of confidence.

Mr. President, the distinguished chairman of the Appropriations Committee, my good friend, the able and senior Senator from Arkansas, has advised me that he shares my concern regarding this large reduction in the technology program, and that the substance of my amendment will be a matter of special consideration during the conference with the House.

EXHIBIT 1

FISCAL YEAR 1975 R.D.T. & E.

[In millions of dollars]

| Program element and title | Request | Reduction | Restoration |
|---|---|---|---|
| **ARMY** | | | |
| 62202A—Acft Avionics Tech | 6.5 | 1.3 | 1.3 |
| 63209A—Air Mobility Spt | 7.5 | 4.8 | 4.8 |
| 62303A—Missile Technology | 25.5 | 3.9 | 3.9 |
| 63307A—Msl Effectiv Eval | 16.1 | 2.7 | 2.7 |
| 63403A—Navstar Global Pos Sys | 4.0 | 1.0 | 1.0 |
| 64619A—Mine Systems | 15.8 | 3.0 | 3.0 |
| 31011A—Crypto Activs | (1) | 2.8 | 2.8 |
| 33401A—ComSec Equip | (1) | .9 | .9 |
| 63707A—Comms Development | 7.9 | 4.6 | 4.6 |
| 63711A—Electronic Warfare | (1) | 5.3 | 2.3 |
| 64711A—Electronic Warfare | (1) | 3.2 | 3.2 |
| 64712A—Jt C3P | 6.0 | 2.9 | 2.9 |
| 64713A—Combat Feed, Cloth & Equip | 4.4 | .9 | .9 |
| 64723A—Svl, Tgt Acqn & Nt Obs Sys | 15.5 | 2.4 | 2.4 |
| 65707A—Spt OT&E Cmbt Equip | 2.9 | 1.9 | 1.9 |
| 65709A—Eval of Foreign Components | 9.5 | 5.1 | 5.1 |
| 64209A—A C Survivability Equip | 7.2 | 3.3 | 3.3 |
| Total, Army | | | 47.0 |
| **NAVY** | | | |
| 65152N—Stds & Anal Spt,N | 10.1 | .7 | .7 |
| 65154N—Center for Nav Anal, N | 6.9 | 1.7 | 1.7 |
| 64258N—Aerial Tgt SysDevelop | 14.6 | 5.3 | 5.3 |
| 63358N—Weaponizing (Prototype) | 6.2 | 3.0 | 3.0 |
| 63553N—Surface ASW | 13.4 | 4.7 | 4.7 |
| 33131N—Spt. of MEECN | 3.1 | 1.5 | 1.5 |
| 62762N—Electronic Device Tech | 13.0 | 1.1 | 1.1 |
| 62765N—Energy & Environ Prot Tech | 9.1 | 3.7 | 1.7 |
| 63713N—Ocean Engr Tech Dev | 9.9 | 1.3 | 1.3 |
| 63720N—Education & Training | 6.9 | 1.0 | 1.0 |
| 63791N—Reliab & Maintainability | 1.0 | .4 | .4 |
| 65866N—Navy Telecom Sys Arch Spt | 4.2 | 3.7 | 3.7 |
| Total, Navy | | | 26.1 |
| **AIR FORCE** | | | |
| 65101F—AF Project RAND | 8.7 | 2.1 | 2.1 |
| 62201F—Aerospace Flt Dynamics | 38.1 | 4.5 | 3.0 |
| 62203F—Aerospace Propul | 34.0 | 2.0 | 2.0 |
| 62204F—Aerospace Avionics | 51.1 | 4.0 | 2.0 |
| 63428F—Space Survl Tech | 21.9 | 6.1 | 4.1 |
| 63431F—Adv Space Comms | 24.7 | 3.0 | 3.0 |
| 62602F—Conventional Munitions | 16.7 | 1.4 | 1.4 |
| 63605F—Adv Radiation Tech | (1) | 11.5 | 2.0 |
| 63728F—Adv Computer Tech | 3.0 | 1.4 | 1.4 |
| Total, Air Force | | | 21.0 |

[1] Classified.

Mr. GOLDWATER. Mr. President, will the Senator yield?

Mr. McINTYRE. I yield to the distinguished Senator from Arizona.

Mr. GOLDWATER. Mr. President, Senator McINTYRE is to be commended for the amendment he is offering and I wish to be added as a cosponsor.

I am glad to know that the distinguished chairman of the Committee on Appropriations will give these important R. & D. programs special consideration during the conference. However, I would prefer that the amendment be accepted here rather than only be considered in conference. Nevertheless, I am confident my friend from Arkansas is fully aware of the importance of these programs.

I would like to say, Mr. President, that I believe we are making a mistake when we cut basic R. & D. technology programs. There is danger in destroying the technology base that will produce those programs that will be essential to our future defense needs. That, in essence, is what we do when we cut the basic technology area.

About a month ago I wrote to the Secretary of Defense expressing my concern that the Department of Defense was possibly not adequately funding the basic technology area in research and development. I am pleased to report that the Deputy Secretary of Defense agreed with my concern and indicated that special attention was always given to this vital area. Therefore, Mr. President, I wish to stress to my colleagues that reductions in this area can well be false economies that will impact upon our future defense capabilities.

Mr. President, I ask unanimous consent that the exchange of correspondence I referred to be printed in the RECORD at this point.

There being no objection, the correspondence was ordered to be printed in the RECORD, as follows:

THE SECRETARY OF DEFENSE,
*Washington, D.C., August 7, 1974.*

Hon. BARRY GOLDWATER,
*U.S. Senate,*
*Washington, D.C.*

DEAR BARRY: I would like to thank you for your letter of June 26, 1974, expressing your concern about the erosion of Defense-sponsored basic science and engineering. I welcome the opportunity to indicate that I share your concern and to outline steps that we are taking to reverse this trend.

Your perceptions are generally correct. The level of effort in the Defense research science (6.1) program elements has decreased in the past decade. However, your choice of 1969 as a base year tends to make the situation appear even worse than it is. The following table summarizes the DoD research funding for several key years and shows that research has been approximately level-funded over the past decade. 1969 was an exception in that additional funding was provided for the "THEMIS" program to create centers of technical excellence at a number of universities.

DEFENSE RESEARCH SCIENCE

[In millions of dollars]

| | Fiscal year— | | | | |
|---|---|---|---|---|---|
| | 1964 | 1969 | 1970 | 1974 | 1975 |
| Army | 64 | 73 | 65 | 68 | 62 |
| Navy | 104 | 116 | 104 | 103 | 105 |
| Air Force | 73 | 91 | 81 | 73 | 73 |
| Defense agencies | 34 | 45 | 44 | 35 | 39 |
| Total | 275 | 325 | 293 | 279 | 280 |

Note: All figures are rounded.

Of course, as you perceive, level funding means that the level of effort in terms of

number of researchers supported has been decreasing due to inflation. In order to reverse this trend, I directed some time ago that the funding level of the Defense research sciences program elements be increased in FY 76 to provide a three percent increase in level of effort. The intent was to increase the funding to compensate for inflation and add an additional three percent real increase. Our action in stopping the erosion of the technical base efforts reflects the conviction that changes in the management of the technology base over the last few years have resulted in streamlining and tightening the program to the point where there is no room for further compression without elimination or reduction of quality efforts in potentially important areas. My action in providing a modest increase in FY 76 and my intention to continue this trend in the out years reflects my belief that the country must have an adequate base of long-term research.

Unfortunately, it now appears that internal readjustments in the overall DoD FY 76 RDT&E budget, necessitated by inflationary pressures, will result in an inability to compensate for the anticipated inflation-induced losses in the 6.1 category and, at the same time, provide a 3% increase in level of effort. In the event that circumstances should change prior to submission of the FY 76 Budget to the Congress, I will endeavor to carry out my original plan.

As you have also perceived, the principal reduction in effort has been levied on the contract research programs in the universities and industry. The following table, taken from the National Science Foundation's *Federal Funds for Research, Development and Other Scientific Activities* indicates the extent of the increase in the in-house (intramural) research activities.

[Dollar amounts in millions]

| | Fiscal year— | | | |
|---|---|---|---|---|
| | 1964 | 1969 | 1970 | 1974 |
| DOD total | $266 | $277 | $247 | $274 |
| Intramural | 82 | 90 | 96 | 116 |
| Percent intramural | 32 | 33 | 39 | 42 |

This shift in balance has not been the result of a conscious effort to reduce our involvement with the university and industrial community. To the contrary, we subscribe completely to the philosophy that the talents and attitudes of our colleagues in the university community and in industry are vital to a well-balanced research program. The change in balance has been largely a reflection of the difficulties attendant to reducing the size of the in-house establishment.

To that end, I have commissioned the creation of a plan for reorganizing our DoD laboratory structure, including reduction, consolidation and improvement of our laboratories and their management. The Director of Defense Research and Engineering is currently directing a tri-Service effort in this direction. We recognize from previous studies that the means for accomplishing these ends will be difficult and will require diligent effort on the part of DoD and the support of Congress. We believe, however, that the step is long overdue and is necessary to revitalize our R&D process. Once the details of this plan have been worked out, we will be pleased to discuss them with you to receive the benefit of your comments and solicit your support.

We have underway, or are initiating, a number of additional efforts to attempt to revitalize our relationships with the scientific community, especially with the universities. I am quite concerned that a whole generation of younger faculty members have come on the scene during a time when interaction with DoD was not popular. Thus, while we continue to fund university research, we are gradually learning to have a true interaction with the academic community like that which characterized our relationships in the 50's and 60's. We are considering some programs which would allow us to get younger faculty members more involved in the Defense community and will keep you apprised of our progress.

Sincerely,

BILL CLEMENTS,
*Deputy.*

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U.S. SENATE,
*Washington, D.C., June 26, 1974.*

Hon. JAMES SCHLESINGER,
*Secretary of Defense, Department of Defense, Washington, D.C.*

DEAR JIM: When you took office, I have the feeling that, you were as disturbed as I was and am now, over the recent history of our investment strategy in defense research. I give two reasons: first, I sense that the steady erosion of Defense-sponsored basic science and engineering may have already affected our future; second, I must conclude that the continued endorsements of research and technology from Defense officials over the past five years have been largely lip service.

Jim, my understanding of scientific matters is necessarily somewhat limited. But as one who has devoted most of his public life to matters of national security, I must conclude that our past investments in defense research have been remarkably productive. It is my understanding that research of the 1930's revolutionized military affairs through research leading to nuclear weapons, radar, sonar, the jet engine, and modern aircraft and submarine structures; that defense research of the 1940's led to solid state electronics, rocket engines, digital computers, and supersonic aircraft; that defense research of 1950's revolutionized microwave systems, structural materials, aircraft propulsion and space and missile capabilities; that defense research of the 1960's has given us the laser, vital reconnaissance and surveillance systems, fantastic electronic capabilities, and the striking capability associated with precision weapon delivery. I am aware of these contributions of defense research partly because you and your predecessors have told me of them.

We in the Congress have in the main recognized the validity of Defense requests for RDT&E. This recognition is evidenced by the increase in the Defense RDT&E appropriation from $7,730 million in FY 69 to $8,333 million in FY 74. Yet, over this same five-year period despite all of the progress and fine testimony provided to us, Defense research science (6.1) has dropped from $330 million to $276 million. I do not believe that the intent of the Congress in adopting the so-called "Mansfield Amendment" of a few years ago was to force the Department of Defense to de-emphasize research. The intent rather was to bring about a more substantive relationship of defense research to military objectives, and testimony has indicated that this objective had been accomplished.

But beyond questioning the wisdom of the reductions in defense research as a whole, I simply cannot understand why virtually the entire reduction in Defense research science has been taken in the contract and grant programs. For example, of the $54 million reduction in Defense research over the past five years, $39 million appears to have been taken in the readily identifiable extramural research offices alone. In addition, there are rumors of plans to "consolidate and reduce" these offices and their programs, which would appear to further accentuate this extramural reduction.

While some of the advances over the past forty years were born in Defense in-house laboratories, most came from research in university and industrial research laboratories. It is not clear whether the present shift toward a predominantly in-house Department of Defense research program is intentional or the result of following the course of least resistance in the absence of policy. It may not be important, for the results are the same; the Defense Department is turning inward.

The data on which I base my concern are incomplete. I would appreciate more explicit information on trends in both the total investment and the breakout between in-house and contracted Defense research science programs. I would also appreciate statements of the rationale for research strategy decisions over the past five years, of Defense policy on in-house versus extramural research performers, and your intentions for future defense research levels in relation to overall defense RDT&E.

With best wishes,

BARRY GOLDWATER.

Mr. McINTYRE. Mr. President, I express my appreciation to the distinguished Senator from Arizona for his remarks. He serves with me on the R. & D. Subcommittee and is an able performer, does his homework, and is of great assistance. It is pleasing to me to know that he recognizes that what I am saying about this technology base is true.

Mr. SYMINGTON. Mr. President, will the Senator yield?

Mr. McINTYRE. I yield.

Mr. SYMINGTON. Mr. President, I wish to ask what the budget for research and development was last year, as approved by the Senate.

Mr. McINTYRE. Approximately $8.1 billion was in the appropriations bill.

Mr. SYMINGTON. And what is the figure recommended by the administration this year?

Mr. McINTYRE. Recommended by the administration? It was $9.3 billion.

Mr. SYMINGTON. What was the figure authorized by the Senator's subcommittee?

Mr. McINTYRE. $8.9 billion, a reduction of approximately $400 million.

Mr. SYMINGTON. What is the figure that the Appropriations Committee has approved?

Mr. McINTYRE. $8.4 billion.

Mr. SYMINGTON. I thank the Senator.

Mr. YOUNG. Mr. President, will the Senator yield?

Mr. McINTYRE. I yield to the distinguished Senator from North Dakota.

Mr. YOUNG. Mr. President, I have a great deal of feeling for the amendment which the Senator from New Hampshire has offered. I do not know of anything more important than research and development, to develop new and more sophisticated modern weapons of war.

We have always been behind most countries in the development of modern weapons of war. This was particularly true at the start of World War I and World War II, and even in the Mideast war.

Our committee was faced with the problem of having to cut at least $5 billion. This is one of the more difficult items for me to vote to cut.

Another amendment will be offered

later today to cut still another billion dollars from this bill. That amendment will receive a large number of votes. If that amendment is agreed to, research and development probably will have to be cut still more.

While I have great sympathy for the position taken by the Senator from New Hampshire, I hope he does not persist in his amendment. This item will be in conference.

Mr. DOMENICI. Mr. President, will the Senator yield?

Mr. McINTYRE. I yield.

Mr. DOMENICI. Mr. President, I, too, want to thank the distinguished Senator for his amendment and for the ideas he has expressed so eloquently on the floor of the Senate.

I do not want my support for the amendment to be misunderstood. I also wholeheartedly support the efforts of the chairman of the committee. I did not think we could cut the budget for the military as much as he has proposed, but I can say that I will support the proposal he has brought to the floor of the Senate.

I have joined frequently in trying to get the overall budget cut, and I am prepared to say that we should cut the military, also.

So I commend the chairman for the $5.1 billion or $5.2 billion cut. I think it is going to be difficult to live with it, but I believe that the Senator from New Hampshire raises a very good issue. Research and development just cannot be turned off and on like a water faucet. It is a continuous stream, and the stream is made up of all kinds of ingredients that fall apart when you turn the spigot off.

I think that by zeroing in on those R. & D. projects that have a great deal of basic science in them, the Senator has zeroed in on the water stream that has the kind of ingredients that will literally fall apart if the faucet is turned off.

It is so easy to cut projects that we will not see the effects of until tomorrow morning. But America's military strength—indeed, its economic supremacy—is predicated upon applied science; that is, its technological supremacy. That is the same in the military as it is in our economic supremacy.

I compliment the Senator for reminding us that indeed, this sounds like a small amount of money. It seems it is the small projects on which we are saying, let us wait and let them just disappear. When we try to put them back on stream, I submit that the lagged time and, indeed, great human talent, will not be put back together for the same price.

The technology that we are seeing today is the combined result of possibly 20 years of R. & D. and the kind of programs you are asking that we maintain. So I compliment the distinguished Senator, and I ask unanimous consent that I be added as a cosponsor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOMENICI. Mr. President, I rise today to associate myself with the remarks of the Senator from New Hampshire.

I am convinced that we must have a vigorous research and development program to maintain a necessary margin of technological superiority. There can be no doubt that the achievement of technological superiority has been a primary instrument of Soviet national policy for more than 20 years.

I am not an advocate of technological superiority just to be "No. 1." My advocacy of this principle is based on the fact that this Nation will never be able to produce and maintain military forces levels of the magnitude of our potential adversaries. In short, we are at a disadvantage in terms of quantity and we must have a quality advantage through technological superiority to offset this quantity disadvantage.

In these times of competing needs for limited resources, there is an understandable tendency to make the cuts where the effects are least visible. Unfortunately, the benefits of Defense research and development programs fall into this category of great susceptibility.

However, I believe money appropriated for research and development is an investment in the future. The military strength we enjoy today is the product of research conducted as long as two decades ago. If we are to maintain this posture in decades to come, we must contribute to an ongoing effort for research and development. A reduction in appropriations in this important area today will undoubtedly affect the posture of peace in the next decade and perhaps in the next century.

Mr. McINTYRE. I thank the Senator from New Mexico. His support of this amendment is very much appreciated. For his information and for the information of my colleagues generally, what we are talking about here is what we call, for example, in the authorization the 6.2 program, exploratory development and some advanced development.

I thank the Senator. I now yield to the distinguished floor manager of the bill.

Mr. McCLELLAN. Mr. President, I am not at all unsympathetic with this amendment. I say to my colleagues that when we undertake to cut $5 billion from this bill, the cuts have to come from somewhere. They are not all easy. Occasionally, I find something that I might disagree with, that I think is a waste or unnecessary, or not an adequate weapon, or we are spending too much here or there. But it is not easy.

We went thoroughly through these technology requests. We reviewed them. And, Mr. President, there are 340 continuing programs which have a total request in the budget for $4,066,000,000.

We only made some reductions, and they are slight, comparatively, in 102 of these onging programs—102 from 340. In other words, 238 of them we did not touch.

The budget request for that we made these reductions in the bill that has passed the House is $1.6 billion.

There is, in my judgment, an excessive number of these programs. Much of this work is duplicative in nature, some of it lacking in priority in terms of pressing military requirements, some duplication of effort may be unavoidable. However, the existing level of duplication based on basic technology is unwarranted and we cannot afford it.

Let me say this to my distinguished friend from New Hampshire. I am under no illusions at all that this will be sustained in conference. I am sure that the Senate will have to yield, and maybe should yield, in some instances. But this points to the Defense Department to take a look at these programs and come in here and point out to us that they are not duplicative, that they are important, and that we should not make some of these cuts.

We shall have an opportunity to get that information, and we shall go to the House, go to the conference with it, and where there is definite need that can be demonstrated, I just say for myself—and I think that would be true of my colleagues, who will likely be in on the conference—we shall certainly yield. There is no desire on the part of any of us, any more than on that of the distinguished Senator from New Hampshire or from New Mexico, to cripple these programs.

But, Senators, they do need a look-see. In the situation we are in today, we need to make every dollar we can spend count and get results, productive results. That is what we are doing here. If we go through this bill, as we did, and try to do some cutting here, make a little sacrifice here or somewhere else, we shall finally come up with a more balanced budget. But if we make the habit of returning some of these things, then we are going to be faced with an across-the-board slash.

This way, we can evaluate a bill and put the money where it will do the most good. I am hopeful that my colleagues understand that, that this is the attitude with which we are trying to approach it. With that understanding, I hope we will be permitted to take this to the conference and work out, on the basis of merit and on the basis of proper priority, where cuts can be made and where they should not be made in so many of these programs.

I am glad to yield the floor to the distinguished Senator from Mississippi. I hope our position is sound. It is not going against him. It is just that there are so many of them that a good look-see at them, I think, would be advisable.

Mr. STENNIS. Mr. President, I want first to—I do not have the floor, as I understand it.

Mr. McCLELLAN. Oh, yes, you have the floor.

Mr. STENNIS. First, I want to say to the chairman of the committee, the Senator from Arkansas, that I think I fully understand his position about this item for research and development, particularly the basic research or the technology, or whatever we wish to call it. He has a highly commendable attitude about wanting to get into it, and also, there will be an open, free conference on it for further examination with the willingness to make proper adjustments.

I have talked with the Senator from North Dakota, who has the same attitude about this. In fact, if he had not had that attitude, I would have felt com-

pelled to offer an amendment with reference to this identical item.

This brings me to the point of the splendid work that the Senator from New Hampshire has done for the last several years in getting into the very heart, the very innards, of this entire $9 billion research and development program. That includes a lot of costs for tests and evaluation and development, which is prototype planes, for instance. But he also went into it, in a microscopic way, the first time it had ever been done in the Senate—at least started about 5 years ago—in a detailed way, into this basic technical research. He recommended very definite reductions, I believe about $400 million in the Senate bill, and the Senate committee adopted that recommendation.

But, of course, in conference, it is understood that our system of government demands a spirit of give and take and compromise that is called for. In conference, we had to give up a part of that reduction that had been made by the Senate Committee and the Senate. The House conferees did the same.

Then, on top of that, the Committee on Appropriations figures are imposed. First, the House made some reductions, and then the Senate made a further reduction.

In my judgment, those figures ought to be reconsidered by the legislative process, and that next step is the conference committee. Far more can be done their than can here on the floor, on this particular subject. It is virtually impossible to handle it to the satisfaction of the membership, here on the floor.

So I commend the Senator from New Hampshire for his attitude.

I want to especially thank him for the splendid work in this field that he has carried on, with highly competent staff assistance. As a matter of fact, years ago when I was handling the appropriation bill one year for the late great Senator Russell, I was challenged on these very items, and did not know enough about them to properly explain them. That was what I had on my mind, when I became chairman, in asking the Senator from New Hampshire to get into this subject matter, where he has done such a wonderful job, and has strengthened, not weakened but strengthened these programs, I am sure with less money.

Some of our friends in the Pentagon honestly think that the legislative branch should not even look at these items. That is the extreme view; as Senators know, the scientists think they are the only ones who understand all the ramifications. But, before I get to rambling myself, I want to come back to the proposition that the Senator's amendment is certainly worthy of consideration. I think that he, the Senator from Arkansas, and the Senator from North Dakota are following the best course in getting at the very innards of this thing, by presenting it in the way he is doing.

As a prospective conferee—I am not a candidate for conferee, but as a prospective conferee I would certainly be working toward the end which he has in mind, which is consistent with the efforts of the subcommittee and the full committee.

The committee reduced the research, development appropriation requests by $400.8 million. Combined with the House cut of $144.3 million, and the authorization cut of $388.1, this makes a total reduction of $933.2 million. This is about 10 percent of the $9.3 billion requested and approaches the 12.6-percent reduction in the procurement area.

While I am in full accord with the committee recommendations on the bill, I want to emphasize that I support the need for a strong research and development base. We need a solid technology program to guarantee that our future weapons will be the most modern and able to defeat those of any potential enemy.

Let me expand for a moment on this part of the program. The budget request for technology, which primarily covers the research, exploratory development, and advanced development areas, was $3.482 billion. This was reduced by $176.8 million in the authorization act, and an additional $26.9 million by the House action on the appropriations bill. The Senate Appropriations Committee recommendation would cut this by another $157.4 million, making a combined reduction of $361.1 million or 10.4 percent.

Several important programs which were reduced by the House were restored by the committee. These include $20 million for the Navy VFAX low-cost fighter and $23 million for the site defense program to increase it to the $123 million authorized.

I will continue to support a strong research and development program so that our future weapons will be the most advanced, and second to none.

Mr. McCLELLAN. Mr. President, will the Senator yield?

Mr. STENNIS. I yield.

Mr. McCLELLAN. I am sure that the Senator will be a conferee, and I would say further to the authors of the amendment that if they have any specific project where they feel that a reduction should simply not be made, I would be glad, as manager of the bill and representing the Senate in the conference, to have any specific information that the Senators wish to submit. I do not want to be arbitrary at all, and where there is real merit, we could very well yield to the House conferees on the point. But we do want something substantial. We need that, and should have it.

Mr. McINTYRE. Mr. President, for the information of the Senator from Arkansas—first, before concluding my remarks, I would like to thank the distinguished chairman of the Armed Services Committee, who has been such a great leader of that committee and so fair in the handling of all of our problems. I thank him for his kind remarks, and hope that, as a conferee, he will be able to assist in these areas I am trying to point out.

I state to the distinguished Senator from Arkansas that included in my remarks, and thus in the RECORD, are 38 separate programs of the 340 the Senator mentioned, that I consider to be of high priority.

Mr. McCLELLAN. Would that be 38 out of the 102 where we actually cut?

Mr. McINTYRE. Yes. These are the high priority programs that I think deserve special consideration, and I hope some of them can be restored.

Did I correctly understand the Sentor was willing to accept the amendment and take it to conference?

Mr. McCLELAN. I could hardly accept it, because it would be an increase. If we accepted the amendment, we would not be in conference on it.

I have said I will take the Senator's amendment to conference, not accepting it as a part of the bill, because then I would not have anything in conference, but I want to do in conference what I have assured the Senator I will do, and I will have at my right-hand side for assistance, of course, the distinguished chairman of the Armed Services Committee, who is deeply concerned, as is the Senator from New Hampshire.

In the meantime, before I conclude I certainly want to thank the distinguished Senator from New Hampshire and the distinguished Senator from New Mexico for their kind references to the efforts we have been making in the Appropriations Committee to do our job and to meet the situation that confronts us today concerning the necessity of scrutinizing the expenditures in the military and other areas of government cost, and trying to reduce them and hold them down so as to reduce, and eliminate if we can, any deficit in our expenditures.

Mr. McINTYRE. Mr. President, with the assurance and the understanding remarks of the distinguished Senator from Arkansas, I withdraw my amendment.

The PRESIDING OFFICER. The amendment is withdrawn. The bill is open to further amendment.

AMENDMENT NO. 1834

Mr. MUSKIE. Mr. President, on behalf of myself and the distinguished Presiding Officer of the Senate (Mr. HATHAWAY), I call up amendment No. 1834, and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The second assistant legislative clerk read as follows:

At an appropriate place in the Act, insert a new section as follows:

SEC. . None of the funds appropriated by this Act, may be used for the development of the Conus Over-The-Horizon (OTH) radar system during the period beginning with the date of enactment of this Act and ending May 31, 1975.

Mr. MUSKIE. Mr. President, this amendment, which I have discussed with the distinguished manager of tne bill, has a simple and limited purpose: that of obtaining sufficient time to resolve a number of questions which have been raised concerning the proposed site of the receiver antenna for the over-the-horizon-backscatter radar system in Washington County, Maine.

For several years, the U.S. Air Force

has been investigating possible sites in Maine for the radar system. However, it was not until June 25 of this year—after Senate passage of the military procurement authorization bill—that the Air Force announced the selection of a "preferred" transmitter site in western Maine and a receiver site in eastern Maine.

The receiver site, involving 1,000 acres of valuable farmland, has generated the most concern among Maine citizens. The land in question produces 6 percent of Maine's total blueberry crop, with an estimated annual cash value of $347,000.

As a result, Maine citizens and State officials seek adequate opportunity both to point out to the Air Force the adverse economic impact of the selected site and to solicit from the Air Force information as to the availability and cost of alternative sites which would still meet the technical requirements of the system.

Public hearings on the Draft Environmental Impact Statement have been scheduled for September and the Air Force has encouraged public comment. At the same time, however, there are indications that development of the proposed site is proceeding apace. Therefore, the hearings may not provide an adequate opportunity for Maine citizens to convince the Air Force of the importance of the land in question to our economy. The purchase of land options on some tracts involved in the system are scheduled to take place prior to the hearing. Also, potential contractors were requested on July 25 to submit detailed proposals and cost estimates on site development.

This amendment is intended simply to limit any further action on site acquisition and development of the prototype receiver until additional information on the matter of site selection is obtained. It is not our intent to prevent the Air Force from proceeding with development of the radar technology and other research activities associated with the OTH system.

I believe the delay I am urging is reasonable and will assure that Members of Congress and the citizens of Maine will have ample opportunity to resolve the questions which have been raised.

We are currently holding discussions with the Air Force, and I am hopeful today's vote—evidence of the sensitivity of the Senate to the problems concerning the proposed receiver site for the OTH system—will generate the kind of cooperative spirit which we need to have in order to resolve the problems.

I ask unanimous consent to have printed in the RECORD at this point some recent correspondence I have had with the Air Force concerning this matter.

There being no objection, the letters were ordered to be printed in the RECORD, as follows:

AUGUST 13, 1974.

Maj. Gen. M. L. BOSWELL,
*Director, Legislative Liaison, Department of the Air Force, Washington, D.C.*

DEAR GENERAL BOSWELL: On August 9, Colonel Horace Wood briefed my staff on the Administration's plans to build a prototype Over-The-Horizon-Backscatter (OTH-B) radar system in the State of Maine. In the course of the briefing, several questions were raised which Colonel Wood suggested would best be answered in writing for the record.

Specifically, the following questions were raised about which I would like to know the Air Force's thinking: How does the OTH-B improve the current DEW line? How likely is it that an operational OTH-B would be able to detect the kind of subsonic missiles that an adversary might employ? How does the planned development of an OTH-B system relate to the Executive's projected reductions in the Air National Guard? What consideration was given to the economic impact of constructing the OTH-B on the State of Maine and, specifically on Washington County? Finally, what criteria were used for choosing the receiver site in Township 19, as opposed to another nearby site with less adverse economic impact?

Since the Congress is currently considering the FY '75 Military Procurement Appropriations Bill, I would appreciate the favor of an early reply.

Sincerely,

EDMUND S. MUSKIE,
*U.S. Senator.*

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DEPARTMENT OF THE AIR FORCE,
*Washington, D.C., August 21, 1974.*

Hon. EDMUND S. MUSKIE,
*U.S. Senate.*

DEAR SENATOR MUSKIE: This is in response to your letter of August 12, 1974, requesting the Air Force view on several questions concerning the Over-the-Horizon Backscatter (OTH-B) Radar Program.

Specific answers to your questions are contained in the attachment. In addition, a copy of the Revised Draft Environmental Impact Statement filed with the Council on Environmental Quality on July 30, 1974, is forwarded for your information. It is important to note that the location of the transmitter and receiver stations will not become finalized until after Federal and State agencies and the public have had an opportunity to comment on the Draft Statement. They may submit their comments to the Special Assistant for Environmental Quality, Office of the Secretary of the Air Force, or at one of the open hearings scheduled for September 11, 12, and 13. The deadline for comments is September 23.

After all comments are considered, we will prepare and issue a Final Environmental Impact Statement setting forth our decisions. No action can be taken to implement the decision until 30 days after release of the Final Statement.

If we can be of further assistance in this matter, please do not hesitate to contact us.

Sincerely,

ROBERT B. TANGUY,
*Brigadier General, USAF, Dep. Dir. Legislative Liaison.*

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OVER-THE-HORIZON BACKSCATTER (OTH-B) RADAR PROGRAM

1. Question: How does the OTH-B improve the current DEW Line?

Answer: The present Air Force program and long-range plans call for two OTH-B radars, one sited in the Northeast in the State of Maine and one sited in the Northwest portion of the Continental United States (CONUS). When operational these two sites will preclude an end run of the DEW Line in the north. The initial phase is to design and develop a limited coverage prototype and conduct a test and evaluation for one year for the purpose of validating system concepts and definitizing performance and costs before building the operational sites.

2. Question: How likely is it that an operational OTH-B would be able to detect the kind of subsonic missiles that an adversary might employ?

Answer: Although it is possible for an OTH-B radar to detect the missiles to which you refer, the primary mission of the CONUS OTH-B system is aircraft detection. The distinguishing characteristics of an OTH-B radar is its ability to use the ionosphere to reflect the high frequency (HF) signals around the earth's curvature, typically on the order of 4,000 kilometers. This capability provides a potential to provide a quantum improvement in the range at which aircraft can be detected, and at all altitudes down to the earth's surface. It will be possible, therefore, with an operational OTH-B radar to detect and provide warning of an adversary aircraft before they penetrate to the range necessary to launch their subsonic missiles.

3. Question: How does the planned development of an OTH-B system relate to the Executive's projected reductions in the Air National Guard?

Answer: The long-range surveillance and tactical warning which is possible with the OTH-B system is more vital than ever in view of the projected reductions in the Air National Guard Interceptor Force and our ability to react and intercept potentially hostile aircraft entering our sovereign airspace. The OTH-B system will significantly increase the warning time available to alert National Command Authorities such that appropriate action can be taken to determine the identity and purpose of the intruder.

4. Question: What consideration was given to the economic impact of constructing the OTH-B on the State of Maine and, specifically, on Washington County?

Answer: Consideration of site locations during the concept formulation phase was based primarily on technical and operational criteria. Once the State of Maine was considered optimum under these criteria, extensive consideration of the economic impact in the local areas within the State was factored into the final site selection. Recommendations were solicited and received from the State of Maine Land Development officials on possible site locations, and the preferred site takes into consideration the availability of land and the economic conditions.

5. Question: What criteria were used for choosing the receiver site in Township 19, as opposed to another nearby site with less adverse economic impact?

Answer: The detailed criteria used for choosing the receiver site are contained in the Revised Draft Environmental Statement and include minimum Radio Frequency Interference (RFI distances), economic impact, population densities, existing soil and foliage densities, topography, and other associated impacts and costs. The selected site in Township 19 was considered optimum in this case. Surveys in the areas around the Township 19 site determined that the topography was less than technically desirable due to orientation and size. Construction in the possible surrounding areas would, therefore, necessitate extensive land mass relocation and grading with much higher costs and environmental impact.

Mr. MUSKIE. I appreciate the patience of the distinguished floor manager of the bill, the Senator from Arkansas (Mr. MCCLELLAN), in giving consideration to this amendment.

Mr. MCCLELLAN. Mr. President, if the Senator will yield, as I understand, we are not taking the money out of the bill, we are simply providing for no expenditure until some of these problems can be further considered and hopefully worked out.

Mr. MUSKIE. The Senator is correct.

Mr. MCCLELLAN. It is not killing the project, but it is trying to make an accommodation so that there can be a spirit of cooperation and good will as a part of

the procedure. Does that state it substantially?

Mr. MUSKIE. That states it precisely, may I say to the Senator. We have no interest in blocking the project. We are just concerned with the particular aspect of it that I have described.

Mr. McCLELLAN. If my distinguished colleague, the Senator from North Dakota (Mr. YOUNG), has no objection on his side of the aisle, I see no objection to the amendment, and I would be willing to accept it and take it to conference.

Mr. YOUNG. I have no objection. In fact, I think the Senator from Maine makes a good case.

Mr. MUSKIE. May I express my appreciation to both of my colleagues.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Maine.

The amendment was agreed to.

Mr. McCLELLAN. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. EAGLETON. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

## DISTRICT OF COLUMBIA CRIMINAL JUSTICE ACT—CONFERENCE REPORT

Mr. EAGLETON. Mr. President, I submit a report of the committee of conference on S. 3703, and ask for its immediate consideration.

The PRESIDING OFFICER. The report will be stated by title.

The second assistant legislative clerk read as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 3703) to authorize in the District of Columbia a plan providing for the representation of defendants who are financially unable to obtain an adequate defense in criminal cases in the courts of the District of Columbia and for other purposes, having met, after full and free conference, have agreed to recommend and do recommended to their respective Houses this report, signed by a majority of the conferees.

The PRESIDING OFFICER. Is there objection to the consideration of the conference report?

There being no objection, the Senate proceeded to consider the report.

(The conference report is printed in the House proceedings of the CONGRESSIONAL RECORD of August 15, 1974, at pp. 28395–28397.)

Mr. EAGLETON. Mr. President, I move the adoption of the conference report on S. 3703.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Missouri.

The motion was agreed to.

## MESSAGE FROM THE PRESIDENT

A message from the President of the United States was communicated to the Senate by Mr. Marks, one of his secretaries.

## EXECUTIVE MESSAGE REFERRED

As in executive session, the Acting President pro tempore (Mr. NUNN) laid before the Senate a message from the President of the United States submitting the nomination of William R. Crawford, Jr., of Pennsylvania, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of Cyprus, which was referred to the Committee on Foreign Relations.

## DEPARTMENT OF DEFENSE APPROPRIATION ACT, 1975

The Senate continued with the consideration of the bill (H.R. 16243) making appropriations for the Department of Defense for the fiscal year ending June 30, 1975, and for other purposes.

Mr. EAGLETON. Mr. President, what is the pending order of business?

The PRESIDING OFFICER. H.R. 16243.

Mr. EAGLETON. Mr. President, I call up my amendment No. 1836.

The PRESIDING OFFICER. The clerk will state the amendment.

The legislative clerk read as follows:

On page 50, between lines 20 and 21, insert a new section as follows:

SEC. 848. No funds in excess of $81,000,000,000 may be appropriated pursuant to this Act.

Mr. EAGLETON. Mr. President, I ask unanimous consent that the distinguished junior Senator from Delaware (Mr. BIDEN) be added as a cosponsor to the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. EAGLETON. Mr. President, the amendment I propose today to the defense appropriations bill is motivated by two important considerations: First, that waste and mismanagement due to several years of overspending have diminished rather than expanded the effectiveness of our conventional forces; second, that the severe inflation facing our economy today and in the foreseeable future necessitates a real reduction in budgetary outlays for fiscal year 1975 and beyond.

The distinguished chairman of the Appropriations Committee knows that I greatly admire the work he has done on this bill. But despite the reductions that have been made, the defense budget continues to grow disproportionately while the American people have less to show for it.

Last year, General Brown, now chairman of the Joint Chiefs of Staff warned:

We are going to be out of business if we don't find ways to cut costs.

But the $82.1 billion budget we consider today is permeated with wasteful programs which add nothing to the national security. And, as such, it is a disincentive in the search for managerial innovation in the important areas of weapons procurement and manpower utilization.

Each year we hear the symptoms of mismanagement—cost overruns, weapons failures in combat, reductions in quantities of arms due to excessive costs, burgeoning headquarters personnel, and excessive numbers of support forces. It is no longer possible to argue that more money will give us a stronger national defense. And there is no time more appropriate than during this period of rampant inflation to establish a budget ceiling which will encourage change.

It is my firm belief that there is no more intelligent and creative group in these United States than the men and women of our military services. When you add the managers and employees of the largest corporations in America, you have a force which is indeed formidable. But in recent years that force has been misdirected by a budgetary process which encourages deceit and punishes innovation. And Congress must share the blame.

During the 5 years I have served in this body, I can think of only one defense debate—excluding Vietnam—which provided congressional and public exposure of the issues equal to their importance. That was the ABM debate. Senator MCINTYRE's excellent efforts on Trident and counterforce notwithstanding, we have generally failed in providing an adequate forum for debate on some of the most crucial issues of our time. And the defense bill has grown heavy under the burden of unnecessary weapons and programs.

We have also failed to scrutinize the defense budget because too often such spending is considered worthwhile in "Grand Rapids" and a "wasteful boondoggle in Oklahoma," as it was so aptly put by President Ford in a slightly different context.

But I am optimistic. I do not believe that parochialism need doom Congress to a perpetual inability to reduce or eliminate specific items in the defense budget. Today, however, we must recognize the obvious political reality and act accordingly. We must seek ways to consider this budget on a national scale and reduce it to its proper level.

Though there is always a measurable limit to our economy's ability to support both defense needs and consumer demand, a strong defense and a healthy economy are not mutually exclusive goals. Both are vital to our national well-being and both should entail national sacrifice. It is our job to find the lines beyond which we cannot venture—at the upper extremity lest we stimulate more inflation—and at the lower extremity lest we weaken our defense posture.

It is my firm conviction that an $81 billion ceiling on new budgetary authority is more than adequate to maintain the effectiveness of our military forces. My only concern is that it may still be too high to help in the battle against inflation.

In that regard, it is important to understand that, due to the peculiar nature of defense spending, any savings we can effect in this budget will be particularly helpful in countering inflation in the current fiscal year and beyond. In the jargon of the economist, defense spending is

"inherently inflationary" due to its "nonproductive demand generating nature." In plain English, defense expenditures translate into consumer demand, but for every dollar that goes into defense production, there is one less potential dollar for the production of consumer goods. The increase in consumer demand resulting from defense spending and the simultaneous reduction in supply create a classic inflationary environment.

Furthermore, other than increasing consumer demand, defense spending has a limited impact on economic growth. Private spending—or even nonmilitary public spending—can create capital goods which can add to the total productive capability of the economy and also create more jobs. Goods produced for military purposes have no such return.

It is not my intention to base my entire case today on economic theory. I recognize that any theory has a countertheory, especially in the field of economics. But I do believe it is necessary to characterize the nature of the Federal spending my amendment seeks to reduce.

President Ford has reaffirmed his predecessor's goal of reducing outlays in fiscal 1975 below the $305 billion originally requested. Congress, for its part, has also resolved to cut the budget; $5 billion is the goal most frequently cited, although the Senate has twice gone on record as favoring a $10 billion cut. But according to the most recent budgetary scorekeeping report, appropriations bills and other legislative spending measures enacted as of August 2 place us $1.1 billion over the administration's request.

Of the $305 billion Federal budget, only $84 billion are in the controllable category; that is, items not already designated for payment by other legislative measures. Of that $84 billion, $58 billion, or 70 percent, is attributable to defense spending. There, if we cannot establish an $81 billion ceiling on this appropriations bill, I think it will make it more difficult for us to tell our constituents that Congress is going to cut the Federal budget.

I have heard no one proclaim that the fight against inflation is a 1-year battle. In this regard, a reduction in this budget will help in curbing budgetary outlays in later years as well, since much of the procurement and research money we will appropriate will not be spent in this fiscal year.

As I said earlier, we have overspent for defense in the recent past. There is no better illustration of that assertion than to examine the unexpended balances on hand at the end of the past 4 fiscal years. This amount has risen steadily from $31 billion in fiscal 1972 to an estimated $44.1 billion at the end of fiscal 1975.

This means that, increasingly, goods and services for which the Defense Department has contracted are being delivered at a slower pace than appropriated money is being poured into the system. We are appropriating more money than the delivery system can keep up with. While there will always be unexpended balances, they should remain steady or decrease, except in wartime. The current trend is causing a serious distortion which my amendment would help rectify.

In his book, "The Politics of the Budgetary Process," Aaron Wildavsky said the most successful tactic in assuring the financial growth of a bureaucracy was the technique of "incrementalism." In other words, an agency should ask Congress for just a little more than it wants even while it wants a little more than it needs. In the past 2 years the Defense Department has probably caused Mr. Wildavsky to want to rewrite his book.

Soon after the fiscal 1974 budget was approved, DOD asked for a supplemental appropriation of $6.2 billion. The very day they asked for the $6.2 billion as a supplemental the Pentagon submitted its fiscal year 1975 request calling for an $11.4 billion increase. But even that request did not stand. Budget amendments were received in the spring which raised the fiscal year 1975 request to $87.1 billion. Thus, if the fiscal year 1974 supplemental is included, the total increase requested by the Defense Department since the fiscal year 1974 budget was enacted on December 20, 1973, is $19 billion.

In action to date Congress has reduced those requests by only $6.5 billion—this includes a $1.5 billion reduction of the fiscal year 1974 supplemental and the reduction of $5 billion approved by the Senate Appropriations Committee. It seems clear that the Defense Department's mastery over the politics of the budgetary process is unsurpassed.

Now, as we debate an amendment which would allow an increase in the defense budget of $6.8 billion over the amount appropriated last year we hear calls of alarm from those who would rather ignore the total DOD request—the supplementals, the budget amendments, the special aid for the Middle East war—and the admission that at least $1.5 billion in outlays was put into the budget for economic purposes rather than defense purposes.

This budget is a model for the technique of "incrementalism." It is still more than the Pentagon wants, to say nothing of what it really needs.

Mr. President, as I said at the outset, it is my hope than an $81 billion budget would encourage positive managerial change within the Defense Department. This year I had the opportunity to examine one of the more current managerial innovations at Defense, the so-called "design-to-cost" program. It was adopted with great fanfare in 1969 at the insistence of then Deputy Defense Secretary David Packard.

On January 28, 1974, approximately 5 years after Mr. Packard made "design-to-cost" an official DOD policy, I asked about the current status of the program. I wanted to know the cost goals that had been set for each weapons system.

I was amazed to find that the vast majority of systems were not yet under the program 5 years after David Packard had put it into place. Indeed, my letter forced the military services to sit down for the first time to determine how and whether weapons programs would come under a "design-to-cost" requirement.

"Design-to-cost" is a good program, but there is simply no incentive to care about cost goals when there are so many tax dollars to be spent.

David Packard posed a general cure for the problems which afflict our Defense Establishment when he said:

> We are going to have to stop this problem of people playing games with each other. Games that will destroy us, if we do not bring them to a halt.

The "game playing" to which Mr. Packard referred is the most debilitating symptom of our failure to bring efficiency to defense. Unfortunately, the budgetary process itself may inspire the most destructive tendencies.

For example, military planners understand that the public seeks dramatic, not marginal, improvements in the performance of a particular weapon. Imaginations, therefore, work overtime in establishing performance goals that are frequently unattainable, often unnecessary and sometimes downright impractical.

Next, it is felt necessary to understate costs. In this the military services have ready allies. Contractors abound who are willing to bid low to buy in. And when the Pentagon comes before Congress to certify the low cost of a new system, it does so with the support of industry.

The military planner also understands that it is difficult to sell long-range projects. Consequently, a schedule is drawn up which shows quick progression from milestone to milestone. Scarce margin is left for error and the pressure to deliver often leaves little time for adequate preproduction testing.

The direct consequence of this excessive concurrency in weapons development is the cost overrun. We have all heard the incredible toll these overruns take. In 1972, according to GAO, 77 major systems had accumulated overruns totaling $28.7 billion. This year a GAO study of 55 major systems revealed overruns of $26.3 billion.

There is simply no getting around it, from the contractor to the military project officer to the Secretarys of Army, Navy, and Air Force, the message is clear: cutting costs is not the way to get ahead. It is time that Congress sent a new message to the decisionmakers at the Defense Department.

Mr. President, I have said repeatedly today that the budget that we are considering contains waste—that $81 billion is more than adequate to maintain the effectiveness of our forces. While I am sure the vast majority of American people would agree that the defense budget does contain waste, I would not expect any Member of this body to support a ceiling on military expenditures that could not be supported by specific suggestions of areas where reductions can be made. Congress has a constitutional responsibility to assure that our military forces are properly equipped to maintain our security.

I would also concede that in enumerating areas where further reductions could

be made, my judgment is not infallible. I will, therefore, discuss reductions totaling twice as much as are necessary to achieve the $81 billion ceiling. Certainly, the defense experts on whose recommendations I will base my suggestions must be correct at least half the time.

Mr. President, we will begin discussing several different weapon systems and Defense Department programs, the sum aggregate of which will be close to double what I am recommending insofar as a cut in this year's budget is concerned.

In addition, I have attempted to steer away from programs and systems which I believe have been subjected to the debate and decision of this body. Systems such as the Trident submarine, the B–1 bomber, counterforce and programs such as MASF aid to South Vietnam most certainly require our continued surveillance, but they will not be part of my list of potential savings.

If I may, Mr. President, I will now go into an item-by-item analysis of where I think substantial cuts can be made in this budget.

MILITARY PERSONNEL

Mr. President, I will begin my discussion of potential reductions in the manpower area.

The committee has made a noteworthy step in dealing with the problem of excess forces stationed overseas. A withdrawal of 25,000 troops is to be completed by March 31, 1975. This requirement combined with the reduction in total end strength of 24,211 could mean that the Department of Defense will make major dollar savings from the overseas withdrawals.

On the other hand, the Senate Armed Services Committee in their report on the authorization bill outlined many areas where additional personnel costs could be saved, primarily in the area of support functions. Altogether, they recommended a total reduction of 49,000, some 25,000 more than the reduction now before us. Since the Armed Services Committee emphasized cuts in support personnel and the Appropriations Committee dealt primarily with overseas forces, I believe the work of both committees could be combined to justify a larger savings to the taxpayer.

It is clear, for example that an additional 25,000 personnel could be deactivated with no perceivable effect on national security. If one-half of the direct costs—$12,500 per person—can be saved this fiscal year, the net reduction would be at least $156,250,000. With this additional reduction, the end strength level would approximate that recommended by the Senate Armed Services Committee. I would add that the full potential of such a reduction would be $300 million.

I will draw upon the report of the Senate Armed Services Committee on the authorization bill, S. 3000, which described cuts totaling 31,560, to delineate the 25,000 reduction I feel is feasible:

First. Reduce the active duty manpower request for the Air Force an additional 5,500. The Air Force has decided that any increases in strategic airlift manning—C–5A and C–141 aircraft—should be achieved through Reserve components. An earlier reduction of 2,810 for this purpose was mandated in the fiscal year 1975 authorizing legislation already enacted into law.

Second. Cut active duty levels by 10,850, to achieve a 7-percent reduction in military personnel assigned to training functions. Overall, the proportion of staffs, overhead and support personnel compared to student load in the Department of Defense is extremely high. For example, using both military and civilian staff and overhead personnel, the Senate Armed Services Committee found an unacceptable ratio of students per staff in each of the services. Mr. President, I ask unanimous consent that the Armed Services Committee study of this problem, taken from the committee report on S. 3000, be printed in the RECORD.

There being no objection, the study was ordered to be printed in the RECORD, as follows:

STUDENT PER STAFF RATIOS

| | |
|---|---|
| Students per staff: | |
| Army | 1.6 to 1 |
| Navy | 1.5 to 1 |
| Marine Corps | 1.8 to 1 |
| Air Force | 1.6 to 1 |
| Total DOD | 1.6 to 1 |

If training base support personnel were included in the above ratios, it would reduce the overall Defense Department ratio to almost one instructor or staff man for every student. That is much more than other school systems in the country. For comparison, student to staff ratios for several kinds of non-Defense schools are shown below:

| | |
|---|---|
| Students per staff: | |
| Public high schools | 18.9 to 1 |
| Public post high school vocational schools | From 4.6 to 2 to 70.4 to 1 |
| Private post high school vocational schools | From 28.6 to 6 to 123.7 to 1 |
| Colleges | 15.0 to 1 |
| Local school system | 15.0 to 1 |

The committee is aware of the fact that military training differs substantially from the training and education in the civilian sector. It is also aware of the accounting differences that make exact comparisons difficult. However, the difference in staffing is so wide, the committee believes that much more can be done to tighten down on staffs and overhead for training. As a minimum, the committee feels that the following avenues should be vigorously pursued to achieve reductions in training manpower and expects a report on actions taken in each area prior to the FY 1976 manpower request.

Reduction of the levels of staffing in training activities.

Consolidation of schools and courses to eliminate duplication within each service and between Defense components.

Use of educational technology to substitute equipment for training personnel.

Use of improved systems for on-the-job training instead of formal individual training.

Reduction in the scope of career development education as opposed to job related skill development.

Mr. EAGLETON. Mr. President, I am pleased to yield to the distinguished acting majority leader, the Senator from West Virginia.

Mr. ROBERT C. BYRD. Mr. President, I merely wish to ask whether or not it would be agreeable to enter into a time limitation on this amendment.

Mr. EAGLETON. I would propose the following, Mr. President: I do not think I will use the time I am going to propose, but I did talk to some other Senators who want to speak on this subject. In order to protect them, I would propose 4 hours to a side on this amendment. I realize that I probably will not use that much time and, knowing the Senator from Arkansas, I am almost positive he will not use that much.

Mr. McCLELLAN. Mr. President, in my earlier discussions with the Senator from Missouri, I thought he meant 4 hours equally divided.

Mr. EAGLETON. No, sir, I did not.

Mr. McCLELLAN. Four hours to each side?

Mr. EAGLETON. The problem is that other Senators who are cosponsors want to speak, and this would give me the widest latitude in protecting them. I do not think we will use that much time, and I will be eager to yield back time.

Mr. McCLELLAN. I suggest, then, that we do not have an agreement on time, that we talk until we are through, and I will expedite it on this side. I would like to complete action on the bill today.

Mr. EAGLETON. I think we will, but I am trying to consider those Senators who are not in the Chamber and who want to speak on the subject.

Mr. McCLELLAN. Eight hours from now will be about 9 o'clock tonight. I hope we can do a little better than that.

Mr. EAGLETON. I plan to move expeditiously, I say to the Senator.

Mr. McCLELLAN. I suggest that we wait a while, to see how the debate progresses. I would like to dispose of the bill late this afternoon.

I have no intention, I may say, of speaking anywhere near 4 hours. I probably will speak 15 or 20 minutes myself, and a few other Senators may wish to speak. I think we could take an hour on this side. I would be willing to accept a 3-hour limitation and give 2 hours to the Senator from Missouri and take 1 hour on our side. I am just trying to expedite the matter and shorten the proceeding, and not deny anyone the right to be heard.

Mr. ROBERT C. BYRD. My question was for the purpose of hoping to expedite the matter. If we entered into an agreement that there would be 4 hours to a side, Senators would not be obliged to take that much time. They could yield back such time as they wish, and that would be an outside limitation. Without an agreement, the debate could go on throughout the day and into tomorrow.

Mr. McCLELLAN. I would like to vote on it today.

Mr. EAGLETON. I can assure the Senator that this amendment will be voted on today, well before sundown.

Mr. ROBERT C. BYRD. Will the Senators agree to this proposal: that the Senator from Missouri have not to exceed 4 hours and that the Senator from Arkansas have——

Mr. McCLELLAND. Not to exceed 2 hours.

Mr. ROBERT C. BYRD. And the Senator from Arkansas have not to exceed 2 hours on the amendment?

Mr. EAGLETON. That is fine with me.

Mr. McCLELLAN. I will agree to that.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. ROBERT C. BYRD. I thank the Senators.

Mr. EAGLETON. I thank the distinguished Senator from West Virginia.

Mr. President, I had completed item 2 of my discussion, and I shall continue.

Third. Cut 12,750 or 5 percent of the 255,000 active duty personnel requested for base operating support. This support includes many varied functions involved in operating bases for active duty and reserve military and civilian personnel and their dependents. It includes such items as the operation of commissaries, laundries, and theaters, the providing of base transportation, supply and food services, building and road maintenance and construction, providing utilities, fire and public services and running the base headquarters and administrative actitvities.

Since fiscal year 1973, the Department of Defense has announced 463 base closures or realinement actions that have eliminated 69,400 military and civilian jobs. However, these reductions are not reflected in the DOD manpower request for base support personnel. In fact, the DOD request included an increase of 5,000 in military personnel above fiscal year 1974 levels for base support.

Fourth. Cut 2,460 or 3 percent of the 82,000 military personnel requested for medical support. According to the Armed Services Committee report—

These personnel are for "fixed site" medical facilities such as hospitals and include all the various kinds of people from doctors to administrative clerks who operate these facilities. This category does not include the medical personnel and units that directly support Army and Marine divisions. Navy ships or Air Force direct support clinics and dispensaries. Although the overall number of military personnel has declined and the Defense Department reported a decrease in medical workload (i.e. patients), the DoD request included an overall increase in the number of medical support personnel and in the ratio of medical support personnel to military manpower.

The committee went on to make the following recommendations:

The committee felt that the number and proportion of medical support personnel in the military services should not be increased. The committee has no intention of decreasing medical care, but there are compelling reasons to hold up increases in medical support personnel at this time.

First, a major study of Health Personnel is underway with participation of Defense, HEW and the Office of Management and Budget. This study, which is to be completed in late 1974, will examine the requirements for medical personnel and is seeking to find ways of making Defense health care delivery more efficient. The reduction would hold medical support at current levels until the study is completed.

Second, medical personnel are difficult to recruit and retain in an all-volunteer situation. The reduction would deny increases in medical support until the recruiting situation is clearer and there is more experience with the medical bonus.

Third, defense medical costs have been increasing rapidly. "Fixed site" medical support costs, including civilian salaries, totaled $1.6 billion in FY 1960 compared with $2.8 billion in FY 1975. These medical costs on a per man basis have risen from $470 per man in FY 1970 to $1,280 per man in FY 1975—up 2.7 times.

Mr. President, it is clear that the Armed Services Committee has made responsible recommendations in this important area which, if adopted, will bring considerable savings to the taxpayer. Perhaps even more import the recommendations will go far in trimming the fat of excessive support personnel from our conventional forces.

CIVILIAN PERSONNEL

Mr. President, another area of the Defense budget with excellent potential for substantial savings this year is in reductions of Department of Defense civilian personnel. I would propose reductions from the committee-approved level of civilian manpower which would result in a savings of approximately $153 million.

The committee has approved funding for 995,000 direct hire civilians who are employed to perform military functions administered by the Department of Defense. The Committee on Armed Services, under the distinguished leadership of Senator STENNIS, earlier proposed funding 982,727 civilian personnel. This would be a reduction of 12,273 below the Appropriations Committee level and 4 percent under the Pentagon request.

I endorse Senator STENNIS' proposal, the reduction proposed by the Armed Services Committee, and feel that this further trimming of civilian personnel levels is easily justified by the inflationary pressures on our economy. Furthermore, Mr. President, a reduction of an additional 12,273 civilian personnel can be accomplished without laying off a single employee of the Defense Department. In fact, the 4-percent cut in the Pentagon request for civilian manpower was, as the Senate Armed Services Committee report on the fiscal year 1975 authorization bill stated, "largely a denial of increases of civilians in the Defense Department request."

DOD employed 994,000 civilians on January 1, 1974, according to the Armed Services Committee report. That is equivalent, I might say, to the population of the two largest cities in my State, St. Louis and Kansas City. That is how many civilians the Department of Defense employed on January 1, 1974.

The Armed Services Committee, therefore, simply rejected the increase of 33,000 civilians and recommended a further 11,600 reduction from the January 1, 1974, level. This further reduction of 11,600 could be accomplished, the Armed Services Committee report went on, "by not filling new job vacancies and by normal attrition, rather than by any layoffs."

The report further stated:

The Defense Department reported that about 215,000 new civilians would have to be hired just to keep the number of civilians in FY 1975 about equal to the number in FY 1974. A reduction of less than 10 percent of the new hires would more than accomplish that part of the Committee reduction that would reduce strength below actual on-board levels.

Mr. President, civilian manpower is a significant portion of the Pentagon's annual budget that has been largely overlooked. Yet 17.4 percent of total Defense Department outlays for fiscal year 1975 were slated for the civilian personnel payroll according to Defense Secretary James Schlesinger's fiscal year 1975 posture statement. That meant that $14.9 billion in outlays was planned for civilian pay alone.

This figure is incredible when it is considered that we are not talking about paying for military personnel to fight in combat, but rather another part of the massive support elements needed, ostensibly to keep the troops prepared for fighting. Senate and House Armed Services and Appropriations committees have commented at one time or another in the last few years about the large combat-to-support ratio which is such a costly burden in the military budget. Yet the support category referred to in this poor teeth-to-tail ratio does not even include almost one million civilians.

Indeed, while many point to the skyrocketing manpower costs in today's Defense Department budgets, which reach about 55 percent of the Pentagon's budget, it is frequently not realized that 17.4 percent of the 55.4 percent manpower costs go for civilians. The stark statistics are provided in Dr. Schlesinger's posture statement. I ask unanimous consent that the table used in that statement to show the pay costs for DOD manpower categories be inserted in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

ESTIMATED PAY COSTS FOR DOD MANPOWER IN FISCAL YEAR 1975

| Category | Fiscal year 1975 outlays | Percent of DOD outlays |
|---|---|---|
| Civilian personnel payroll | $14,929,000,000 | 17.4 |
| Military personnel payroll | 19,030,000,000 | 22.2 |
| Military special pay and allowances | 6,655,000,000 | 7.8 |
| Family housing | 878,000,000 | 1.0 |
| Military retired pay | 6,011,000,000 | 7.0 |
| Total manpower outlays | 47,504,000,000 | 55.4 |

Mr. EAGLETON. Mr. President, it is clear that DOD employs a massive number of employees costing a large amount of money. In fact, while the Defense Department employs almost a million civilians, the Department of Health, Education, and Welfare, frequently cited as an example of an overgrown bureaucracy, employed 142,159 employees as of June 1974 or, I hasten to add, Mr. President, about one-eighth as many civilian employees as DOD.

The Monthly Report on Federal Personnel and Pay of the Joint Committee on Reduction of Federal Expenditures' statistics as of June 1974, demonstrates that, excluding the quasi-Federal Postal Service, the Defense Department employs about as many civilians as do all other Federal agencies combined.

The Senate Armed Services Committee report also pointed to many categories of civilians which are not included in the number authorized by that committee. They include:

First, employees performing civil func-

tions administered by DOD, the largest of which is the Corps of Engineers civil works activities. This category includes about 29,000 employees in fiscal year 1975.

Second, indirect-hire employees who are hired by host nations in support of U.S. troops stationed abroad. There are about 103,000 persons included in this category.

Third, employees in special employment programs for students and disadvantaged youth, such as the stay-in-school campaign and the temporary summer aid program. The number in this program varies from about 22,000 at the end of fiscal year 1973 to a summer peak of 40,000 employees.

Fourth, employees of the National Security Agency who are excluded because their employment statistics are classified.

Fifth, schoolteachers in the Department of Defense Overseas School System who are not included because they serve on a 9-month basis and are not on the DOD payroll at the end of the fiscal year. There are approximately 8,000 schoolteachers in this category.

Sixth, employees paid from nonappropriated funds—including those working at base exchanges, commissaries, and clubs. There are an estimated 150,000 personnel in this category.

All these exceptions, some of which have to be paid for by the taxpayers and some of whom are paid for through internally generated funds, bring the total worldwide Defense Department force to well over 1.3 million people. A reduction of a mere 12,273 seems insignificant in comparison.

There are 1.3 million civilians working worldwide for the Defense Department. If memory serves me correctly, this is a number of people greater than about 20 of the States of the Union.

I just added the name of the distinguished Senator from Delaware (Mr. BIDEN) as a cosponsor to this amendment. I am not sure as to the precise population of Delaware, but I suspect that it is under a half million. I know Delaware has one House Member. The number of civilian personnel, worldwide, for DOD is then greater, I think, than the total of about 20 States in the Union. Thus, in terms of what Senators represent in terms of States, I should say that DOD's work is already so well represented here, they should have about 30 Members of Congress assigned to them, based on their population.

The distinguished chairman of the Armed Services Committee, Senator STENNIS, has more than once expressed his dissatisfaction with the number of civilians requested by the Pentagon. In his opening comments at the manpower authorization hearings for fiscal year 1975 on March 21, 1974, Senator STENNIS said:

> I am concerned that the Defense requests before us today include a substantial increase in civilian personnel, some 30,000 and a nearly stand-pat situation in the military strengths requested. It looks as though the taxpayer is not getting much economic benefit from any improvements in Defense efficiency. It seems to me he ought to get some.

Last year the House Appropriations Committee expressed a similar unhappiness with Defense Department civilian manpower levels. In its report on the fiscal year 1974 Defense Department appropriations bill, the committee, chaired by Representative MAHON, stated:

> For the past few years the Committee has been concerned about the high number of civilians being employed by the Defense Department. It has been unsatisfied with the extent of reductions.

The House Appropriations Committee report also gave several reasons why civilians jobs should be cut:

1. The ceasefire in Vietnam and the withdrawal of U.S. combat forces from Indochina.
2. The reduction in the number of military personnel and equipment.
3. The proposed closing of some military installations.
4. New production techniques and mechanization which should take over some of the civilian workload.

That committee, the Mahon committee, called for action to bring about decreases in its report on the fiscal year 1975 appropriations bill when it pointed out that for fiscal year 1974:

> The Congress made a reduction of about 15,900 positions as an indication of its interest to encourage the Department to carefully monitor and control its civilian employment practices. The Department, however, did not make the reductions recommended but, in lieu thereof, submitted a supplemental budget request in civilian positions of about 19,000. Thus the Department requested about 35,000 more civilian positions than the Congress approved.

In short, Mr. President, it is clear that substantial reductions can be made in the civilian personnel area. I am recommending a cut of only 12,273 personnel to the level approved by the Senate Armed Services Committee with the attendant savings of about $153 million. Yet it is clear from the evidence presented by various congressional committees and distinguished military experts, that we can make even further reductions from that which I propose. My proposal will, I repeat, lead to no layoffs nor will it harm U.S. security interests.

AWACS

In the weapons system area, I will begin with a program I have followed closely for almost 3 years—the airborne warning and control system—AWACS. The savings I believe can be derived in this area are typical of the subsequent recommendations I will make. They are savings designed to slow down the development of a weapons program to assure that it is properly tested before it is procured. As I will explain in detail, the risk we take in moving ahead too fast on the AWACS program is not simply that the system may end up not working well. It is that AWACS may not work at all in performing its primary mission.

AWACS, an overland look-down radar and tracking system housed in a modified Boeing 707, was originally assigned the primary task of strategic air defense.

In February 1970, a revision to a DOD development concept paper added a secondary role—tactical command and control. But that secondary role was not given serious consideration until August 1973, when Secretary Schlesinger assigned the tactical NATO role as the new primary mission. At about the same time, he deemphasized the air defense mission stating in his March 1974 posture statement that:

> A CONUS air defense system structure primarily for peacetime surveillance (the current air defense mission) would not require an AWACS force.

In November 1973 the Defense Systems Acquisition Review Council met to decide the future course for the AWACS program. A main concern of the participants was the fact that the aircraft scheduled for procurement with fiscal year 1975 funds were to be built in the strategic, or core, configuration—the configuration suitable for the obsolete air defense role. They were, in short, stuck with a configuration that was to perform the function that no longer existed.

A letter from the Chairman of the Review Council, Deputy Secretary William Clements, to the Secretary of the Air Force pointed out the need for major changes to achieve a design capable of performing the much more complicated tactical job—the job recently created for AWACS.

> It is evident that a more capable configuration than the core is essential to support general purpose tactical forces. The effective integration of command and control in joint operations requires additional (intelligence) equipment . . . identification (devices), communications, data transfer, command and control and a measure of self defense.

Secretary Clements then directed the Air Force to conduct extensive tests to determine what the tactical configuration should be. That configuration has yet to be defined, and could not possibly be validated until operational tests have been performed. This rather obvious point was made in a highly critical GAO report on AWACS sent to me in March 1974.

In testimony before the Armed Services Committee, GAO defense analysts even more explicitly described the problems of designing the new version of AWACS:

> The change in the primary mission emphasis from strategic to tactical requires that more and better equipment of all types, computers, processors, displays, and particularly communications equipment, be on board the aircraft. Thus, the question exists as to whether all of the needed systems can be installed in the aircraft, can be integrated so as to function properly together, can interface with a large number of command and control systems now being operated in Europe by U.S. and NATO ally forces, and whether the system will have the needed tracking and communication capacity to accomplish its mission.

The GAO went on to recommend that Congress "defer funding for production models of the AWACS until the Air Force verifies and demonstrates through tests that a viable and useful tactical configuration can be developed." There is good reason for that recommendation for caution, for there are grave doubts that AWACS will ever be viable in the tactical environment of Europe.

When a GAO technical consultant pre-

pared mathematical calculations showing that AWACS could be completely blacked out by ground-based jammers from within 200 miles of the Iron Curtain, the Air Force protested that the calculations were based on a more limited capability than the AWACS radar actually possessed. But these calculations were based on the official specifications for the radar given to the contractors.

Now, we have a study performed by the Air Force itself which shows clearly that AWACS can be jammed with inexpensive and unsophisticated jammers which could virtually render the $80 million plane useless.

In analyzing this Air Force study, the GAO took the Air Force's "bombs-over-target" effectiveness estimates for AWACS and concluded that because self-screening jamming could be used against the system, the unenhanced version—the version we will buy with fiscal year 1975 dollars— contributed "nothing to the air defense of Europe." The GAO did point out that the Air Force has suggested two techniques for at least minimizing the impact of the jamming threat, but also states that:

> Neither of the two techniques for overcoming self-screening jamming has been demonstrated in tests nor evaluated as to effectiveness.

It is important to understand the difference between the mission originally conceived for AWACS and its present task. Whereas in the air defense role AWACS would have only to detect and track a wing of slow-moving turbo-prop bombers flying toward the United States over large expanses of ocean and wasteland, in the tactical role AWACS will confront literally thousands of tracks of fast-moving fighter aircraft. These aircraft will have to be detected and sorted out by AWACS' computers and then tracked as intercepts are attemped.

In the air defense role AWACS has no ground?based jamming threat to consider and there are no fighter aircraft to pose a threat to its survivability. AWACS would naturally be a high priority target for the numerous enemy aircraft we will confront in a European air battle and, according to GAO, if these aircraft were equipped with jamming devices, AWACS would have a "nearly zero probability of surviving."

The principal mission for AWACS is in the European theater, and yet our NATO allies have not decided whether they will purchase the system. NATO is currently studying the question of whether to buy AWACS and no decision will be made by our allies until the end of the calendar year 1975.

I will not speculate on the eventual decision NATO might make but I do not believe that we would be fulfilling our obligation to the taxpayer if we funded the procurement of AWACS before we know whether and how many systems NATO will buy.

Perhaps, the most compelling reason to delay procurement of AWACS in fiscal 1975 is the recommendation by the Senate Armed Services Committee that an independent group of radar experts study whether AWACS will ever be capable of performing its primary mission against ground-based jamming. This group will provide the Secretary of Defense and Congress with a full report on this most vital question.

It seems obvious that no money should be appropriated for procurement of AWACS until we know whether NATO feels AWACS is worth the invstement and whether the system will ever be capable of performing in Europe. It is clear that a reduction of procurement funds would help to avoid an excessive amount of concurrency—and the resultant overruns in later years—and, at the same time, save $311.1 million approved by the committee for procurement of 4 aircraft and initial spares.

SITE DEFENSE

Now, Mr. President, I move on to the next system I will use as an illustration to prove wherein the budget can be prudently, and safely cut without sacrificing one iota of national security—site defense.

One might have assumed that the ABM issue died with the signing of the ABM treaty.

Mr. President, General MacArthur said "old soldiers never die, they just fade away." Well, weapons systems, Mr. President, never die and, believe me, they never fade away; no, sir. So we still have an ABM kicking around, and it is called site defense.

Site defense is being developed as an upgrade for the Safeguard system around our ICBM site at Grand Forks, N. Dak. While it cannot be deployed, it is said that it is needed as a "hedge" against a possible Soviet abrogation of the ABM Treaty.

But in July of this year that treaty looked stronger than ever as the United States and Russia agreed to protocol limiting each side to only one ABM site.

I have to digress there, Mr. President, and reminisce, if I may, about a former colleague of ours in the Senate who, I think, had as intriguing a way of putting things as anybody I have ever known. That was the former distinguished Senator from Minnesota, Gene McCarthy. He was in the Senate the first 2 years I was here. I was here in 1969 and 1970, and he was completing his term in the Senate at that time.

If the Members will recall, he took a trip to the Soviet Union. He was not only a Senator but had been a candidate for the Presidency of the United States, so he went to Moscow and he met with the Soviet leaders. I think he met with Brezhnev and Kosygin.

He told me of the conversation that he had with one of those Russian leaders, I think I can share that conversation with the Senate. I do not think he would mind.

He said that—let us assume it was Breshnev—Breshnev asked him, "Why are you people building the ABM?"

McCarthy, in that wonderful way of his, answered very quickly, "We are building it, Mr. Chairman, because it does not work."

Now, the Russian, not being used to the McCarthyesque, sense of humor, said, "We do not understand. Why are you building a system that you know does not work?"

"Ah, ha," said McCarthy, "if we build a system that does not work you will build a system that does not work because you want to be just as good as we are, and both of us could keep very, very busy building systems that do not work in the public interest."

I just add that as an irrelevant footnote. But since it is so irrelevant, it is a true testimonial to ABM, which is a living irrelevancy; and it is a true testimonial to site defense which is an irrelevancy superimposed on top of an initial irrelevancy.

Even without that tangible reflection of support for the strategic doctrine of limiting defensive missiles, it is generally conceded that neither we nor the Russians want to throw money down the drain on defensive systems that are generally obsolete when deployed due to advances made in offensive weaponry—the Gene McCarthy theory of planning notwithstanding.

For the purpose of this discussion, however, I will assume a worst case—that we do need a "hedge" against the rather remote possibility that the ABM Treaty will one day be no more. What should that "hedge" be comprised of? Should we build a system which could be made obsolete by the latest Soviet technology? Or should we continue to research in the area of defensive strategies . . . to perfect the difficult task of "hitting a bullet with a bullet?"

Until recently, the site defense program called for the development of a prototype demonstration model which would have been ready for deployment under original plans, in 1977, when the 5-year ABM Treaty expires. According to the Senate Armed Services Committee report on the authorization bill, site defense is composed of "a state-of-the art phased array radar, a third generation commercial data processor and related software, and a modified Safeguard Spring interceptor missile, called Sprint II."

As is clear from that description, the components of site defense are not unique. But the program did have one unique quality which distinguished it from the other ABM programs in which we are engaged. It was to have been a prototype program. Site defense would tie the various ABM components together for testing. General Leber, the head of all the Army's ABM programs, described the principal need for site defense this way:

> It is system technology. It is not component technology. The component technology is done over in the advanced technology program.

But the conference report on the military procurement bill completely transformed the site defense program. That report states that "the primary objective of the site defense program should be development of subsystems and components to advance the technology in such elements as sensors, missiles, and software." The report goes on to state that site defense should no longer be "directed toward a prototype demonstration. . . ." Site defense, in short, is now the same component technology "done

over in the advanced technology program."

It is also now a totally redundant program for which there is no further use. The work on ABM component technology is being done under the advanced ballistic missile defense research program, for which $91 million has been approved in this budget. That is more than enough to spend for a "hedge" against an unlikely occurrence.

The Armed Services Committee have, therefore, answered our question—it is not worthwhile to build a system which could be obsolete when it is deployed. As General Leber said in discussing the rapid technological progress being made in the ABM field:

Site Defense isn't the end of this thing. Five years from now they will look back on it and say that it is ancient.

Although I have attempted to avoid recommending the elimination of programs, I believe site defense is an obvious waste of title V R. & D. funds. We do not need a redundant program and we do not need a system which, if built, would be "ancient" when deployed. The demise of site defense would represent a savings to the taxpayer of approximately $103 million, leaving $20 million for termination costs.

Moving on to yet another system, which I have discussed a bit already, Safeguard.

SAFEGUARD

If site defense would have been ancient 5 years hence, its intended predecessor, the Safeguard system is already in that category. Safeguard sits, uncompleted, around our ICBM site at Grand Forks, N. Dak.

It is limited, under the ABM Treaty, to 100 missiles which are intended to protect our ICBM's.

But recent studies, including a classified GAO analysis, show that our ICBM's do not need protection. Soviet missile accuracy is not sufficient now, nor will it be in the future, to threaten our land-based missiles. These missiles are, of course, deployed in hardened silos.

If, in the future, the Soviets develop their MIRV system, an ABM system comprised of only 100 missiles would be easily overwhelmed. When the Soviet MIRV becomes a reality—assuming that, in the meantime, we do not reach a warhead-limitation agreement—then we should consider what measures we should take to protect our land-based deterrent. If we decide at that time that an ABM is needed—and I personally would oppose such a choice—then we will be able to design a system to meet the current threat.

But the most compelling reason of all to eliminate funds for Safeguard in this year's budget, is the decision by the Pentagon itself to mothball the system soon after it becomes fully operational later this year. That such a decision has been made was recently confirmed by a Defense Department spokesman.

Now, think of it, Mr. President, in the Pentagon they want more money, a little over $135 million, to complete a system that they have already decided to mothball.

Instead of allowing funds to complete Safeguard and maintain it for a full year, I would give the Army exactly what it needs to put the system in mothballs. The savings here, therefore, would be $80 million, leaving $55.8 million to phase out the program.

I repeat for emphasis, Mr. President, what I am doing with these systems is trying to show by adding the dollar amounts, that would be able to safely cut the budget in excess of over $2 billion. But I am not even, as I said earlier, asking for $2 billion. I might be half wrong, so I cut it in half to about $1 billion.

SAM-D

The SAM–D program has received the careful attention of Senator BAYH and the General Accounting Office. Senator BAYH has made a very responsible recommendation to slow down this program to keep it out of the engineering development phase before it is tested. But the token $11 million cut made in this bill will not accomplish that purpose.

SAM–D, which is a medium altitude surface-to-air missile system designed to replace the Nike-Hercules and improved Hawk for air defense purposes, has experienced a unit cost growth of almost 400 percent.

Mr. President, I emphasize, a unit cost growth of almost 400 percent.

The program is at least 76 months behind schedule and the unit cost is almost eight times as much as that of the improved Hawk, the system it is designed to replace.

Prior to January 1974, the SAM–D was a full-scale engineering development program. The Defense Department had overlooked its own fly-before-buy guidelines in allowing the program to proceed to this stage even though crucial elements of the technology, most notably the TVM—target via missile—guidance system and the warhead fuse, had never been adequately tested. Secretary Schlesinger recognized this serious concurrency problem and on January 10, 1974, he ordered that the program be reoriented so that the testing would be completed at an earlier stage. Although the Secretary's decision was intended to reduce the concurrency problem, the program experienced no fundamental change except in its scheduling. Fully half of the fiscal year 1975 funds—$58.5 million—are to be spent for engineering development of tactical versions of the system. Thus, while a decision was made to reduce concurrency, that decision has not been fully implemented.

The sole justification for the SAM–D as articulated by the Army and OSD has been its requirement to defend the 7th Army forces stationed in Europe against conventional attack by high-performance Soviet-built aircraft. Perhaps the most telling comment on the cost-effectiveness of SAM–D has been the flat refusal of every NATO country—with the exception of Germany—to even indicate an interest in purchasing the system.

Although Germany has indicated a potential interest in acquiring the system once it is fully developed, there has been no attempt to gain financial participation on the part of that country in the developmental stages. Just as in the case of AWACS, our NATO allies are apparently willing to allow the United States to bear the expense of developing a system designed to defend Europe.

A full-scale cost-effectiveness analysis of SAM–D was undertaken this past year by OSD in conjunction with the General Accounting Office. This study was delivered to Congress on April 15, 1974. Its major conclusion is that we are unnecessarily duplicating air defense weapons systems at high cost. In its comments on the study April 29, 1974, the GAO noted.

Cost effectiveness of the SAM–D or its variants apparently cannot be proven based on realistic assumption . . . It would appear that even if the SAM–D technology works and even if the threat materializes, the SAM–D will probably not be necessary if F–15's are available.

It is important to note that although the OSD study assumed that the technology testing program would be successful and would not increase costs—an unlikely assumption—it also concluded that two wings of F–15's could reduce the successful penetration by the enemy in the NATO area to close to zero.

In recent developments, the Army has programed $10 million out of fiscal year 1975 funds for research on a backup guidance system. This most certainly cannot be read as reflecting confidence in the proposed TVM guidance system. Furthermore, the $10 million will be spent on exploring the feasibility of one of the two types of guidance techniques now employed in current—state-of-the-art—systems. This would indicate that the case for SAM–D superiority over present systems—based on its TVM technology—is on most uncertain ground.

It would appear that little more than the Army's prestige in having a new missile in development is keeping SAM–D alive.

It is the same sad story, Mr. President, of not letting a system die which should have had a laudable death years ago. Why cannot a weapon system go to the grave with decency? Why must it linger on and on, eternally, long after it has outlived even an imagined useful role? But SAM–D goes on and on.

While I suspect this program will be terminated or completely revised in the near future, I will not make such a recommendation at this time. Instead, I would propose to save $60 million above the reduction recommended by the committee. This $60 million is earmarked for continued engineering development. This action would return the program to the advanced development stage until the TVM guidance system is tested, as Senator BAYH has so many times and so wisely suggested.

SHIPBUILDING PROGRAMS

Mr. President, as I have pointed out in each of the past 4 fiscal years the Defense Department's unexpended balance at the end of the year has increased, indicating that the funds being appropriated for the Defense Department are beginning to exceed the Department's ability to spend them. This is especially true in the shipbuilding business where orders for new ships have overwhelmed the delivery system. In addition, the inflationary impact of these programs on the economy is substantial. Both of these conditions make it essential that we

examine with great care several ship construction programs.

The three major private shipyards are Litton Industries in Pascagoula, Miss., Newport News Shipbuilding and Drydock in Newport News, Va., and the Electric Boat Division of General Dynamics in Groton, Conn. These 3 yards are presently building 63 of the 66 ships which the Navy has under construction and they have all the work that they can handle. Several factors contribute to this situation. Private yards have experienced a large increase in commercial ship construction and are presently working at a higher percentage of capacity than they have experienced in several years. Many yards also find commercial contracts more attractive than Navy contracts because the commercial specifications and quality standards are somewhat lower than the Navy's. Commercial ships are easier to build, are being ordered in large batches, leading to long profitable production runs while Navy ships—especially auxiliaries such as the destroyer tender and fleet oiler requested in the present budget—are built a few at a time. As a result, they are less profitable and less desirable from the point of view of the contractors. And as we all know, dealing with the Government bureaucracy is somewhat more difficult than dealing with private buyers, except when you get to that thing called "bail out." But we are not to that point yet with ships.

Many ships now under construction are experiencing substantial delays. The DD–963 is one of those and appropriating funds for seven more ships this year will simply add to those delays.

It would be less inflationary if we appropriated for three instead of seven of these ships. By doing so some $264 million could be saved this year. The appropriation for the four additional destroyers could be deferred until next year.

Litton's Pascagoula yards have had serious labor problems. Due to inadequate labor supply as well as technical problems with a new yard and new methods, Litton's programs have experienced delays and cost increases. At present, according to the most recent figures available, the last of the DD–63's will be delayed some 18 months. The cost of each ship has increased from $86 million per unit to $108 million. By slowing the rate of procurement we can ease the pressures on Litton and give them time to get the bugs out of their construction techniques so that the remaining ships built will be of higher quality.

The impact of this proposal on the capabilities of the fleet would be minimal. The U.S. Navy is already ahead of the Soviet Navy in numbers of ocean escorts—destroyers, frigates, and other escorts—and will continue to be in 1980 even if we stretch out the procurement of these destroyers. The Navy has some 191 destroyers, frigates, and escorts, compared to 188 for the Soviets. In addition, our destroyer-type ships are generally larger than the Soviet's and some of ours are nuclear powered while the Soviets have no nuclear powered surface ships.

The current budget also calls for appropriating $502.5 million to build three in a series of 36 SSN–688 Los Angeles class nuclear attack submarines. However, it would be more prudent to appropriate funds for two instead of three this year at a savings of some $167.5 million. Again, the shipyard situation has a direct bearing on this program. Five of these submarines are being built at Newport News and the other 18 at Groton, Conn. Both of these yards are backed up with considerable work. Newport News, in addition to building the five SSN–688 submarines is also building two other submarines of a different class, four nuclear frigates, and two CVAN's—nuclear powered attack carriers. The first of these two carriers will be delivered more than 3 years late. This is partly the result of a severe manpower shortage which will surely be made worse by making further demands for additional ships.

This problem can be eased by slowing the pace of procurement somewhat. As Admiral Frank Price of the Chief of Naval Operations Office recently pointed out, reducing the SSN construction rate allows industry to "catch up on their present contracts and to be able to proceed with nuclear attack submarines and Trident at the same time." If funds for only two of these submarines are appropriated this year the United States will have 90 attack submarines in 1981 rather than 91. The difference in one submarine will not have a significant impact on the fleet's capabilities.

In considering this proposal, we should take a close look at comparative United States and Soviet capabilities in this area. The United States at present has 61 nuclear attack submarines in commission plus 27 under construction and funded for a total of 88. The Soviets have approximately 35 nuclear attack submarines and 40 nuclear powered submarines with cruise missiles. The Soviet's overall submarine force has been declining in recent years and will continue to do so, despite the growth of its nuclear submarine force toward the maximum allowable under SALT.

A large part of the existing Soviet submarine force consists of approximately 153 obsolescent diesel attack subs which will very likely be retired in coming years. In addition, experts such as Admiral Rickover and Admiral Moorer have repeatedly told us that U.S. submarines are qualitatively superior to their Soviet counterparts. Admiral Moorer has pointed out that the 688 class is both quieter and has better sonar than the best of the Soviet Union's attack submarines.

It should be pointed out that the SSN–688 is very large and displaces almost 7,000 tons. This is larger than many World War II type cruisers presently in the Soviet Navy. The Navy has said it would be desirable to develop and build a new class of smaller and less expensive nuclear attack submarines than the 688 class, which presently costs about $200 million per ship. It might be wise, in light of current national economic problems, to build fewer 688-class submarines and urge the Navy to move ahead more quickly in developing a smaller and less expensive submarine.

The Navy has requested some $81 million to build a fleet oiler—AO. This would be the first of a class of 10 ships which together with other support ships are projected to cost a total of approximately $2 billion. The purpose of these ships is to deliver fuel to operating ships at sea. Currently, the Navy has 27 fleet oilers, or 1 for every 8 major surface combatants. It is my view that these funds should be deleted from this year's appropriation and deferred for at least 1 year.

There are several considerations which I think justify this position. First, it should be kept in mind that the oiler is an auxiliary—not a combat ship. Thus, while some of the existing oilers are old, retaining them in sevice for 1 or 2 more years will not reduce significantly the combat efficiency of the fleet. At the same time, many of the existing 27 oilers are among the newest, largest, and most modern replenishment ships in the world. Furthermore, the new class that the Navy wants to build will have about the same capacity as present AO's. Thus, they will not add significantly to the Navy's capabilities. The Navy also has nine oilers under construction in the "build for charter" program.

We should also keep in mind that the role of the oiler in providing fuel for Navy ships is declining as more and more ships become nuclear powered. For example, the Navy will soon have 3 nuclear powered aircraft carriers in operation and a total of 14 nuclear ships by 1980. This, of course, reduces the need for oilers.

Finally, the shipyard crunch is important here. Ships such as the oilers seem to be the least popular to build by private shipyards. The Navy has two submarine tenders and one destroyer tender for which funds were appropriated in prior years—fiscal year 1972, 1973—that are not yet under contract because of lack of interest by the shipbuilding industry.

The House Appropriations Committee report should be paid special attention in this regard. The committee concluded that the request for funding an oiler was premature by a year and urged that the amount be denied without prejudice until the Navy has determined the extent of interest by the shipbuilding industry in building this ship and at what cost.

We should keep in mind that if past experience is any indication, even if we appropriate funds for this ship for fiscal year 1975, it may be 1 or 2 years before a contractor is found to build it.

As was suggested by the House Appropriations Committee, the Navy should first determine the interest in the shipbuilding industry and then return for funding.

Mr. President, the appropriations bill calls for the funding of a new destroyer tender—AD—at a cost of $116.7 million. The initial Senate authorization bill excluded all funds for the AD. The Senate Armed Services Committee report justified this action, stating that:

> The Committee recommends denial of $116.7 million for one destroyer tender. Three tenders approved by Congress in FY 1972 and 1973 are not yet under contract, and until such time as these ships are under con-

tract and the costs and schedules are known, authorization of additional tenders will not be authorized.

The House prevailed, however, and the tender was put back in by the conference committee.

The purpose of a destroyer tender is to provide minor repairs and services for destroyer-type ships at forward bases. The U.S. Navy has and plans to maintain about 200 destroyers and related types of ships which are serviced by destroyer tenders.

The Navy currently has 12 tenders, or 1 tender for every 16 destroyer-type ships. The existing 12 tenders are more than enough to provide for those regularly stationed overseas with the 6th and 7th Fleets. The majority of tenders are stationed at naval bases here in the United States.

A 1-year deferment in the construction of a new tender would not affect the readiness of the destroyer force. Minor repairs or services required can be supplied by the existing 12 tenders, augmented if necessary by naval shipyards and shore-based facilities.

Thus, Mr. President, the total savings in the shipbuilding area—the area most responsible for the rise in unexpended military balances—would total $629.2 million. Again the slowdowns and the delays I have recommended would enhance rather than hinder our military effectiveness.

M60A1 TANK

Another reduction which is budgetarily feasible and which will not undermine national security, concerns the rate of production of the M60A1 tank to the original rate of production planned by the Department of Defense. In hearings before the Senate Committee on Armed Services this year, Secretary Schlesinger said that the Defense Department originally planned to increase the rate of production of the M60A1 to 515 per year through fiscal 1976, but that "the lessons learned from the recent Middle East war" have made the Defense Department increase the production of M60A1's to 667 per year over the next few years.

Using the Middle East war for justification of increased tank production is very misleading. Tanks sent to Israel are sold through MAP, which does not affect the bill we are currently considering. Also, Israel pays us back for the tanks it purchases. In the fiscal 1974 supplemental, the Defense Department was given the funds required for enabling attainment of the planned buildup in production rate. Thus, the fiscal year 1975 request will not affect in any way our aid to Israel.

The Pentagon is using the Middle East war as the reason for accelerating the modernization of M60A1's for the Army and the Marine Corps. In fact, the Marine Corps plans to end their modernization program in fiscal 1976. The Defense Department has given Congress no real reason why these modernization programs have been accelerated, and why the original rate of production is no longer feasible.

According to the House report on the authorization bill "fiscal year 1975 M60A1 procurement requests have been based on the maximum rates of production that the assembly lines can deliver, particularly since there is only one remaining willing supplier-subcontractor of the traversing turret." I do not believe it makes sense to approve a maximum rate of production that only one supplier-subcontractor is willing to produce, and might have trouble meeting.

I propose that we restore the original rate of production—a cutback of 150 tanks for fiscal 1975. We would not be halting the production line; we would not be cutting off new production lines; and we would not be violating contracts. We would simply be slowing down the rate of production, which in turn would guarantee that the rate of production is met. The savings to the American taxpayer would be $50 million in fiscal 1975. This is a prudent reduction which does not go beyond the original request of the Department of Defense.

CH-47C CARGO TRANSPORT HELICOPTER

The Senate Committee on Appropriations recommended restoration of $41.4 million for the procurement of 19 CH-47C cargo transport helicopters. This seems to be questionable funding item in light of the fact that the House Appropriations Committee recommended denial of these funds. This is what the House committee said about the CH-47C request:

> The Army requested $41,400,000 for 19 CH-47C Chinook cargo helicopters. This would represent a last buy of this helicopter. The Army has initiated a three-year research and development program to improve the maintainability, reliability, survivability and safety of the CH-47A/B models of this helicopter, while reducing operating costs. In some respects, they will be an improvement over the CH-47C model. The asset position of these helicopters is such that these 19 CH-47C helicopters need not be bought. The Committee recommends the funds be denied and the Army wait until the CH-47A/B helicopters are improved before buying additional ones, if this becomes necessary.

I very much agree with Chairman MAHON'S statement. The need for the CH-47C seems minimal, especially in light of ongoing research to build a better version. This purchase could easily be eliminated without endangering national security and with substantial savings for the Nation.

WAR RESERVE STOCKS

On to yet another subject, Mr. President. I shall not dwell too long on this, because I believe that at a later point in this debate, Senator KENNEDY of Massachusetts may offer a specific amendment on this point. But I should like to speak very briefly to what are called war reserve stocks.

In 1973 the Department of Defense initiated a new program which was called war reserve stocks for Allies; $23 million was budgeted for these stocks in fiscal year 1973—which is not so terribly much in 1973, and for the Pentagon, $23 million is just about their daily paper clip account. But that amount has grown to the request we have before us today, which is approximately $529.6 million.

It should be noted that this program is not for our NATO allies, but was created to help support certain Asian allies—allies such as South Vietnam, Thailand, and Cambodia. These stocks are in addition to our own inventory needs, but because they remain in U.S. inventories unless and until they are needed by our allies, the program was not considered a military assistance program or a military assistance service funded program. But by whatever name is contrived by the Pentagon, it is clear that this is a back-door military aid program.

The Senate passed an amendment offered by Senator KENNEDY on June 6, 1974, to the military procurement bill, to bar the supply of stockpiled war materials or equipments to any Asian country unless specifically authorized by Congress. Sadly, the amendment was dropped in conference, but the Senate is on record as disapproving the war reserve stock concept.

It is not easy to find the appropriation for the war reserve stock program in the budget since the $529.6 million that has been approved by the committee is hidden among various accounts in the procurement section of the bill. In fact, the committee has been able to ascertain the exact amounts in each account only after great effort. I think that the reason for this is obvious: such a program would not survive an up or down vote in the Congress. I hope we shall have a chance to prove that with Senator KENNEDY'S amendment.

Although I will personally vote to completely abolish this program, I will not assign a savings of $529.6 million—the total for War Reserve Stocks in the budget—because a more conservative approach has been taken by certain members of the House Committee on Appropriations. These members have suggested deleting the ammunition portion of the stocks which, because they have a limited shelf life, would require continued replenishment. Such a requirement would involve an endless commitment of money. I would therefore suggest leaving $180 million in this program so that certain obsolete tanks and aircraft could be maintained. Thus, the potential savings to the taxpayer would be at least $350 million.

The most conservative saving that I can point out to you would be $350 million. If it were up to me, I would vote to do away with the whole $529, but I am trying to come up with a very conservative estimate.

It should be obvious after this lengthy discussion—may I digress, Mr. President. It has not been my purpose, it is not my purpose to debate this amendment at undue length. We have already agreed to a time limit. I am not a filibusterer, either by talent or persuasion. But I felt it was necessary to discuss at some not inordinate length certain facets of this budget.

As I said at the outset, we purposely omitted those matters that have been discussed previously, whether it be the Trident or the B-1. We tried to get down to some programs that first, the Committee on Armed Services itself had already frowned upon, or that the House Committee on Armed Services or the House Committee on Appropriations disapproved of, even programs that the military itself was not too satisfied with.

But I have only recommended two programs for elimination, the two that are so patently redundant and unnecessary that they should be eliminated; to wit, site defense and Safeguard—and I have left money in the budget for termination costs. In the personnel category, wherein I am supported very strongly by Senator STENNIS and his committee, I have simply taken the recommendations of the Senate Committee on Armed Services, a committee which I believe is eminently qualified to discuss such matters. Likewise, the slowdown in SSN–688 procurement and the delay of one year in purchasing a tanker and a tender, are programs designated by the Senate Committee on Armed Services for the reductions I have suggested.

So I am really in accord with Senator STENNIS again on all of those.

The elimination of the last buy of CH–47C helicopters was strongly recommended by Chairman MAHON of the House Committee on Appropriations due to the on-going development of a more modern version. I feel that my suggestions to slow down the AWACS and SAM–D programs will help in eliminating excessive concurrency and assist in avoiding cost overruns in later years. The reserve stocks program is a form of backdoor foreign aid which the Senate has previously gone on record as opposing.

Therefore, we get to the bottom line, Mr. President. The total savings to the taxpayer in the areas I have discussed up to now would come to just over $2 billion. This, of course, is twice as much as is necessary to bring the committee bill down to the $81 billion level. If my colleagues cannot accept all of my suggestions, I would hope that they could accept half.

The cut I am recommending in my amendment, joined by many distinguished cosponsors, is $1.1 billion. I feel we have been able to demonstrate a $2.1 billion cut.

Well, perhaps they can say I am half wrong. If I am half wrong in every item that I have saved, then it still comes down to just about my amendment, $1.1 billion. If I am half right, if you want to approach it from the viewpoint of the positive, then it still comes down to $1.1 billion. So, half right or half wrong, the figure that we recommend in this budget is minimal.

Obviously, the list of suggested savings that I have put forth is not exhaustive. Such programs as Phalanx, the surface effect ship, the sea control ship, the heavy lift helicopter, the CH–53E helicopter and the patrol frigate have all been severely criticized by the General Accounting Office in reports sent to Congress. I am sure that a careful examination of these programs would find areas where immediate savings could be made that would help us to avoid cost overruns in the future.

As I stated at the outset, I have not included programs such as the B–1, Trident and counterforce, which have been focused upon extensively by Congress.

Finally, it is important to note that the Secretary of Defense need not accept my suggestions if my amendment is enacted. He would have the discretion to reduce programs which he felt were of low priority. I would venture a guess, however, that many of the programs the Secretary of Defense would choose would be among those which have been discussed in my speech today.

Mr. President, for years Congress provided little or no check on the military budget. But we have seen an important reversal of that attitude of unquestioning submissiveness. Much of the credit for that important turnaround goes to the distinguished chairman of the Appropriations Committee (Mr. MCCLELLAN). He has made the tough decisions concerning this bill and he has made them with courage and determination. While I obviously feel strongly that further reductions can be made, my suggestions are based on the firm foundation of Senator MCCLELLAN'S work.

Today we have more reason than ever before to assure that there is no fat . . . that there is no waste in this budget. Indeed, we must assure that there is no waste in the entire Federal budget, and I have voted consistently to reduce that budget to assure that it does not feed the fires of inflation—to be sure that, if belt-tightening is required within the American economy, that the Federal budget will be an example to all sectors. The Defense Department cannot be excluded from the general effort to reduce the Federal budget—and it need not be excluded. Reductions on the level I have recommended today would not endanger the security of the United States one iota.

Mr. President, I am hopeful that my discussion today will not be interpreted as "just another gratuitous slap at the military." For it is not intended as such. I have great admiration for the men and women who are assigned the awesome task of defending our Nation. Those Defense Department officials who have urged Congress to reject my amendment are doing so because they sincerely believe that it is in the best interests of the Nation.

But the Nation cannot continue down the path toward internal economic destruction as it strives to defend itself against external forces. Whether my amendment is successful or not today, I call upon the military and civilian employees of the Defense Department to use their exceptional talent to effect managerial change to cut costs. I urge those individuals to respect the American tax dollar and to spend it only when a tangible benefit to our national defense can be derived.

Mr. HUMPHREY. Mr. President, will the Senator yield?

Mr. EAGLETON. I am pleased to yield to the distinguished Senator from Minnesota.

Mr. HUMPHREY. Mr. President, I rise for two purposes: First of all, to commend the distinguished Senator from Missouri for an exemplary statement, an outstanding service in the area of defense expenditures. I think it is possibly one of the most thorough and well-documented statements that has ever been presented in the Senate.

The Senator from Missouri was kind enough to make his statement available to Senators earlier so we had a chance to see what he is going to say. I, for one, am grateful for the monumental work he has undertaken, and I would like him to know that I should like to be associated directly with his endeavors.

I think this is one of the more important developments in the area of defense expenditures during my long experience in the Senate. I thank the Senator, and commend him on behalf of the American people, who know that we have to make some defense expenditure cuts that will enable us to bring the budget under control, and at the same time not imperil our security.

The Senator's statement was made without malice, without being derogatory, and without any effort to abuse the military; and I think we are all indebted to the Senator from Missouri.

Mr. EAGLETON. I thank the Senator. Mr. President, I ask unanimous consent that the name of the distinguished junior Senator from Minnesota be added as a cosponsor of the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. EAGLETON. Mr. President, we are rapidly approaching the hour of 2:30. May I ask the distinguished majority leader what his wishes are? I yield to the majority leader on my time.

## QUORUM CALL

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. MANSFIELD. I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

## APPOINTMENT OF A COMMITTEE TO ESCORT THE PRESIDENT

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Chair be authorized to appoint a committee to escort the President of the United States into the Chamber.

The PRESIDING OFFICER (Mr. WILLIAM L. SCOTT). Without objection, it is so ordered.

The Chair appoints the following Members of the Senate to escort the President of the United States into the Chamber: Senators MANSFIELD, ROBERT C. BYRD, MOSS, BIBLE, FULBRIGHT, ERVIN, METZENBAUM, HUGHES, HUGH SCOTT, GRIFFIN, COTTON, BENNETT, TOWER, BROCK, AIKEN, and GURNEY.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER FOR RECOGNITION OF SENATOR CURTIS, AND FOR THE SENATE TO TAKE A RECESS AT 2:35 P.M.

Mr. MANSFIELD. I ask unanimous consent that the Senator from Nebraska (Mr. CURTIS) be permitted to proceed not beyond the hour of 2:35 p.m., at which time the Senate will stand in recess.

The PRESIDING OFFICER. Without objection, it is so ordered. The Senator from Nebraska is recognized.

## SUMMIT CONFERENCE ON INFLATION

Mr. CURTIS. Mr. President, on August 19 I addressed the following letter to the President of the United States:

DEAR MR. PRESIDENT: The vast majority of Americans approve of the plan to have a Summit Conference on Inflation. It is believed that the placing of facts concerning the various segments of our economy out on the table will assist in arriving at sound solutions.

No segment of our economy has a greater stake in retarding and ultimately stopping inflation than does agriculture. We urge that those in chrage of this summit meeting develop fully the case in reference to the increased costs imposed upon the farmers. These relate to everything the farmer must have in order to carry on the production of food and fiber for our economy. We would mention such things as tractors, trucks, other machinery, repair parts, tractor and truck fuel, fertilizer, pesticides, land taxes, payroll taxes, seed, the requirements relating to safety, health, sanitation and pollution, freight, labor, fencing, and the countless other items of cost which our farmers face.

We are aware that all of our citizens are experiencing the harsh treatment that inflation brings. We are aware of the public sentiment against rising prices including the protest that is voiced against the cost of food in the marketplace. It is important and necessary that the full facts be adequately demonstrated to the public and that misinformation be avoided and corrected. If this is not done, many well-intentioned citizens will arrive at an erroneous decision in reference to food costs. It is an open opportunity for the demagogue. It is the costs added after the food leaves the farm which make food expensive.

We call attention to the disastrous, unwise and unfair policies of the government some months back in placing a ceiling on beef without across-the-board ceilings and control on everything. This did not lead to a mere loss of profits. It spelled disaster to many people. It drove some out of business. It wiped out the assets of some. It dislocated the orderly production, feeding and marketing of cattle resulting in surpluses, shortages, scarcity, disastrously low prices and, later, higher prices to the consumer. This action was taken without any justifiable economic reason. It was opposed by all who are knowledgeable in agriculture. It was stubbornly kept on too long. We submit that unwise and unfair actions which cannot be justified economically should not be taken for political purposes.

We suggest that those who select the participants and plan the agenda for the Summit Conference on Inflation see to it that all the facts are presented; that the full story is given to the American consumers concerning the non-farm cost that contributes to the cost of food in the marketplace; that the whole story in reference to the increase in the costs that farmers must pay be vividly placed before the American public; that the facts in reference to the percentage of the income of the American consumer which is spent for food both historically and currently be presented, and that these figures be compared to the other nations of the world; and that the facts in relation to the price increases of non-food cost-of-living items be fully developed and compared.

We believe that American farmers have a greater stake in the fight against inflation than any other segment of our economy because of agriculture's inability to pass on added costs. American agriculture wants knowledgeable people to chart a course for fighting inflation—people who have the capacity and the will to examine all facts and the courage to apply real solutions.

Mr. ROBERT C. BYRD. Mr. President, may we have order in the Senate.

Mr. CURTIS (continuing).

We commend you for the steps that you are taking and we are sure that there are many individuals in the field of agriculture who can make a distinct contribution for the good of our entire economy.

With kindest personal regards, I am

Respectfully yours,

And it is signed by the junior Senator from Nebraska.

Mr. President, I yield back the remainder of my time.

## RECESS

Mr. ROBERT C. BYRD. Mr. President, I move that the Senate stand in recess awaiting the call of the Chair.

The PRESIDING OFFICER. Without objection, it is so ordered.

Thereupon, at 2:32 p.m., the Senate took a recess.

The Senate reconvened at 2:38 p.m. when called to order by the President pro tempore.

## VISIT TO THE SENATE BY THE PRESIDENT OF THE UNITED STATES

At 2:39 p.m., the President of the United States entered the Chamber accompanied by Senators MANSFIELD, ROBERT C. BYRD, MOSS, BIBLE, FULBRIGHT, ERVIN, METZENBAUM, HUGHES, HUGH SCOTT, GRIFFIN, COTTON, BENNETT, TOWER, BROCK, AIKEN, and GURNEY.

The PRESIDENT pro tempore. It is my distinct pleasure and privilege, on behalf of the Senate, to welcome the President of the United States to the Senate. The President will now address the Senate.

[Applause.]

## ADDRESS BY PRESIDENT FORD

The PRESIDENT. Mr. President, Senator MANSFIELD, Senator SCOTT, Members of the United States Senate, I wanted to stop by today just to say hello to those with whom I had an opportunity to get better acquainted and to officially inaugurate Pennsylvania Avenue as a two-way street. [Applause.]

It is wonderful to be back in a Chamber where so much of America's history for almost 200 years has been written and, I say without any hesitation, one of the greatest experiences of my life was the privilege of presiding here, though for a relatively short period of time. [Applause.]

Although my tenure was quite short, I think it was long enough to convince me that the U.S. Senate is one of the greatest legislative bodies in the history of mankind. [Applause.]

I think in the days and months ahead all of us must draw upon the great traditions of the Senate. Our job, both in the legislative as well as in the executive branch, is to restore the people's faith in the history and tradition of our American Government. No single man and no single woman can possibly do this all alone. It is a job for all of us working together to achieve.

As Governor Rockefeller said yesterday, we must deal with some very hard and somewhat harsh realities. We are not always going to be on the same side. It would not be America if we were. I do not think that really matters. It only matters if we end up by being on the best side for America from one State to another. [Applause.]

I would be very, very remiss if I did not express my appreciation for the Senate and the House going more than halfway on several measures of major importance in the last week or so.

I speak here specifically of the Cost of Living Council proposal, some actions taken on appropriation matters, the action on housing, the action on pension legislation, and the legislation affecting education.

I think what has taken place and transpired in these various proposals is indicative that we can march toward the center in achieving some good results for our country as a whole.

Now, I do not intend to talk specifically about any prospective legislation. I think I would probably be out of order, and I certainly shall respect the rules or traditions of the Senate in that regard.

As we go ahead, we must look not only at our problems at home, but also at our problems abroad.

I believe we have a good team in the executive branch of the Government, and I can assure you that that team will be working with this team, the House and the Senate, in the months ahead.

Thank you very much.

[Applause, Senators rising.]

The PRESIDENT pro tempore announced that Senators would assemble to greet the President.

Thereupon, the President was greeted by Senators in the well of the Senate Chamber.

## DEPARTMENT OF DEFENSE APPROPRIATION ACT, 1975

The Senate continued with the consideration of the bill (H.R. 16243) making appropriations for the Department of Defense for the fiscal year ending June 30, 1975, and for other purposes.

The PRESIDENT pro tempore. The Senate will come to order. Let us have order.

The Senator from Missouri is recognized.

Mr. EAGLETON. While Senators are still on the floor, I ask for the yeas and nays on the pending amendment.

The PRESIDENT pro tempore. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. EAGLETON. Mr. President, I will momentarily yield the floor to Senators JACKSON and BROOKE for a colloquy on a related subject.

Before yielding, Mr. President, I must confess my senatorial naivete. As I was concluding my remarks and saw——

Mr. STENNIS. Mr. President, may we have order?

Mr. EAGLETON. I thank the Senator from Mississippi.

The PRESIDENT pro tempore. The Senate will come to order. Senators will take their seats.

Mr. EAGLETON. As I was concluding my prepared remarks, I noticed that the visitor galleries started to fill up and the press galleries started to fill up. I thought that the "word of wisdom" had gone forth in this citadel of deliberative intelligence and that the press and thousands of people were coming to hear "the word." [Laughter.]

My aide quickly corrected my erroneous judgment and whispered to me, "President Ford is coming to speak to the Senate."

In further explanation of my naivete, I then thought that President Ford had perhaps heard "the word" and was coming to make a public endorsement of my amendment. But, sadly, he did not.

As I marched down to shake hands with our fine, new President, accompanied by Senator HATHAWAY—and not too far away was Senator NELSON—I mumbled to Senator HATHAWAY and said:

Is it too late too ask unanimous consent to change the vote that three of us made last year?

But, since Senator LONG is on the floor and he objects to all such unanimous-consent requests, I shall make no such request.

Yes, there were three who voted "No" on the nomination of Gerald Ford to be Vice President. We did so for such reasons as each of us felt appropriate at that time. I, as one of the three, pray to God that my judgment passed at that time was wrong. History will determine the future course of this country. History will determine the wisdom, or lack thereof, of my vote.

I have been mightily impressed by what I have seen of and heard from our 38th President.

If my judgment was wrong last year, then so be it.

I think I speak the sentiments of all Senators who are here today when I say that we have been deeply touched not only by what the President said to us, but by the fact that he came to this Chamber to say it to us, face to face.

I am an honored individual, indeed, to have been here today.

I now yield to the Senator from Washington.

Mr. JACKSON. Mr. President, I yield first to the distinguished Senator from Massachusetts (Mr. BROOKE).

Mr. BROOKE. Mr. President, it is not my intention to take a great deal of the Senate's time in discussing the "strategic initiatives" advocated by Secretary Schlesinger. At the initiative of the distinguished junior Senator from New Hampshire the Senate, in closed session, discussed this issue in some depth during debate on the fiscal year 1975 defense authorization bill.

Nor is it my intention to propose the deletion of funding in this appropriation bill for several strategic programs—the terminally guided MARV, guidance improvements for Minuteman III and the MARK 12A warhead and reentry vehicle—which I believe to be premature reactions to admittedly disturbing developments in Soviet strategic programs. Given the evident belief by large majorities in both Houses that the United States should proceed with research and development in these areas, such an amendment would be futile.

I term these funding proposals premature because I have yet to find convincing reasons, either in deterrence theory or by examination of the linkages between technological possibilities and our strategic policies, to believe that the initiatives proposed by Secretary Schlesinger will result either now or in the future in an enhancement of our national security through increased stabilization of the deterrent relationship between ourselves and the Soviet Union. This objective must be the criterion by which we judge any proposed alterations in our strategic posture.

The most disturbing aspect of the proposed "strategic initiatives" is the possibility that they foreshadow deployment programs that will eventually undermine the stability of the superpower deterrent relationship. Such stability is predicated, to a great extent, on the assumption that neither side will have an incentive to strike first in a crisis situation. However, a marriage of significant accuracy improvements with increased yield that results in one or both sides achieving a significant silo-busting capability will inevitably increase the incentives to strike first in extreme crisis situations. As a noted British strategist has written:

Especially at a moment of acute political anxiety, the existence of that capability, whatever the intention behind it, is bound to force a nervous adversary to consider whether he can afford not to strike first, lest he allow himself to be at least partially disarmed.

This would be especially true if one of the adversaries maintained the major portion of his strategic inventory in fixed land-based missiles as is the case with the Soviet Union. On the other hand, the pressures on a power emphasizing the sea-based deterrent, such as the United States, will be less intense because less of its strategic inventory will be threatened by an effective silo-busting capability. Nevertheless, it too would likely experience increased pressures to consider a first strike under certain conditions.

I am also troubled by the implicit assumption in the Secretary's proposals that nuclear war can be waged at various levels of intensity and that escalation from one level to another can be controlled. Fortunately, we have no practical experience by which to judge whether or not this is the case.

More importantly, I fear that deterrence may be weakened by emphasis on planning for war scenarios having escalatory nuclear exchanges as a prime focus. This creates the impression that sooner or later the nuclear threshold will be breached and it is only prudent to plan for that eventuality. Such fatalism, unfortunately, may prove self-fulfilling to the degree that it inspires alterations in our strategic posture that decrease the inhibitions regarding use of nuclear weapons. The "strategic initiatives" suggested by Secretary Schlesinger threaten to be such alterations.

The assumption that proposals to exploit technical possibilities in the accuracy-yield combination will influence the Soviet Union to adopt policies more conducive to the U.S. position on a permanent limitation on offensive strategic systems is also open to question. Many respected analysts of Soviet military policy seriously question whether Soviet planners will give much heed to such a blunt signal. The more likely reaction in the Kremlin will be to continue development of MIRVed delivery vehicles while stepping up efforts to achieve a Soviet form of efficient accuracy-yield combination. I seriously doubt that we can substantially affect the tempo of Soviet strategic developments through initiatives that appear to be a direct challenge to the survivability of their own strategic forces.

It is also disturbing that many readily accept the view that research and development on these "strategic programs" is only a first step in a process that can easily be arrested at any time. In theory this may be the case. However, past practice leads me to believe that the temptation to deploy such capabilities once they are fully developed will likely prove irresistible regardless of whether or not world conditions or our own self-interests justify such deployment.

MIRV deployment is a case in point. Had a moratorium on MIRV testing been achieved and had the United States shown some unilateral restraint in MIRV deployment, concern over the possible evolving Soviet MIRV threat to our land-based ICBM's would have been much less today and there would be far less reason to give serious attention to the initiatives advocated by Secretary Schlesinger.

The perceptual affect of these research and development decisions may be far more pervasive than is commonly thought. Once the U.S. research and development phase has been completed on these programs, a prudent security planner in the Kremlin may feel compelled to assume deployment will take place regardless of congressional actions. One can count missiles and staging platforms but it is impossible to verify, short of on-site inspection, whether or not yield and accuracy improvements have been deployed. Hence, the Soviet Union will likely feel pressured to fashion its strategic policies and weapons to take account of assumed deployment of U.S. silo-busting capabilities regardless of whether or not such deployment actually takes place. This, in turn, may stimulate many of the destabilizing tendencies I have already mentioned.

In pointing out the real or potential

negative implications of these "strategic initiatives," I do not mean to imply that I am unconcerned about the threat posed to our security by the dynamic nature of ongoing Soviet strategic programs. It would be dangerous and injurious to U.S. security and world stability if we allowed ourselves to become strategically inferior in any significant respect to the Soviet Union.

I share Secretary Schlesinger's view that we must take the steps necessary to insure that this does not happen. However, I do not believe that the course of action proposed by the Secretary is the only or necessarily the best alternative open to us.

Other strategic alternatives do exist. Indeed, the United States has an active strategic program, disregarding the counterforce initiatives, that will deny the Soviet Union any miltary advantage should it continue its strategic missile buildup to a point where it threatens to achieve a significant disarming capability against our fixed land-based strategic forces. One needs only point to the Trident or B–1 programs as well as the active investigation of various modes for mobile ICBM's to substantiate this assertion.

It is my belief that in the next few years, as the debate over the U.S. strategic posture continues, the Congress and the Executive should thoroughly explore alternative strategic approaches emphasizing the ability to deny the Soviet Union any benefits it might attempt to achieve through seeking a disarming capability vis-a-vis any of our strategic forces. At the same time we should eschew any similar attempt to deploy a disarming capability against fixed land-based missiles or other strategic systems of the U.S.S.R.

Through continued efforts to achieve success in the SALT negotiations and through a strategic policy that seeks to avoid offensive first-strike threats to any of the components of the Soviet Union's deterrent forces while denying a similar disarming capability to the Kremlin vis-a-vis any segments of our strategic Triad, we can best hope for the establishment of greater security for ourselves and others and for a lessening of the dangers of the nuclear age. This should be our overriding goal and should guide decisions involving the modification or development of U.S. strategic nuclear weaponry.

Mr. President, the committee report quotes Secretary Schlesinger to the effect that a principal feature of U.S. strategic policy should be,

> The avoidance of any combination of forces that could be taken as an effort to acquire the ability to execute a first-strike disarming attack against the USSR.

Hopefully, we all support that view. However, to talk of a "first-strike disarming attack" in such general terms ignores the possibility that one could seek a disarming capability against a certain portion of an adversary's nuclear arsenal, such as fixed land-based missiles, and still maintain that the "combination of forces" sought for deployment would not give one the ability to execute a first-strike disarming attack against the U.S.S.R.

In order to forestall any misconceptions in this regard, the report also states that the committee construes the Secretary's statement to mean that the United States will not seek to deploy a first-strike disarming capability against fixed land-based or other strategic systems of the U.S.S.R. I interpret this to mean that it should continue to be U.S. policy to eschew any attempts to achieve an accuracy-yield combination on our missiles that would provide us with an efficient silo-busting capability that could be construed by a reasonable opponent as an effort to achieve a disarming capability vis-a-vis his fixed land-based missiles. Does the Senator from Washington agree with my interpretation?

Mr. JACKSON. The question, as I understand the matter posed by the distinguished Senator from Massachusetts, essentially refers to the statement in the report of the Committee on Armed Services quoting Secretary Schlesinger as follows:

> A principal feature of United States strategic policy should be the avoidance of any combination of forces that could be taken as an effort to acquire the ability to execute a first-strike disarming attack against the U.S.S.R.

The Appropriations Committee goes on to construe this to refer to "such a deployed capability against fixed land-based or other strategic systems of the U.S.S.R."

I take it that the Senator's question essentially is, Do I agree with this construction of Secretary Schlesinger's remarks?

The answer is, "yes." It is not the strategic policy of the United States to deploy systems that could execute a first strike attack against land-based or other strategic forces of the U.S.S.R. It should be pointed out, however, that the strategic policy of the United States should not be limited to the single option of attacking the civilian population of the Soviet Union. The report of the Senate Armed Services Committee, with which the Appropriations Committee associated itself, is clear on that point.

Taking both the growth of Soviet forces and future developments at SALT into account, we should be working to design a strategic policy that will provide for enhanced flexibility in our strategic forces.

Continuing research and development along the lines of the strategic initiatives advocated by Secretaries Schlesinger and Kissinger is an essential part of that effort, and I am glad that the Committee on Armed Services and the Committee on Appropriations have recognized that fact and supported those programs.

Mr. BROOKE. Mr. President, in my conversations with the Senator from Washington he stated that the "strategic initiatives" proposed by Secretary Schlesinger were research and development initiatives only. He stressed that a clear distinction must be made between research and development efforts and production-deployment decisions. I fully agree with this view. However, at some point in the future pressures are likely to occur for deployment of the accuracy-yield capabilities that are likely to be developed through the proposed "strategic initiatives" programs. In contemplation of these pressures, I wonder if the Senator from Washington has any views regarding what, if any, conditions would justify deployment of an accuracy-yield capability that would provide the United States with an efficient silo-busting capability, "efficient" referring to a 2-to-1 or 1-to-1 ratio of warhead to silo destruction.

Mr. JACKSON. To state it another way, as I understand the Senator's question, under what circumstances would I favor moving from the research and development of a missile with a significant silo-killing capability to the actual deployment of such a weapon?

First, let me say that there can be no hard and fast answer to that question. But I think it is useful to discuss the factors that would go into any decision to deploy missile systems capable of destroying Soviet silos on a 1-to-1 basis. These factors are, first, the future growth of Soviet forces. If the Soviets exploit their throw-weight advantage by deploying a significant number of accurate MIRVs or additional missiles, they could acquire the capability to destroy a large fraction of our land-based forces utilizing only a small fraction of theirs.

This would place the United States at an unacceptable disadvantage, and in my judgment we would require a capability to destroy their reserve forces as an essential part of any American retaliatory attack.

The second factor relates to future developments at SALT.

We need to achieve a SALT II agreement based on essential equivalence. Such an agreement is unlikely to include limitations on accuracy, since there is no way to verify accuracy. I do not believe that we could have a stable SALT II agreement over the long run if the technological quality of our forces were allowed to deteriorate in comparison with Soviet forces.

We must assume that the Soviets will continue to improve their technology and that we will, therefore, have to continue to improve ours. With a SALT II agreement that provides for reductions to a level of equality, we might be able to defer indefinitely the deployment of extremely high accuracy-high yield missiles. Without such a SALT agreement, we might not. It is simply too soon, I think, at this point in history to come to a final conclusion.

Mr. BROOKE. Then, as I understand it, we are in agreement on the distinction between research and development efforts and production and deployment decisions? There seems to be no question of that point.

Mr. JACKSON. That is right. We have made a clearcut distinction in this appropriation bill, together with the authorization bill, Mr. President, between research and development on the one side and actual deployment and production.

Mr. BROOKE. What we are doing in this appropriations bill is merely re-

search and development, is that not correct?

Mr. JACKSON. The Senator is correct.

Mr. BROOKE. And prior to any time we move to production and deployment decisions, we will again have to assess the posture of the U.S.S.R. as far as its strategic posture is concerned and determine what the proper course of action should be to maintain our own security.

Mr. JACKSON. That is correct.

Mr. President, I ask unanimous consent to place in the RECORD that section of the report of the Committee on Armed Services dealing with the authorization bill, pertaining to aspects of the bill concerning the strategic initiatives, research and development. I do that, Mr. President, because we have, of course, the language of the report of the appropriations bill before us, but we do not have this item.

There being no objection, the section of the report was ordered to be printed in the RECORD, as follows:

ASPECTS OF BILL OF SPECIAL INTEREST

STRATEGIC INITIATIVES—RESEARCH AND DEVELOPMENT

*Defense Department proposal*

Both in his testimony before the committee and his posture statement, Secretary Schlesinger presented a thoughtful, comprehensive analysis of U.S. strategic policy. One of Secretary Schlesinger's major themes was the importance of strategic flexibility. While pointing out the importance of the assured destruction mission, Secretary Schlesinger highlighted its limitations, stressing, in particular, that the President must have a full range of strategic options to cover a variety of contingencies. The Secretary argued strongly that the United States must not limit its strategic objectives to the threat to destroy millions of innocent civilians as the sole—or even the principal—response to potential Soviet actions.

To provide for a necessary range of options, Secretary Schlesinger announced a new emphasis in targeting policy. As outlined to the committee, this emphasis in targeting doctrine does not represent a major departure from past U.S. policy. Indeed it is consistent with the committee's longstanding conviction that the United States must have the capability to destroy a variety of selected targets, military and civilian, if and when necessary.

In addition, several new R&D programs have been proposed in an effort to develop a broader range of strategic options. The following programs have been proposed:

Navy:

Submarine Launched Cruise Missile

Terminally Guided Maneuvering Reentry Vehicle

Air Force:

Air Launched Cruise Missile

Mobile Intercontinental Ballistic Missile

Improved Yield for Minuteman

Improved Accuracy for Minuteman

Increased Number of Minuteman Reentry Vehicles

According to Secretary Schlesinger, these specific R&D programs in large measure represent hedges against the potential growth and development of Soviet strategic forces as well as the outcome of SALT II.

Finally, Secretary Schlesinger reported to the committee on the relentless momentum of Soviet strategic weapons development. As Secretary Schlesinger declared in his posture statement, "In summary, the new Soviet ICBM program represents a truly massive effort—four new missiles, new bus-type dispensing systems, new MIRVed payloads, new guidance, new-type silos, new launch techniques, and probably new warheads." The breadth and depth of the new Soviet missile development is both surprising and disturbing.

*Committee action*

In assessing the strategic initiatives proposed by the Defense Department, the committee shares a fundamental commitment to the principles of deterrence and to the maintenance of a U.S.–U.S.S.R. strategic balance based upon parity. Although making some minor dollar reductions, the committee felt that the new strategic initiatives were necessary to maintain and implement these principles and should be supported.

By its action the committee seeks to insure that the necessary resources are available to the United States in order to maintain its technological margin in the face of Soviet strategic advancements. Under the provisions of the interim agreement on strategic weapons, Soviet strategic missile forces are numerically superior to our own. Moreover, they deploy three times the missle throw weight of the comparable U.S. forces. A vigorous program of research and development on the part of the United States is essential to our effort to maintain the stability of the strategic balance.

The committee believes that the strategic programs recommended to be authorized for fiscal year 1975 are a particularly appropriate means of maintaining the technological margin of our strategic missile forces in a period of rapid Soviet technological development. The programs are not primarily designed to make numerical additions to our existing strategic forces. On the contrary, the major thrust of these research and development programs is to upgrade our existing forces so as to enable them to be used with greater discrimination and with less unintended damage over a broader range of selected options.

Finally, the committee wishes to reaffirm, as it has in the past, its hope for a successful and stabilizing follow-on agreement at the SALT negotiations.

The nature and extent of the deployments that these strategic initiatives will enable us to make will inevitably reflect the outcome of present and future negotiations at SALT as well as the evolution of Soviet strategic forces. It is worth pointing out that the new strategic programs now underway in the Soviet Union, which have given rise to great concern within the committee, have all come to light since the conclusion of the ABM treaty and the Interim Agreement on Offensive Weapons. In authorizing these programs, the committee intends to demonstrate, with unmistakable force and clarity, its resolve never to allow the Soviets to obtain strategic superiority. These new R&D programs create the most compelling incentive for Soviet restraint in the technological exploitation of its numerically superior strategic forces and for a genuine effort to conclude a stabilizing SALT II agreement.

*The improved accuracy-yield issue*

The primary focus in the deliberations on strategic initiatives was on the issue of whether it was in the best interests of the United States to improve the accuracy and yield of U.S. missiles. The $77 million request was as follows: Improved Guidance to increase the accuracy of the Minuteman force, Maneuvering Reentry Vehicle (MaRV) with terminal guidance for increased accuracy of the Trident missile, and Mark 12A to increase the yield of the Minuteman force.

The committee voted to support the proposed accuracy-yield program for a variety of reasons. There were, however, as discussed below, four principal points upon which a broad consensus was achieved.

First, the committee has long been concerned to sustain the technological excellence of our strategic forces and, wherever possible, to improve the efficiency of those forces. Improving the accuracy of our strategic forces enables us to broaden the range of options available to the President and to minimize the collateral damage associated with a retaliatory strike in the event that deterrence fails. Moreover, improved accuracy enhances the values of our existing strategic forces by permitting one strategic launch vehicle to accomplish a strategic mission that might, with less accurate weapons, require several such weapons.

Given the growth and development of Soviet strategic forces, a deterrent posture based principally on the threat to retaliate against Soviet civilians, knowing that such a strike would almost certainly lead to the destruction of millions of American civilians, is less and less credible. Development of the technology required for a range of more discriminating—and more credible—responses is, in the judgment of the committee, simple prudence.

Second, a purposeful failure to improve the accuracy and yield of our strategic warheads would be a gratuitous self-constraint. Since the growth of Soviet strategic forces, especially that reported to the committee by Secretary Schlesinger, appears to be accelerating such a unilateral constraint on our part would give the Soviets the strategic initiative.

Third, several members emphasized that the development of these yield and accuracy improvements would not be a commitment to deployment. At a relatively modest cost, these developments provide an important hedge against future as well as developing Soviet programs in addition to preserving flexibility.

Fourth, the committee was extremely sensitive to the importance of negotiating from a position of strength in the complex SALT deliberations. In reviewing SALT I it was noted that favorable Congressional action on the ABM program enabled us to do precisely that. The Secretary of Defense will advise the committee of any developments affecting Soviet strategic capabilities, including the conclusion of further agreements at SALT, that may bear on the committee's assessment of the strategic initiatives authorized in this bill.

The committee would also like to stress that these improvements are not intended to provide the United States with a first-strike capability. The committee agrees with Secretary Schlesinger that a principal feature of United States policy should be, "The avoidance of any combination of forces that could be taken as an effort to acquire the ability to execute a first-strike disarming attack against the USSR."

*Conclusion*

In summary, the committee considers that maintaining technological superiority in strategic weapons, even more so than in other areas of weaponry, is critical to the future deterrent posture of the United States. The line of demarcation between research and development and production is clearly defined. The Soviets have thus far made it clear that research and development is in no way constrained by the agreements reached at SALT I. In fact, their own rate of development nearly underlines this point. Thus, the committee recommends supporting the strategic initiatives proposed by the Defense Department.

Mr. EAGLETON. I ask the distinguished Senator from Washington how long his colloquy with the junior Senator from Masachusetts will go on?

Mr. BROOKE. We have concluded our colloquy. I wanted the opportunity to discuss with the Senator from Washington his views as far as the question of a first-strike capability is concerned.

Presidential statements and those of the Secretary of Defense confirm that it is U.S. policy not to seek a first-strike capability. I want to be sure that it is understood that in appropriating this money for R. & D. on increased accuracy and yield, we are not changing our strategic doctrine. I think the Senator from Washington has agreed that this does not represent a change in the strategic doctrine of the United States.

Mr. JACKSON. The Senator is correct. I want to compliment the distinguished Senator from Massachusetts for his able assistance in our joint effort to agree on report language in the bill which is before the Senate. That language does have the informal concurrence, as I understand it, of the Secretary of Defense, speaking for the administration.

Likewise, the language in the report in connection with the Defense authorization bill for the current fiscal year, which I previously referred to, represents, to my knowledge, a view that is concurred in by the Secretary of Defense, speaking for the administration.

Mr. BROOKE. Mr. President, I had the intent, first, of offering in the Defense Appropriations Subcommittee and then, failing there, in the Committee on Appropriations and, failing there, on the floor of the Senate, an amendment which would have deleted the approximately $77 million for R. & D. on accuracy and field improvements. I feel strongly that these programs may be interpreted as a sign that we might be moving in a direction of seeking a first-strike capability at least against fixed land-based strategic systems.

After discussion with the distinguished chairman of the Senate Committee on Appropriations and subsequently with the distinguished junior Senator from Washington, report language was worked out which clearly indicates that such is not the intent of the Committee on Appropriations in recommending these funds. Moreover, from the quoted remarks of the Secretary of Defense, I assume it is the intent of the administration not to seek a first-strike capability against either fixed land-based or other strategic systems of the U.S.S.R. Moreover, I assume there is no change between the intent of former President Richard Nixon, and President Gerald Ford in this regard.

I am very grateful to the distinguished Senator from Washington for joining in this colloquy and for working together with me on the report language which is provided in the report of their Committee on Appropriations.

Mr. JACKSON. I thank the Senator. Let me just conclude by repeating the report language, quoting Secretary Schlesinger:

A principal feature of United States strategic policy should be, "The avoidance of any combination of forces that could be taken as an effort to acquire the ability to execute a first-strike disarming attack against the USSR."

I think that speaks for itself, and I believe that my distinguished colleague from Massachusetts agrees that the combination of the statement of the Secretary of Defense, the statement of the Committee on Appropriations, and the statement of the Committee on Armed Services, in the reports of those bills, conforms to his understanding and my understanding.

I thank the Senator for his very helpful dialog here.

Mr. BROOKE. I thank the Senator.

Mr. JACKSON. The dialog has been one that I hope will dissipate the confusion.

Mr. BROOKE. Mr. President, I ask unanimous consent to have printed at this point in the RECORD four articles pertaining to this subject matter.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the Scientific American, May 1974]

NUCLEAR STRATEGY AND NUCLEAR WEAPONS

(By Barry Carter)

"Should a President, in the event of a nuclear attack, be left with the single option of ordering the mass destruction of enemy civilians, in the face of the certainty that it would be followed by the mass slaughter of Americans? Should the concept of assured destruction be narrowly defined and should it be the only measure of our ability to deter the variety of threats we may face?"

The questions asked in the preceding quotation, taken from President Nixon's first foreign-policy report in 1970, have been cited repeatedly in the past few months by Administration spokesmen in an effort to explain and justify some significant changes that are being made in U.S. policy regarding its strategic military forces. The new strategy, spelled out most clearly in Secretary of Defense James R. Schlesinger's annual report for the fiscal year 1975, released in March seeks "to provide the President with a wider set of much more selective targeting options," and hence greater "flexibility," in choosing an appropriate response to "any kind of nuclear attack."

As the opening quotation illustrates, much of the official rhetoric concerning this new development in U.S. strategic policy has been more misleading than illuminating. To criticize the "assured destruction" doctrine of the past decade or so as planning only for massive retaliation against Russian cities ignores the fact (belatedly acknowledged by Schlesinger) that U.S. strategic forces have for years had the capability, both in weapons and in planning, for a "flexible response." More important, the broad hypothetical issues invoked by such public statements have tended to obscure the more immediate real issues presented by this Administration's recent actions.

The real issues are serious ones. The primary operational question at present is whether or not the U.S. should develop missiles with an improved capability for attacking "hardened" targets in the U.S.S.R. The main rationale offered for developing such an improved "counterforce" capability (so called because it is aimed at an opponent's military forces) is that it is "impermissible" for the U.S. not to "match" certain Russian counterforce developments. There is also the suggestion that these missiles would minimize "unintended collateral damage."

The preceding question in turn raises the subtler issue of how the active promotion of such programs for improved counterforce capabilities affects the stability of the strategic nuclear deterent and hence the likelihood that there will be a nuclear war. Before one can address these two issues one must understand why public debate should properly focus on such questions and not (at this time anyway) on the kind of questions posed in President Nixon's 1970 remarks.

In the late 1950's and early 1960's U.S. strategic policy went through a series of transformations. By 1962 American military planners recognized that the U.S. would have many more missiles than the U.S.S.R. could have for several years and in fact many more missiles than were required to devastate every major city in the U.S.S.R. A counterforce strategy therefore held out the attractive option of limiting damage to U.S. cities by destroying a substantial part of the Russian strategic forces. In language that sounds remarkably familiar today, Secretary of Defense Robert S. McNamara said in a speech in Ann Arbor, Mich.: "The United States has come to the conclusion that, to the extent feasible, basic military strategy in a possible general nuclear war should be approached in much the same way that more conventional military operations have been regarded in the past. That is to say, principal military objectives, in the event of a nuclear war stemming from a major attack on the alliance, should be the destruction of the enemy's military forces, not of his civilian population."

The Russians, however, continued to deploy land-based intercontinental ballistic missiles (ICBM's) and submarine-launched ballistic missiles (SLBM's). As a result, even if the U.S. sought to limit damage to itself by the partial destruction of the Russian strategic forces, there would still be more than enough Russian forces left to kill tens of millions of Americans. Recognizing this fact, McNamara increasingly emphasized by the mid-1960's the concept of "assured destruction," which he said in 1968 meant the "ability, even after absorbing a well-coordinated surprise first strike, to inflict unacceptable damage on the attacker." This criterion he defined explicitly: "In the case of the Soviet Union, I would judge that a capability on our part to destroy, say, one-fifth to one-fourth of her population and one-half of her industrial capacity would serve as an effective deterrent."

Few concepts have been as maligned or misunderstood as that of assured destruction. Critics label it genocide or use the acronym of "mutual assured destruction" to call it MAD. In fact, the concept seems well designed to serve two purposes. First, by planning the size of U.S. forces on the basis of the "worst case" scenario of an all-out Russian surprise attack, it ensures that the U.S. possesses the ultimate threat: to be able to wipe out the U.S.S.R. or any attacker in retaliation. Second, since the destruction criterion is reasonably precise, the concept provides a useful basis for limiting strategic-weapons procurement and for evaluating arms-control proposals.

While retaining the assured-destruction concept, McNamara and his successor, Clark Clifford, supervised the development of the wide array of weapons that constitutes today's U.S. strategic arsenal. Both the numbers and the characteristics of many of these weapons were consistent with the assured-destruction concept, partly because the U.S. possesses a "triad" of strategic offensive forces and partly because of the hedge against the "highest expected threat." The triad approach seeks to maintain a major retaliatory capability in each component of our strategic offensive forces: ICBM's, SLBM's and long-range bombers. Justified on the grounds that each component presents a different problem for an attacker, difficult and costly problems for his defense and a hedge against unexpected failures in one or both of the other components, the net result of the triad approach is to provide in the aggregate a high degree of confidence that the assured-destruction mission could be carried out.

The hedge against the highest expected threat, as projected in the National Intelligence Estimates, meant that weapons would be developed and sometimes procured as a

cushion against Russian developments that, although not considered likely, were possible. The predictable result was that the U.S. came to possess much more powerful forces than were shown by subsequent events to be required for assured destruction. For example, one of the main justifications offered for developing multiple independently targeted reentry vehicles (MIRV's) was to hedge against a greater-than-expected Russian deployment of an anti-ballistic-missile (ABM) system on the theory that increasing the number of incoming warheads would enable the U.S. offense to penetrate the Russian defense more easily.

Of course, some of the development and procurement decisions also reflected inevitable political and bureaucratic pressures. For example, faced with pressures from the military and from Congress, McNamara apparently thought he could not ask for fewer than 1,000 Minuteman ICBM's

Finally, the proponents of the assured-destruction concept in the latter half of the 1960's quietly subscribed to secondary strategic objectives, in particular the desire to retain some ability to respond flexibly in the case of an actual attack. If the U.S. were subjected to a "limited" nuclear attack—possibly with a small number of missiles or because of an accident launch—most thought the President should have a range of options from which to choose. This factor helps to explain why, for example, the Minuteman II warhead, which was first deployed in 1966, could be programed for up to eight alternative targets, and why there was flexibility in the actual targeting plans.

As a result the U.S. ended up with strategic-war capabilities considerably greater than the assured-destruction concept required. That this situation was rarely acknowledged publicly was a serious mistake, the results of which we are now reaping in public misunderstanding of the policies of the past and, more important, in the sometimes surprising ignorance about the present capabilities of the U.S. strategic forces. The simple fact, which cannot be stressed too strongly, is that the U.S. strategic forces are now capable of carrying out a large array of alternative missions, far in excess of assured destruction.

To begin with, assured destruction does not require many forces. Assuming zero or low Russian ABM levels (a reasonable assumption given the 1972 Moscow Treaty limiting ABM systems), the delivered warheads of 220 Minuteman III ICBM's could kill about 21 percent of the Russian population: from immediate effects alone and destroy about 72 percent of the Russian industrial capacity. The delivered warheads from 170 Poseidon missiles (which is fewer than the total carried by 12 submarines) could cause a similar level of damage [*see illustration on page 24*]. Projections of bomber survivability vary greatly, but most experts would estimate that enough B-52's could reach their targets to satisfy easily the traditional assured-destruction criterion.

The total of U.S. strategic forces is, of course, much larger. There are at present 1,054 ICBM's, of which 1,000 are Minuteman missiles and 54 are the older, larger Titans. Of the Minuteman missiles 550 have been or are in the process of being converted to the Minuteman III, which can carry up to three warheads. These MIRV's are estimated to have an accuracy of 1,500 feet or less (expressed in terms of "circular error probable," which means that 50 percent of the warheads are expected to fall within a radius of 1,500 feet of the target). The explosive power, or yield, of each warhead is equivalent to between 170 and 200 kilotons of TNT, or at least 11 times the size of the 15-kiloton bomb dropped on Hiroshima. Rapid retargeting of the Minuteman III will be possible soon with the advent of new computer-software systems, such as the Command Data Buffer system. (All estimates of the numbers and characteristics of U.S. forces used in this article are taken from the statements of U.S. officials, from publications of the International Institute of Strategic Studies and from other reliable publications.)

In addition the U.S. arsenal includes 656 SLBM's, 496 of which are scheduled to become Poseidon missiles. The Poseidon can carry up to 14 MIRV's, but it is usually deployed with 10. Although accuracy might be reduced by uncertainties about the submarine's location, it still is probably less than 3,000 feet. Moreover, even though each warhead is smaller than Minuteman's, there are many more of them and each is still about three times the size of the Hiroshima bomb. Like the Minuteman III warheads, the Poseidon warheads can be retargeted quickly.

Bombers are often viewed as the stepchild of the U.S. strategic triad. The approximately 400 B-52's and 65 FB 111's are unaccountably ignored in many comparative tables of American and Russian strategic forces, notably in President Nixon's first three foreign-policy reports. This is surprising given the fact that an estimated 40 percent of the U.S. budget for strategic offensive forces is spent on bombers. Moreover, from the standpoint of nuclear strikes the per-sortie attrition rate of about 3 percent suffered by the B-52's in their attacks on heavily defended Hanoi demonstrated high survivability. Indeed, most places in the U.S.S.R. would not be as heavily defended as Hanoi, the B-52's would not be making the more vulnerable high-altitude attacks they made there and the bombers would use nuclear warheads to silence air-defense batteries. Each B-52 carries between four and 24 nuclear weapons, the load being a variable mix of gravity bombs and air-to-surface missiles. The bombs can be in the megaton range (that is, equal to 1,000 kilotons) and can be delivered with very high accuracy.

(This accounting of the U.S. strategic forces does not include the extensive U.S. "tactical" nuclear forces, many of which could attack targets in the U.S.S.R. In addition to the more than 7,000 tactical nuclear weapons in Europe, many such weapons are deployed in Asia and on forward-deployed ships in the Atlantic and the Pacific.)

In short, the U.S. already has a considerable potential for "limited" strategic strikes. Exactly how much capability depends on the critical assumption of who strikes first and how, as well as on one's assumptions about the nature of the Russian threat. In any case three important factors should be remembered about potential targets in the U.S.S.R.:

1. There are many nonmilitary, industrial targets outside urban centers that would require only one or two nuclear warheads each; such targets include manufacturing plants, power plants and the two construction yards for missile submarines.

2. Except for "hardened" targets, most military targets could be destroyed by only one or two warheads each; such targets include air-defense sites, military airfields, major army bases and submarine bases.

3. Even for hard targets such as missile silos, nuclear-weapons storage facilities and command posts, the use of small numbers of warheads will create a high probability of destruction. For instance, three Minuteman III warheads delivered against three Russian missile silos with a "hardness" about the same as that of the U.S. silos when they were first built would have approximately an 80 percent chance of destroying one silo, whereas seven Minuteman III warheads would have a similar 80 percent probability of knocking out one silo three times as hard. Presumably many Russian missile silos have a hardness in this range.

As a result, even with existing missiles a limited strike by the U.S. that employed 100 missiles or fewer could do substantial damage to the U.S.S.R. and could knock out some Russian ICBM's.

In calculating the sufficiency of our strategic forces, one should not forget the Chinese. For any conceivable "crisis scenario" the total expenditure of U.S. warheads against China could easily come from the present surplus exceeding the weapons needed for the assured-destruction mission against the U.S.S.R. Not only could the U.S. destroy most of the nascent Chinese nuclear forces, but also it has been estimated that a few warheads detonated over 50 Chinese urban centers would destroy half of the urban population (more than 50 million people), more than half of the industrial capacity and most of the key governmental, technical and managerial personnel. Indeed, against fixed targets such as cities the U.S. could use its B-52's, which could return to their bases for other missions.

Not only does the U.S. have this multifaceted capability but also its nuclear strategy has always included plans for attacks other than massive ones on Russian cities. This conclusion is logically inescapable when one realizes that the U.S. has had thousands of strategic warheads since the mid-1960's, has about 7,500 now and is expected to have almost 10,000 by 1977. There are only about 200 major cities in the U.S.S.R. Either the U.S. has aimed a superfluously large number of warheads at each major city or it has planned for other targets all along. Any doubts on this score were resolved by Secretary Schlesinger's statement in March that "our war plans have always included military targets."

President Nixon has made it very clear from the early days of his Administration that he wanted changes in U.S. strategic policy. Neither he nor any other high official, including Secretary Schlesinger, has ever rejected the assured-destruction concept. Rather they have defined assured destruction narrowly to mean only massive retaliation against cities and have said that more options are needed. To date the Nixon Administration has really presented two different sets of what "more" is needed. First there were the "sufficiency criteria," which were publicized in the period from 1970 to 1972. This past year has seen the emergence of a new set of criteria.

The sufficiency criteria, which President Nixon first hinted at in 1970, were spelled out by Secretary of Defense Melvin R. Laird in 1971. They are:

1. Maintaining an adequate second-strike capability to deter an all-out surprise attack on our strategic forces."

2. "Providing no incentive for the Soviet Union to strike the United States first in a crisis."

3. "Preventing the Soviet Union from gaining the ability to cause considerably greater urban/industrial destruction than the United States could inflict on the Soviets in a nuclear war."

4. "Defending against damage from small attacks or accidental launches."

These four criteria have been explained further, including the fact that the deterrence is for the benefit of U.S. allies as well as the U.S.

The publication of the sufficiency criteria at least moved the public debate off the misleading view that U.S. policies and forces only envisioned massive retaliation against cities, but beyond that there is little new in the criteria. This is partly because they were never clearly explained; accordingly they remained more Delphic than definitive.

The first criterion is simply a basic statement of the assured-destruction concept. The third is a result of the assured-destruction assumption at meaningful levels of destruction; beyond the ability of either side to inflict 75 million fatalities and between

50 and 75 percent industrial damage—levels that would finish either country as a viable society—relative differences in the ability to inflict urban or industrial damage seem insignificant. Besides, much higher levels of destruction can only be achieved with considerable difficulty, since either country soon reaches a point of rapidly diminishing returns in terms of urban or industrial destruction per additional warhead.

The fourth criterion was clearly justification for the Safeguard ABM system. Without getting into the debate over such issues as whether or not the advantages of damage limitation against small attacks or accidental launches outweighs the disadvantage of the Russians' misinterpreting the purposes of any ABM deployment, suffice it to say that the Administration as early as May, 1971, was committed to insignificant ABM levels in the ongoing Strategic Arms Limitation Talks (SALT). The fourth criterion thus became "inoperative."

That leaves the second criterion. It clearly enunciates a desirable objective in strategic policy: to avoid strategic forces or actions that would be destabilizing in a crisis. Although this objective was not explicit before, it was inherent in the assured-destruction objective of providing highly survivable forces that would thereby reduce the incentive for a first strike. The second sufficiency criterion fails to delineate what more, if anything, was needed.

The criteria are silent about the kinds of option other than assured destruction that the President was so concerned about. Moreover, should the U.S. react to protect its allies (still undefined) in the same way that it would to protect its own territory? And what are U.S. strategic objectives with regard to China? In short, except for the flirtation with the ABM possibility, the sufficiency criteria only hinted at new strategic policies rather than establishing them.

Instead of trying to amend the sufficiency criteria, the Administration decided about a year ago simply to scrap them and to start anew in redefining strategic policies. This time Secretary Schlesinger has been the principal spokesman. After some of his press conferences late in 1973 and early in 1974 led to confusion among journalists and other observers as to what the new policies encompassed, the appearance of Schlesinger's annual report in March clarified the issues considerably. At one place in that report the "Principal Features of the Proposed Posture" (a posture Schlesinger clearly likes to refer to as "essential equivalence") are listed:

1. "a capability sufficiently large, diversified, and survivable so that it will provide us at all times with high confidence of riding out even a massive surprise attack and of penetrating enemy defenses, and with the ability to withhold an assured destruction reserve for an extended period of time."

2. "sufficient warning to ensure the survival of our heavy bombers together with the bomb alarm systems and command-control capabilities required by our National Command Authorities to direct the employment of the strategic forces in a controlled, selective, and restrained fashion."

3. "the forces to execute a wide range of options in response to potential actions by an enemy, including a capability for precise attacks on both soft and hard targets, while at the same time minimizing unintended collateral damage."

4. "the avoidance of any combination of forces that could be taken as an effort to acquire the ability to execute a first-strike disarming attack against the USSR."

5. "an offensive capability of such size and composition that all will perceive it as in overall balance with the strategic forces of any potential opponent."

6. "offensive and defensive capabilities and programs that conform with the provisions of current arms control agreements and at the same time facilitate the conclusion of more permanent treaties to control and, if possible, reduce the main nuclear arsenals."

These factors plus the accompanying text in the report provide the best available insight into the proposed new policies. The first factor, combined with the second's requirement of bomber survivability, constitutes essentially a restatement of the assured-destruction concept. It needs no further elaboration here except to note that assured destruction does not require immediate response; indeed, the emphasis on a "second strike" capability and on the survivability of U.S. forces reflects the goal of having time in which to consider what the appropriate response should be.

Skipping briefly to the fourth, fifth and sixth factors, they raise a host of diverse issues—touching on all offensive and defensive strategic programs. There is not sufficient space to treat them comprehensively here; instead the focus will be on their impact on the Administration's concepts of strategic flexibility and limited nuclear war.

The third factor and the balance of the second address the questions of flexibility and limited strategic war directly. The underlying questions can best be summarized as follows: (1) Should the U.S. have a number of response options? (2) Should the U.S. develop missiles with improved counterforce capabilities? (3) Should the U.S. actively promote the idea of improving counterforce capabilities for fighting, if necessary, a limited nuclear war? Since the first question is essentially noncontroversial, the remaining two define the immediate issues.

Schlesinger reports that most of the targeting options in the past have involved "relatively massive responses." He wants to provide the President with a "wider set of much more selective targeting options." There is general agreement among strategic analysts that the U.S. should have a variety of response options other than massive retaliation against cities. These options could be useful, for example, in deterring a limited strategic attack. As Paul C. Warnke, a former Assistant Secretary of Defense, has put it: "There can . . . be little objection to the concept that our targeting plans should be sufficiently flexible to provide the President with a variety of options in the event of a nuclear attack." Warnke believes "we might be better positioned to deter a less than all-out Soviet attack if we have the refinement of command and control to push only one or a few buttons rather than the entire console . . . to respond with less than our Sunday punch."

This broad consensus includes those options that draw on the capabilities of present forces and those already well along in development. As we have seen, our present forces already have the accuracy-yield combinations to be used effectively to destroy almost anything except hard targets. Even against such hard targets as ICBM silos these forces could destroy large numbers of targets, but they would not do it "efficiently."

Schlesinger makes it clear, however, that he wants more than flexibility, that he wants counterforce options that require new or improved weapons. The incremental options are ones "minimizing unintended collateral damage" and providing a hard-target kill capability that "matches" that of the Russians. To be able to achieve these options Schlesinger seeks programs to develop missiles with improved counterforce capabilities.

The proposed defense budget for the fiscal year 1975 includes a number of such programs. The programs appear to fall into two categories.

First, there are the short-term programs, the ones that involve relatively minor changes and for which initial deployment might easily begin by the late 1970's. The major programs in this category include procurement of more Minuteman III missiles; refinement of the existing guidance system of the Minuteman III to increase accuracy (probably from 1,500 feet down to 700 feet or less); a higher-yield warhead for the Minuteman III identical in configuration with the existing warhead, and a general program to improve and measure the accuracy of SLBM's. The proposed budget also includes funds to flight-test a Minuteman III with a larger number of smaller reentry vehicles. Whether this program will increase counterforce capabiltes or not depends on the accuracy and yield of the new warheads.

Second, there are two major long-term programs. Both will require considerable development time, and initial deployment would seem unlikely before 1980. Advanced development will be initiated for a terminally guided "maneuverable reentry vehicle" (MARV) for possible "retrofit" into both ICBM's and SLBM's. Although a MARV warhead has been programmed for some time for the advanced Trident I SLBM, it is not to be terminally guided, being designed for evasion of ABM interceptors rather than for improved accuracy. A new terminally guided MARV, however, will presumably have an accuracy of a few hundred feet. This would give even warheads the size of the Poseidon's a very effective hard-target kill capability.

Further research and development is needed to decide exactly how the new MARV will work. By definition, after the MARV has separated from the "bus," or postboost vehicle, that holds all a missile's warheads, it can maneuver almost up to impact in order to correct its flight path. The corrections could be accomplished in two ways. The most likely development is the homing MARV, what some call the true MARV. A sensor in the warhead would acquire an image or images of the target or of prominent terrain features nearby (or perhaps would simply acquire an "altitude profile" of the terrain along its flight path). An on-board matching device would match this information with a map stored in its memory. The warhead's flight path would then be corrected either by gas jets or by aerodynamic vanes.

An alternative approach is to use an inertial guidance system in the warhead as well as in the bus. Since the reentry vehicle often separates from the bus early in its flight, an on-board guidance system would allow much later changes in trajectory. The information on position would come, however, from the system's gyroscopes, from stars or even from satellites and not from the target area itself. As a result this approach in theory would probably not be as accurate as the homing approach.

The second long-term program is the development of an entirely new ICBM for the 1980's. This missile, which may even be an air-mobile missile, would include a new guidance system (presumably a terminally guided MARV), which Schlesinger says would give it "a very good capability against hard targets."

How reasonable or necessary is it to develop missiles with improved counterforce capabilities in order to minimize collateral damage or to match the Russians' hard-target kill capability?

It is particularly difficult to understand how these missiles will minimize collateral damage. The warheads Secretary Schlesinger is proposing will probably have at least the yield of the present Minuteman III and Poseidon warheads. Such warheads would cause extensive damage over a wide area. For example, a "small" 100-kiloton bomb exploding in the air over a target would cause substantial fatalities and damage from

immediate effects alone over a circle with a radius of 2.5 miles. Since the possible improvement in accuracy for the Minuteman, for example, is at most about 1,000 feet even in the long run, the number of civilian fatalities will hardly be reduced significantly if a warhead at least three to 11 times the size of the Hiroshima bomb lands a few hundred feet closer to the intended target.

A substantially smaller warhead that still provides an improved hard-target kill capability is unlikely to be ready for deployment until the 1980's, since a very accurate terminally guided MARV is needed to allow a significant "trade-off" between lower yield and higher accuracy. Furthermore, the value of much smaller warheads in saving lives must be put in perspective.

First, the way to minimize fatalities, if nuclear weapons must be used, is careful target selection, in other words aiming at targets distant from urban centers. Air-defense sites or air bases in the Arctic and isolated army posts or industrial sites are good examples. For a very limited exchange the differences in fatality levels from an attack on such targets with warheads of, say, 50 kilotons as against five kilotons would not be significant.

Second, if there is a large-scale nuclear exchange, then there simply is no way of keeping civilian damage at a low level. The effects not only of immediate blast but also of radioactivtiy would kill millions.

Third, in an actual nuclear exchange the successful continuation of a U.S. policy aimed at miniminzing civilian casualties depends in large part on what the Russians do, and the Russians have never seemed much attracted to this objective. Their strategic warheads have always been large. Even though they necessarily reduced the size of individual warheads on their ICBM's in order to deploy MIRV's on them, some if not all of the warheads are still in the megaton range.

Schlesinger's main justification for the new counterforce programs is that the U.S. to match that of the U.S.S.R. This seems a questionable refinement of the broader theme of "essential equivalence." Schlesinger has on occasion defined essential equivalance to suggest overall balance. For example, he recently testified: "We do not have to have a match for everything in their arsenal. They do not have to have a match for everything in our arsenal."

Whether or not such an overall balance exists today and for the foreseeable future is a question that deserves public debate; a good case can be made for the affirmative. Most important, both the U.S. and the U.S.S.R. have a high-confidence ability to carry out a wide variety of retaliatory options. In terms of static indicators the Russians do have more missiles and greater missile "throw weight." The U.S., however, has more bombers, more warheads (now and for the rest of the decade) and about equal throw weight (if bombers are included in the calculations). In terms of qualitative factors U.S. missile submarines are much quieter and hence harder to find than the Russian ones, and U.S. bombers are more modern. Finally, to maintain or even enhance some of its capabilities, the U.S. already has a number of strategic programs well along: the conversion of older missiles to larger Minuteman III and Poseidon missiles, the B-1 bomber and the Trident submarine with its advanced missiles.

Schlesinger, however, avoids the complex question of whether the general U.S.-U.S.S.R. strategic picture is one of overall balance—of essential equivalence. Rather, he selectively focuses on relative counterforce capabilities against ICBM silos (Selective vision is not exactly a new tactic in military analysis. The "missile gap" of 1960 is a classic case; the heated debate over the number of U.S. ICBM's compared with the number of Russian ICBM's ignored the massive U.S. bomber force. Schlesinger's selective vision is even blurred within its own field. Although the Russians are clearly developing new missiles and MIRV's, they apparently have not pursued the accuracy aspect of a counterforce strategy with much zeal. As General George S. Brown, the chief of staff of the Air Force, recently remarked about the new Russian programs, "MIRVing alone won't [take out the Minuteman force]. Accuracy is the other key element and we haven't seen evidence of accuracy improvement in their work which we would expect to see."

Is there some reason why the U.S. and the U.S.S.R. should have essential equivalence in the capability to destroy missile silos? The arguments against this course of action seem persuasive. There is no benefit in terms of traditional strategic analysis in being able to kill efficiently very large numbers of the other side's silos. As we have established, the U.S. can already destroy some silos, although at a cost of a few U.S. missiles each. Inefficient, limited destruction of silos should suffice for the war scenarios that some envision, in which the U.S. feels it necessary to destroy silos as a way of showing its "resolve." Killing many more silos would not minimize damage to the U.S.; everyone agrees that the U.S. cannot expect to destroy a large enough fraction of the silos or other strategic offensive forces of the U.S.S.R. to limit damage to this country in any meaningful way.

Finally a critical assumption underlying the preceding discussion is that the silos will have missiles in them when they are destroyed. In fact, the flight time of a Minuteman missile to the Russian missile fields is about 30 minutes. If the Russians were to deploy early-warning satellites, they could detect almost instantaneously the launch of U.S. missiles, which means that the U.S.S.R. could probably have the option of launching many, if not all, of its missiles before the U.S. warheads arrived. Using U.S. warheads against empty silos in empty fields seems a particularly questionable policy.

The full cost of these new programs is unclear. Much depends on the size of the deployments and the extensiveness of the modifications. A useful benchmark is the Minuteman III program; the conversion of 550 older Minuteman missiles into Minuteman III's will cost between $5 billion and $6 billion. Although the costs of some of the new counterforce programs might be comparatively small, the total cost of all the new programs would greatly exceed the Minuteman III costs.

Added to the questions about the analytical reason for the new counterforce programs and the inevitable costs must be the distinct possibility that these programs will be destabilizing and will make arms limitations more difficult to negotiate.

Assuming a crisis situation, a substantial U.S. counterforce capability against Russian ICBM's is more likely to create an incentive for the U.S.S.R. to adopt a hair-trigger, launch-on-warning posture: the Russian leadership would fear that the U.S. might attack first in an attempt to limit damage to itself. These fears would make it even more likely for the U.S.S.R. to attack first in a crisis in order to destroy some of the U.S. ICBM's that had become more tempting targets as a result of the new U.S. counterforce programs.

Schlesinger deplores this instability (as in his fourth feature, cited above, of the new posture), but he and other high officials say that the new U.S. programs are not extensive enough to create such Russian fears. The conceivable accuracy and yield improvements on 1,000 Minuteman missiles, however, even without the terminally guided MARV, could give the U.S. the capability, on paper at least, of destroying between 80 and 90 percent of the Russian ICBM force. The deployment of the MARV or the use of improved SLBM's against the Russian missiles would push that percentage even higher.

The Russian leadership, moreover, might be more conservative than the U.S. leadership in assessing Russian strengths and weaknesses. This conservatism would be based at least partly on the fact that, unlike the balanced reliance in the U.S. on all three elements of the strategic triad, in the U.S.S.R. ICBM's are the primary component of the strategic offensive forces. The U.S.S.R. is allowed up to 1,618 ICBM's under the SALT I Interim Agreement (compared with 1,054 for the U.S.), and the Russians are actively developing four new ICBM's. Moreover, these missiles are under the command of the Strategic Rocket Forces, which since it was created in about 1960 has been one of the most important branches, if not the most important one, of the Russian military. Unlike the U.S. Air Force, which has responsibility not only for ICBM's but also for bombers and many tactical forces, the primary responsibility of the Strategic Rocket Forces is the Russian ICBM force; consequently this organization has every incentive to enhance its role in strategic planning. The Long Range Aviation command, which has responsibility for the Russian bombers, has never had the bureaucratic strength of the Strategic Rocket Forces, and the Russian navy has responsibility for a number of other forces besides missile submarines.

The strategic-planning emphases of the U.S. and the U.S.S.R. differ particularly on the subject of bombers. At present the U.S. has more than 450 intercontinental bombers, about a fourth of which are kept on "ready alert" at a large number of air bases (so that they can avoid being destroyed even in case of surprise attack). The Russians have about 140 long-range bombers. These are qualitatively inferior even to the B-36 bombers deployed by the U.S. in the 1950's, are not kept at as high readiness and are located at just a few air bases. Although a new Russian bomber (named the Backfire by the Pentagon) is just beginning production, it seems primarily intended for targets on the periphery of the U.S.S.R. In any case it is not certain how many Backfires will be built, and the plane appears to lack the critical range and low-altitude capabilities of the B-52's.

As for SLBM's, the U.S.S.R. is building new missile submarines and is allowed more boats and SLBM's than the U.S. under the terms of the SALT agreements. In contrast to the active U.S. MIRV programs for both ICBM's and SLBM's and the new Russian MIRV programs for ICBM's, however, the Russians have not begun testing multiple warheads on their new SLBM. The U.S.S.R., moreover, usually keeps only five or six missile submarines on patrol at any one time, compared with 40 percent of the 41 U.S. boats. In sum, the U.S.S.R. does not seem to give missile submarines the same priority in strategic planning as the U.S.

Schlesinger essentially hinges his denial that first-strike fears by the U.S.S.R. would be enhanced by the planned U.S. improvement in its capabilities against ICBM's on the relative invulnerability of the Russian missile submarines. Compared with the U.S. missile submarines, however, the Russian boats are noisier—an important qualitative disadvantage—and must operate in ocean areas where it is easier for the U.S. to locate and detect them. In addition the U.S. has under way a large, aggressive antisubmarine-warfare program for tactical and strategic uses. It has been reliably estimated that U.S. expenditures in the fiscal year 1972 for antisubmarine warfare were $2.5 billion and that by 1974 they would rise to more than $4 billion. The Russian leaders might well fear, at

some future crisis point, that the U.S. had developed a significant antisubmarine-warfare capability, making Schlesinger's suggested ultimate reliance on their missile submarines less than completely reassuring.

One "crisis scenario" that is often concocted to show the danger of the growing Russian counterforce capability against Minuteman and to justify developing improved U.S. counterforce capabilities is an attack or threat of attack by the U.S.S.R. against U.S. ICBM's. The scenario envisions the following chain of events: (1) a real or threatened Russian attack against Minuteman; (2) a realization by the U.S. leadership that it is left or will be left with no more than a capacity to attack Russian cities; (3) major concessions or even surrender by the U.S.

This scenario has an obviously fantastic quality. Even if the internal logic of the scenario were accepted, it still does not justify improving U.S. counterforce capabilities. It does not matter whether the U.S. missiles destroyed are highly accurate or not. What matters is what other U.S. forces can do if these missiles are destroyed. Indeed, as we have seen, by presenting an increased threat to the U.S.S.R., U.S. development of highly accurate missiles might actually make the Russians more likely to attack, thus making the scenario less implausible.

More important, the underlying logic of the scenario is simply wrong, as should be evident to both the U.S. and the Russian leadership. First, the Russians would have to consider that Minuteman might be launched against Russian targets in the 30-minute warning time between the launch of the Russian ICBM's and their arrival at the Minuteman silos. Second, even if a surprised or reasonably cautious U.S. leadership did not launch on warning, a few Minutemen would survive even the most careful attack. Also surviving would be at least the bombers on alert and most if not all of the U.S. missile submarines in the water. (If the attack occurred after an initial crisis period, more bombers than usual would be on alert and more submarines would be in the water.) These combined forces would provide the U.S. with the capacity to carry out a number of limited strikes while still retaining an assured-destruction hedge.

Finally, some U.S. retaliation would seem very likely to the Russian leadership since tens of millions of Americans would be killed in any "Minuteman only" attack. In attacks against silos the bombs are set to explode as close to the ground as possible, thereby picking up much dirt and debris. The fallout from the explosion of thousands of megatons of nuclear weapons over the Minuteman fields would be tremendous, and winds would carry the lethal contamination over many major U.S. cities. Such calculations of fallout do not even include the possibility of a few Russion warheads going off course and directly hitting populated areas, nor the collateral damage by Russian attacks against other targets, such as bomber bases, many of which are near cities.

Even not assuming a crisis, the consequence of these new U.S. counterforce developments might be to push the U.S.S.R. toward accelerating or expanding programs, or starting new ones. The arms race is not as mechanically "action-reaction" as some have suggested, but a substantial new U.S. capability against the primary strategic offensive force of the U.S.S.R. will surely fuel justifications within the Russian bureaucracy for some kind of reaction. This should be particularly true when U.S. antisubmarine-warfare programs, noted above, are also considered.

If the U.S. counterforce programs are allowed to continue beyond the rhetoric of announcing them, these programs would operate to undercut any progress at SALT. Of course, if announcing these programs is just a short-term ploy designed to strengthen the U.S. bargaining position for the impending SALT II agreements, then little real harm will result. There is no evidence, however, that top Administration officials intend to turn these programs off quickly. And even if there are such intentions, new weapons programs tend to gain a momentum of their own once they are announced. High-level officials become publicly committed to rationales for them, rationales that include more than the systems' just being "bargaining chips." Bureaucracies are created with a vested interest in the continuation and expansion of these programs. Moreover, improvements in accuracy and yield would be particularly difficult to limit explicitly in SALT, making it harder to rationalize publicly any subsequent termination of the program.

Accuracy improvements are generally accepted as being among the most difficult weapons characteristics to limit in an arms-control agreement, because of problems of both definition and verification. Drafting a workable, direct limit on accuracy seems impossible, since the counterforce potential of a warhead depends on the accuracy-yield combination. Moreover, a simple numerical limit on accuracy would not be verifiable. A photograph of a silo or even the missile gives little clue to the kind of small but important differences in accuracy that are being considered here. Closer examination through on-site inspection, even if such inspection could be negotiated, would be insufficient. On-site inspection could indicate whether the warhead was a terminally guided MARV, but this would not establish any particular accuracy. Moreover, on-site inspection includes a heroic assumption that the latest warheads are on the missile and not stored nearby in an area excluded from the on-site inspection provisions.

Surveillance of Russian missile-testing may give some indication of accuracy. The indication, however, is indirect and not conclusive. Test data tells one about the ballistic coefficient (or pointedness) of the warhead, its reentry speed and similar information, all of which helps in estimating accuracy. An outside observer, however, can never be sure what the actual target is. Similarly, course corrections by the warhead would indicate a maneuvering capability but not necessarily terminal guidance or particularly high accuracies.

An indirect way to limit or impede accuracy improvements through SALT would be by placing a strict limit on the number of missile tests. This would make it more difficult to develop advanced guidance techniques and to test them often enough so that the military would have confidence in them. The low limits necessary seem nonnegotiable, however, since they represent a direct challenge to all new strategic programs. Even without accuracy improvements the Pentagon will want to do extensive research and development and operational testing of the new Trident missile and further operational testing of the Minuteman and Poseidon missiles. Similarly, the Russians will want to flight-test extensively their four new ICBM's and their new SLBM as well as their existing arsenal of missiles.

Limits in SALT on the yield of warheads might be more possible, but they would be of uncertain significance. The two sides could limit yield by an agreement that warheads not be larger than a given yield or a given weight. The effect of any such limitation could be circumvented, however, by increasing the number of warheads and by increasing their accuracy. Moreover, it would be difficult to verify the exact yield of a warhead. Even elaborate on-site inspection would not ensure that "advanced" warheads were not hidden nearby. Surveillance of flight tests only gives an estimate of the size of the warhead, and yield per pound of warhead can be varied by warhead design and the richness of the nuclear "fuel" used.

In short, the practical difficulties of fashioning limitations in SALT on the type of counterforce improvements now planned by the U.S. make such limitations unlikely and will instead presumably create strong pressures in the U.S.S.R. to expand old programs or to start new ones that either match or compensate for the U.S. programs. This in turn can only work against other limitations on strategic arms.

Allied concerns about the credibility of the U.S. deterrent are another reason offered for developing missiles with improved counterforce capabilities. Occasionally a specific scenario—a Russian attack in central Europe—is given as a justification for such improvements. Neither the scenario nor the more general invocation of allied claims is persuasive.

The European scenario supposedly demonstrates that the U.S. needs the ability to respond with nuclear weapons in order to show its resolve and to destroy some of the attacking Russian forces. There are, however, already sizable U.S. forces in Europe that could accomplish both of those objectives. Even if the U.S. decided to employ strategic weapons, existing U.S. forces could carry out a wide variety of selective attacks.

As for the broader claims of allied concerns, Morton Halperin, an authority on nuclear strategy, has remarked: "The credibility of the U.S. deterrent to an Ally is primarily a result of the overall U.S.-Ally relationship, which includes economic and political considerations as well as military. To the extent that Allied leaders evaluate U.S. military capabilities, they look especially to the U.S. conventional and nuclear forces in that particular theater of operations. Fine distinctions in the U.S.-Soviet strategic balance or in U.S. strategic policy are unimportant to Allied leaders. Among those Allied analysts who care, opinion is probably split between those who favor the U.S. possessing an efficient silo-kill capability and those who do not."

Among the European strategic analysts who oppose such deployments is Ian Smart, formerly assistant director of the London-based International Institute of Strategic Studies. Smart writes: "Producing and deploying much more accurate strategic missiles . . . is to be regretted and even feared since . . . it can only reduce the stability of the strategic balance in any period of acute tension." At least part of this European concern can be attributed to the fact that, in a strategic exchange, the industrialized European countries are very likely targets—if only because of the U.S. forces deployed in or near those countries.

Finally, even assuming that the allies (or even the American people) accord considerable political significance to fine distinctions in the "strategic balance," Schlesinger's proposed counterface improvements are not very helpful politics. The supposedly important distinctions are usually visible ones such as the number of delivery vehicles, the number of warheads or the throw weight. Schlesinger's accuracy and yield improvements do not affect these indicators, except possibly in the counterproductive way of reducting the number of warheads in order to allow larger ones.

On balance, then, there seem to be strong arguments against developing missiles with improved counterforce capabilities. Collateral damage can best be minimized by shifting targets, not improving accuracies by a few hundred feet. The ability to destroy efficiently large numbers of missile silos in order to "match the Russians" seems not only unnecessary and expensive but also destabilizing. SALT might well be undercut and the supposed concerns of our allies about the U.S. deterrent are not answered by such programs.

As one gets caught up in considering nuclear-war scenarios and nuclear-weapons capabilities there is a dangerous tendency to

forget that the primary objective of nuclear strategy is to avoid nuclear wars, not to fight them.

Given the destructive power of nuclear weapons and the world's lack of experience in using them, crossing the "nuclear threshold" would be a profoundly destabilizing event. It is a delusion to believe one country could employ nuclear weapons, even on a limited scale, and have a high degree of confidence that the response by another nuclear power would be predictable and proportionate. The particular first use might be estimated by the opposing country's observers to be greater than it actually was, or the use might have created more damage than expected (for example through greater-than-expected fallout). The opposing country might not have readily available weapons of the same yield or similar targeting options and decide to escalate. The political reaction in the opposing country might lead to escalation. In short, the possible causes for matters getting out of hand are endless.

To make deterrence work, a country must carefully consider its public attitude toward nuclear war and cautiously select its retaliatory options. This does not mean that the U.S. should have only the single strategic option of massive retaliation against cities. This country already has ample capabilities for lesser options, and it seems appropriate to have the flexibility, at a minimum, for possible responses to accidental or limited launches.

The Nixon Administration, however, is going beyond this. It is seeking the additional capability to attack efficiently large numbers of Russian missile silos. Not only might this counterforce option be destabilizing in itself but also the Administration's promotion of the option and its general public advocacy of a counterforce strategy might have a pervasive, if subtle, tendency to reduce the inhibitions against the use of nuclear weapons—in effect, to lower the "nuclear threshold." New bureaucracies, with vested interests in the hardware and rationales of a counterforce strategy, are created. In trying to gain public approval of new policies and programs, leaders find themselves taking more simplistic positions than the uncertainty of nuclear warfare warrants. In this climate some of the risks of nuclear war are downplayed. Unrealistically precise calculations suggest that limited nuclear war can be kept limited and even result in positive gains.

There are some disturbing parallels here to the vogue of limited conventional war in the early 1960's. In pushing for changes in conventional strategy and new procurement, advocates of limited conventional war ignored some of the pitfalls and costs of such a strategy. The searing national experience of the war in Vietnam was needed to demonstrate these oversights.

Exactly where the line should be drawn on "selective targeting options" is not at all clear. It seems most inadvisable, however, to take the gamble of developing missiles with improved counterforce capabilities, whether this is to match a specific Russian capability or for any other reason.

Opponents of U.S. counterforce improvements, nonetheless, must recognize certain practical limits to their arguments. Even if Congress declines to fund the new and accelerated development programs Schlesinger is proposing, continued U.S. testing of strategic missiles and various researchand-development efforts already under way inevitably will lead to some improvements in missile accuracy. (As Schlesinger has pointed out, some refinements in existing guidance systems will occur almost as a matter of course—through better software programs, greater purity in rocket fuel, better measurement of the earth's gravitational field and numerous other factors. The development of a terminally guided MARV, something further beyond the state of the art, requires more of a conscious bureaucratic decision to proceed.) Besides U.S. advances, moreover, Russian counterforce improvements are likely to continue, raising serious questions about Russian intentions.

Faced with these likely developments, the solution is still not to follow the Schlesinger approach. Rather, the solution should be to seek actively to negotiate for limits on MIRV's and for the reduction of vulnerable strategic forces.

Limits on MIRV's would be designed to slow the perceived threat to U.S. ICBM's, a Russian threat that many consider destabilizing. In return for the U.S. slowing certain of its strategic programs, for example, the U.S.S.R. might agree to limits on the deployment of the SSX–18, the "follow on" missile to the large SS–9. This would push at least a few years further into the future the time when analysts would estimate that only a particular level of Minuteman could survive a Russian counterforce attack.

Negotiating missile reductions represents another approach: to limit not only the threatening forces but also the threatened ones. This approach would essentially mean bilateral reductions in ICBM's, presumably in a way that would retire the more threatening ICBM's, so that the remaining ICBM's would be less vulnerable. Some asymmetrical reductions might also be considered. For instance, the U.S. could reduce its ICBM's, whereas the U.S.S.R. (having less to fear in the short run about the vulnerability of its ICBM's) could reduce some ICBM's plus other forces.

Reductions in the land-based missiles of both sides would reduce the importance of this strategic strike force. It would thereby undercut the rationale for an expensive contest of matching counterforce improvements. More important, it would reduce the greatest potential source of instability in a crisis. Both countries would have less incentive to adopt an unstable, launch-on-warning posture or to launch an attack out of fear of a preemptive strike.

The reductions approach has received support recently from such diverse sources as the Federation of American Scientists and Fred C. Iklé, director of the Arms Control and Disarmament Agency. It was even accorded the status of a possibility in Schlesinger's recent annual report.

Rather than focusing on how to match the U.S.S.R. in a particular capability when such matching does not bode well for either country, the strategic debate in the U.S. in the coming months should focus on MIRV limits, force reductions and other measures designed to minimize the chances of nuclear war and to decelerate the arms race.

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[From the F.A.S. Public Interest Report, February 1974]

COUNTERFORCE 10 YEARS LATER: PLUS CA CHANGE

On January 10, 1974, Secretary of Defense Schlesinger revealed a quiet change in U.S. central war strategy. (See box, page 3). He announced that, several months before, he had begun the process of improving the accuracy of U.S. missiles, that we were now targeting Soviet military targets, and that we were preparing to fight less than all-out nuclear wars. This was a fundamental and far-reaching decision reversing a position which had previously been debated for more than a decade under the heading of "deterrence" versus "counterforce".

Several questions arise. First, why was the decision taken in secret when it is of such importance, and when it seems to contradict policy statements made by President Nixon, Senator John Stennis and others, only a few years ago.

Second, the decision is partly justified on grounds involving the SALT Agreements limiting missile numbers, but the decision is clearly *not* to be negotiable at SALT.

Third, will the decision encourage limited nuclear war both by acknowledging that we are prepared to fight a controlled nuclear war if initiated by the other side, and by making our own preparations for initiating one? Thus, will the decision enhance or undermine U.S. safety?

Fourth, will the decision make future SALT agreements more or less difficult? In what direction is the arms race now heading?

COUNTERFORCE VERSUS DETERRENCE

In the early fifties, the United States thought of nuclear war as a prolonged (sixty day) campaign of exhaustion. Both cities and military targets were to be devastated. Later, the United States gradually realized that its preponderance of strategic weapons should be aimed initially at the time-urgent targets that could retaliate against us—a counterforce strategy evolved. Still later, during the missile gap period, the United States was preoccupied with defending itself against counterforce threat-possibilities to its bombers, threats that never materialized.

But by 1962, it was evident that the United States would have far more missiles than the Soviet Union for several years—and more missiles than were necessary to strike Soviet cities. The excess of missiles had been purchased for esentially political reasons—Secretary McNamara did not feel that he could come into Congress with a request for fewer than 1,000 although it was conceded, inside the Administration, that 400 would do for military reasons. (By 1965, the United States had a four-to-one lead over the Russians at about 1,000 to 250, in land-based missiles). In 1962, Secretary McNamara said, in a famous speech at Ann Arbor:

"The U.S. has come to the conclusion that to the extent feasible, basic military strategy in a possible general nuclear war should be approached in much the same way that more conventional military operations have been regarded in the past. That is to say, principal military objectives, in the event of a nuclear war stemming from a major attack on the Alliance, should be the destruction of the enemy's military forces, not of his civilian population".

The rationale for this decision was not particularly strong. If we were not going to strike first, it was asked, would we not be aiming at only empty holes? DOD said the Soviets might have a "reload capacity". In fact, DOD was assuming, as usual, that the war would begin in Europe with a Soviet aggressive act and that the United States might well strike first on the nuclear level. Underlying the arguments and the rhetoric was an excess of missiles for which there simply were not enough civilian targets. Supply produced its own demand.

As the Soviet Union built submarines, Secretary McNamara moved away from this pronouncement. His rhetoric became that of "deterrence" rather than "counterforce". Undoubtedly, U.S. missiles remained targeted upon Soviet missiles. But the Soviet missile force was growing beyond the ability of the U.S. force to keep up—at least on a missile for missile basis. In the sixties, counterforce became a generally discredited term.

In the research institutes, however, there was a solution: MIRV. It could make each missile count for several. Thus it could make possible a continued economical effort to target many Soviet missiles. Secretary McNamara would not purchase MIRV for this (counterforce) purpose. But he would, and did, buy it to overwhelm any possible Soviet ABM. In this regard, it was the perfect penetration aid, requiring that each "decoy" be destroyed because each was a warhead.

This kept MIRV alive. And much was said about it being defensive only. It was argued that the small (2–10 times Hiroshima) size precluded use against enemy missile silos only. For President Nixon's assertions in this regard, see box above.

In fact, however, it was considered inevitable among the more sophisticated observers that the Defense Department could not be prevented from putting high accuracy on these small warheads. There were too many temptations. At that point, DOD would have a really potent counterforce threat.

We had the potential for 3,000 200-kiloton warheads on our 1,000 Minuteman missiles (three such warheads on each). And we had programmed 5,000 warheads on 31 Polaris submarines (16 missiles with 10 warheads each on each submarine of 50 kilotons each.)

The warheads were relatively small but, in such calculations, accuracy is much more useful than yield. An eightfold diminution in yield (megatonnage, payload capability) can be compensated for by a doubling of accuracy. Thus a giant Soviet missile with 25 megatons and ½ mile accuracy is only as effective as a U.S. one-megaton missile with 1/6th mile accuracy. The United States did indeed lead the Soviet Union in accuracy by a factor of two to three. And these accuracies were getting to the point where even with the smallest programmed Hiroshima-type bombs, hardened missile silos could be threatened.

Furthermore, as with Secretary McNamara, when there are too many warheads to target on civilian targets, what can one do or say to prevent the Defense Department from targeting military targets? And once this is conceded, what can one do to prevent the missile targeting from being done with high accuracy? Thus did cynics argue.

People did try. Senator Edward W. Brooke wrote a long series of letters to President Nixon and Secretary of Defense Laird. The responses were favorable in tone but equivocal read literally. The heart of the often repeated response was:

"We have not developed, and are not developing a weapon system having, or which could reasonably be construed as having, a first strike potential."

In addition, the President denied that he was funding a *specific* program for improving accuracy to which Air Force General Ryan had referred with pleasure and anticipation as providing "hard-target" killers. But this was all. The evident loophole ("reasonably be construed") is now being exploited.

Our own MIRV was first tested in August, 1968. By 1970, it was being deployed. It was evident to the same experienced observers that this deployment meant the beginning of the vulnerability of our own land-based force. The Soviet Union would never be stopped from catching up. On August 17, 1973 when the Soviet Union had finally and belatedly tested a MIRV, *five years late*, Secretary of Defense Schlesinger responded to a question about the chances for MIRV controls by saying:

"I think that the minimal point that one can make is that the Soviets are unwilling not to demonstrate a technology that the Americans have demonstrated. The imagery is something that presumably is not particularly appealing in the Kremlin."

If only we had argued this way in 1968 we might have tried harder to negotiate.

Now that our own MIRV is deployed, and the ABM danger has evaporated in a SALT Agreement precluding ABM, the question naturally and predictably arises in the Defense Department of completing the process—putting on the high accuracy.

The rationale being used is partly foreshadowed and partly new. In the foreshadow part, Secretary Schlesinger argues that the strategic situation is now so stable that a counterforce strategy cannot be considered a "first-strike" potential. After all, the Russians have submarines.

Presumably he does not argue that the Soviet Union will like it. When Secretary McNamara made his speech, Marshall Sokolovskii said "McNamara's statement shows concrete and practical evidence of preparation of a preventive war" (Red Star, July 19, 1962). And when the Defense Department, in 1969, projected similar Soviet capabilities against our land-based force, Secretary Laird said there was no question they were preparing a "first-strike" threat.

Secretary Schlesinger's new argument is based on asserting that the Soviet Union might, in 1980, have a counterforce capability itself if it learns what we know *now*.

"If the Soviets were able to develop these improved technologies presently available to the United States in the forms of guidance, MIRVs, warhead technology, at some point around 1980 or beyond they would be in a position in which they had a major counterforce option against the United States and we would lack a similar option" (January 10, 1973).

He goes on to say that this capability might be used in a novel way. The counterforce option he has in mind is selective, or reasonably all-out, attacks on U.S. land military targets notwithstanding the existence of a secure sea-based force. In effect, he fears that the increasingly stable nuclear balance might permit limited strategic attacks that avoided cities. The U.S. might then be faced with an ultimatum to avoid retaliation lest the Soviet attacks further escalate to cities. Presumably, the Soviet purpose would be a show of force.

These limited attack possibilities are not only feared by Secretary Schlesinger. They are also *welcomed*, as a way of solving a strategic dilemma in Europe. In arguing for flexibility before the Senate Armed Services Committee on June 18, 1973, Secretary Schlesinger said, in support of the plausibility of such attacks,

". . . or to take another example, the United States' pledge to come to the aid of the NATO alliance, which would mean that we would be forced if we had to rely exclusively on the assured destruction options, to destroy Soviet cities and in consequence of this have destruction of American cities". He would prefer limited strategic attacks instead. Indeed, such demonstration attacks on a very limited basis—are said to be programmed already in the event of war in Europe.

It seems evident that these apocalyptic considerations are sufficiently important and interesting to the body politic that they should have had much greater airing. As late as two years ago, Senator John Stennis, Chairman of the Armed Services Committee, was arguing in support of the Defense Department against putting high accuracy on our MIRVed warheads:

"DOD AND SENATOR STENNIS OPPOSED COUNTERFORCE IN 1971

"On October 5, 1971, Senator James L. Buckley (Conservative—Republican, N.Y.) proposed amendment No. 448 to the Military Procurement Authorization and asked that "not less than $12,000,000 shall be available only for the purpose of carrying out work in connection with providing counterforce capability for the Minuteman III system."

"Scattered excerpts from the debate follow:

"Senator Buckley: The amendments I have offered will not provide us with a first-strike capability for two reasons.

"First of all, these are designed only to modify the warheads within existing missiles. We simply do not have enough missiles to mount enough warheads. For a first-strike effort, with the improved accuracy, we should need in excess of 12,000 warheads if we were ever to try a first strike against the Soviet Union . . . [Editor's note: 8,000 are now programmed on missiles alone].

"Second, it should be kept in mind that there are innumerable situations where flexibility is urgently desired. Let us assume that either from the Soviet Union or from some other country there are indications that they acquired the capability for a first strike capacity. Let us assume that their first strike knocks most or all of our strategic weapons. We would then have our submarine and additional weapons. We would then face the choice of aiming those at the civilian population of the enemy, thereby destroying tens of millions of human beings in the Soviet Union or trying to defend ourselves by directing our missiles at a second strike against the remaining weapons held by the enemy.

"Senator Stennis: The explanation of this amendment includes the word "counterforce". Those familiar with these terms know that essentially means a first-strike capability. We have stayed within the terms of deterrence, deterrence, deterrence. That is what we are talking about at the SALT talks.

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"Here is what [the Defense Department says] in their position paper on proposed Amendments No. 448 and 449.

" 'The Defense Department cannot support the proposed amendments. It is the position of the United States to *not* develop a weapon system whose deployment could reasonably be construed by the Soviets as having a first-strike capability. Such a deployment might provide an incentive for the Soviets to strike first.'

* * * * *

"I stand squarely on that ground. It is not often that the Department of Defense comes out against an amendment that would put more money in a bill.

". . . we do not need this type of improvements in payload and guidance now, the type of improvements that are proposed, in order to have the option of attacking military targets other than cities. Our accuracy is already sufficiently good to enable us to attack any kind of target we want, and to avoid collateral damage to cities. The only reason to undertake the type of program the amendment suggests is to be able to destroy enemy missiles in their silos before they are launched. This means a U.S. strike first, unless the adversary should be so stupid as to partially attack us, and leave many of his ICBM's in their silos for us to attack in a second strike." (See pages 35059, 35062, 35064 of Congressional Record, Senate, October 5, 1971).

COUNTERFORCE AND SALT

The counterforce decision is put forward by the Secretary as if it had much to do with SALT—in fact, however, it is non-negotiable. He does emphasize that we cannot permit the other side to have a relatively credible counterforce capability if we lack the same" (January 10). And he emphasizes that the other side might have the capability by 1980 in the form of 7,000 one-megaton warheads. (The U.S. will soon have more than that number of warheads, and, as noted, with the accuracies anticipated these will be quite adequate for target-killing. Indeed, for limited strikes one wants *less* collateral damage; a force of smaller warheads would be better.)

But he notes that the targeting strategy change "has taken place" and that it is "quite distinct" from our SALT position (January 10, 1974 backgrounder). In this sense, the current furor about SALT and the Interim Agreement is an irrelevant smokescreen. Even if the SALT Agreement had provided for forces of quite equal size, the Secretary would presumably have wanted this same targeting doctrine and the same accuracy. Why?

It is true that the Secretary puts great emphasis, as do military men, on the politi-

cal consequences of letting the other side get more than our side possesses in some dimension of armament. It is assumed in such statements that the side with the most megatonnage might be able to frighten the other. (Why the side with the most warheads or accuracy—our side—might not be able to gain the upper hand is never clear.)

Indeed, no measure is sufficient to make much difference. The fact is, and the literature of "limited strategic attacks" reveals it, that shows of force or resolve in a contest where neither side can disarm the other have to do with psychology rather than with weaponry. If one is "chicken" no amount of additional megatonnage will help. If one is bold, and willing to take risks to coerce the other side, no weapon inferiority need matter as long as a secure retaliatory force is maintained.

These facts are much blurred in the declarations of the Secretary of Defense, which are further tied to SALT negotiating strategy. He notes with repeated emphasis:

"We must maintain essential equivalence between the forces available to the Soviet Union and the forces available to the United States. There should be no question in the minds of the Soviets as we negotiate with them of our willingness to achieve that essential equivalence" (January 10).

Even as SALT strategy, this can be questioned. Why should there be "no doubt"? Might we not, just as well, argue that there should be "no doubt" in Soviet minds that the U.S. was not going to try to keep up with the nuclear Jones mindlessly? Obviously, much turns on the felt political relevance of militarily irrelevant force imbalances. Unfortunately, on-going SALT negotiations tend to exacerbate concern about imbalances that would otherwise be seen to be politically irrelevant as well.

EVOLUTION OF NIXON ADMINISTRATION DOCTRINE

The link between strategic weapons and resolve has long preoccupied this Administration. The link began to be emphasized in the 1970 State of the World Message where the Administration began to take pot-shots at the existing strategic posture. It criticized the theory of "assured destruction" as one which believed:

"Deterrence was guaranteed if we were sure we could destroy a significant percentage of Soviet population and industry after the worst conceivable Soviet attack on our strategic forces".

It suggested that the previous Administration believed that, if this criterion were satisfied, "restraint in the build-up of strategic weapons was indicated regardless of Soviet actions."

The Administration called for "strategic sufficiency" which, despite its name, was designed to require more weapons than "assured destruction" under a somewhat cooler label than the discredited "strategic superiority".

There was not—as there had been in the late fifties—concern that the Soviet Union might be able to disarm us. Significantly, the 1970 State of the World expressed concern about the "Soviet threat to *the sufficiency of our deterrent;* the 1971 statement talked of the possibility that the Soviet Union might seek forces that could destroy *"vital elements* of our retaliatory capability" (italics added).

Indeed, the 1970 statement indicated that the overriding purpose of our strategic posture was *political:* "to deny other countries the ability to impose their will on the United States and its allies under the weight of strategic military superiority".

In both the 1970 and 1971 statements, the Administration emphasized that it must not be "limited to the indiscriminate mass destruction of enemy civilians as the sole possible response to challenge" (1971). (It also mentioned, without much conviction, that "sufficiency also means numbers, characteristics and deployments of our forces which the Soviet Union cannot reasonably interpret as being intended to threaten a disarming attack".)

In 1972, the President re-emphasized what he had said in 1971:

"In its broadest political sense, sufficiency means the maintenance of forces adequate to prevent us and our allies from being coerced. *Thus the relationship between our strategic forces and those of the Soviet Union must be such that our ability and resolve to protect our vital security interests will not be underetsimated"* (italics added).

In short, the Administration had shifted the standard for strategic forces from a measurable strategic goal to a goal that was open-ended, depending ultimately on its own sense of psychological vulnerability. It was concerned that its sense of "resolve not be underestimated". But in a balance of terror, as noted, no amount of additional weapons can be certain of satisfying that criterion. Thus, sufficiency, defined this way, was an open ended invitation to weapons procurement.

In short, the decision to change our central war strategy was really quite independent of SALT. It grew out of the Administration's unwillingness to fall behind by any measure, no matter how militarily irrelevant the measure. It grew out of the double standard with which the Administration strategists cannot help but measure what constitutes "essential equivalence". And it grew out of the excessive number of warheads which we have programmed—an excessive number that forces the Administration to targeting and accuracy decisions for Parkinsonian reasons. The problem is simple: *weapons in search of a target.*

COUNTERFORCE AND THE LIKELIHOOD OF WAR

The United States is now legitimizing the notion of limited strategic attacks. In preparing for the possibility ourselves, and in talking of the fear that the Soviet Union might engage in this possibility, we are improving the prospects for limited nuclear war. This assertion can hardly be doubted. It takes "two to play" controlled war and if the other side is clearly not prepared, one would be foolish to try. By advertising our consciousness of the possibility, we are moving a giant step closer to having the Russians try out the ultimatums that we previously shrugged off as an impossible joke. This is not good.

Furthermore, if we plan limited nuclear attacks and talk about it enough, to this extent, we might try such a strategy. This is a dangerous course. The Russians are less likely than we to have invested in, and to be able to rely upon, the command and control that is necessary to play limited nuclear war. They, more likely than we, would just salvo their weapons or not fire at all. If counterforce targeting means kidding ourselves about these facts, then the security of the United States will be undermined by it.

Finally, the Secretary does not plan to purchase just the forces necessary to strike a few Soviet targets as a show of force: this ability we have already had for many years. He plans to purchase high accuracy and install it on the Minuteman and Poseidon MIRVs. The result will be an enormous boost in the capability of our forces to attack all of Soviet land-based missiles.

DOD thinks that by not specifying exactly what military targets they are planning to aim at, they can confuse the issue. But once higher accuracy is purchased, it will provide enough capability to attack all of the Soviet retaliatory weapons—obviously these will then be the ones aimed at. And high accuracy is needed for nothing else.

SALT AND COUNTERFORCE

The Interim Agreement limits the number of silos in which the two sides can place their missiles. Thus it pins down the targets at which counterforce weapons would be aimed. How long will the two sides be willing to abide by the agreements limiting missile force numbers if these forces become vulnerable?

Growth in missile forces is probably not the answer to their dilemma, of course. New forms of missile deployment would have to be arranged. With each side gaining several thousand target-killing warheads, multiplying the existing forces in number will not seem cost-effective. After all, it is cheaper to buy an attacking new warhead than an entirely new defensive missile.

One answer, of course, is the one FAS provides. Throw away the land-based missiles and they will cease to be aimed at each other, with the benefits described on pages 1 and 2.

It should be noted, however, that this solution will not prevent the targeting of other less important military targets. Nor will it prevent shows of force, limited nuclear war (or limited strategic attacks) or whatever. These could still be carried out by submarine based missiles.

What our solution will provide, however, is a very small difference between the results of striking first and of striking second—in this sense it will increase the stability of the nuclear balance by providing the smallest possible incentive to strike first in a major way.

In the absence of such a solution, there will presumably be land-based missiles in other modes: mobile-based or based in silos under mountains and so on. Nothing could be more ridiculous at this stage of the arms race. But in light of the history summarized in this Report, no arms race procurement possibility can be ruled out as too bizarre.

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RISE AND FALL OF NUCLEAR SURPRISE ATTACK

Consider the decline of the nuclear surprise-attack scenario. It began in the late fifties when exaggerated estimates of Soviet missile production suggested the USSR would have missiles while the U.S. still had only bombers.

*Scenario (1958–61):* The USSR launches large numbers of missiles at U.S. bombers on their bomber bases, destroying the deterrent.

*Problems:* The attack is hard to effect because the bomber bases in question were all over the world; to hit them at the same instant meant launching the attacking missiles at different times, thereby providing some warning. Also, U.S. had nuclear weapons in Europe and on carriers. (Especially important, the Soviets did not in fact ever have the missiles on which the attack is premised.)

But, at least, the USSR attack made sense on paper and in concept.

By the mid-sixties the situation was much different. The United States had 1,000 land-based (Minuteman) intercontinental missiles and a fleet of 41 ballistic-missile-firing (Polaris) submarines, with 16 missiles each, more than half on station at any one time. The Soviet attack scenario became at least ten times less plausible. Here it is.

*Scenario: (mid to late sixties):* The USSR launches missiles attacking not only U.S. bombers but 1,000 U.S. missiles as well. In order to cope with the retaliatory strike from our Polaris submarines, the USSR plans to shoot down hundreds of such missiles with an antiballistic missile system.

*Problems:* No sane military or civilian planner in any country would rely upon a ballistic missile defense to shoot down hundreds of missiles. For this reason, this attack did not make sense, even on paper. (Further, the Soviet Union did not have a ballistic missile defense. Still further, the Soviet Union did not have the capacity to destroy even the U.S. land-based targets.)

Notice especially, how much harder this is to believe than the earlier scenario. This plan may make conceptual sense but it does not make practical sense.

In recent years the scenario *further* declined:

*Surprise Attack Scenario: (1969–71):* The Soviets launch large numbers of missiles against our land-based missiles and bombers.

*Problem:* No solution whatsoever is provided for neutralizing our sea-based deterrent. The scenario is badly incomplete.

Notice that, by this time, the Soviet Union can not even be assumed to have a ballistic missile defense. By 1972, there is even a SALT agreement precluding all but two (strategically irrelevant) missile defense sites. As a result, the surprise attack scenario for this period is simply incomplete—on paper or in concept. In short, by 1970, there was no surprise attack scenario based on current Soviet forces or any proclaimed extrapolation of them!

The result was a new political addition to the scenario:

Surprise Attack Scenario (1973—): The Soviet Union launches large numbers of missiles against U.S. land-based missiles and then issues an ultimatum against U.S. responses with sea-based ballistic missiles.

*Problems:* The attack on our land-based forces does not significantly change the deterrent situation. Why then would the Soviets risk it?

Our sea-based forces could respond against any Soviet targets they wish, issuing a counter ultimatum—that full scale attacks on U.S. cities would result in a full scale attack on Soviet cities.

Soviet attacks on our land-based forces would inevitably cause widespread fallout and many millions of casualties. No Soviet planner could assume that we would carefully and restrainedly calculate after that. Nor could he be sure that we could distinguish this attack from an all-out attack. Nor could he be sure that we could restrain our sea-based forces with suitable communications once the crisis began for our airborne bombers.

The entire scenario is bizarre—enormous risks for no point. The enemy disarms his land-based missiles in order to disarm our land-based missiles (with the sole advantage that they are disarmed over our territory rather than over his). Each side retains a deterrent as before, based on sea-based missiles.

One can only imagine that the Joint Chiefs have been smoking pot. The most incisive way to see the flaw in this scenario is to imagine that, some months before the attack, the United States had unilaterally dismantled all of its land-based forces. What would be the significance then of this scenario? We would have removed the targets for the attack but would have retained a totally adequate strategic deterrent.

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STATUS OF THE FAMOUS FOUR CRITERIA

In 1971, the Administration allowed as it had four secret criteria for determining what strategic forces it needed and how to negotiate. For those who are insufficiently cynical about such things, it is revealing to see how little attention is paid to them.

By 1972 and 1973, these criteria were public. By now they seem to have been all but abandoned. Of course, the first criterion is still with us: "Maintaining an adequate second-strike capability to deter an all-out surprise attack on our strategic forces."

But the fourth criterion "Defending against damage from small attack or accidental launches" was given up when the SALT agreement prohibiting a thin ABM over the entire country was reached.

The third criterion was:

"Preventing the Soviet Union from gaining the ability to cause considerably greater urban/industrial destruction than the United States could inflict on the Soviets in a nuclear war".

Without doubt the destructive capabilities of each side have reached the point where any differences are irrelevant. But the Administration itself signed an Interim agreement at SALT which did provide the Soviet Union with much greater payload capability.

Finally, the last criterion is very much at issue today:

"Providing no incentive for the Soviet Union to strike the United States first in a crisis".

The only method for doing this today is to get rid of land-based missiles. Indeed, destruction of U.S. Minuteman missiles—whether done unilaterally or as part of a bilateral reduction—would dramatically reduce the difference between a U.S. retaliatory blow before or after a Soviet attack. Thus it would precisely fulfill the criterion above by providing no Soviet incentive to strike first.

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[From Arms Control Today, January 1974]

FLEXIBILITY: THE IMMINENT DEBATE

In his 1970 "State of the World" message President Nixon asked, "Should a President, in the event of a nuclear attack, be left with the single option of ordering the mass destruction of enemy civilians, in the face of the certainty that it would be followed by the mass slaughter of Americans?" While it was obvious that the President believed that he needed greater flexibility in the employment of nuclear weapons, the specific implications of this remark for American nuclear strategy and strategic weapon programs were unclear at the time, and remained so for the next four years. Now, it is expected that the missing details at last will be spelled out in the President's 1974 "State of the World" message and in Defense Secretary Schlesinger's defense budget report.

Congress and the American people would do well to scrutinize these documents closely because it is very likely they will raise fundamental questions for the nation concerning what type of nuclear doctrine it should adopt. Furthermore, the choice of nuclear doctrines will have obvious consequences for American political relations, arms control efforts, and weapon procurement policies. Most importantly, the issue will not be whether the U.S. *should or should not* adopt greater strategic flexibility in the employment of its nuclear weapons, as some would imply, but rather *what kinds of actions* in the name of strategic flexibility would most contribute to American security—and what kinds would most detract from it.

While "strategic flexibility" is a concept which does not lend itself readily to definition, former Defense Secretary Richardson explained it last year in congressional testimony as "having the plans, procedures, forces, and command and control capabilities necessary to enable the United States to select and carry out the response appropriate to the nature and level of the provocation." Even more recently, Defense Secretary Schlesinger stated that a change in the "targeting strategy" of the American strategic forces had taken place and therefore the U.S. now has "targeting options which are more selective and which do not necessarily involve major mass destruction on the other side."

These statements imply—erroneously—that the previous American doctrine of "assured destruction" lacked the capacity for flexibile options. The implication that new types and numbers of strategic weapons are required is similarly groundless. In a recent article in *Foreign Affairs* Wolfgang K. H. Panofsky pointed out that there is no inherent technical reason that prevents existing American retaliatory forces from being employed in a limited manner. Similarly, as Schlesinger himself recently reaffirmed, the U.S. does have strategic weapons which could be used in a "limited counter-force role." Furthermore, the U.S. has maintained such a capability for some time: Alain C. Enthoven and K. Wayne Smith in their 1971 work, *How Much Is Enough?* noted that even with the "assured destruction" doctrine, American strategic weapons could be used to perform "limited and controlled retaliation."

What neither the U.S. nor the Soviet Union has today is an *efficient* counterforce capability against *hard targets* or *hardened missile silos*. This type of counterforce capability would be comprised of a substantial number of nuclear weapons, each with a high probability of destroying a hardened missile silo. For example, the U.S. could presently destroy some of the Soviet missile silos with a high degree of confidence, but only "inefficiently"—by means of targeting 3 or 4 Minuteman missiles on each Soviet silo. With an "efficient" counterforce capability the number of missiles required to be targeted at each silo might be reduced to the more favorable ratio of one or two Minuteman missiles per Soviet missile silo.

In sum, the doctrine of mutual assured destruction (MAD) characterized as inflexible by President Nixon and other critics is not inflexible at all.

Several events during the first term of the Nixon Administration have fundamentally increased the degree of strategic flexibility available to the U.S. and should not be overlooked. For one thing, the ABM Treaty has significantly enhanced the ability to respond at a low level since every small attack does not have to overwhelm the adversary's defenses. In addition, noteworthy advances in command and control capabilities can now make available to the President an unlimited number of strategic targeting options for the American missile forces. One example of this is the current deployment of a computerized retargeting system which vastly reduces the amount of time required to change the target selections of each missile. Therefore, it is clear that not only did the previous American forces contain a substantial degree of flexibility, but present American forces have acquired even more in recent years. If the present nuclear force structure is already inherently flexible, then what further capabilities could the President and Defense Department desire? Although it is likely that certain improvements could be made in U.S. command and control capabilities to increase flexibility, the only step which remains to be taken in the area of counterforce capabilities is the development of an efficient "silo-killing" counterforce capability. While at the present time the Nixon Administration has not explicitly stated that the development of such a capability is an American strategic objective, Secretary Schlesinger in recent weeks has implied that the capability to destroy Soviet military targets, including missile silos, would be one way of enhancing American "strategic flexibility." The forthcoming foreign policy message and defense report are expected to provide the details.

In our view the development of such a capability would be not only unwarranted but also dangerous. Moving to a counterforce doctrine would also represent a major policy shift since in the past President Nixon and other top officials have frequently assured the Congress and American public that the U.S. would neither develop a counterforce capability nor any weapons "which the Soviets could construe as having a first-strike potential." While it is possible to argue that "technically" a hard-target counterforce capability does not constitute a *disarming* first-strike potential since both sides will maintain relatively invulnerable sea-based missiles and bombers, the fact remains that both nations will *perceive* such a capability as an attempt to achieve such a capability and therefore highly provocative, regardless of what is "technically" correct. It is difficult

to believe that those Americans who for years have been most concerned about the vulnerability of the U.S. ICBM force to a Soviet MIRV attack will not be able to comprehend that even a "limited" U.S. counterforce potential can generate uncertainties in Soviet eyes about our intentions, create instabilities in the strategic balance, and foster suspicions between the two nations. What are Soviets doing right now?

The acquisition of such counterforce capabilities would increase the likelihood of nuclear war and the potential for crisis instability. The likelihood of nuclear war will be increased since a counterforce doctrine and related capabilities will make nuclear weapons seem more "useable" in addition to making their attractiveness as a viable policy option superficially greater. Crisis stability will be decreased since with hard-target counterforce capabilities and vulnerable land-based forces each side will perceive in a crisis situation the incentive of even a limited first-strike upon its adversary's missile force. The attractiveness of counterforce targets in a second-strike attack could never equal those of a first-strike attack. Consequently, an incentive will exist for the side which seizes the initiative to strike first. Yet, any benefits gained from such a first-strike attack would be only short-sighted and illusory since each nation will still retain more than enough nuclear weapons to ultimately destroy the cities of the other. In addition, the development of a hard-target counterforce capability will only promote further strategic arms competition between the U.S. and Soviet Union, while impeding progress in arms control efforts such as the SALT II negotiations and the Comprehensive Test Ban.

In light of the disadvantages of such a capability, the United States should make the basic choice to increase strategic flexibility through further improvements in command and control capabilities rather than by the development of a provocative hard-target counterforce capability.

Finally, the ultimate solution to the problem of an increasingly vulnerable land-based missile force will be found, not in the development of more efficient "silo-killing" weapons but rather in the negotiation of mutual limitations on MIRV flight-testing and deployment as a preface to the eventual reduction of the land-based missiles on both sides.—*John C. Baker.*

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[From the Economist, Mar. 2, 1974]

THE SCHLESINGER GAMBLE

After the energy conference, Nato: Mr. Kissinger has scored another point in America's relations with Europe. He has been arguing that the United States and its European allies need a better method of regular consultation. Now, from next month, the political heads of 14 foreign ministries—everybody in Nato, including France, except Iceland—will meet frequently with the Nato permanent council. This provides a new level of consultation, between the twice-yearly meetings of ministers and the stodgy gatherings of the permanent council meeting alone. The change is needed: the recent publication of the American defence budget is a vivid reminder not only of the preeminence of the United States in matters of defence but also of the two-way dependence with its allies.

The new items in the American defence budget, plus some major changes in emphasis, have set the United States off in a fresh direction. This budget is very much the creature of the new Secretary of Defence, Mr. Schlesinger. The hallmark is flexibility. He wants to have several possibilities for response in any situation. Not only does he want the power to fight a conventional war, he wants a rich variety of nuclear options as well, so that even nuclear action can be tailored to the shape of any particular crisis.

There are three distinct results of this budget; all are, or ought to be, highly controversial, and not looked upon simply as this year's ration for the American military establishment. First, the bad news for America's European allies is that Mr. Schlesinger's nuclear flexibility is apparently to be achieved at the expense of some kinds of conventional forces. Although widely billed as America's biggest defence budget since the second world war, it is actually smaller in real money terms than any since 1951. It does not directly reduce the American forces in Europe, but it does cut about 20,000 men out of the armed services as a whole. If this kind of budget becomes routine over the next few years it will certainly generate pressures of its own for reductions in Europe; a sizeable part of the Defence Department could find itself allied with the isolationists in Congress.

The second result of this budget will be to make the current round of Strategic Arms Limitation Talks (Salt) much more difficult. The negotiators are confronted with America's proposal to produce lots of different new weapons. There are now not only bombers and land-based and submarine-carried missiles (and numbers of warheads) to be considered. There is a new quiet missile submarine, smaller than the 24-missile Trident; there are missiles with maneuverable warheads; there are also, in one of the sharpest budget increases, new cruise missiles which can be launched from submarines or aircraft. None of these new weapons is here yet; most are years away. But the American defence budget, with its tradition of revealing nearly everything about American plans, is itself a major instrument in arms politics. And this one, with its bewildering array of strategic possibilities, cannot fail to make Salt-2 a very complex operation indeed.

The third result of this budget may be a sharp acceleration of the arms race. The Americans' nuclear strategy has passed through several distinct stages. There was President Eisenhower's "more bang for the buck", which was massive nuclear retaliation for any attack by the Soviet army. This was followed by flexible response, which has never seemed entirely convincing because Nato has never been willing to provide enough troops to hold off a Soviet attack for more than a few days. Then the advent of anti-ballistic missiles (ABMs) threatened to break the nuclear balance. The Salt-1 agreement tried to put the lid back on this box by limiting the numbers of ABMs. But in retrospect Salt-1 may have been a hollow triumph; certainly the tacit agreement by both sides to deploy only one of their two allowed ABM systems was due in large part to the realisation that offensive technology is moving faster than defence. The new American budget pushes this technology a stage further with all its hints of new attacking weapons to come. The nuclear arena is, once again, the centre of the American-Russian competition.

SEE WHAT WE CAN DO

Of course, the American budget is not the only factor which threatens to destabilise things. The Russians have built a lot more missiles over the past few years than the Americans have, and have lately tested several new long-range missiles; they have also developed multiple independently-targetable re-entry vehicles before western intelligence predicted they would. Mr. Schlesinger's announcement that some American warheads are being re-targeted on to Russian missile sites is part of the response to that. (It is also the result of the increased number of Poseidon missiles in America's inventory. With Poseidon's multiple warheads, there are so many warheads available that they are literally running out of city targets.) The budget is another part.

So this year's American defense proposal—which is all the budget is at this point—may simply be a historical milestone in a process that began several years ago. There is a strong argument that the nuclear flexibility this budget represents can be used to make war less likely. And if the budget brings home to the Russians the breathtaking range of possibilities available to the technological power of the United States, Mr. Brezhnev may decide to make Salt-2 the great breakthrough to cooling off the cold war which most of the world hopes it will be. But if Salt-2 fails, 1974 will have introduced the idea of a flexible nuclear response and could be the beginning of an extremely expensive round in the arms race.

Mr. KENNEDY. Mr. President, I would like to associate myself with the remarks of my distinguished colleague from Massachusetts. I believe there is a strong case against developing an increased capacity to destroy Soviet land-based missiles.

First, it is an illusion to believe that the United States can develop a capability for limited nuclear war that will significantly reduce casualties in a war with the Soviet Union. Even if both sides directed highly accurate weapons against exclusively military targets, the associated civilian damage would be immense, both from direct blast effects and from fallout. Casualties would still be in the millions on both sides.

To be sure, it is important for the United States to have many options in its nuclear strategy. Yet we have had these options for many years, including the targeting of many of our weapons against Soviet military sites. Having options might, indeed, increase the chances of stopping a nuclear war—especially one that started by accident. But we would only fool ourselves if we believed that these options—or the new programs we are considering—would in a nuclear war prevent death and destruction the like of which has never been seen on this planet.

Second, we must consider the risks of destabilizing the balance of mutual assured destruction between the two superpowers. It may be that hard analysis would indicate that even a U.S. ability to destroy the Soviet Union's land-based missiles would not provoke them to launch a preemptive attack against us, and that we would not be provoked to launch a preemptive attack if the Soviet Union could destroy our Minuteman and Titan missiles. There are simply too many nuclear weapons on both sides that would still get through—bombers, weapons based at sea, and land-based missiles not effectively destroyed—for either power to escape massive destruction in any nuclear war. Such a war would remain an act of insanity, and would most likely end civilized life in our two countries and elsewhere.

Yet even if the possibility of a successful attack against land-based missiles alone would be unlikely to provoke a nuclear war based on cold logic, we must still consider the imponderables—the psychological factors that so often govern men's actions. Any country whose land-based missiles were vulnerable to destruction in a first strike would be likely to consider adopting a strategy of "launch on warning," thus returning us to the hair-trigger days of the 1950's. This strategy might be adopted out of fear—

wrongly in my judgment—even though other weapons systems remained invulnerable. Yet no national leader—either here or in the Soviet Union—should once again be faced with the awful responsibility of potentially deciding on nuclear war in the few precious minutes between the word of an impending attack and its occurrence. No leader should be placed at the mercy of fallible machines to tell him whether or not an attack has actually been launched.

Each superpower has gained from the sure knowledge that a devastating nuclear response is possible, what ever the other side does first. In no way should we undermine that strategic and psychological assurance—which underpins the current relaxation of tensions between the superpowers. And we should demand that the Soviet Union take no action that would do likewise.

Third, I concur with Senator BROOKE that it would be very difficult for the Soviet Union to distinguish between developments we make in the yield, accuracy, and maneuverability of U.S. warheads, in order to destroy Soviet land-based missiles; and the actual deployment of these weapons. Unlike deployed missiles, themselves, these new warheads cannot easily be counted—if at all. Hence, once development is completed, the Russians will never be entirely sure that we have not deployed them. They will very likely act as though we had done so, just as our military planners believe that later in the 1970's they will have to count on a full deployment of Soviet MIRV's, whether or not Moscow actually decides to follow this course.

The time for restraint, therefore, is now, before new doubts are raised in the minds of Soviet planners about our intentions, and before they use these doubts to argue for the building of yet more Soviet nuclear weapons.

Finally and most important, I believe we must assess very carefully the effect of these new developments on the prospects for reaching a firm agreement at the SALT II talks—an agreement in the interests of both sides. To be sure, we must be prepared to meet any Soviet challenge to our ability to respond effectively to any Soviet nuclear attack. To be sure, we must be mindful of the relative balance of nuclear forces on both sides for psychological reasons. We must seek a substantial overall equality, in both quantitative and qualitative terms, between the nuclear forces of both sides. We must seek by every means to gain Soviet restraint in the arms race—restraint particularly in the possible deployment of new, large missiles which the Soviet Union has been testing.

Yet it is important at this critical stage of arms negotiations for the United States to take no action that is likely to stimulate further Soviet nuclear weapons deployments. For if we do so, we will only play into the hands of the Soviet marshals, against those officials of the Soviet government who may genuinely seek an end to the nuclear arms race.

Following my trip to the Soviet Union last April, I am firmly convinced that it is possible to reach an effective SALT II agreement, provided that both sides are prepared to exercise restraint. And I am even more convinced that the time to do so is now. Secretary Kissinger himself has stressed the problem of coping with a rapidly-approaching nuclear environment in which there are thousands and thousands of nuclear weapons on both sides, of every conceivable type and characteristic. It will not be easy to cope with the growth of nuclear technology in any event; but it will be immensely more difficult if either side goes forward with new deployments or develops new capabilities that are read by the other side as implying new deployments.

These new U.S. hard-targeting programs would take several years to develop, and would not improve our ability to survive a Soviet first strike and respond effectively. But if that is true, then we have nothing to lose and everything to gain by waiting—waiting to see whether a small measure of U.S. restraint will lead to the Soviet restraint that we earnestly seek in deployment of new, large missiles.

In light of the limited accomplishments in arms control at the last summit—a failure to make any substantial progress—and in light of the imperative need to move forward at SALT II, I believe that we should not muddy the diplomatic waters. We should hold off on these programs, and challenge the Soviet Union to hold off on its new deployments.

Mr. President, it is for these reasons that I join with Senator BROOKE in opposing these new research and development programs.

Mr. EAGLETON. Mr. President, I ask unanimous consent that the pending amendment, No. 1836, be temporarily laid aside and that I be permitted to yield the floor to the distinguished Senator from Massachusetts (Mr. KENNEDY) so that he may call up his amendment.

The PRESIDING OFFICER. Is there objection?

The Chair hears none, and it is so ordered.

Mr. MANSFIELD. Will the Senator yield briefly?

Mr. KENNEDY. I yield.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the final vote on the pending business occur at 4:45 this afternoon.

Mr. EAGLETON. Is that on the pending amendment?

Mr. MANSFIELD. The pending business, the bill.

The PRESIDING OFFICER (Mr. HELMS). Does the Senator also ask that rule XII be waived?

Mr. MANSFIELD. Yes.

Mr. GRIFFIN. What about the vote on the Eagleton amendment?

Mr. MANSFIELD. That is on controlled time. I do not anticipate that the opponents will consume anywhere near the 2 hours that have been allotted.

Mr. KENNEDY. Mr. President, reserving the right to object, I have an amendment I would like to be able to offer. I have discussed it briefly with the Senator from Arkansas. He has indicated a willingness to take it to conference.

Mr. STENNIS. Mr. President, may we have order?

The PRESIDING OFFICER. The Senate will be in order.

Mr. KENNEDY. I want to make sure that we will have an opportunity to consider the amendment and discuss it briefly. I am not interested in an extended period of debate.

Mr. McCLELLAN. Mr. President, I was not in the Chamber a moment ago. What is the request?

Mr. MANSFIELD. That the vote on passage occur at 4:45.

Mr. McCLELLAN. I have no objection, I am perfectly willing.

What is the question of the Senator from Massachusetts?

Mr. KENNEDY. It is with respect to my amendment, which we discussed. I understood that we were going to have a brief exchange.

Mr. McCLELLAN. I indicated to the Senator that I would be willing to take the amendment to conference, so that we would not unnecessarily take up a lot of time arguing it and discussing it. If the Senator is willing to do that, I think we can proceed.

Mr. KENNEDY. The distinguished senior Senator from Missouri has been extremely interested in this matter, and I am wondering whether I could have an opportunity to talk with him briefly, and then if the majority leader would propound such an agreement, I am sure there would be no objection.

Mr. EAGLETON. I can say, on behalf of my colleague, that he would be amenable to the unanimous-consent request.

Mr. MANSFIELD. Does the Senator want a quorum call?

Mr. KENNEDY. Yes.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum. I ask unanimous consent that the time not be charged to either side.

The PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MANSFIELD. Mr. President, I wish to repeat my earlier unanimous-consent request that the vote on final passage occur at the hour of 4:45 p.m. and that rule XII be waived.

The PRESIDING OFFICER. Without objection, it is so ordered.

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## ORDER FOR ADJOURNMENT UNTIL 9 A.M. TOMORROW, AND FOR SCHEDULE OF BUSINESS

Mr. MANSFIELD. Mr. President, if this bill is disposed of tonight, I ask unanimous consent that the Senate convene at 9 a.m. tomorrow; that there be an appropriate period for the recognition of special orders and the joint leadership, with a brief morning hour; and that the vote on passage of the State, Justice, and Commerce appropriation bill, which will be the pending business, occur not later than 3 p.m. tomorrow, with rule XII waived.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

## DEPARTMENT OF DEFENSE APPROPRIATION ACT, 1975

The Senate continued with the consideration of the bill (H.R. 16243) making appropriations for the Department of Defense for the fiscal year ending June 30, 1975, and for other purposes.

AMENDMENT NO. 1835

Mr. KENNEDY. Mr. President, I call up my amendment No. 1835.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk proceeded to read the amendment.

Mr. KENNEDY. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KENNEDY'S amendment (No. 1835) is as follows:

On page 50, line 21, insert a new section as follows:

SEC. .(a) No funds appropriated for the use of the Department of Defense by this or any other Act in fiscal year 1975 may be used for the purpose of stockpiling war materials or equipment for use by any Asian country except to the extent authorized by title VII of this Act or by the Foreign Assistance Act of 1961 or the Foreign Military Sales Act.

(b) Any materials or equipment stockpiled by the Department of Defense on the date of enactment of this Act for future use by any Asian country may not be transferred to any such country except to the extent such transfer is specifically authorized by law.

Mr. KENNEDY. Mr. President, this is an amendment that deals with the war reserve stocks for allies. The amendment was initially accepted by the Senate last June, as part of the Defense Authorization bill, but it was dropped in conference because of the opposition of the House conferees. Hopefully, they will have a different attitude this time in conference.

Specifically, Mr. President, this amendment will prohibit $529 million from being used for war reserve stocks for allies. This ambiguous account is reportedly used to obtain weapons and ammunition on a contingent basis for the support of forces in the event of a future war involving South Vietnam, South Korea, or Thailand.

This new funding account, quietly built up in the last 2 fiscal years, has not gone through the authorizing committees of the Congress. It is a back-door means of bolstering increased procurements by the Defense Department.

When the disguised account was discovered by Senator FULBRIGHT last spring, the Defense Department explained it as being used for supporting these three allies—South Vietnam, South Korea, and Thailand. At the same time, the Defense Department stated that the equipment remained in stockpiles controlled by the United States. However, the Department would not state that, in the event of hostilities, congressional authorization was required before these weapons could be turned over to other countries.

In fact, when the General Accounting Office reported its findings to the Senate Foreign Relations Committee last month, the Defense Department objected to the GAO's use of the word "authorization" as being required prior to the transfer of stockpiled items to these Asian allies. The Department argued instead that only "consultation" with the Congress was required.

I find this appropriation objectionable on two counts. First, it could mean that congressionally established ceilings—on aid to Vietnam, for example—could become meaningless if the Defense Department can circumvent those ceilings by commingling U.S. and allied reserve stockpiles, and thereby escape congressional control over their distribution. Second, it means that we are being asked—at a time of difficult economic circumstances—to boost our own Defense budget for the purpose of meeting the future military needs of South Vietnam, South Korea, and Thailand. Clearly, this major item should be considered as part of the foreign aid request, not as a disguised account in the DOD appropriations bill.

The Defense Department now argues that much of the new equipment purchased by this account goes directly to the U.S. active military forces and the U.S. Reserves. If that is the purpose of these funds, then they should not be categorized as "war reserve stocks for allies."

Moreover, the GAO has informed me that there is a circle at work: Even if some of these weapons go to U.S. troops in the field, the weapons that are replaced go to the Reserves and/or to the stockpile. Then, once in the stockpile, there is a clear tendency for the supplies to be declared excess and turned over to South Vietnam, South Korea, and Thailand. Thus, the will of Congress can be thwarted by the backdoor.

The process is misleading in another way. For example, in fiscal year 1973, the Defense Department listed $24.3 million in excess stocks as going to South Vietnam, $6.4 million as going to Thailand, and $8.3 million as going to South Korea. But those figures are what the DOD calls actual value, not the acquisition cost of the supplies. The GAO found that the Department of Defense was listing those weapons at 8.9 percent of their acquisition cost. Thus, the acquisition of weapons declared excess and turned over to those countries in fiscal year 1973 was approximately $390 million. In fiscal year 1974, the acquisition cost of equipment declared excess and turned over to those three countries was approximately $620 million. And in fiscal year 1975, the Defense Department plans, according to the GAO, to turn over to those three countries weapons and equipment whose acquisition cost is approximately $738 million.

I see no reason for the U.S. Congress to approve $529 million in an account listed as war reserves for allies and designated for South Vietnam, South Korea, and Thailand, at the same time that the Department of Defense contemplates turning over excess items costing an estimated $738 million to those countries.

If there are stockpile needs that are not being met for U.S. active duty forces, let the Defense Department ask specifically for that equipment as it usually does in its normal procurement requests. If this is a legitimate foreign military aid request, then let it be properly considered under the foreign aid bill.

Mr. President, it is also important to note what this amendment does not do:

First, it does not affect in any way the Department's service-funded program of aid to South Vietnam. The committee has recommended $700 million for that fund.

Second, it does not affect in any way the level of assistance which may eventually be approved by the Congress under the authority of the Foreign Assistance Act or the Foreign Military Sales Act—$300 million has been requested for South Korea and Thailand under those programs. This amendment is unrelated to congressional approval or rejection of those requests.

Finally this amendment does not affect the approximately half-billion dollars worth of stocks which have already been set aside for these Asian allies in the past 2 fiscal years. But it does put a halt to adding another half-billion dollars worth of weapons to that stockpile this year, until the purposes of the stockpile are more clearly explained to Congress, and the implications of such foreign aid have been properly deliberated.

Mr. President, I have grave doubts whether such foreign aid should be authorized at all. Certainly, it should not be done without the consent of Congress. But primarily, I wish to stress that such foreign aid does not belong in this bill. This is a budget bill to provide funds for the operation and maintenance of the Department of Defense. Foreign assistance appropriations should not be mixed with appropriations for the U.S. armed services.

The only foreign assistance fund appropriated along with funds for the services in this bill is the assistance for South Vietnam. All other foreign assistance is authorized in the Foreign Aid bill, under the military assistance program. This is true even of the $2.2 billion in military assistance authorized for Israel last year.

The Armed Services Committee report on the Defense authorization bill strongly emphasizes the same point:

> As it did last year, the Committee is again recommending reductions of the items included for war reserves for allies. The Committee does not agree that these items should be procured for storage for allies in a title that is intended for the procurement of items for U.S. forces.

In this year of the war powers bill and economic belt-tightening, Congress cannot avoid its responsibility to guarantee that such programs are fully justified in terms of foreign assistance, and that there are proper controls over transferral of these weapons. We have had enough of Presidential wars.

Mr. President, I ask unanimous consent that the recent study prepared on this subject by the General Accounting Office may be printed in the RECORD at this point.

There being no objection, the study was ordered to be printed in the RECORD, as follows:

DEPARTMENT OF DEFENSE STOCKPILING OF WAR RESERVE MATERIALS FOR USE BY UNITED STATES ALLIES

COMPTROLLER GENERAL OF THE UNITED STATES,
*Washington, D.C.*

Hon. J. W. FULBRIGHT,
*Chairman, Committee on Foreign Relations, U.S. Senate.*

DEAR MR. CHAIRMAN: This report is in response to a May 6, 1974, letter requesting information on the stockpiling of war reserve materials by the Department of Defense (DOD) for possible future use by Asian allies.

Our study concentrated on the scope of the program, the statutory authority being relied on by DOD for stockpiling these materials, and the authority under which they could be turned over to any of the allied forces. Our work was performed at DOD in Washington, D.C.

Because of the short time allowed to meet the Committee's needs, we have been unable to verify the information provided by DOD or to obtain a legal analysis of the propriety of the program. However, we have included our views and interpretations and believe this report will be helpful during the upcoming foreign assistance authorization hearings.

We have not submited the report to DOD for its official position; however, we have discussed the observations with DOD officials and have considered their views.

SCOPE OF THE PROGRAM

According to a DOD directive, the total quantity of a defense item authorized for peacetime acquisition includes the quantity estimated (1) to equip and sustain U.S.-approved force levels in peacetime and in wartime for periods specified in planning documents, (2) to equip and sustain allied forces by satisfying approved requirements of the Military Assistance Program, the approved requirements of the Foreign Military Sales Program, and approved wartime requirements for those allies specified in current program planning documents, and (3) to provide support for other U.S. Government departments and agencies. The term used to describe the above procurement requirement is approved force acquisition objective.

This objective includes a quantity to be stockpiled abroad and in the United States for future national emergencies—war reserves. These reserves are intended to sustain operations until production can be expanded to match combat consumption.

DOD believes that the war reserves are essential to rapidly deployable combat forces so that the United States has the future capability to respond and be supported in combat for whatever period the national interest requires.

We determined from DOD planning and programing documents that the approved force levels used to plan future requirements included the estimated number of allied forces that might need logistics support in future Asian hostilities. Estimated allied requirements add to but do not replace U.S. requirements.

DOD stocks of munitions and equipment have traditionally been available for transfer to allies pursuant to appropriate military assistance legislation, as well as for use by U.S. Forces. Specific identification of war reserve stocks for possible future transfer to allies in DOD budget documentation planning began with the development of the fiscal year 1972 Defense program. Some available assets were allocated for this purpose in fiscal year 1973. However, funds were not requested in budget submissions to the Congress until fiscal year 1974.

Items held in reserve that are planned for potential allied use are not segregated from other reserve stocks, and almost all the same kinds of items are also required as war reserves for U.S. Forces. If necessary, the war reserves for allied forces could be used to support U.S. Forces.

DOD considers that war reserve stocks for allies are not yet committed or authorized for transfer to any nation. They are for "allies" in theory only and, according to DOD officials, will remain U.S. property until the President, with appropriate congressional consultation determines that such stocks should be released to a specific ally. DOD officials said that the portion of the total war reserve stocks designated for future allied use is based on an arbitrary decision and it is the total (United States and allied) war reserve requirement that has validity.

DOD planners for fiscal year 1973 allocated $23 million of its reserve assets toward the total allied requirement; for fiscal year 1974, $494 million was allocated. For fiscal year 1975, $529 million of the total procurement request has been proposed for application toward allied requirements. Some of each of the following types of items are proposed to be procured from the fiscal year 1975 funds.

*Army*

Small arms ammunition.
Artillery ammunition.
Tank recovery vehicles.[1]
Portable radar sets.[1]
Minor miscellaneous items.
Spares and repair parts.
Mortar ammunition.
Tanks.[1]
Machine guns.
Rocket launchers.[1]
Landing boats.[1]

*Air Force*

Air-to-ground munitions.
Tanks, racks, adapters, and pylons.

LEGAL AUTHORITY CITED BY DOD FOR STOCKPILING AND TRANSFERRING STOCKS

We were told by officials of the Office of General Counsel, DOD, that DOD's legal authority to both stockpile war reserve assets and transfer these assets to allies is contained in:

The annual DOD authorization and appropriation acts;

The Foreign Assistance Act of 1961, as amended; and

The Foreign Military Sales Act, as amended.

No specific sections of these acts were cited.

AUTHORITY FOR STOCKPILING AND TRANSFERRING STOCKS—GAO VIEWS

Time did not permit us to perform a search for all possible means available to stockpile war reserves and to transfer these stocks. However, our brief look at the legislation mentioned by DOD disclosed that the general authority to procure U.S. defense material is contained in the annual DOD authorization and appropriation acts. This authority does not provide for the procurement of war reserves but rather for specific defense items (for example, Procurement of Ammunition, Army). Nevertheless, through backup data submitted with appropriation requests and the testimony of witnesses, the congressional committees responsible for DOD authorizations and appropriations were aware of DOD's program of stockpiling for possible future allied use. Thus, the legislative history of the annual DOD authorization and appropriation acts suggests that the committees intended to authorize this stockpiling.

However, the congressional committees responsible for authorizing military grant and sales assistance to foreign allies apparently were not aware of the stockpiling program.

We were informed that the Senate Foreign Relations Committee was unaware of the planned stockpiling, even though transfers to allies (as well as the transfer of any defense articles to foreign governments, except Vietnam) would go through programs under the jurisdiction of the Committee.

Authority to transfer procured defense stocks is separate from the authority to stockpile war reserves. Authorizations relating to transfers are contained in various sections of the Foreign Assistance Act of 1961, as amended; the Foreign Military Sales Act, as amended; the Foreign Military Sales Act Amendments, 1971, as amended; and the annual DOD authorization and appropriation acts (Military Assistance Service Funded). Some of the pertinent sections of these acts are discussed below. (See app. I through III.)

*Foreign Assistance Act—Military assistance*

Section 503(a) of the Foreign Assistance Act of 1961, as amended, gives the President the authority to provide military assistance to friendly countries and international organizations. In fiscal year 1974, the Congress authorized the President to spend either through loans or grants up to $512.5 million for this assistance, although actual appropriations amounted to $450 million.

Section 503(c) provided that, when defense articles are loaned to foreign countries or international organizations, under section 503(a), the military assistance appropriation will be charged only for out-of-pocket expenses and depreciation. In our report to the Chairman, Committee on Foreign Relations, in March 1973,[1] we indicated that previously DOD had leased defense articles on the basis of different law (10 U.S.C. 2667).

This law authorizes leasing of nonexcess defense articles when it is in the public interest or will promote national defense. However, the law has no relation to foreign assistance and was enacted to authorize the leasing of defense plants and production equipment to private commercial interests. In our report, we specified that articles were leased under law (10 U.S.C. 2667) at no cost to foreign governments or international organizations and that it appeared the use of this provision circumvented the Foreign Assistance Act of 1961, as amended. Our view was that such loans or leases constituted military assistance and should be subject to restraints imposed by the act.

Additionally, under section 506(a), if the President determines it is in the security interests of the United States, he may order up to $250 million in defense articles from stocks—in addition to the $450 million appropriated—and reimbursement will be provided in subsequent appropriations available for military assistance. He exercised this authority during fiscal year 1974 by authorizing the transfer of up to $200 million in defense articles to provide additional military assistance to Cambodia.

Under section 614(a), the President also may authorize assistance, in an amount not to exceed $250 million, without regard to any provisions of the act. However, the President may only use funds already appropriated under other sections of the act. During fiscal year 1974, the President exercised his authority under section 614(a) five times for pur-

[1] All new procurement of these items will go directly to U.S. Army active and reserve units. The older pieces of equipment displaced by the new procurement will go into the war reserve stockpile that could be used to replace U.S. or (with proper authorization) allied combat losses in some future conflict. Therefore, this procurement, although labeled as allied reserve, modernizes the U.S. Army Force structure while increasing the total assets available as war reserves.

[1] "Use of Excess Defense Articles and Other Resources to Supplement the Military Assistance Program," B-163742, Mar. 21, 1973.

poses of military assistance. The total amount authorized by the President was $133.4 million.

These and other related sections of the act are shown in appendix I.

*Foreign Military Sales Act*

Although the Congress placed a ceiling on the total credit sales and guarantees under sections 23 and 24 of the Foreign Military Sales Act (see app. II), no similar restrictions are placed on cash sales under sections 21 and 22 of the act. Thus, an unlimited quantity of defense stocks could be sold under sections 21 and 22. During fiscal year 1974, DOD estimates that credit sales will amount to $730 million, the authorized ceiling, and cash sales will amount to approximately $7.2 billion.

*Military assistance service funded authority*

The provisions in annual DOD authorization and appropriation acts (see app. III) give DOD authority to use its appropriated funds to transfer any defense articles, including war reserve material, to support South Vietnamese forces, subject to the $1.126 billion ceiling.

*Foreign Military Sales Act amendments—Excess Defense articles*

Excess defense articles are items in excess of DOD-approved force requirement level. The authority to transfer excess defense articles is contained in section 8 of the Foreign Military Sales Act Amendments, 1971, as amended. (See app. II.)

In our report to your Committee in March 1973, we indicated that excess defense articles were generated through modernizations of forces and changes in authorizations of articles to equip and sustain the approved forces. The decision as to what portion of the DOD inventory will constitute the approved force requirement level and what assets may be transferred as excess defense articles rests entirely with DOD. Excess articles are continuously available in vast quantities and have been used in military assistance programs since the inception of foreign aid. Use of excess articles to supplement the regularly funded military assistance program has increased since 1968 because of reduced military assistance appropriations.

At the time of our earlier review, "value" was defined as not less than one-third of the amount the United States paid when the articles were acquired (acquisition cost). Since then, the law has been changed and value is now defined only as actual value plus the cost of repairing, rehabilitating, or modifying the article, which could range from as low as salvage value to as high as acquisition cost. A recent sampling by DOD showed the actual value of excess articles averaged only 8.9 percent of acquisition cost, considerably less than the one-third minimum required under previous legislation.

Orders for excess defense articles are to be considered expenditures of military assistance funds. However, those articles generated abroad are charged to the appropriation only if the aggregate actual value during any fiscal year exceeds $150 million. Under the old definition of value this would equal about $450 million (3 x $150 million) in excess articles, based on acquisition cost. Now, however, if DOD decides to use the 8.9 percent (1/11) figure as actual value, approximately $1.65 billion (11 x $150 million) in excess articles, based on acquisition cost, could be granted to foreign countries without charge to the military assistance appropriation. This is over three times more than the value of excess defense articles granted through the military assistance program during any single previous year.

The proposed Foreign Assistance Act of 1974 would further liberalize the use of excess items. Our analysis of the proposed act showed that the theoretical ceiling of $1.65 billion could be increased to $4.4 billion. We believe that consideration should be given to providing more congressional control over excess defense articles.

The stockpiling of defense assets for potential use by allies adds another level to the DOD procurement base. We previously mentioned that new Army procurement will modernize U.S. active and reserve units and the older articles being replaced will make up the war reserve stockpile. It is conceivable that once these U.S. Forces have been modernized, DOD will modernize the war reserve, and thus make large quantities of defense assets excess and available for transfer to foreign governments, including those for which the stockpile was originally intended.

More importantly, however, is the fact that DOD has the authority to decide what portion of the DOD inventory will make up the approved force requirement level. Since the war reserve for allies represents a portion of the total war reserve in excess of U.S. approved force requirements, DOD can now stockpile older items that would immediately become excess upon replacement. If a future emergency arises overseas, DOD could reduce the approved force requirement level and immediately make the war reserve for allies available as excess for transfer to whichever country may need them. All this could be accomplished without adversely affecting the total U.S. approved force requirements.

CONCLUSION

In conclusion, we feel that the President and DOD at the present time have considerable statutory authority to transfer reserve materials to allies if they are needed. It should be pointed out that the authority to transfer U.S. defense stocks under these provisions applies to any defense item in the inventory, whether planned for future use by allies or U.S. Forces.

The broad authority is especially prevalent in the area of excess defense articles. Under present authority DOD is permitted to transfer vast quantities of excess items to foreign governments with little or no charge to any future increase in available excess items (1) because of the modernization of forces and/or the reduction in the approved force requirement level and (2) because of the proposed liberalization of the no-cost transfer ceiling, the Committee may wish to consider tighter controls over the quantity of excess articles that can be transferred to foreign governments. This may include retaining section 8 of the Foreign Military Sales Act Amendments of 1971, but modifying it (1) to establish actual value at not less than 33⅓ percent of acquisition value and (2) to require that excess programs be stated in congressional presentation documents in terms of acquisition cost.

We recognize that there is legislation pending on the DOD procurement authorization bill that would forbid the stockpiling of defense assets for possible future use by allied forces. Although passage would eliminate the war reserve for allies, it would not strengthen control over excess defense articles.

We plan no further distribution of this report unless you agree or publicly announce its contents.

Sincerely yours,

ELMER B. STAATS.
*Comptroller General of the United States.*

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EXCERPTS FROM FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

MILITARY ASSISTANCE

Section 503—General Authority—(a) The President is authorized to furnish military assistance on such terms and conditions as he may determine, to any friendly country or international organization, the assisting of which the President finds will strengthen the security of the United States and promote world peace and which is otherwise eligible to receive such assistance, by—

(1) acquiring from any source and providing (by loan or grant) any defense article or defense service; or

(2) assigning or detailing members of the Armed Forces of the United States and other personnel of the Department of Defense to perform duties of a noncombatant nature.

(b) In addition to such other terms and conditions as the President may determine pursuant to subsection (a), defense articles may be loaned thereunder only if—

(1) there is a bona fide reason, other than the shortage of funds, for providing such articles on a loan basis rather than on a grant basis;

(2) there is a reasonable expectation that such articles will be returned to the agency making the loan at the end of the loan period, unless the loan is then renewed;

(3) the loan period is of fixed duration not exceeding five years, during which such article may be recalled for any reason by the United States;

(4) the agency making the loan is reimbursed for the loan based on the amount charged to the appropriation for military assistance under subsection (c); and

(5) arrangements are made with the agency making the loan to be reimbursed in the event such article is lost or destroyed while on loan, such reimbursement being made first out of any funds available to carry out this chapter and based on the depreciated value of the article at the time of loss or destruction.

(c) (1) In the case of any loan of a defense article or defense service made under this section there shall be a charge to the appropriation for military assistance for any fiscal year while the article or service is on loan in an amount based on—

(A) the out-of-pocket expenses authorized to be incurred in connection with such loan during such fiscal year; and

(B) the depreciation which occurs during such year while such article is on loan.

(2) The provisions of this subsection shall not apply—

(A) to any particular defense article or defense service which the United States Government agreed prior to the date of enactment of this subsection to lend; and

(B) to any defense article or defense service, or portion thereof acquired with funds appropriated for military assistance under this Act.

Section 504—Authorization—(a) There is authorized to be appropriated to the President to carry out the purpose of this part not to exceed $512,500,000 for the fiscal year 1974: *Provided,* That funds made available for assistance under this chapter (other than training in the United States) shall not be used to furnish assistance to more than thirty-one countries in any fiscal year: *Provided further,* That none of the funds appropriated pursuant to this subsection shall be used to furnish sophisticated weapons systems, such as missile systems and jet aircraft for military purposes, to any underdeveloped country, unless the President determines that the furnishing of such weapons systems is important to the national security of the United States and reports within thirty days each such determination to the Congress. Amounts appropriated under this subsection are authorized to remain available until expended. Amounts appropriated under this subsection shall be available for cost-sharing expenses of United States participation in the military headquarters and related agencies program.

Section 506— Special Authority—(a) During the fiscal year 1974, the President may, if he determines it to be in the security interests of the United States, order defense articles from the stocks of the Department of Defense and defense services for the purposes of part II [military assistance], subject to subsequent reimbursement therefor from subsequent appropriations available for military assistance. The value of such orders under this subsection in the fiscal year 1974 shall not exceed $250,000,000. (b) The

Department of Defense is authorized to incur, in applicable appropriations, obligations in anticipation of reimbursements in amounts equivalent to the value of such orders under subsection (a) of this section. Appropriations to the President of such sums as may be necessary to reimburse the applicable appropriation, fund, or account for such orders are hereby authorized.

GENERAL PROVISIONS

Section 610. Transfer Between Accounts.—(a) Whenever the President determines it to be necessary for the purposes of this Act, not to exceed 10 per centum of the funds made available for any provision of this Act (except funds made available pursuant to title IV of chapter 2 of part I [Overseas Private Investment Corporation]) may be transferred to, and consolidated with, the funds made available for any other provision of this Act, and may be used for any of the purposes for which such funds may be used, except that the total in the provision for the benefit of which the transfer is made shall not be increased by more than 20 per centum of the amount of funds made available for such provision. * * *

Section 614. Special Authorities.—(a) The President may authorize in each fiscal year the use of funds made available for use under this Act and the furnishing of assistance under section 506 in a total amount not to exceed $250,000,000 and the use of not to exceed $100,000,000 of foreign currencies accruing under this Act or any other law without regard to the requirements of the Act, any law relating to receipts and credits accruing to the United States, any Act appropriating funds for use under this Act, or the Mutual Defense Assistance Control Act of 1951 (22 U.S.C. 1611 et seq.), in furtherance of any of the purposes of such Acts, when the President determines that such authorization is important to the security of the United States. Not more than $50,000,000 of the funds available under this subsection may be allocated to any one country in any fiscal year. The limitation contained in the preceding sentence shall not apply to any country which is a victim of active Communist or Communist-supported aggression.

(c) The President is authorized to use amounts not to exceed $50,000,000 of the funds made available under this Act pursuant to his certification that it is inadvisable to specify the nature of the use of such funds, which certification shall be deemed to be a sufficient voucher for such amounts. The President shall promptly and fully inform the Speaker of the House of Representatives and the chairman and ranking minority member of the Committee on Foreign Relations of the Senate of each use of funds under this subsection.

Section 652. Limitation Upon Exercise of Special Authority.—The President shall not exercise any special authority granted to him under section 506(a), 610(a), or 614(a) of this Act unless the President, prior to the date he intends to exercise any such authority, notifies the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate in writing of each such intended exercise, the section of this Act under which such authority is to be exercised, and the justification for, and the extent of, the exercise of such authority.

Section 653. Change in Allocation of Foreign Assistance.—(a) Not later than thirty days after the enactment of any law appropriating funds to carry out any provision of this Act (other than section 451 [Contingency Fund] or 637 [Administrative Expenses]), the President shall notify the Congress of each foreign country and international organization to which the United States Government intends to provide any portion of the funds under such law and of the amount of funds under the law, by category of assistance, that the United States Government intends to provide to each. Notwithstanding any other provision of law, the United States Government shall not provide to any foreign country or international organization any funds under that law which exceeds by 10 per centum the amount of military grant assistance or security supporting assistance, as the case may be, which the President notified the Congress that the United States Government intended to provide that country or organization under that law, unless the President (1) determines that it is in the security interests of the United States that such country or organization receive funds in excess of the amount included in such notification for that country or organization, and (2) reports to Congress, at least ten days prior to the date on which such excess funds are to be provided to that country or organization, each such determination, including the name of the country or organization to receive funds in excess of such per centum, the amount of funds in excess of the per centum which are to be provided, and the justification for providing the additional assistance.

(b) The provisions of this section shall not apply in the case of any law making continuing appropriations and may not be waived under the provisions of section 614(a) of this Act.

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APPENDIX II—EXCERPTS FROM FOREIGN MILITARY SALES ACT AMENDMENTS, 1971, AS AMENDED

EXCESS DEFENSE ARTICLES

Section 8. (a) Subject to the provisions of subsection (b), the value of any excess defense article granted to a foreign country or international organization by any department, agency, or independent establishment of the United States Government (other than the Agency for International Development) shall be considered to be an expenditure made from funds appropriated under the Foreign Assistance Act of 1961 for military assistance. Unless such department, agency, or establishment certified to the Comptroller General of the United States that the excess defense article it is ordering is not to be transferred by any means to a foreign country or international organization, when an order is placed for a defense article whose stock status is excess at the time ordered, a sum equal to the value thereof shall (less amounts to be transferred under section 632(d) [Reimbursement Among Agencies] of the Foreign Assistance Act of 1961) (1) be reserved and transferred to a suspense account, (2) remain in the suspense account until the excess defense article is either delivered to a foreign country or international organization or the order therefor is cancelled, and (3) be transferred from the suspense account to (A) the general fund of the Treasury upon delivery of such article, or (B) to the military assistance appropriation for the current fiscal year upon cancellation of the order. Such sum shall be transferred to the military assistance appropriation for the current fiscal year upon delivery of such article if at the time of delivery the stock status of the article is determined, in accordance with section 644 (g) and (m) [definitions of "excess defense articles" and "value"] of the Foreign Assistance Act of 1961, to be nonexcess.

(b) In the case of excess defense articles which are generated abroad, the provisions of subsection (a) shall apply during any fiscal year only to the extent that the aggregate value of excess defense articles ordered during that year exceeds $150,000,000.

(c) For purposes of this section, the term "value" has the same meaning as given it in section 644(m) of the Foreign Assistance Act of 1961.

(d) The President shall promptly and fully inform the Speaker of the House of Representatives and the Committee on Foreign Relations and the Committee on Appropriations of the Senate of each decision to furnish on a grant basis to any country excess defense articles which are major weapons systems to the extent such major weapons system was not included in the presentation material previously submitted to the Congress. Additionally, the President shall also submit a quarterly report to the Congress listing by country the total value of all deliveries of excess defense articles, disclosing both the aggregate original acquisition cost and the aggregate value at the time of delivery.

(e) Except for excess defense articles granted under part II of the Foreign Assistance Act of 1961, the provisions of this section shall not apply to any excess defense article granted to South Vietnam prior to July 1, 1972.

CASH AND CREDIT SALES

Section 21. Cash Sales From Stock.—The President may sell defense articles from the stocks of the Department of Defense and defense services of the Department of Defense to any friendly country or international organization if such country or international organization agrees to pay not less than the value thereof in United States dollars. Payment shall be made in advance or, as determined by the President to be in the best interests of the United States, within a reasonable period not to exceed one hundred and twenty days after the delivery of the defense articles or the rendering of the defense services.

Section 22. Procurement for Cash Sales.—(a) Except as otherwise provided in this section, the President may, without requirement for charge to any appropriation or contract authorization otherwise provided, enter into contracts for the procurement of defense articles or defense services for sale for United States dollars to any foreign country or international organization if such country or international organization provides the United States Government with a dependable undertaking (1) to pay the full amount of such contract which will assure the United States Government against any loss on the contract, and (2) to make funds available in such amounts and at such times as may be required to meet the payments required by the contract and any damages and costs that may accrue from the cancellation of such contract, in advance of the time such payments, damages, or costs are due.

(b) The President may, when he determines it to be in the national interest, accept a dependable undertaking of a foreign country or international organization with respect to any such sale, to make full payment within 120 days after delivery of the defense articles or the rendering of the defense services. Appropriations available to the Department of Defense may be used to meet the payments required by the contracts for the procurement of defense articles and defense services and shall be reimbursed by the amounts subsequently received from the country or international organization to whom articles or services are sold.

Section 23. Credit Sales.—The President is hereby authorized to finance procurements of defense articles and defense services by friendly countries and international organizations on terms of repayment to the United States Government of not less than the value thereof in United States dollars within a period not to exceed ten years after the delivery of the defense articles or the rendering of the defense services.

Section 24. Guaranties.—(a) The President may guarantee any individual, corporation, partnership, or other juridical entity doing business in the United States (excluding United States Government agencies) against

political and credit risks of nonpayment arising out of their financing of credit sales of defense articles and defense services to friendly countries and international organizations. Fees shall be charged for such guaranties.

(b) The President may sell to any individual, corporation, partnership, or other juridical entity (excluding United States Government agencies) promissory notes issued by friendly countries and international organizations as evidence of their obligations to make repayments to the United States on account of credit sales financed under section 23, and may guarantee payment thereof.

(c) Funds made available to carry out this Act shall be obligated in an amount equal to 25 per centum of the principal amount of contractual liability related to any guaranty issued under this section, and all the funds so obligated shall constitute a single reserve for the payment of claims under such guaranties. Any funds so obligated which are deobligated from time to time during any current fiscal year as being in excess of the amount necessary to maintain a fractional reserve of 25 per centum of the principal amount of contractual liability under outstanding guaranties shall be transferred to the general fund of the Treasury. Any guaranties issued hereunder shall be backed by the full faith and credit of the United States.

Section 31. Authorization and Aggregate Ceiling of Foreign Military Sales Credits.—(a) There is hereby authorized to be appropriated to the President to carry out this Act not to exceed $325,000,000 for the fiscal year 1974. Unobligated balances of funds made available pursuant to this section are hereby authorized to be continued available by appropriations legislation to carry out this Act.

(b) The aggregate total of credits, or participations in credits, extended pursuant to this Act and of the principal amount of loans guaranteed pursuant to section 24(a) shall not exceed $730,000,000 for the fiscal year 1974, of which amount not less than $300,000,000 shall be available to Israel only.

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APPENDIX III.—EXCERPTS FROM DOD AUTHORIZATION AND APPROPRIATION ACTS

DOD APPROPRIATION AUTHORIZATION ACT, 1974

Section 801. Subsection (a)(1) of section 401 of Public Law 89-367, approved March 15, 1966 (80 Stat. 37), as amended, is hereby amended to read as follows:

"(a)(1) Not to exceed $1,126,000,000 of the funds authorized for appropriation for the use of the Armed Forces of the United States under this or any other Act are authorized to be made available for their stated purposes to support: (A) Vietnamese and other free world forces in support of Vietnamese forces, (B) local forces in Laos; and for related costs, during the fiscal year 1974 on such terms and conditions as the Secretary of Defense may determine. None of the funds appropriated to or for the use of the Armed Forces of the United States may be used for the purpose of paying any overseas allowance, per diem allowance, or any other addition to the regular base pay of any person serving with the free world forces in South Vietnam if the amount of such payment would be greater than the amount of special pay authorized to be paid, for an equivalent period of service, to members of the Armed Forces of the United States (under section 310 of title 37, United States Code) serving in Vietnam or in any other hostile fire area, except for continuation of payments of such additions to regular base pay provided in agreements executed prior to July 1, 1970. Nothing in clause (A) of the first sentence of this paragraph shall be construed as authorizing the use of any such funds to support Vietnamese or other free world forces in actions designed to provide military support and assistance to the Government of Cambodia or Laos: *Provided*, That nothing contained in this section shall be construed to prohibit support of actions required to insure the safe and orderly withdrawal or disengagement of United States forces from Southeast Asia, or to aid in the release of Americans held as prisoners of war."

DOD APPROPRIATION ACT, 1974

Section 737. (a) Not to exceed $1,126,000,000 of the appropriations available to the Department of Defense during the current fiscal year shall be available for their stated purposes to support (1) Vietnamese and other free world forces in support of Vietnamese forces; (2) local forces in Laos; and for related costs on such terms and conditions as the Secretary of Defense may determine: *Provided*, That none of the funds appropriated by this Act may be used for the purpose of paying any overseas allowance, per diem allowance, or any other addition to the regular base pay of any person serving with the free world forces in South Vietnam if the amount of such payment would be greater than the amount of special pay authorized to be paid, for an equivalent period of service, to members of the Armed Forces of the United States under section 310 of title 37, United States Code, serving in Vietnam or in any other hostile fire area, except for continuation of payments of such additions to regular base pay provided in agreements executed prior to July 1, 1970; *Provided further*, that nothing in clause (1) of the first sentence of this subsection shall be construed as authorizing the use of any such funds to support Vietnamese or other free world forces in actions designed to provide military support and assistance to the Government of Cambodia or Laos. *Provided further*, That nothing contained in this section shall be construed to prohibit support of actions required to insure the safe and orderly withdrawal or disengagement of United States forces from Southeast Asia, or to aid in the release of Americans held as prisoners of war.

(b) Within thirty days after the end of each quarter, the Secretary of Defense shall render to Congress a report with respect to the estimated value by purpose, by country, of support furnished from such appropriations.

Mr. KENNEDY. I appreciate the consideration of this amendment by my colleague and friend from Arkansas, and I hope that he will be willing to take the amendment to conference and fight for it there.

Mr. McCLELLAN. Mr. President, I have discussed this amendment with its distinguished author, the Senator from Massachusetts (Mr. KENNEDY). I have considered it first in the light of the fact that apparently it is legislation on an appropriation bill; that was my first reaction to it, and I think that is true, and it might be subject to a point of order.

However, this same language, as I understand it, has been considered by the authorization committee and was reported out and passed here in the Senate—no, it was a floor amendment agreed to in the Senate earlier this year, to the authorization bill; am I correct?

Mr. KENNEDY. The Senator is correct.

Mr. McCLELLAN. Therefore, the Senate having acted upon it legislatively, I feel inclined, as I have said—and I do not find any objection to it from those with whom I have conferred—to go ahead and accept the amendment and let it go to conference and see what we can do with it there.

I have no objection to the objectives and purposes of the amendment, if it can be accepted. It is an attempt to get control and keep control of expenditures and of materials and supplies that we may be appropriating for and trying to give away as assistance, and we have not made a provision in this bill with respect to even the sale of weapons, and so forth, to other countries, to try to get better control of that so we will know what is going on, and requiring reports.

So I have no objection, unless there is objection on the part of some other member of the committee—and I hear none—to accepting the amendment and doing the best we can with it.

Mr. KENNEDY. I thank the Senator.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Massachusetts.

The amendment was agreed to.

AMENDMENT NO. 1836

Mr. EAGLETON. Mr. President, I ask unanimous consent that the Senate revert once again to the consideration of amendment No. 1836.

The PRESIDING OFFICER (Mr. HELMS). The Chair will advise the Senator that that is automatic.

Mr. EAGLETON. Mr. President, I yield 10 minutes to the distinguished junior Senator from Illinois.

Mr. STEVENSON. Mr. President, I want, first of all, to commend the junior Senator from Missouri for the extraordinary effort with which he has invested this amendment, and for bringing it to the floor of the Senate, and I also commend the chairman of the Appropriations Committee for his work and the work of that committee. It has done a good job of cutting excessive spending from the defense budget, though it has not, Mr. President, in my judgment, gone far enough.

When it comes to national survival, we all agree that such sums as are necessary for national security must be raised and spent. The tragedy is that we stumble through our debates about national defense with no reliable definition of national security and no reliable standard for determining what is necessary.

An adequate definition of national security includes not just military hardware and personnel, but the confidence of the American people in their Government; the confidence of the world in our country for enlightened leadership; a healthy domestic and world economy, and the conditions of a good life at home.

In order to rationally determine military policy, we need a coherent foreign policy. It is asking too much of the Congress and the military to forge a rational defense and military strategy if they do not have a clearly defined and articulated foreign policy.

We do not have such a foreign policy. What we have had, instead in recent years, are promises, slogans, contradictory gestures, and personal diplomacy.

An opening by the U.S. Government to the People's Republic of China, was appropriate and long overdue. But President Nixon's Peking visit was handled in

a way—by secret arrangements and shock announcements—that demoralized our Allies in Asia and undermined our position in the United Nations with respect to Taiwan. And when the U.N. accepted the logic of his action, President Nixon chastised the U.N.

President Nixon's visit this year to the Soviet Union was at best unnecessary. None of the heralded arms limitation agreements materialized. And in order to make some gesture of success for global television, President Nixon signed a limited nuclear test-ban treaty which implies that the United States and the Soviet Union are not very serious about stopping nuclear proliferation. This comes at a time when worldwide interest in obtaining nuclear reactors is rapidly accelerating. The visit—and the administration's continuing conduct—suggest American indifference to the repression of personal freedom in the U.S.S.R.

What the United States has gained from these exercises in Presidential diplomacy remains to be seen and, whatever it is, it could have been achieved without President participation and without the shocks we suffered in East Asia, South Asia, and Europe, as a result of our bilaterial maneuverings. Presidential posturing is no substitute for a prudent and thoughtful worldwide foreign policy which recognizes the world's pluralism and the Nation's multitude of interests in all its parts.

Drift and weakness in foreign relations and economic policy have direct and dangerous results in defense policy.

The notion persists that world power and influence and national security are directly related to the size of the defense budget. As mistakes of foreign policy, or more accurately the absence of a principled foreign policy, produce from Southeast Asia to Eurasia U.S. weakness, the pressure increases to spend more money on the military—and so the wheel takes another turn.

Military spending by itself does not bring us added security in the world. Each increased expenditure usually brings a response from the other side, leaving us by and large in the same relative position, but always poorer and a little closer to the flash point.

The notion also persists that increased defense spending can stimulate a troubled economy. The idea that domestic problems might be solved simply and quickly by throwing dollars at them finds no advocates. Yet, the same notion drives us to compulsive expenditures for weapons, military personnel, and power.

Military spending does not stimulate the economy. It is an unhappy fact that excessive military spending contributes heavily to inflation. It diverts resources from productive uses—housing, health, energy, transportation, education—to nonproductive uses. Unlike most forms of Government spending, defense spending increases demand, without increasing supply.

Other nations, notably West Germany and Japan, rose from the ashes of World War II to become our principal competitors in the world marketplace by spending little on the military—much on their economies. Now, our heavily weighted economy is crumbling. It is experiencing inflation and recession. Consumer prices are increasing at a rate of 12.6 percent, while wholesale prices increased in July at an incredible annual rate of 44 percent. Unemployment in July was 5.3 percent and rising. And productivity increased only 1 percent last quarter.

The economic consequences of runaway military spending—inflation, the diversion of funds from demonstrable needs, declining productivity, unemployment—are as destructive to the national security as an inadequate defense budget.

It is wrong to argue, as President Ford does, that inflation can be halted by cutting in the domestic sector but not in the defense sector of the budget. Some Government spending in time is deflationary. Initiatives in health, housing, energy, and transportation could increase productivity and supply demand. Agricultural production can be increased in part at Government expense—to meet growing demands for food at home and abroad with deflationary consequences. President Ford, like his predecessor, appears to have his priorities mixed up. If he offers more of the same, the Nation will suffer more of the same.

The defense appropriations bill for fiscal year 1974 as reported by the Appropriations Committee provides funds for the Department of Defense over and above those necessary for an adequate military posture. Reductions can be made without impairing the ability of the military forces of the United States to carry out those missions essential to our national security.

The bill would provide $82,079,358,000 in new appropriations and transfers. On December 20, 1973, the House and Senate agreed to the conference report on the fiscal year 1974 Department of Defense appropriations bill providing a total of $74,218,230,000. It was signed into law by the President on January 2, 1974.

On February 4, 1974, about 1 month later, the President transmitted to Congress a fiscal year 1975 defense budget totaling $85,582,297.000. This represented an increase of $11,364,067,000, a 15-percent increase over the amount provided by Congress 1 month before. At the same time, the President transmitted a fiscal year 1974 defense supplemental request of $6,200,421,000, made up of $3,412,741,000 for a so-called readiness requirement due to the Middle East crisis and $2,787,680,000 for pay increases. On May 30 and June 24, 1974, the President transmitted budget amendments totaling $1,475,200,000 for fuel price increases and certain personnel benefits, increasing the fiscal year 1975 Defense budget to a new total of $87,057,497,000. Thus, between February and June 1974, Congress was requested to consider a total increase of $19,039,-688,000 for the Defense Department.

To date, the Congress has by law reduced this increase by a mere $4,873,-032,000. The House recently passed a military appropriations bill of $83.4 billion for a further reduction of $3.7 billion. And the Senate Appropriations Committee has reported out a military appropriations bill with an additional reduction of $1.4 billion. Yet, we still have left an increase of $11 billion.

This increase in defense appropriations comes when the United States is militarily powerful and not at war. The involvement in Southeast Asia has been wound down—yet the spending winds up.

When President Nixon signed the military procurement authorization bill into law on August 5, he said that he was not completely satisfied with the bill because "A number of provisions authorize spending for unneeded equipment and could thus inflate defense spending unnecessarily in a time when we all should recognize the need to avoid waste."

This amendment to the defense appropriations bill will establish a ceiling on new budgetary authority of $81 billion, and help eliminate some of the wastes to which the President referred.

Next year the new Budget Committee will establish ceilings such as the one we are recommending. This method is also used by the Office of Management and Budget within the executive branch to establish priorities for the Federal budget. It is an approach which has been used extensively in the past to control and delimit the categories of the Federal budget, and now has been adopted by the Congress for the future.

The Nixon administration asked that the Federal budget be reduced by $5 billion in outlays to help control inflation. President Ford has indicated that he would seek reductions in Federal spending, and some predict that he will ask for greater cuts. A reduction in outlays of $5 billion would require a reduction in budgetary authority of $11 to $12 billion. If this goal is to be reached, the proportionate reduction in the defense budget would be in the $6 to $7 billion range. The $81 billion ceiling we propose is on the high side of such a formulation.

If Congress is serious about reducing the Federal budget as a means of controlling inflation, it cannot overlook the fact that 70 percent of the controllable portion of that budget is attributable to the military and due to the nonproductive, demand-generating nature of defense spending, reductions made in the defense appropriations bill, dollar for dollar, will be more effective in countering inflation than any other cuts.

Congress has appropriated more money over the past 4 years than the delivery system—the defense industry—can keep up with. This is illustrated by the steady increase in unexpended balances—money obligated but not spent—over the past 4 fiscal years. In effect, the delivery of goods and services cannot keep up with the orders placed for them. An $81 billion ceiling on this year's budget can help rectify this unhealthy distortion of the appropriations process.

Mr. President, the Senate Appropriations Committee should be commended for the diligent job it has done in examining the defense budget. It has, after months of work, reported out a bill which cuts over $5 billion from the administration request.

However, the committee has not pared away all the waste and fat in the defense budget, nor will this amendment. But it would encourage the Defense Department to give the highest priority to real defense needs and to curtail those programs not essential for the defense of the Nation.

An $81 billion ceiling on expenditures will encourage managerial innovations in weapons procurement and manpower utilization—a more efficient use of the defense dollar.

The United States is today the strongest military power in the world. Despite the tendency of the military to poor-mouth U.S. defense capability at budget time, the United States retains important advantages over the Soviet Union militarily—as well it should. The United States is about 5 years ahead of the Soviet Union in the development of MIRV's, multiple warheads which can be aimed at separate targets. The United States has more than twice as many nuclear warheads as the Russians and will have this superiority well into the 1980's no matter what the Russians do. The naval balance of power still favors the United States, a status which the Soviet Union is not likely to be able to change in the near future.

For all my misgivings about Soviet Union intensions, the United States is militarily strong enough to cut an additional $1 billion from the defense budget without adversely affecting our real military strength.

This amendment will encourage the Defense Department to give the Nation what it needs—a lean, highly disciplined, well-equipped professional military force.

Mr. President, an $81 billion ceiling is not an arbitrary figure. A few examples of possible budget cuts suffice to demonstrate how the Defense Department could comply—comfortably.

First. Military assistance to Vietnam: Our policy in Indochina, with all its contradictions, has already cost the United States dearly in blood, dollars economic vitality, self-confidence, and world influence. We should phase out our military assistance to South Vietnam's autocratic regime as quickly as possible. By providing large sums of money to the Thieu government, we are prolonging an Americanized war.

The administration asked for $1.45 billion in new appropriations for military aid to South Vietnam; the Appropriations Committee has recommended $700 million. An additional $150 million can reasonably be cut from military assistance to Vietnam in order to accelerate the phaseout of military aid. Without aid, the Vietnamese will fight it out on the ground where the war will be won or lost—or they will make peace.

Second. Airborne warning and control system—AWACS: The Air Force asked for $550 million to initiate production of 12 aircraft and $220 million to continue development of AWACS technology. The Appropriations Committee has recommended $311.2 million for procurement of four aircraft and advance procurement of parts and the $220 million for research.



AWACS was originally being developed to provide air defense in the United States against a Soviet bomber attack. The military belatedly recognized that a bomber threat to the United States no longer existed. But instead of giving up AWACS, it shifted it from a strategic to a tactical mission.

The General Accounting Office—GAO—has reported that the change in primary mission should have caused a slowdown in the AWACS production schedule.

The main radar component of AWACS must be redesigned. And it is possible that AWACS can be jammed by enemy ground-based units. Further studies are necessary. They could show that AWACS will not be capable of performing its new primary mission. Under these circumstances, research should proceed, but the $311.2 million in procurement funds could be cut this year.

Third. Site defense: The site defense system cannot be deployed under the ABM treaty and the conference report on the military procurement bill instructs the Army to forgo development of a prototype demonstration model and instead use the money authorized for research and development.

ABM technological research is already being done under the advanced ballistic missile defense system program. A total of $91.4 million is being spent on this ABM hedge in addition to the $5 billion already spent.

Since site defense is a totally redundant program, it could be cut by $103 million leaving $20 million to phase out.

Fourth. Safeguard: This is our operational ABM.

The Defense Department intends to use $120 million to complete the Safeguard base at Grand Forks, N. Dak., which will be put in mothballs 6 months after it becomes operative. The United States cannot afford to build bases and then close them 6 months later. We cannot recoup the $5 billion spent on the ABM system, but we can safely save this $120 million for the U.S. taxpayer.

Fifth. War reserve stocks for allies:

This program is not for our NATO allies, but for certain Asian allies. These war reserve stocks are in addition to our own inventories. But because they remain in U.S. inventories until shipped to our Asian allies in the event of war, the program is not considered a military assistance program.

This program increases U.S. war stock inventories beyond their authorized level and circumvents congressional scrutiny over foreign military assistance programs; $350 million could be cut from the $529.6 million 1975 budget and an investigation made by the GAO to determine whether the entire program should be deleted from the Defense budget.

Sixth. Cruise missile: The Navy has asked for $45 million to continue its development of a strategic cruise missile—a sea-launched, low-flying, jet propelled missile.

The United States has currently deployed 41 submarines with 656 Poseidon and Polaris missiles. It is spending billions of dollars to develop the Trident submarine missile system. The U.S. Navy does not need another missile system. Redundancy in weapon systems is pure waste.

The committee has recommended an appropriation of $30.9 million for the Navy's cruise missile program. This research and development program can be terminated to save the U.S. taxpayer $30.9 million.

Seventh. SSN–688 attack submarine: The Navy has requested $502.5 million for procurement of three SSN–668 attack submarines and the committee has recommended this appropriation.

Twenty-three of these submarines have already been funded and now the Navy is designing a smaller and less costly attack submarine. The SSN–688 program could be slowed down to allow the procurement of a more cost-effective submarine. As recommended by the Armed Services Committee, only two boats instead of three should be built in fiscal year 1975 for a savings of $100 million.

Eighth. The Armed Services Committee also recommended a delay in purchasing a fourth AD-destroyer tender. This would save $116.7 million. The three tenders approved in fiscal years 1972 and 1973 are not yet even under contract. Where the Pentagon has not yet even begun to consider additional funds for the same program until such time as the cost and schedules are known and the funds needed.

Nineth. The House Appropriations Committee recommended the elimination of $41.4 million for 19 more CH–47C helicopters.

The Army has initiated a 3-year program to improve the maintainability, reliability, survivability, and safety of a similar cargo helicopter, the CH–47A/B model; it can do without these 19 helicopters this year. An approved and more cost-effective model may soon be available.

Tenth. DD–963 Spruance class destroyer: The committee has accepted the Navy's request of $655.4 million for the procurement of the last seven ships of the 30-ship program.

This program could be streched out by slowing down procurement to three instead of seven ships for a savings of $264 million.

The unit cost of this oversized and rapidly obsolescing destroyer is nearing $100 million. At the very least, the program should be decelerated until the overrun and technical problems are resolved.

Eleventh. Tanks: The Middle East war raises serious questions about the role of the tank in modern warfare where effective antitank missiles are used. The Pentagon response has been to accelerate procurement of M60 tanks—$237 million—and to revive the main battle tank—XM–1—killed by Congress in 1971. The committee has cut the Army's request and recommends $172.6 million for procurement of the M60 combat tank and $65 million for development of a new main battle tank. Additional tanks are needed, but not so many.

Development of super tanks is hardly

justified. The appropriation for tanks could be reduced $50 million in fiscal year 1975.

These 11 items represent a possible additional savings in the defense budget of more than $1.5 billion.

The PRESIDING OFFICER. Let us have order in the Senate.

Mr. STEVENSON. They do not include overdue manpower reductions or cuts in strategic programs such as the B–1 bomber, Trident submarine and counterforce programs which have been the focus of considerable controversy.

From $300 million to $1 billion could be saved in the defense budget if manpower levels are designed to produce a lean and professional Military Establishment. As recommended by the Appropriations Committee, the Department of Defense manpower levels as of June 30, 1975, will be 2,128,000 active duty military personnel and 985,000 civilians.

As of March 1974, the United States maintained approximately 465,000 land-based troops overseas—300,000 in Western Europe and related areas and about 165,000 in Asia. These overseas troops are the costliest component of our general purpose forces.

I am cautious about unilaterally withdrawing substantial U.S. combat forces from Western Europe with negotiations for mutual and balanced force reductions underway. On the other hand, I am skeptical about the need to maintain 165,000 troops in Asia.

Even after the end of direct U.S. military involvement in the fighting in Southeast Asia and 22 years after the Korean conflict ended, we maintain 35,000 in Thailand, 57,000 in Japan, 38,000 in Korea, and 5,000 in Taiwan. Many of these forces can be reduced without adversely affecting our defense posture and the remaining troops and our 7th Fleet could continue to provide stabilizing evidence of continued American interest in Asia. Withdrawal and demobilization of 100,000 U.S. military personnel in Asia would yield savings of approximately $300 million.

There are now more commissioned and noncommissioned officers than seamen and privates in the Armed Forces. We have more colonels, captains, generals, and admirals than we had in 1945 when the military had 12.1 million men under arms.

If the abundance of officers reflected the requirements of sophisticated 20th century warfare, no one could complain. But the Pentagon ranks now also include over 7,000 civilian employees who earn between $27,000 and $39,000. The military is plainly topheavy. And about 66 percent of the defense budget goes into paying and supporting defense personnel.

Another way to save money is to cut personnel levels substantially. A cut of about 66,000 personnel as proposed by the Appropriations Committee is too modest. The deadwood must be dropped out, overall levels reduced, the number of high ranking officers and civilian personnel cut, and the wage and fringe benefits of the military—such as uniformed servants, helicopters serving as limosines and unearned flight pay—must be cut to levels comparable to those in civilian life.

Nowhere are the twin dangers of economic folly and military explosion more forbidding and dangerous than in the field of strategic weapons policy.

To the extent that the United States now has any strategic policy, the policy is—quite rightly—to sustain an adequate nuclear deterrent.

Currently, the United States has 1,054 deployed Minutemen and Titan missiles, 41 submarines with 656 Poseidon and Polaris missiles and a force of B–52 bombers capable of delivering twice as many nuclear bombs as the Russians. These survivable strategic systems can destroy the Soviet Union several times over. Once would be enough.

Unfortunately, the debate is too often muddled by bargaining chip theories, and by strategic arms limitation agreements which, by limiting numbers only, accelerate the qualitative arms race. The policy is also clouded at times by rank nationalism, carefully timed leaks about real or contrived Soviet buildups and interservice rivalry.

For all my misgivings about Soviet intentions, I find it difficult to accept the notion that the United States can decelerate the arms race by accelerating it.

Even though we currently have a massive and modern strategic system, this year's defense appropriation contains hundreds of millions of dollars for new strategic systems and improvements in the deployed systems many of which are redundant. For example, there is about $300 million for counterforce programs. Advanced counterforce weapons would introduce a dangerous element into the strategic equation. If construed by the Soviets to threaten their entire land-based missile deterrent, the counterforce program could provide a strong impetus to the arms race.

President Ford has called upon the Soviet Union to join the United States "in an intensified effort to negotiate an equitable limitation of strategic arms." Certainly some, if not all of the counterforce money, could be cut from this year's defense budget. If we start a counterforce program now, as in the case of many weapons systems, once they are started, it will be virtually impossible to stop. Ultimately, such programs can cost the U.S. taxpayer billions of dollars and then, as with the ABM which cost $5 billion, never be deployed.

Other considerations aside, which makes more military sense? To invest $1 billion each in a few large new submarines, their missiles, and the enormous new bases they would require, only to gain marginally greater range and silence? Or to spend less money on more smaller submarines which would increase the number of target points a potential enemy would have to find? To invest $61.5 million on a deep penetration bomber when bombers are increasingly vulnerable to sophisticated air-defense systems? Or to build a less expensive plane which could stand off the coast of a potential enemy and shoot a cruise missile into the target?

This year's defense appropriation includes $400 million for the B–1 bomber and $1.363.8 billion for the Trident submarine program.

The PRESIDING OFFICER. The Senator's 10 minutes have expired.

Mr. EAGLETON. Mr. President, I yield 3 more minutes to the distinguished junior Senator from Illinois.

Mr. STEVENSON. Both of these programs could be pruned. The B–1 bomber program research could at least be slowed for a savings of about $40 million, and about $800 million could be cut from the Trident program by procuring one boat instead of two per year, and then by developing the less expensive, more cost-effective Narwhal.

The President wants to give SALT II a chance. We ought to give our negotiators a chance before lurching ahead once again. We ought also to give other nations less of an incentive to catch up in the deadly race to join the nuclear club.

As the Senator from Missouri has shown, this billion dollar cut can be made with the knowledge that our military forces will still have the ability to deter aggression and, if necessary, to protect our national interests. What is more, the Defense Department has a fund of over $10 billion of unobligated and unexpended funds which it can reprogram with congressional approval for high priority programs without increasing the budget we finally approve.

Mr. President, we dare not sacrifice national security by appropriating funds for excessive and wasteful military weapons and personnel. Our national security is neither measured nor insured alone by tanks, planes, missiles, warships, and armed men, but by the fundamental strength, unity, and confidence of our people in our institutions, economy, and society. We do not protect, but instead endanger, that security with excessive military spending. As President Eisenhower said:

> Every addition to defense expenditures does not automatically increase military security. Because security is based upon moral and economic, as well as military strength, a point can be reached at which additional funds for arms, far from bolstering security, weaken it.

The United States has passed that point. We, indeed the world, simply cannot afford this madness any longer.

To reestablish American priorities and American principles, I join with the Senator from Missouri (Mr. EAGLETON) in urging the adoption of this amendment to establish a $81 billion ceiling on the Defense budget.

The PRESIDING OFFICER. Who yields time?

Mr. EAGLETON. Mr. President, I thank the distinguished Senator from Illinois. I am pleased to yield 4 minutes to the distinguished Senator from Massachusetts (Mr. KENNEDY).

The PRESIDING OFFICER. The Senator from Massachusetts.

Mr. KENNEDY. Mr. President, I am a cosponsor of the Eagleton amendment, and I am extremely hopeful that it will be acted upon favorably in the Senate this afternoon.

I think that all of us who have reviewed the very commendable work of the Appropriations Committee in cutting back some of these requests are heartened by its actions. But I think that the proposal of the Senator from Missouri is sound, first of all, from a security point of view, and that is our overriding concern and our overriding interest. It is also sound from a fiscal responsibility point of view.

In effect, with the passage of the Eagleton amendment, we will have increased the Defense appropriation more than 10 percent from what it was last year, which is basically the increase in the cost of living, plus approximately $1 billion.

We are talking about an increase of this nature, Mr. President, in spite of the fact that we have seen the end of the war in Southeast Asia, in spite of a very important and commendable step toward normalization of relations with the People's Republic of China, and in spite of the commendable efforts of the administration in trying to reduce tensions in East-West relations and in signing agreements on strategic weapons.

These are three extremely important and significant developments that have taken place in recent years. Yet in spite of these three important developments, we find that the defense spending has continued up and up and up.

I think all Americans listened to the President of the United States the other evening when he urged Congress to cut back approximately $5 billion in Federal spending.

As the Members of this body know, the areas where we can cut back primarily center on military budget. The military budget contains approximately 70 percent of the controllable items, while the remaining 30 percent lies in the areas of health, education, housing, and other people's programs.

If we are talking about trying to tighten our belts, then I believe that it is only appropriate for us to find ways in which there can be some cuts in Defense appropriations. The Senator from Missouri has outlined a variety of different ways in which the figure of $81 billion can be reached. He is reflecting the good sense and the aims of many entrepreneurs and leaders of corporations in this country: when they are given a budget they live within it, and make choices between various alternatives. In like manner, the administration should choose among competing weapons systems and make decisions based upon the national interest.

Leaders in the Defense Department are the experts and can make the judgments, rather than our debating the merits of weapons system after weapons system, as we have done in the past.

The eminent good sense of this approach will leave it up to the professionals in the Defense Department in judging how cuts best can be made.

I think that through a review of bidding practices, contract practices, and special arrangements made by Pentagon officials with major companies and corporations, the Defense Department can easily find ways in which this appropriations figure can be reduced to the $81 billion provided for in the amendment of the Senator from Missouri.

We can reduce manpower, centering on the support manpower built up in recent years.

All we have to do is look at the ratio of support to combat manpower, to see the possibility for reduction in the former. We can look at the number of supergrades in the military. Often we hear complaints about the number of high-salaried people working in education, health, and other areas. But as the Senator from Missouri knows, we have more supergrades—generals, admirals, and colonels—leading Armed Forces of 3 million people today than we had leading the world's greatest military force, 12 million people, at the conclusion of the Second World War.

These cuts can be made, and certainly not in the combat arms and in the essential areas of national defense. But they can be made in a variety of areas: procurement, research, and manpower.

So I commend the Senator from Missouri. I think he has put forward a responsible position for the Senate this afternoon. It is in the interest of the security of this country, and in the interest of those concerned about fiscal responsibility.

I commend him, and I hope the Senate will support his efforts this afternoon.

I see a number of appropriate areas where significant reductions can be made:

First, in the area of manpower, we can achieve significant reductions in appropriations by a modest lowering of the levels of manpower.

By merely adding an additional 75,000 end-year cut in Active Military Forces, by adding an 18,000 end-year cut in civilian forces, and by cutting the end-year level of reserves by 44,000, we can achieve a savings of appropriations of $650 million in actual pay and in reduced operations and maintenance. In future years, this would represent a $1.2 billion cut.

It should be noted that the Senate Armed Services Committee itself recently reported a bill with a 49,000-man reduction in Active Military Forces and recommendations for additional cuts of 11,000 in noncombat forces abroad.

The appropriations bill merely provides for a 24,000-man reduction. In addition, the Secretary of Defense has testified that there is a slow draw-down of our forces planned in Thailand and South Korea.

The Armed Services Committee has also questioned the 225,000 level of military base support personnel.

In these areas as well as in other noncombat support areas, reductions could be made by the Secretary.

The suggested civilian manpower reduction of 18,000 includes a recognition that the Senate Armed Services Committee proposed a 44,600 cut in civilian manpower, compared to the Appropriations Committee recommendation of 32,000.

The proposed reduction of reserves reflects the actual request of the Secretary of Defense, which was increased by the authorizing committees.

An additional $529 million also could be cut by the Secretary by terminating the "war reserve stocks for allies" account in which weapons and ammunition are obtained on a contingent basis for the support of foreign forces in South Vietnam, South Korea, and Thailand.

This reserve stock funding account has not gone through the foreign relations and armed services authorizing committees.

It is a back-door means of bolstering the actual procurement by the Defense Department.

When it was discovered by Senator FULBRIGHT, the Defense Department explained it as being used for supporting these three allies—South Vietnam, South Korea and Thailand.

At the same time, the Defense Department stated that the equipment remained in stockpiles controlled by the United States.

However, the Department would not state that congressional authorization would be required before these weapons could be turned over to allies.

In fact, when the GAO responded to the requests of the Senate Foreign Relations Committee with a report, the Defense Department objected to the GAO's use of the word "authorization" as being required prior to the transfer of stockpiled items to these Asian allies, arguing instead that only "consultation" with the Congress was required.

I find this position objectionable on two counts.

First, it could mean that congressionally established ceilings—on aid to Vietnam for example—could be meaningless if the Defense Department believes that it can turn this equipment over to Vietnam without further congressional authorization.

Second, it means that we are being asked—at a time of difficult economic circumstances—to boost the defense budget for the purpose of planning for South Vietnam, South Korea, and Thailand's future military aid needs. I say, this subject should be considered as part of the overall foreign aid request.

Subsequently, the Defense Department has argued that much of this new equipment goes directly to the U.S. Active Military Forces and the U.S. Reserves.

If that is the purpose of this reserve, then it should not be funded under this category.

But, the GAO has informed me that there is a circle at work, in which even if some of these weapons go to U.S. troops in the field, the weapons they are replacing go to the Reserve Forces or to the stockpile.

In recent years, there have been substantial increases in the item, "war reserves for allies."

In fiscal year 1973, the Defense Department set aside $25 million.

In fiscal year 1974, the figure jumped to $494 million.

And in fiscal year 1975, the current figure is $529 million.

These figures are based on the acquisi-

tion cost of suplies placed in the stockpile.

Once in the stockpile, there is a strong tendency for these supplies to be declared excess and turned over to South Vietnam, South Korea and Thailand.

Thus, in fiscal year 1973, the Defense Department listed $24.3 million in excess materials going to South Vietnam, $6.4 million going to Thailand, and $8.3 million going to South Korea.

But those figures are what the DOD calls actual value, not their acquisition cost.

The GAO found that the Department of Defense was listing those weapons at only 8.9 percent of their acquisition cost.

Thus, the acquisition cost of the weapons declared excess and turned over to those countries in fiscal year 1973 was in fact approximately $390 million.

In fiscal year 1974, the acquisition cost of the equipment declared excess and turned over to those three countries was approximately $620 million.

And in fiscal year 1975, the Department plans, according to GAO, to turn over to those three countries weapons and equipment whose acquisition cost is approximately $738 million.

I see no reason for the U.S. Congress to approve $529 million for the current fiscal year, in an account listed as war reserve stocks for allies and designated for South Vietnam, South Korea, and Thailand, at the same time that the Department of Defense plans to turn over items costing an estimated $738 million to those countries.

In addition, there are other areas where cuts are desirable in the overall Defense appropriations. I would note that the Senate Armed Services Committee has recommended that only two nuclear attack submarines be authorized this year, rather than three. The committee felt that there would be no negative impact on our security, since 23 of these vessels have been funded but have not yet been delivered; and for a substantial portion of them, the construction stage has not yet begun. A reduction of one attack submarine would mean a reduction of $334 million.

Similarly, the Armed Services Committee has recommended a deletion of the request for a destroyer tender, noting that three other tenders have been funded in prior years, yet contracts have not yet been awarded. In the committee's view, prudence suggests deleting the $116.7 million request from the appropriations bill now before us.

Another area of procurement where reductions can be made is in the F–14, where current appropriations of over $600 million are planned, for the purchase of 50 F–14's. This plane has been a subject of considerable controversy and questionable utility; and work is now underway on lighter weight replacements. Cutting in half the order of 50 planes to 25 would permit a savings of $300 million from this year's appropriations bill. It also should be noted that purchase of 80 F–14's by Iran will insure that the production line for these planes will not be measurably affected by a decision to reduce the U.S. level of procurement this year to 25 planes.

The Appropriations Committee also added, in the area of the ABM, an additional $38.8 million over the House funding for continued research and development on the new site defense system and the older "Safeguard" system. With the United States-Soviet agreement to limit each country to one ABM, I see no need for funding two ABM's, and surely not for adding money beyond what was voted by the House.

Finally, I would suggest that the Secretary could effectively reduce the $700 million level of assistance for Vietnam by an additional $150 million, to reduce the so-called MASF program for South Vietnam to a level well below the Senate's fiscal year 1974 funding.

In sum, these are specific areas, totaling nearly $2 billion, from which I believe reductions could be selected by the Secretary in order to reduce the level of Defense appropriations by $1.1 billion, thereby meeting the $81 billion ceiling, without affecting our national security in the slightest.

I would also emphasize to my colleagues that additional reductions are also possible in other areas—for instance, by slowing slightly a number of major ongoing programs: The Trident, which has appropriations this year of $1.6 billion; the B–1 bomber, with appropriations of $449 million; the Minuteman III conversions, with appropriations of $597 million; and the 7 DD–963 destroyers, with appropriations of $457 million.

In examining the Department of Defense appropriations bill, I believe that the items I have listed are susceptible to reduction without affecting our security. They would easily permit a reduction to meet an $81 billion ceiling, and they would help to ease the current economic situation by reducing the excessive inflationary pressure of Government spending. We have not mandated specific reductions as part of our amendment, because we believe the Secretary should have the authority to make the final determinations within the ceiling.

Nevertheless, this list of potential reductions is persuasive evidence that an $81 billion ceiling is not only well within the reach of Congress, but also within our basic national interest.

*Suggested cuts totaling $1.9 billion*

[In millions]

| | |
|---|---|
| Total reductions: | |
| Manpower and operations and maintenance | $650.0 |
| MASF—Vietnam | 150.0 |
| F–14—reduce buy from 50 to 25 | 300.0 |
| SSN 688 Nuclear attack submarines—reduce buy from 3 to 2 | 167.0 |
| Site Defense—reduce to level of House appropriation | 23.0 |
| Safeguard—reduce R. & D. funds to level of House appropriation | 15.8 |
| War reserve stocks for Allies | 529.0 |
| Destroyer Tender—delay buy, as recommended by Armed Services Committee | 116.7 |
| Total | 1,951.5 |

Mr. YOUNG. Will the Senator yield?

Mr. McCLELLAN. I yield to the distinguished Senator from North Dakota such time as he desires.

Mr. YOUNG. Mr. President, this defense budget has already been cut $5.5 billion, the deepest cut that has ever been made on a regular defense appropriation bill in my time in the Senate, and that is nearly 30 years.

If we had cut it $10 billion, there would have been the same amendments offered to decrease it, with much the same arguments.

I would like to take exception to one of the many proposals, and they are all based on inaccuracy or misinformation, on the long statement of the Senator from Missouri (Mr. EAGLETON) under Safeguard.

I wish to quote, and this is in respect to the Safeguard:

But recent studies, including a classified GAO analysis, show that our ICBM's do not need protection. Soviet missile accuracy is not sufficient now, nor will it be in the future, to threaten our land-based missiles. These missiles are, of course, deployed in hardened silos.

Mr. President, we have six Minuteman missile wings and not one of them has hardened silos. They are in the process now of hardening the Minutemen silos in one wing in Wyoming and one wing in North Dakota.

I read further:

But the most compelling reason of all to eliminate funds for Safeguard in this year's budget, is the decision by the Pentagon itself to mothball the system soon after it becomes fully operational later this year. That such a decision has been made was recently confirmed by a Defense Department spokesman.

I do not know who that spokesman was. He is not identified.

Before I go further, Mr. President, let me read from a letter from the Department of Defense.

I ask unanimous consent that the entire letter be placed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

ASSISTANT SECRETARY OF DEFENSE,
*Washington, D.C., August 9, 1974.*

Hon. MILTON R. YOUNG,
*U.S. Senate,*
*Washington, D.C.*

DEAR SENATOR YOUNG: Secretary Schlesinger has advised me of your conversation with him and your interest in the information that appeared in the Congressional Record and in the Press concerning DoD plans for the Safeguard site.

There are no DoD plans to close down the site. The Safeguard site is an important element of our strategic defensive posture at which we do not now plan to assume any status characterized by the word "mothballing." We are, as you know, giving continuing attention to taking every possible measure to reduce costs within the Department of Defense. One of the options being preserved would be to reduce somewhat—many months hence—the level of operation of portions of the Safeguard site. Final decision to execute this option could only be made if the future international situation and the status of the arms control negotiations warranted such a change in status. In any case, there are no plans—tentative or otherwise—to make such a change prior to fiscal year 1977.

The FY 75 Defense Program includes funds for R&D and operation of the Safeguard site. This program will permit us to acquire the essential operational experience necessary to support future R&D. The program also will assure that this Safeguard site can be operated to provide the protection it uniquely affords. Our planning of strategic forces necessarily includes assumptions on the degree

of strategic warning that we might receive prior to a severe crisis. When it is possible to make the appropriate assumptions about strategic warning and when we have acquired the necessary operational experience it will then be possible to consider whether this site could be safely maintained at a reduced level of operational readiness.

I hope that this information will clarify some of the misconceptions that could easily have arisen from material recently available on this subject.

Sincerely,

JOHN M. MAURY.

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ASSISTANT SECRETARY OF DEFENSE,
*Washington, D.C., August 7, 1974.*

Memorandum for:

Major General John A. Wickham, Jr., Military Assistant to the Secretary of Defense.

Major General Raymond B. Furlong, Principal Deputy Assistant Secretary (LA).

Colonel Robert L. Burke, Director for Defense Information.

Mr. Charles Hinkle, Director for Security Review.

I have responded as follows to this question from Les Gelb of the New York Times:

Q: Has there been a decision to mothball the Safeguard site?

A: There is a decision to protect an option to phase down portions of the Safeguard site in an orderly way in the outyears beyond FY 1976 resulting in a reduced readiness status. Obviously this option might not be exercised and the planning could change depending on the international situation and the status of arms control negotiations. Full operation of the site in the period before FY 1977 will provide us with essential R&D information and operational experience and will insure the capability to restore the site to full readiness in a timely manner if it should in fact be placed in a reduced status. The decision to protect this option to reduce readiness in the out-years has been fully discussed with the Congress throughout the year including the Secretary's classified Defense Report of last March.

JERRY W. FRIEDHEIM.

Mr. YOUNG. This letter is dated August 9, addressed to me:

DEAR SENATOR YOUNG: Secretary Schlesinger has advised me of your conversation with him and your interest in the information that appeared in the Congressional Record and in the Press concerning DoD plans for the Safeguard site.

There are no DoD plans to close down the site. The Safeguard site is an important element of our strategic defensive posture at which we do not now plan to assume any status characterized by the word "mothballing".

That story also appeared in the New York Times, that we are going to mothball the ABM site. That statement is utterly false.

Mr. President, I now read the last paragraph of the Eagleton statement:

Instead of allowing funds to complete Safeguard and maintain it for a full year, I would give the Army exactly what it needs to put the system in mothballs. The savings here, therefore, would be $80 million, leaving $40 million to phase out the program.

Mr. President, since the Safeguard program was first started by President Johnson, we spent approximately $6 billion in research and development, and testing, and about $300 million on the site in Montana, which we abandoned, and about $805 to $810 million on the site in North Dakota.

It would take $60 million to complete the ABM site in North Dakota.

Would it not make sense, Mr. President, to complete the site after over $800 million has been spent on it when it only requires $60 million more to complete it?

One thing they have been able to develop through this ABM project is a radar that is five times as strong as any other radar we have deployed any place in the world. That is one of the results.

Mr. President, this is only one of what I believe to be many errors and inaccuracies contained in the Senator EAGLETON statement.

May I say again, what a horrible mistake it would be after spending $6 billion on this Safeguard system to abandon the one site we have about completed, where it would only take $60 million more to complete it. The Russians have one site and they are going on improving theirs day by day.

The PRESIDING OFFICER. Who yields time? The Senator from Missouri is recognized.

Mr. EAGLETON. Very briefly, Mr. President, the Defense Department spokesman I failed to mention by name is Jerry Friedheim.

I ask unanimous consent to have printed in the RECORD at this point an article from the New York Times of August 8, 1974, by Leslie H. Gelb, which deals with mothballing the Safeguard and contains the quote from Mr. Friedheim.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

HOUSE VOTES MISSILE SITE PLANNED FOR 6 MONTHS' USE

(By Leslie H. Gelb)

WASHINGTON, Aug. 7.—The House of Representatives voted $135-million yesterday for the completion of a missile defense site that the Pentagon plans to place in mothballs six months after it becomes operative, according to a number of Congressmen and Administration officials.

The impending mothballing could not be stated in the floor debate on the defense appropriations bill because the Pentagon has kept the information classified.

Most members of the House Defense Appropriations subcommittee who were aware of the mothball plans, nevertheless, recommended passage of the measure. Their arguments were that some research lessons might be learned and that $5 billion had already been spent on the project.

Representative Robert N. Giaimo, Democrat of Connecticut, offered an amendment to reduce funds for the project by about $85 million.

URGINGS IGNORED

He and a number of his colleagues urged their fellow Congressmen during the debate on the amendment to go over to the floor managers' tables and read the page in the classified record that described the mothballing plans. Only a handful went over to look at the text. The amendment was defeated, 182 to 219.

"Assistant Secretary of Defense Jerry W. Friedheim acknowledged in a telephone interview that "the decision has been made to protect the option to phase down some parts of the defense missile site" after 1975.

He added that the decision would "save money" and "give us the option to come back with the site" in an emergency.

Other Pentagon officials, however, maintained that it would take about three months to get the site working again once it had been phased down as planned.

Mr. Friedheim did not explain why the mothballing plans needed to be classified.

The House passed yesterday a Defense Department appropriations bill of nearly $84 billion, some $3.6-billion less than the Administration had requested. This figure does not include an additional $6-billion for other military programs such as foreign military aid, civil defense and development of nuclear warheads done by the Atomic Energy Commission.

WEAPONS PROGRAMS PROTECTED

The bill will allow the Pentagon to proceed with almost all of its planned new weapons programs.

At the same time, however, Representative George H. Mahon, Democrat of Texas and chairman of the Appropriations Committee, warned the Pentagon not to ask Congress for more money because of inflated costs. In recent years, the Pentagon has sought supplements after its budget had been approved and was expected to do so again this year.

The House also passed two key amendments contrary to the positions of its own Appropriations Committee and to the Administration.

MISSILE SITES LIMITED

By 233 to 157, the House voted to cut military aid to South Vietnam to $700-million, or $300-million below the committee recommendation and $900-million under the Admin-

* * * * *

By a vote of 214 to 186, the House also killed Administration plans to begin the production of a binary system for the delivery of nerve gas. Binary nerve gas production had been proposed by the Pentagon to match Soviet developments in gas warfare and opposed by the Arms Control and Disarmament Agency as an obstacle to negotiations under way in Geneva to ban chemical weapons.

The background to the vote on the missile defense site was frequently cited by Mr. Giaimo and others to justify their opposition to the measure.

In 1972, the United States and the Soviet Union signed a treaty limiting each side to two antiballistic missile sites. During the Moscow summit several weeks ago, both sides further agreed to a one site limit for each.

In between these two agreements, the Pentagon decided to begin research and development on a new type of missile defense system known as "site defense." The technology of the systems limited by Soviet American treaties. The House yesterday approved $100-million for the new site defense program.

On April 25, 1974, Gen. Walter P. Leber, the chief of the Safeguard defensive missile system that is limited by the Soviet-American accords, informed the House Defense Appropriations Subcommittee in classified testimony of the following Pentagon plans:

1975 COMPLETION

If Washington and Moscow agreed to limit the Safeguard system to one site, Washington would choose Grand Forks, N.D., the site nearest completion.

With the $135-million requested in the new budget, the Grand Forks site would be completed some time in 1975.

Since this one site would be without strategic significance, the Pentagon would keep it in operation for about six months for research, then phase it down to a low state of readiness.

Pentagon plans remain as stated then by General Leber. His testimony is what Mr. Giaimo and others were referring to in the House debate yesterday.

Mr. Giaimo's amendment would have budgeted only enough funds to close out the

Grand Forks site. He and others argued the following: The research benefits to be gained by completing the Grand Forks site could not be used elsewhere since by treaty the United States is limited to one site and could not be transferred to the new site defense system since the two technologies are so different.

Speaking in favor of completing the program, Representative Robert L. F. Sikes, Democrat of Florida, said: "If we stop now, we will have nothing to show. For $5-billion we have nothing to show—nothing."

In a telephone interview, Mr. Mahon stressed that it was important for the United States to possess the technology "used by our troops in our country," since the Soviet retain an operational site near Moscow.

The Senate Appropriations Committee has not yet taken action on this matter or on the Defense Department appropriations bill.

Mr. EAGLETON. May I say to my friend from North Dakota, it seems like 5 years ago or so when we were debating ABM and Safeguard. We need not repeat 5 years of history, nor the enormity of debate, which consumed many, many days. We take diametrically opposite viewpoints as to the advantages of Safeguard.

I predict to my good friend from North Dakota that the biggest thing North Dakota will get out of Safeguard will be a State park. In terms of its utilitarian qualities, its defense utilization, it is worthless.

I presume I might view it in a somewhat different context were it in my home State, although I fought like the devil to keep it out of my State of Missouri when they threatened to propose it for Sedalia, Mo. They wanted to Safeguard us to death with a nonoperable, useless, wasteful system.

The Pentagon did me a perverse favor when they said it would no longer go to Missouri, as a threat of punishment. I accepted their decision and I have obtained more political mileage out of it than if they had put it there.

Nevertheless, it is in North Dakota, and I presume it will stay there.

I can assure the distinguished Senator from North Dakota it is going to be mothballed and will not be used. It does not make any difference. It could not have been used anyway.

Mr. YOUNG. Will the Senator yield?

Mr. EAGLETON. Yes.

Mr. YOUNG. It was not a request of mine nor the people of North Dakota that the ABM site be placed in North Dakota. There are two big air bases in our State, about 300 Minutemen, and the ABM. If North Dakota seceded from the Union, we would be the third biggest nuclear power in the world. We did not ask for these installations. It was a Defense decision that placed them there. We did not object to it. Our people thought if the country needed them for national security they would accept them.

Mr. EAGLETON. I thank the Senator from North Dakota.

The PRESIDING OFFICER. Who yields time?

Mr. McCLELLAN. I yield to the Senator from Mississippi such time as he may desire.

Mr. STENNIS. Mr. President, I thank the Senator very much.

Mr. President, I think everyone should really follow the route this bill has taken: the authorization part, to start with, by a committee of the Senate and by a committee of the House, and then a conference committee meeting between each on the authorization bill which went over the entire matter for weeks—I think 5 weeks over a period of time. Then come back for a moment to the history of this matter.

The original budget was considered most exhaustively by our committee. As pointed out this morning by the Senator from New Hampshire, research and development was carefully considered, and considerable reductions were made.

The same thing happened with reference to procurement.

Reference has been made to ships. There was one group where the chief control ship was finally eliminated altogether. They are going to take a new start somewhere in that field. That was a legislative act.

We brought a bill to the floor of the Senate for authorization.

Consider the manpower, aid to South Vietnam, the civilian manpower, plus the military procurement, plus the R. & D. We took out, in round numbers, between $2.5 billion and $3 billion. That is including the manpower and the foreign aid.

We went to conference. We did not have that much of a saving, but we had well over $1.5 billion.

This went to the House of Representatives where they have a staff that works year in and year out. They came back with a lot of very valuable information that led to reductions in this bill.

The Senate Committee, under the guidance and leadership of these two Senators, the Senator from Arkansas and the Senator from North Dakota, worked further on the bill.

Do not think this is trivial work. I know the Senator from Missouri does not think so because he did some good work once on a tank, and I commend him publicly and privately. So he is a worker, too.

Do not think that these men are not workers. They and their staff—and the rest of us helped them some—really put a fine-tooth comb all the way through this matter. Let us not say to the people of America that we are just throwing away money, putting it in for this and putting it in for that.

There has been more time taken up and lost on these bills, arguing about beagle hounds and items of that kind, than there has been of these real weapons. The members of the committee have been through it from bottom to top. They have come up with some recommendations that are really down to the bone. I do not think they have cut any muscle, but they have got down pretty close to it.

This amendment, with all deference to our friend from Missouri, would lock this committee in by this vote, putting a ceiling on this of $81 billion. That means that we go through the formality of appointing conferees and they will go to represent the Senate at the conference. That means they will have to go into the conference and say to the House conferees, "We cannot go above $81 billion because of the Eagleton amendment, and that means the House will have to yield to us on everything."

Their bill calls for about $83 billion. So we would be $2 billion under them to start with. We could not go above $81 billion. Then we have to bring back a bill that is not below the lowest figure of the two nor above the highest figure of the two.

It just means we would be locked in and that is all we could do or say. We would very quickly get an answer.

Mr. President, I shall discuss in some detail the extent to which the Defense budget has already been reduced under our congressional process—that is what happened during the authorizing process to which a large portion of the budget is subject, and what has happened in the appropriation process, which has overall jurisdiction over the entire Defense budget. The Senate will see that this request, as it now stands, which has been reduced from $87 billion to $81.5 billion, has undergone a most intensive review by four committees.

RESULTS OF AUTHORIZATION REVIEW

As the Senate knows, appropriations cannot be made for substantial portions of the Defense budget until the appropriation has been authorized. This requirement covers the procurement of all major military hardware, all research and development, the fiscal year end-strengths for military and civilian personnel in the Department of Defense, and military assistance for South Vietnam.

Those portions of the Defense budget not subject to authorization include the entire O. & M. account, portions of the personnel account, parts of the procurement account, and various other sundry items.

Mr. President, the Senate version of the authorization bill reduced the Defense budget by $3 billion, 244.7 million. These cuts were as follows: Procurement, $1 billion, 110.1 million—8 percent—R. & D. $372.6 million—4 percent—the 49,000 military cut and the 44,600 civilian personnel cut would have resulted in savings of approximately $1.2 billion annually; military assistance for South Vietnam cut $550 million—38 percent—from the request of $1 billion, 450 million. The Senate committee cuts, Mr. President, were not increased or decreased on the Senate floor.

RESULTS OF CONFERENCE ON THE AUTHORIZATION BILL

In conference, Mr. President, a portion of these cuts were restored. However, the record should reflect that the final authorization act reduced the Defense budget by a total of $2 billion, 135.2 million from the request. The major reductions were as follows: Procurement cut $810.9 million—5.9 percent—R. &. D. $388.1 million—4.2 percent—personnel $488 million; Vietnam assistance cut $450 million—31 percent.

FURTHER REDUCTIONS IN TWO APPROPRIATION COMMITTEES

The overall cut, Mr. President, made by the House Appropriations Committee in the defense budget was slightly over $4 billion.

SENATE APPROPRIATIONS ACTIONS

Mr. President, proceeding with the same comparisons the Senate made further reduction in the overall budget which totaled $5.5 billion. This includes further reductions in the procurement, R. & D. and personnel accounts. The Vietnam assistance, which as the Senate may recall, was reduced an additional $300 million in the House, remains at that figure in the Senate, which, as we know, is now $700 million from a total request of $1 billion, 450 million.

FINAL COMMENT

Mr. President, these figures speak for themselves. This is one of the tightest Defense budgets we have had in years. It still permits a strong national defense, but, at the same time, there have been far greater cuts in this budget than any I have known in the Congress so far this session.

Mr. EAGLETON. Will the Senator yield for a question on that point?

Mr. STENNIS. Yes.

Mr. EAGLETON. This cut is to be made in the discretion of the Secretary of Defense, if you came back to the floor of the Senate with an $81.5 billion bill, hypothetically. He could so do, in my opinion, with the discretion lying with the Secretary of Defense, were he to cut off that extra $0.5 million figure.

Mr. STENNIS. You did not let me finish my story. I was going to say what would happen in the conference.

You would not get any kind of an offer back on any kind of negotiation or anything else. Their own self-respect would make them say, "We are not going to yield to the Senate on that figure, and we are not going to lose our time in arguing about it. We are not going to have a conference, if you are going to stand on that amendment."

So, of course, the Senate would have to yield on that amendment before you could get down to any kind of negotiations. Do not say it would not happen that way, please, unless you have been through the thing I am talking about.

Mr. McCLELLAN. Will the Senator yield?

Mr. STENNIS. Yes, I yield.

Mr. McCLELLAN. As this amendment is worded, I think it means whatever we appropriate, the appropriation, the overall total, must be that. It does not cut any item in the bill.

It does not increase any item in the bill as it is now. It simply puts on a ceiling. If I interpret it correctly—and I think that is the interpretation placed on it by the author—it means that we would abrogate our power and authority and responsibility to appropriate, but we would delegate that power to the Secretary of Defense. I do not believe that is the best way to do it.

Mr. STENNIS. I do not think so.

Mr. McCLELLAN. I do not know where he would cut. He might not cut in the places that the distinguished Senator from Missouri has suggested that cuts would be made.

Mr. STENNIS. The House is not going to agree to anything like that. We might just as well recognize that now. The conferees would have to yield or come back for further action of some kind, under the parliamentary procedure.

We have to be practical and realistic. We are prepared to defend this bill. It is not a product of any one person's arbitrary idea. It is a product of the judgment of those of us who have been working on it, particularly led by the two Senators to whom I have referred.

We are not going to get anywhere with the House conferees by going in there with a mandate. With respect to any particular item that has to be voted on, it may be too late now to offer an amendment. But any particular weapon or any particular amount was subject to attack, or any particular item could have been left out.

Mr. EAGLETON. Mr. President, will the Senator yield?

Mr. STENNIS. I yield.

Mr. EAGLETON. I do not have a particular amendment in mind, but I should like to ask the distinguished Senator from Mississippi, the chairman of the Armed Services Committee, what he thinks about the wisdom of cutting additional civilian personnel from the Defense Department payroll? I quoted at great length an excellent report by the Senator's committee about the lavish civilian personnel quotas of the Defense Department. I ask the Senator what his current attitude is with respect to that?

Mr. STENNIS. My attitude is rather well reflected in the bill as it exists.

I do not recall the figures at this time, but 30,000 additional places were requested, and the Senate Armed Services Committee turned down virtually all of them, plus some more. I cannot recall the exact figure, but it was about 39,000 which could have been taken care of by attrition. That was compromised somewhat in the conference with the House on authorizations. The House Appropriations Committee then took that authorization as the top figure and reduced it somewhat. The McClellan subcommittee reduced it more, and it now stands at about 32,000, as I recall. That is not only the best judgment I have; it is the composite judgment of many of us who have worked on this subject.

We held extensive hearings on this matter, and we are already holding some hearings on manpower for next year. The military manpower has been gone over in the same fashion. We recommended a reduction to which the House did not agree.

Mr. President, that is about the only contribution I can make. There has never been a bill that has been considered and reconsidered and evaluated and measured and weighed and examined and analyzed, with a composite made, any more than this one. In fact, I believe that this bill has had more treatment along that line than at any time since I have been on the Armed Services Committee.

As I have said, we have already started working on next year's bill, because I believe the membership is pretty well satisfied with this one, the way it is now.

I thank the Senator for yielding.

The PRESIDING OFFICER. Who yields time?

Mr. EAGLETON. Mr. President, we are awaiting the senior Senator from Missouri, and I am ready to close on my amendment.

I yield the floor.

Mr. McCLELLAN. Mr. President, I yield 5 minutes to the distinguished Senator from South Carolina.

Mr. THURMOND. Mr. President, I rise to speak in opposition to the Eagleton amendment.

I remind Senators that the President of the United States, in the 1975 budget estimate, sent a request asking for $87 billion. Congress has considered this request in the pending bill. The House Armed Services Committee went into it in detail and fine-combed it. The Senate Armed Services Committee went into it in detail and gave it thorough consideration. The House Appropriations Committee has given it thorough consideration, and they have come up with a bill of $83 billion. The Senate cut that. The decrease recommended by the Senate is $1.5 billion. In other words, they cut it to $81.5 billion, a reduction of $5.2 billion from the original administration request.

Mr. President, how much more can we cut it? The idea of just saying that we want to cut off a billion dollars sounds good. It is nice to go back home and say that we voted for an amendment to save a billion. But where is it being saved? It is being saved from the only thing that can keep America free.

In this time in history, when Communist dictators are trying to devour the world, when they have 36 percent of the world's population and want to take the rest of it, how are we going to keep this country free? How are we going to defend the free world, unless we keep strong militarily?

The only language the Communists know is power. In order to have power, we must have a strong defense program. We cannot have a strong defense program if we are going to cut into the very sinew of a defense bill that has been considered by 4 committees, which they have reduced and reduced, and it cannot be reduced any more without peril to this country. I hope the Senate will think over this matter well and realize that it is important to keep this country strong.

Under the amendment that the distinguished Senator from Missouri is advocating, key decisions would be transferred from Congress to the Department of Defense. That is the very thing we are trying to get away from. We have said that the executive branch has too much power, that we have to bring it back to Congress. But under this type of amendment the Defense Department is going to make the decisions that we should make, and the members of these committees have tried to make these decisions in a sound manner. If the committee has made some errors—and no doubt we have made some; nobody is perfect—it can be corrected in conference. But just to take a meat ax and cut a billion dollars from the defense of this country does not make sense to me.

I repeat that the survival of this Nation, the survival of this Government,

the survival of freedom in this country, depends on the military strength of this country.

I remind the distinguished Senator from Missouri and my colleagues that we read in this morning's newspapers about our President trying to negotiate a multilateral reduction. If we reduce unilaterally, we are taking away from the President the strength he needs. We are depriving him of the sinews he needs to say to the Communists, "We want to reduce, but we want you to reduce, too." But if only we are going to reduce, we cannot expect negotiations to be successful.

We cannot expect to go into conferences and to reach agreements that are beneficial to this country and for the welfare of this Nation.

The PRESIDING OFFICER. The Senator's 5 minutes have expired. Who yields time?

Mr. THURMOND. Mr. President, I wish to say in closing that I hope the Senate will defeat this amendment.

Mr. EAGLETON. Mr. President, to conclude the presentation of the proponents of amendment No. 1836, I am very pleased to yield to my distinguished colleague from Missouri.

No one in the Senate, Mr. President, with all due respect to the fine Senators on the floor and those who have been on the floor today, no other Member of this body has had the awareness of and the knowledge of matters relating to military affairs—to the armed services—to the national security of this country, than my senior colleague. His experience in the executive and legislative branches of the Government—in the Defense Department and on the Armed Services Committee—makes his advice and counsel most valuable.

Thus, although normally, the sponsor of the amendment would close on it, I am eager to adopt such thoughts as my distinguished colleague will say in support at this time.

Mr. SYMINGTON. Mr. President, first, I deeply appreciate the very kind remarks by my able and distinguished colleague from my own State. I know he knows how grateful I am for what he has just said.

Mr. President, yesterday, on the floor of the House, in answer to President Ford's request on Monday night for the cooperation of the Congress in reducing the Federal budget in effort to combat inflation, by a vote of 257 to 155 the mass transportation bill was slashed from $20 billion to $11 billion.

The categories in this bill were cut on the basis of a certain percentage and not, to the best of my understanding of the debate, justified on a program-by-program basis. In other words, this was an across-the-board cut of almost 50 percent.

Why cannot the same criteria be applied to the Defense Appropriation bill? Why not an across-the-board cut of some 8 percent for the sake of efficiency and the state of our national economy?

I support the amendment proposed by my colleague from Missouri and commend him for his thoroughness in researching the various items in the Defense bill which he believes should be reduced below the level recommended by the committee.

I congratulate him on the detail with which he went into it in his effort. But, in this time of rampant inflation, is it really necessary for us to go into such detail in recommending a less than 2-percent reduction in an $87 billion Defense budget—less than 10 percent if you include the $5 billion reduction recommended by the committee.

Why is an 8-percent reduction in our defense bill so much more unacceptable when it comes to fighting inflation than an almost 50-percent reduction in the mass transportation program?

Anybody who has large cities in his State knows only too well the growing problem of the strangling of our cities because of the lack of such transportation. It is for those reasons that I believe that mass transportation is desperately needed to move forward as rapidly as possible.

Time after time I have heard many of my colleagues say that we should not interfere in this or that program in the Defense budget because the Congress does not really understand these programs as well as the civilians and military in the Pentagon and they are the ones who should make the decisions about our defense posture.

Well, if they are the experts, then let them decide where to spend the money; but let the Congress assume its responsibility to the American taxpayer to try to stem the rising tide of inflation by telling the Pentagon that they have only so much to spend. This would be the business-like approach to the problem.

This is the way the problem was approached by the President who probably knew more about the Pentagon than any President, General Eisenhower.

As I have said before, a sound economy with a sound dollar is as important to national security as weapons systems, especially in that some of the latter are clearly questionable.

I find incredible the argument that a modest reduction in the Defense budget, in this year of double-digit inflation, would make the United States a "second-rate power."

For these reasons, I plan to vote for the amendment presented by my distinguished colleague now before the Senate, and would hope that all my colleagues who are truly interested in reducing inflation will do likewise.

The PRESIDING OFFICER. Who yields time?

Mr. McCLELLAN. Mr. President, I have listened to much of the discussion this afternoon on this amendment. At times, I was otherwise occupied and did not, therefore, hear all of the argument that has been made. But, Mr. President, there is no need for a lot of argument. The issue here is pretty simple. The question is, do you want to have appropriations by line item, duly examined and approved by the regularly constituted committee of this body, which has a mandate to do just that, and then to report its findings and recommendations to this body? That is our system. That is the way we should proceed.

The opportunity to have proceeded in that way was available to the distinguished author of this amendment, who is a member of the Committee on Appropriations. As I examine his remarks this afternoon, I find he has suggested 12 specific large areas, where he thinks reductions could be made and should have been made, and within those suggestions, there are smaller items, I am sure. I have not examined it in all detail.

I suggest to you, Mr. President, and to my colleagues that if these areas are susceptible of cuts, they should be cut as proposed in his remarks, but not as in the amendment before us. The logical thing, the proper thing, and the best thing that could have been done would have been to present to the Committee on Appropriations the specific amendments to make the cuts at the places where the remarks of the Senator today now suggest.

Some of them may be good and some of them may have been accepted or may have been modified and accepted. I do not know. But I do know, Mr. President, that when we delegate to the Defense Department the authority to spend $81 billion any way it wants to, or delegate the authority and mandate it to cut a billion dollars from whatever we appropriate here, we are abrogating our responsibility.

I do not think it is very becoming of us to do that, and I do not want us to do that. I want us to keep this system whereby we hear evidence on these appropriations, on the budget, and on the proposed appropriations, and weigh them. And then, after discussion and judicious consideration, make a decision and submit a recommendation. That recommendation will not always be wise, will not always be the best. But I submit, Mr. President, that it is a far better system, and that far fewer errors in judgment and actions will occur by coming through that process than by simply submitting on the floor of the Senate a provision which states:

No funds in excess of $81 billion may be appropriated pursuant to this act.

Well, there is more than that in the bill. What does this cut? What does it affect, if it simply places a ceiling without approving any specific item in the bill?

Mr. President, it is a blank check, a delegation of power to the Defense Department to spend $81 billion any way they want it. I do not agree that they should have the final say. Often we defer to their judgment. I have before, and will in the future continue to defer where I am sure they are better informed and better advised than I. But I want to reserve the right, and I want the Senate to reserve the right, to examine the budget, pinpoint items, and say, "For this item, for this plane, for this submarine, for that much ammunition, for that much provisions, for that much fuel, you can spend so much and no more."

That is the way it should be done. That is the only way, Mr. President, that Congress can keep control of the purse strings of this Nation. If we are going to delegate to department heads the power to dispense and dispose of a total appropriation without specific directions as to

how it can be spent, we are moving in a dangerous direction.

I do not know; perhaps some of these cuts could be made. But I say this amendment does not make a single cut where our distinguished friend says they perhaps could be made and should be made. Not a single cut such as he proposes is made by this amendment. He says they could be made there, but they are not made. It would be doing the thing in an irresponsible way. In my judgment, if the Senate thought that we had appropriated too much money, and that the committee's recommendations were unsound, the proper procedure would be to recommit this bill with instructions to the Appropriations Committee to bring in a bill not to exceed $81 billion in appropriations.

That is the right way to do it. That is the right way, Mr. President; then we could weigh these things. But I submit that the $5 billion cut that we have already made is not modest and it is not insignificant unless, Mr. President, we are entering into a process of disarmament, of reducing our military strength to where we will be a second-rate power.

I know no Member of this body wants that. Not a Member of this body, on a vote that clearly presented that issue, would vote to make America a second-rate power.

But let me point out something to my colleagues. We have in the past, on two occasions immediately preceding World Wars, been unprepared. Those wars may have occurred because we were not adequately prepared. Under existing conditions, with the technology and the stage of scientific advance at that time, we had the opportunity to get ready and to meet the enemy.

Mr. President, we do not have time on our side any more. There is enough power harnessed today, in the hands of one potential enemy, that if unleased could destroy this Nation, unless we stay prepared to immediately inflict comparable damage to our adversary. And when the day comes that that adversary feels that by a first strike they could destroy this Nation, I do not want us to be unprepared.

I do not know what it will take. No one knows today. But I do know if we are not careful—and I have been concerned about this question, Mr. President; as I recommended this $5 billion cut I have been concerned about it. Are we sending a signal that may be interpreted as an indication of our retreat from meeting the challenge that is posed?

I hope not. I do not know what next year will bring forth. I will tell you what I think it could mean. I think that as we go out with this bill of $5 billion less than requested, we could make it a signal, and determine from the response whether there is any genuine, true purpose on the part of our potential adversaries to negotiate in good faith for disarmament. This could be a suggestion that, "Yes, we are ready to start negotiating disarmaments with you."

We will know pretty soon whether there is any reaction of that kind to this action we are taking voluntarily. If that reaction in response to this cut does not come, it may later be well to look more carefully into the extent to which we are crippling our defense potential.

I do not want to talk any longer. Senators have their minds made up. Either they are going to vote to handle the appropriation as in the amendment, or vote to stand by the rules and the system that guarantees the opportunity to inspect, to examine, to inquire about, and then to make judgments. But if we do it by this amendment, we lose that power and that prerogative, and I think it is irresponsible.

Yes, Mr. President, I would like to reduce this bill. I would like to wipe it off the books. I wish the condition of civilization today would permit us to do that.

But, Mr. President, we are living in a world of reality, not fantasy. The dangers are real. They are not imaginary. And I would like to leave this thought with my colleagues as I conclude, Mr. President; I am not sure that we have not already cut too much. I can find many places we can still cut. I could put a list of them into the RECORD. Here are a dozen places where we could cut, but it would mean starting down the road to disarmament, and I do not think we can afford that. Let me say this, Mr. President, in conclusion:

The turbulence and instability of international affairs, the capability of potential aggressors to wage wars of conquest instantaneously with unprecedented weapons of catastrophic destructive force and power, and the ever-present and calamitous danger these tragic and realistic conditions present, clearly and irrefutably preempt us from disarming and from reducing our military arsenal to a level that will relegate our Nation to a second-rate power.

It is imperative that we support and maintain a defense posture of deterrent proportions. To do less is to incur unacceptable risk—it is to invite provocations and impositions, and possibly an assault—a challenge to war.

The price of keeping a deterrent strength—of preparedness—comes high I know. But it prevents war and insures peace; it is more than worth the cost and the sacrifices it entails.

We hear a lot today about priorities in Federal spending. We are compelled to measure and compare the relative importance and need of proposed appropriations, and that is what we have undertaken to do, Mr. President.

But I would remind my colleagues that as the highest priority for any of us as individuals is the preservation of life itself, so is it with our Nation. We must be ever ready, able, and willing to provide adequate defense for its security and survival.

The PRESIDING OFFICER. The Senator's time has expired.

Who yields time?

Mr. McCLELLAN. Mr. President, I do not know how much time I have left, but I yield myself 1 more minute.

The PRESIDING OFFICER. Does the Senator have more time remaining?

Mr. EAGLETON. Mr. President, I yield the Senator such time as he may desire.

Mr. McCLELLAN. No.

Mr. EAGLETON. I am prepared to yield back the remainder of my time. I am prepared to yield to any Senator on either side or one who is neutral.

Mr. STEVENS. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. STEVENS. I understand the vote on the final passage of the bill must occur at 4:45, is that correct?

The PRESIDING OFFICER. That is the previous order; that is correct.

Mr. STEVENS. Mr. President, I would like to raise a question concerning one of the comments in the reports on this defense appropriations bill. When the matter was before our full Appropriations Committee, I briefly discussed the subject with our distinguished chairman, the Senator from Arkansas (Mr. McCLELLAN), and with the chairman of the Armed Services Committee, the Senator from Mississippi (Mr. STENNIS).

There is a reference in the report to propose reductions in headquarters staff. In the past few months, I have discussed with my good friend, Senator STENNIS, the problem regarding the Alaska Command. I have also written to him to convey my views concerning the future of the Alaska Command.

We have had seven Unified Commands and the Alaska Command has represented less than 5 percent of the personnel involved in the headquarters of these commands. In 1970, the Blue Ribbon Defense Panel recommended to the Department of Defense that the Alaska Command be disestablished. At that time, I protested this action to the Department of Defense, and after review of the problem the Under Secretary of Defense, David Packard, disagreed with the Blue Ribbon Defense Panel and determined that the Alaska Command would remain intact, although there was a substantial reduction in the number of personnel at the Alaska Command headquarters.

Now we have been informed of a similar recommendation that is designed to disestablish the Alaska Command.

In my recent letter to Senator STENNIS, I pointed out that the situation in Alaska is not the same as exists in the other 49 States. We are not only separated from the continental United States, we have an extremely close proximity to the U.S.S.R. In Alaska there is a mixture of forces and commands that have vital roles in our national defense. We have the Air Force, the Army, the Coast Guard and the Strategic Air Command. In addition, there are separate functions such as the Navy Research Laboratory, the Test Command and a large National Guard. The Alaska Command has mobilized the facilities for joint training for all of these components and for the joint utilization of facilities and equipment, not only of the military but of other functions of the Federal Government which are directly related to defense, such as the Alaska Railroad.

We are not only the last frontier, our Alaska terrain represents one-fifth of the land mass of the United States. When our State became a part of the Union, President Eisenhower was so convinced of the strategic defense implications of

northwestern Alaska that he requested, and Congress approved, section 10 of the Alaska Statehood Act, which provides special powers to the President of the United States quite similar to those involved in martial law to be exercised in the event the President determines it is necessary in the interest of national security.

Additionally, the Alaska Command has served the Nation extremely well in times of national disasters in Alaska such as the great Good Friday earthquake of 1964 and the disastrous Fairbanks flood in 1967, at which times it was the Alaska Command that provided the nucleus for coordination of all Federal activities.

I feel very strongly that the Alaska Command is necessary to maintain the unity and the responsiveness necessary for defense forces in times of peace and in times of crisis in the event of war. We know that Alaska would probably be isolated in the event of a major war, and in any event we feel the planning for the defense of Alaska that is not done in Alaska cannot recognize the unique and developing problems in our great State.

Above all, Alaskans feel that if the Alaska Command is disestablished, our military forces will be supervised by what amounts to middle management—and in the event of a crisis requiring augmentation of our forces, there would not only be the necessity to augment the troop strength but there would also be the necessity of imposing on our defense structure a top management team that would be unfamiliar with the circumstances.

Working with the Alaska Command and its Advisory Council, I have explained to the Department of Defense an Alaskan proposal for the consolidation of the component headquarters while at the same time maintaining the Alaska Command. The advantages of this proposal are many: first, it would meet the request of our congressional committees for manpower savings in headquarters personnel; second, it would provide for the best possible coordination of the military effort in Alaska under the circumstances; third, by maintaining a unified command the responsibility for defense activities is in clear focus and would thus permit a closer relationship with our State and local communities; fourth, by preserving the Unified Command the true function of a command headquarters would be maintained along with the direct responsibility to the national level for activities in our State which, as I said, is one-fifth of the size of the rest of the United States.

The coordination plan set forth by Alaskans, including the military in Alaska, could effect a savings in excess of the manpower savings that would be realized if the Alaska Command was disestablished.

This is not an idle problem so far as I am concerned. Since I have come to the Senate I have attempted to support those bills—both authorization and appropriations—which I felt would maintain an effective defense establishment within our financial capability. And I have done this while watching the Alaska Command reduced 21 percent since 1970. I believe it could be shown that there are fewer military personnel in Alaska today than there were before Pearl Harbor—and while I completely support the concept of détente, it is to me a concept that will succeed only if our Nation maintains its strength.

I have, as I have informed our two distinguished chairmen, been in contact with the Department of Defense again concerning the proposal to disestablish the Alaska Command. I have the distinct impression that the Department of Defense feels that it must respond to indications from the Congres, and particularly from the Senate, which the Department of Defense believes require the disestablishment of the unified commands. And in doing so it is ignoring the advice that has come from the individual services and the unified command structure in Alaska concerning the necessity for the maintenance of this unified command in Alaska.

In effect, I have the distinct impression that there are portions of the Department of Defense which believe that the proposed action to disestablish our Alaska Command shows a responsiveness to the Senate. I have conferred with the Secretary of Defense, Mr. Schlesinger, regarding my feelings concerning this matter, and he has agreed to visit Alaska and meet with the Alaska Command and Alaskans concerning this problem prior to acting on the recommendation to disestablish Alcom.

What I now fear is that the references in the report on this appropriations bill could be interpreted to add to the "pressures" that some people in the Department of Defense feel they have already received from the Senate—they could be interpreted as an approval, or at least a request, for additional action to disestablish headquarters. I sought the support and guidance of my good friend, the Senator from Mississippi (Mr. STENNIS) in the past and now I seek not only his advice and counsel, but also that of the distinguished chairman of the Appropriations Committee (Mr. MCCLELLAN). And with this recitation of the background and my feelings on the problem, I would like to inquire: Is there anything in this report which could be interpreted by the Department of Defense as a request or direction to proceed with the disestablishment of the Alaska Command?

Second, would the two distinguished chairmen comment for the record we are making here on the proposal to consolidate the headquarters of the individual components of the Alaska Command, while at the same time maintaining the Unified Command. As I previously stated, I am informed that the personnel reduction involved in that consolidation could be equal to or greater than the personnel savings involved in the disestablishment of the Alaska Command. And I would seek the assistance of my two colleagues and great friends in attempting to convince the Department of Defense that the previous requests from the Senate pertain to the elimination of unnecessary command structures—with the goal of achieving manpower savings, but that the Senate has not and does not seek the disestablishment of command structures which are necessary to carry out the plans for the defense of our Nation.

Alaskans are most proud of their unique relationship in the Nation today—we soon will be providing a substantial portion of our Nation's energy resources and our potential for producing strategic metals and minerals is even greater. But we are not unaware of the fact that Alaska with its remoteness from the South 48 and its proximity to Asia is in a unique geographical location. Our location offers strategic advantages to our Nation, but at the same time it presents an apparent weak spot in our defense—and we believe that the defense posture for our military forces in Alaska must maintain defense and readiness that was not present in Alaska at the beginning of World War II. To Alaskans the Alaska Command is the symbol of preparedness—take it away and I think our State will lose confidence in the commitment of the Nation as a whole to maintain our ability to defend Alaska.

I would be happy to have the comments of my good friends on these questions at this point if they would care to respond to my remarks.

Mr. MCCLELLAN. Mr. President, I have been advised that the Department of Defense is currently reviewing the unified command plan and in all likelihood will recommend that changes and realinements be made. The review is expected to be completed in about 6 months and is a part of the Defense Department's program to reduce headquarters staffs and increase combat manpower in the Armed Forces.

I believe that revisions to the unified command plan that will reduce headquarters staffs are feasible; however, the actions described on page 34 of the committee report, under the title "Achieving Savings in Support and Headquarters Personnel" are not intended to approve any specific changes that may be proposed by the Department upon completion of its review. The committee will carefully examine the proposed changes to the unified command plan. I can assure the Senator that the committee does not seek, and will oppose the disestablishment of command structures which are necessary to carry out our national defense.

Mr. STENNIS. Mr. President, my response to the Senator from Alaska is as follows:

I am inserting in the RECORD a copy of a letter from me to the Secretary of Defense dated October 24, 1973. In that letter I urged reductions in the manpower levels at headquarters.

In that letter, nor in any other letter, nor orally or otherwise, have I ever recommended the disestablishment of a military command. That is a judgment for the military and the Department of Defense to make.

I ask unanimous consent that the letters may be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

OCTOBER 24, 1973.

HON. JAMES R. SCHLESINGER,
*Secretary of Defense,*
*Washington, D.C.*

DEAR MR. SECRETARY: As you know, one of the amendments recently considered on the Senate Floor in connection with the FY 1974 Military Procurement Authorization Bill was a proposal by Senator Proxmire which would have required as a matter of law certain reductions in the headquarters and headquarters staff. These reductions were suggested in the Committee Report as illustrative of reductions which could be made in support and headquarters activities. The Committee Report indicated that over 10,000 positions might possibly be saved in this area.

The amendment was defeated and I opposed the adoption of the amendment. I would not want my vote as well as that of many Senators to be mis-interpreted as meaning that no reductions in headquarters personnel are desirable or possible. The reason for opposing this amendment was based on the Committee position that while substantial cuts should be made, the Secretary of Defense should apportion the cuts and have the latitude to make the cuts wherever he deemed best, as part of his management responsibilities. The Committee Report cited the headquarters activities among a number of others as being illustrative of areas where reductions might well be made in noncombat activities.

I realize that many times the Congress makes what might be termed as "gestures" in support of manpower reductions but these are never made mandatory as a matter of hard law. The Services understandably do not take these actions too seriously if they are not specifically required by law.

The point I can not too strongly emphasize in this letter is that if the Department of Defense does not make rather substantial reduction in the one million men in headquarters and support activities in the coming months, you can be sure that the Armed Services Commitee will be compelled to take more stringent action next year in order to achieve some results. I recognize that over the years headquarters and support activities, especially NATO, have become institutionalized and there is great resistance in reducing un-needed or marginal functions. This results in a tendency on the part of the Services to make any mandated reductions in combat activities.

I am sympathetic to the severe problems you face in achieving meaningful reductions in this area. I write this letter to put the Services on notice of the Committee's intention next year, so far as I am concerned, if demonstrable results are not otherwise achieved.

Sincerely,

JOHN C. STENNIS.

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DECEMBER 3, 1973.

HON. JAMES R. SCHLESINGER,
*Secretary of Defense,*
*Washington, D.C.*

DEAR MR. SECRETARY: In my letter of October 24 I strongly emphasized the fact that if the Department of Defense does not make substantial reductions of manpower in headquarters and support activities in the coming months, the Armed Services Committee will be compelled to take more stringent action next year to achieve some results.

I understand that you have a study underway on the impact of 10, 20 or 30 per cent reductions in the headquarters staffs of the Services and Defense Agencies. However, I am very concerned, based on my understanding, that this study will not be completed in time to reduce the FY 75 budget and manpower request. Studies are needed but are not enough. As I said in my earlier letter, demonstrable results must be achieved.

I intend to closely watch progress on this matter. I would like you to provide me a monthly report of actual, on-board manpower for each Service and Agency broken down by the mission and support categories of this statutory Manpower Requirements Report. That strength would be compared with previous months and years, as well as the planned end-year strength. Differences from the previous months actual strength should be explained in terms of the specific headquarters, organizations and units that are affected. I would appreciate receiving the report on the 15th of each month for the prior month beginning on December 15 for the month of November.

Thanking you for your attention on what I know is a problem to you—the field of personnel, I am

Most Cordially yours,

JOHN C. STENNIS.

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THE SECRETARY OF DEFENSE,
*Washington, D.C., December 24, 1973.*

HON. JOHN C. STENNIS,
*Chairman, Committee on Armed Services,*
*U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: I agree with the view expressed in your letter of December 3 that demonstrable results must be achieved soon in terms of headquarters manpower reductions. The headquarters review I have directed will achieve such results. Moreover, our emphasis on the elimination and consolidation of functions and headquarters will permit significant manpower savings without damage to essential command and management functions. While this approach requires more thoughtful study, it is preferable to arbitrary across-the-board reductions. I plan to use the resources released by reductions in command structures to improve combat capability.

As we reach key decisions on the various parts of the headquarters structure, I have asked the Assistant Secretary of Defense (Manpower and Reserve Affairs) to keep you personally informed. Although the full study will not be completed in time for inclusion in the President's FY 1975 budget and manpower request, our testimony before your Committee next spring will cover the results achieved by that time. These results can therefore be reflected in the FY 1975 manpower program.

I would appreciate it if we might consider reporting format alternatives to that specified in your letter. The Services do not routinely report strength information in the Annual Report manpower categories. Thus while an occasional special report can be prepared, regular reports do pose greater difficulty which I would like to explain more fully. Therefore, I have asked Mr. Brehm to discuss the problem with your staff and suggest alternatives which will meet your needs and are within our current reporting capability.

With warmest regards.

Sincerely,

J. R. SCHLESINGER.

The PRESIDING OFFICER. Does the Senator from Missouri yield back the remainder of his time?

Mr. EAGLETON. I am happy to yield such time to the Senator from Virginia as he may desire.

Mr. HARRY F. BYRD, JR. I wish to ask the chairman of the Appropriations Committee this question. As I understand it, the Appropriations Committee started out with a budget request from the administration of, in round figures, $87 billion.

Mr. McCLELLAN. It was $85 billion-something to begin with, but we got an amended request that brought it up to $87 billion-plus.

Mr. HARRY F. BYRD, JR. So with the amended request the Department of Defense sought a total appropriation of $87 billion-plus.

Mr. McCLELLAN. Yes.

Mr. HARRY F. BYRD, JR. And after the Appropriations Committee went over the matter carefully it now recommends to the Senate a reduction of some $5½ billion from that request.

Mr. McCLELLAN. $5½ billion in new obligational authority; that is what they asked to spend, that is what they asked, $87.57 billion in obligational authority requested, and we have reduced it to $32.7 billion, I believe.

Mr. HARRY F. BYRD, JR. So the committee brings in a proposal which represents a reduction from the request by the Department of Defense and the administration of some $5.5 billion.

Mr. McCLELLAN. Between $5 billion and $5.5 billion in round numbers in total authority.

Mr. HARRY F. BYRD, JR. Yes.

Mr. McCLELLAN. And over $5 billion in actual reduction in funds.

Mr. HARRY F. BYRD, JR. The Senator from Virginia has developed figures on defense appropriations.

Mr. McCLELLAN. Sir?

Mr. HARRY F. BYRD, JR. The Senator from Virginia has developed some figures on defense appropriations going back to 1960 which, at the appropriate time, I will ask to be inserted in the RECORD.

For the moment, however, I want to just point out several figures. In 1960, the Department of Defense appropriation was $39 billion, in round numbers. In fiscal 1975, if the Appropriations Committee's proposal is approved, it will be $82 billion, so that is an increase of a little more than double during that time.

But now, if one compares that—and that is a substantial increase—with the appropriations for HEW, we find that in 1960 the total HEW appropriations were $4 billion. They are now $36 billion—last year, 1974, they were $36 billion, a ninefold increase during that period.

If we take another date, if we take fiscal 1969, we find that the Department of Defense appropriations were $77 billion. That compares with $82 billion which the Appropriations Committee recommends to the Senate, or an increase of about 6 percent during that period of time.

Now, if we take the HEW appropriations we find that in 1969 the figure was $16 billion, and it is now $36 billion for 1974, more than double.

Under the able leadership of the senior Senator from Arkansas, the Appropriations Committee has done an outstanding job in attempting to get defense expenditures under control and to eliminate many questionable items from the request made by the Department of Defense.

I doubt if any other piece of legislation has been brought before the Senate which carried a reduction as high as $5.5 billion.

I support the reductions in military

appropriations recommended by the committee.

I commend the able Senator from Arkansas.

I ask unanimous consent that a table showing appropriations for Defense and HEW be inserted at this point in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

*HEW and Defense appropriations, fiscal years 1960 through 1975 (figures rounded)*

[In billions]

| | DOD | HEW |
|---|---|---|
| 1960 | $39 | $4 |
| 1961 | 40 | 4 |
| 1962 | 47 | 5 |
| 1963 | 48 | 5 |
| 1964 | 48 | 6 |
| 1965 | 48 | 7 |
| 1966 | 59 | 10 |
| 1967 | 70 | 13 |
| 1968 | 74 | 15 |
| 1969 | 77 | 16 |
| 1970 | 74 | 17 |
| 1971 | 71 | 22 |
| 1972 | 75 | 27 |
| 1973 | 78 | 32 |
| 1974 | 78 | 36 |
| 1975 | 82 | 35 |

Source: Office of Management and Budget except 1974 and 1975 are Senate Appropriation Committee.

Mr. McCLELLAN. Mr. President, will the Senator yield for just a moment?

Mr. HARRY F. BYRD, JR. I yield.

Mr. McCLELLAN. I would like to state, as I did in my initial and opening remarks on this bill, I pointed out that in 1950 outlays for national defense were about 50 percent of the Federal budget. In 1960 they were 40 percent. In 1970 they dropped to 30 percent, and this year they will be 29 percent. So we are constantly going down. That is true with respect to the gross national product, and so forth.

We are constantly going down; whereas the Senator mentioned some of the other things, social security has gone up 283 percent during that time; health services, including medicare and medicaid, increased from $496 million to $22.4 billion. So the great increase in the cost of Government is not attributable to the rise in military spending. We are doing everything we can to hold it down.

Mr. HARRY F. BYRD, JR. I thank the Senator.

Mr. EAGLETON. Mr. President, I ask unanimous consent that amendment No. 1836 be temporarily set aside for not to exceed 3 minutes so that I may yield to the Senator from Maryland and so that he may bring up a related subject and dispose of the same within the hour of 4:45.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from Maryland.

Mr. MATHIAS. I wish to call up an amendment which I have sent to the desk.

The PRESIDING OFFICER. The clerk will report.

The second assistant legislative clerk proceeded to read the amendment.

Mr. MATHIAS. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The amendment is as follows:

On page 22, line 20, strike the period after "1977" and insert in lieu thereof a colon and the following: "*Provided*, That not more than $90,100,000 of the funds provided herein may be expended for the procurement of the A-7D aircraft, and $128,000,000 of the funds provided herein shall be available only for the procurement of the A-10 aircraft."

Mr. MATHIAS. I am offering this amendment on behalf of my distinguished colleague from Maryland (Mr. BEALL) and both of the distinguished Senators from New York (Mr. JAVITS and Mr. BUCKLEY).

It is an amendment which seeks to bring some equity into the appropriations provided for the procurement of military aircraft and, particularly, to bring about some equity between a new aircraft, the A-10 which has been specifically requested by the Defense Department, and what is proposed to spend on a much older and less useful aircraft, the A-7 that has not been requested by the Defense Department.

I offer for the RECORD, and ask unanimous consent to have printed, a comparison of the amounts which are provided in the bill for the different airplanes and a table showing the amounts if cuts are distributed proportionately.

There being no objection, the comparison was ordered to be printed in the RECORD, as follows:

[Dollar amounts in millions]

| | Authorization and house levels | Senate committee level | Cut (percentage) |
|---|---|---|---|
| A-10 | $159.2 | $118.0 | 25.9 |
| B-1 | 455.0 | 399.9 | 12.1 |
| F-15 | 757.0 | 691.0 | 8.7 |
| A-7D | 100.1 | 100.1 | 0 |
| Total | 1,471.3 | 1,309.0 | 11 |

If all the above aircraft systems shared equally (by percentage i.e., 11% cuts each) the burden of procurement cuts, the following appropriation levels would result:

[In millions]

| | |
|---|---|
| A-10 (up 20.1% from committee recommendation) | $141.7 |
| B-1 (up 1.25% from committee recommendation) | 404.9 |
| F-15 (down 2.5% from committee recommendation) | 673.7 |
| A-7D (down 11% from committee recommendation) | 89.1 |
| Total | +1,309 |

From the above comparisons, it is clear that both the B-1 and F-15 come reasonably close to suffering an appropriate proportional share of the procurement cuts for aircraft systems. On the other hand, the A-10 would have to be increased substantially (20% higher than the Committee recommended) and the A-7D reduced substantially (11% below the Committee's recommendation) if true parity is to be achieved.

Mr. MATHIAS. I yield to my colleague from Maryland.

Mr. BEALL. I thank my colleague from Maryland for yielding.

I rise in support of his amendment. I think he has made an excellent point that we should pay some attention in this debate to the requests from the Department of Defense.

I would suggest as this bill goes to conference, the conferees will recognize that if there are going to be cuts they should be shared equitably among all the producers of airplanes.

Mr. President, I would like to join my distinguished colleague, Mr. MATHIAS, in expressing my strong disapproval of the recommended reductions in the A-10 program. I understand and fully support the committee's desire to cut the fiscal year 1975 budget. I believe, however, that all segments of the Federal budget must share an equal burden in our effort to overcome the serious double digit inflation which continues to threaten the economic health of our Nation.

But, Mr. President, I do not believe that the A-10 program should be slashed 25.9 percent while other programs of dubious value and effectiveness, such as the A-7D, continue to receive full funding. The A-7 was a good aircraft, in its day, but I believe the time has come for us to move forward to the newer, more versital A-10. The Chief of Staff of the Air Force has stated that the A-10 will help form the core of the force structure for the Tactical Air Command in the next decade.

There are two additional points I would like to make in this debate:

First. Now that the A-10 has been extensively flight-tested, it is far more economical to produce the aircraft in large numbers. The committee cutback would reduce the number of aircraft produced in fiscal year 1975 from 30 to 20, thus increasing the per unit cost.

Second. During his testimony before the House Appropriation Committee, Defense Secretary Schlesinger strongly objected to Congress "thrusting" money on the Pentagon for projects it has not requested such as the A-7. In fact, the administration has not requested funding for the A-7 program for the last several years.

Mr. President, I support a strong national defense because I believe that it contributes to our national security as well as world peace. If we expect to get efficient use out of our defense dollar we must stop wasting them on outdated equipment and purchase instead modern-effective weapons that will make the free world more secure.

Mr. MATHIAS. Mr. President, I would ask if the managers will give us some light on this subject.

Mr. McCLELLAN. I understand what the Senator really wants to do is not to increase appropriation, but transfer some item, the item on the A-10, take how many million out of that?

Mr. MATHIAS. Ten million.

Mr. McCLELLAN. Ten million out of that and place it on another plane, the A-7?

Mr. MATHIAS. From the A-7 to the A-10.

Mr. McCLELLAN. From the A-7 to the A-10.

Well, I do not know, Mr. President, this is a matter that should be considered, of course, by the full committee.

I would say this, as the Senator knows, frequently the Department of Defense asks for reprograming, and if it finds that it needs more on the plane the Senator is interested in and submits a reprograming request to the Appropria-

tions Committee, all I can say for this one is that it will be given most careful consideration.

We do not always approve every request they make, but if there is justification for it and they feel this plane ought to have more impetus, needs more appropriation, and it could take it from the other without injustice, I would not have any objection.

Mr. MATHIAS. Mr. President, since that is exactly the situation, since there was a large budget request for the A–10, I would assume our chairman is telling us that in conference he would take a similar view of that situation.

Mr. McCLELLAN. Certainly, I have an open mind on it. The Senator will understand we will try.

You see what has happened here today, we tried to find places to reduce this budget.

I have said many times, I do not see that where we made the cuts necessarily was always the best, but we did our best. If the Department of Defense would come and show us that within the appropriations made, it needed or would be wiser to spend some of the money here than there where we appropriated, within bounds, I would consider it.

Mr. MATHIAS. I have already discussed this question with the distinguished Senator from North Dakota, the ranking minority member, and I know how he would feel in conference.

Mr. YOUNG. Well, the A–10 is an excellent plane, it competes with the A–9, in the flyout test it won.

I think this will be in conference and I am sure I will give it sympathetic consideration.

I do not think we made a perfect job saying how much money should be spent for each plane, but this will be in conference.

Mr. BUCKLEY. Mr. President, I believe the decision to reduce funding for the A–10 program is a serious mistake, for the following reasons:

First. The importance for effective close air support was demonstrated by the experience of the October war in the Middle East. Only a truly survivable aircraft—one of high performance at low altitudes will suit modern requirements.

Second. The A–10 was explicitly designed to suit this need. Its excellence has been demonstrated in an exhaustive series of tests.

Third. The Air Force has a well-documented, urgent need to replace the World War II vintage, propeller-driven aircraft such as the A–1, with modern aircraft needed to provide infantrymen with adequate protection under modern battlefield conditions. This means we must speed the production of the A–10.

The proposed reduction in outlays for the A–10 this year would result in an improvident delay in the deployment of this plane in the quantities necessary to maintain a high level of effectivenes.

I join the Senator from Maryland in urging restoration of adequate funding.

Mr. TAFT. Mr. President, in Senator MATHIAS' comments, he has noted the importance of the A–10 program.

In the Armed Services Committee, we gave the A–10 a thorough and complete evaluation. We asked for the results of the A–10/A–7D fly-off. These were presented, with the A–10 clearly winning the fly-off for the close air support mission.

Gentlemen, I will not attempt to address the need for the A–7D in the Air National Guard, but I would like to assure you that in the A–10 this country is developing an outstanding aircraft to meet an important mission.

In this country, few systems have been developed that so closely met all their requirements within the prescribed costs. All the contracts are in place to keep these costs and schedules under control on both the aircraft system and the supporting ammunition. Let us not disrupt that by starting, stopping, and delaying a well-run program that fills an important need in our Nation.

Mr. JAVITS. Mr. President, I fully subscribe to the comments of Senators MATHIAS and BEALL. I fully support the action of the Appropriations Committee to reduce by an overall 5.1 percent this year's appropriation for the Defense budget; however, I believe where reductions are made for solely budgetary reasons and where a specific weapons system has amply demonstrated its ability to perform the assigned mission in a cost effective manner, such weapons systems should not be unduly reduced.

The specific case here is the A–10 program, the prime contract for which is being carried out by Fairchild Industries. The A–10 has won, hands down, two fly offs, has experienced no cost overruns and is a weapons system that, as amply proved from the lessons learned in the most recent war in the Middle East, will be an essential element of the tactical air force when it enters the Air Force's active inventory. In addition, the introduction of this aircraft into the active inventory will enable the release of modern aircraft that are much needed into the Air Force Reserve and the Air National Guard.

The Appropriations Committee reduced this program's procurement by 10 aircraft or $41.2 million, which is a percentage of roughly 25 percent. This percentage is considerably above any reduction in certain other Air Force aircraft programs, and in my judgment, in a case such as the A–10 program which is not experiencing development problems or cost overruns, it would be a far more even-handed approach to reduce the program on a percentage similar to other programs. I hope that the conferees appointed for this bill will take this into consideration and make the reductions equitable. Such action, of course, would not involve the adding of more money to the total bill before us.

Mr. MATHIAS. Mr. President, in view of the sentiments expressed by the distinguished managers of the bill, I would withdraw the amendment.

The PRESIDING OFFICER. The amendment is withdrawn.

Mr. EAGLETON. I yield back the remainder of my time.

Mr. McCLELLAN. I yield back the remainder of my time.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. TOWER. Mr. President——

The PRESIDING OFFICER. The Senator from Texas.

Mr. TOWER. Mr. President, I ask that the pending business be laid aside for an amendment which I have at the desk.

The PRESIDING OFFICER. The clerk will report it.

The assistant legislative clerk read as follows:

On page 14, line 16, strike out "$265,700,000" and insert in lieu thereof "$309,300,000".

Mr. TOWER. Very briefly, Mr. President, this amendment——

The PRESIDING OFFICER. The Chair will observe that there is no time remaining.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the time be extended for 2 minutes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. TOWER. By way of explanation, Mr. President, this simply does two things. It replaces the helicopter given to the South Vietnamese, places them in the Army inventory, and keeps the production line open, because there is no other existing line, and it enables us to continue sales and competition.

Mr. McCLELLAN. It was not our intention to close down any assembly line, but we did this year. Last year we put in money for the airplane to keep that line going. This year we did not put it in.

I just cannot go along with that this year because there is no budget for it and we have cut and cut.

But out of deference to the situation here, I am advised that it will require, and that the Department of Defense wants, $18.5 million in order to keep this production line open and keep it going.

On that understanding, I am willing to accept the amendment and take it to conference.

Mr. TOWER. I accept that assurance.

Mr. McCLELLAN. If the amendment is modified to $18.5 million.

Mr. TOWER. I accept the modification suggested by the Senator.

The PRESIDING OFFICER. The question is on the amendment of the Senator from Texas (Mr. TOWER).

The amendment was agreed to.

Mr. HUGHES. Mr. President, I am happy to join my colleagues in supporting this amendment by the distinguished Senator from Missouri (Mr. EAGLETON).

Clearly, Government spending has to be reduced if we are to combat inflation with actions and not merely words. And this battle cannot be won unless the good soldiers in the Pentagon do their part.

The people of Iowa and, I believe,

across the Nation, overwhelmingly favor cuts in military spending.

Economic good sense requires it.

And careful attention to the facts of America's military strength makes it possible.

As a member of the Senate Armed Services Committee, I am well aware of numerous examples of waste, inefficiency, and overkill in this Defense budget. Important cuts have already been made during the authorization and appropriation process. Regrettably, other reductions which I favored were put to a vote and failed to receive majority support.

Those matters are not at issue now. Whether or not we can agree on specific line item reductions, we can certainly agree that there is still a billion dollars worth of flexibilty or padding in this budget.

Under this amendment, the Secretary of Defense would have to make the hard choices, avoided until now, on which additional activities are only marginal, which programs can be slowed down or deferred until later.

Even with an $81 billion ceiling, we could still have sufficient capability to deter any attack. Our arsenal of strategic nuclear weapons remains three times that of the Soviet Union. Our nuclear submarines remain invulnerable. We will continue to build and buy the most modern weapons—although we have a disturbing tendency to sacrifce quantity for only marginally better quality.

None of this muscle would be cut if we had an $81 billion ceiilng. Instead, the Pentagon would have to do what every other agency of Government is doing, and what every hard-pressed American family is doing.

The American economy is caught in the vise-grip of inflation and recession. The remedy for inflation is reduced spending; to overcome the recession, we need job creation.

Defense spending makes both of these problems worse, for it produces goods which consumers cannot buy and it adds less than other Government spending to increased employment and productive capacity. Most economists agree that more jobs would be created, and our economy put on a sounder base in the future, by directing spending away from the military and into more socially useful programs such as education, housing, and health.

As Yale Prof. Bruce Russett concluded after studying the relation of Defense spending to the economy over the past 30 years:

> An extra dollar for defense in any one year has, on the average, reduced investment by 29 cents and the level of output in the economy has been permanently diminished by the order of six or seven cents per year for each defense dollar.

If invested, he points out, that dollar would have produced 25 percent more in additional production, in perpetuity.

After all, the strength of America does not rest in its weapons alone. Our national security also depends upon the health and well-being of our people, the vitality of our economy, the preservation of our freedoms, and the removal of the vast inequities which deny quality living to large segments of our population.

We have been so obsessed by the threat of external attack that we have ignored or neglected the clear signs of our internal stagnation and decay. Families which are struggling to pay skyrocketing bills for food, clothing, housing, and education are nevertheless taxed hundreds of dollars each year to prepare for hypothetical contingencies in dozens of countries around the globe.

We have become prisoners of fear, rather than hopeful workers for a truly peaceful world.

Our defense planners have gone largely unchallenged, and the end result has been a military-technological-budgetary spiral that takes more from our pocketbooks and gives us less real security in the long run.

We can take up this challenge. We can demand a more prudent Defense budget which preserves our military strength without weakening the society to be defended.

The amendment before us now gives us another opportunity to move toward this goal.

Mr. MUSKIE. Mr. President, the problem of rising Federal expenditures is no where more dramatically presented than in the budget for national defense. A strong American Defense Establishment has proved necessary to the safety of our people, and the preservation of world peace. But principles of fiscal prudence demand that in defense, as in all other areas of Federal spending, unnecessary Federal expenditures be cut from the budget.

My distinguished colleague from Missouri, Senator EAGLETON, has proposed that the level of defense funding in the appropriations bill pending before us today be restricted to $81 billion. His proposal would set the level of defense spending $1.2 billion below the $82.1 billion recommended by the Senate Committee on Appropriations. It would still allow an increase of $3.1 billion from the level of appropriations in the last fiscal year.

Whether or not a defense spending level of $81 billion is sound depends on two kinds of considerations—whether or not that gross figure reflects an appropriate allocation of national resources compared with other Federal programs, and whether or not the specific reductions in defense activities which would have resulted from the funding level are justified. I believe that the case has been made for the $81 billion funding level on both these grounds.

From the standpoint of total national priorities. the prudent reduction proposed by Senator EAGLETON makes sense.

Of the $140 billion of this year's fiscal budget which is controllable by the regular appropriations process, well over half will go to national defense. National security is certainly a high-priority need, but there are others. Just as we must be prepared to pare down spending for social programs to an appropriate level within the total budget amount, we must be prepared to make tough budgetary choices in the area of defense. A reduction of defense funding to $81 billion would still allocate 27 percent of the entire Federal budget, and 57 percent of controllable funding, to this purpose.

And with respect to specific cuts, I believe that the careful analysis of the defense budget reveals that additional saving from the level recommended by the Senate Appropriations Committee can be justified.

The underlying case for a substantial defense spending reduction has already been made by the Appropriations Committee in its current recommendations to the Senate. That committee, and its Subcommittee on Defense, both chaired by the able Senator from Arkansas (Mr. MCCLELLAN) have made a compelling argument for the $5 billion reduction it proposes from the level of the budget request.

In presenting this amendment calling for the $81 billion level, however, Senator EAGLETON has argued that additional, specific cuts are justified. He points out, for instance, that the $1.2 billion reduction in defense spending could be accomplished by cuts that can be attributed to 10 specific defense programs. This analysis concludes, in fact, that over $2 billion in additional savings can be achieved—more than enough to meet the $81 billion ceiling. I do not agree with Senator EAGLETON on all these proposals.

But, earlier this year, on May 30, 1974, I had occasion to prepare my own analysis of the Defense budget in preparation for a debate sponsored by the American Enterprise Institute on defense spending. At that time, I concluded that significant additional reductions amounting to at least $5 billion would not be unreasonable, and would certainly not be unsafe to our national interests. Among the examples I cited at that time were cuts in manpower costs; cuts in spending for conventional weapons for general purpose forces; through elimination of "gold plating" weapons with expensive and unnecessary "extras," and increased emphasis on less expensive weapons systems; cuts in strategic weapons spending, including costly programs for development of the B–1 bomber and counterforce capability of our long-range missiles; and cuts in wasteful foreign military assistance. I ask unanimous consent, Mr. President, that the statement I made to the American Enterprise Institute on May 30, containing this analysis, be printed in the RECORD at the conclusion of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 1.)

Mr. MUSKIE. Our consideration of appropriations bills this year, and my endorsement of an $81 billion defense spending level proposed in this amendment, must of necessity be made without the benefit of the budget review process. That newly established process will be based on detailed analysis of the individual components of the budget, and comprehensive study of the effects of specific ceiling levels on the ability of the Government to meet its responsibilities to the American people. The budget review process now being implemented, which will be fully effective for the fiscal year 1977 budget, will be based on a year-

long, and continuing analysis that will provide us with the information to allow us to make judgments about whether specific budget cuts are appropriate and effective.

A "ceiling" approach to budget cuts, without the background of that analysis, must be based on a careful balance of the information we do have available now. The most important component of our existing budget decisionmaking process is the work of the Appropriations Committee. But the report of the Appropriations Committee, of course, should not be the last word in the Senate on the spending level we approve. It is perfectly appropriate that the committee's proposals should be open to review, and subject to revision or approval by the Senate as a whole. In the debate on this defense appropriations bill, and the amendment proposed by Senator EAGLETON, I believe a case has been made for a deeper defense budget cut than that committee recommends.

EXHIBIT 1

MAY 30, 1974.

STATEMENT BY SENATOR EDMUND S. MUSKIE

Earlier this year, I spoke at the U.S. Naval Academy on the subject of our foreign policy. My thesis was that the United States is on the verge of a new coherence in its foreign policy, a new sense of direction and common purpose, and a restoration of the bipartisan tradition in America's foreign relations.

This restored bipartisanship, I argued, is based on a broad popular consensus on four fundamental principles of American foreign policy: first, that an isolationist policy is not a viable option for America; second, that the general direction of détente with the Soviet Union and China is an important American interest; third, that our alliances with Europe and Japan are still vital, notwithstanding progress toward détente, and should be emphasized; and fourth, that our policies must reflect the growing interdependence between the developed and underdeveloped world.

A foreign policy based on these principles requires that America be strong militarily. I believe in a strong national defense. The issue in this debate is not whether America should be strong or weak—rather, it is whether the Congress can make any significant cuts in the Administration's defense spending request for fiscal year 1975 without undermining our security interests or our foreign policy objectives. I am prepared to argue that it can.

The President's total budget request for FY 1975 is $304.4 billion. Of that, $141.8 billion is controllable by Congress through the regular appropriations process. Of this portion of the budget which Congress can control, well over half goes to national defense. That is a sizeable amount. Fiscal conservatives who have spoken eloquently on the tendency of government to overspend—and of modern bureaucracies to develop their own entrenched interests—should surely look with some skepticism at a defense budget of this magnitude.

Economists may disagree among themselves on how large the federal budget should be in a particular year—whether we should have a budgetary surplus or deficit, and how large the balance or shortfall should be. But within any given budget ceiling, we politicians cannot look to economists to tell us how to order our budgetary priorities. That is an obligation we have as representatives of the people, and how we make decisions on budgetary priorities affects not only our own political futures but, far more important, the future well-being of the entire nation.

It is the job of the President to propose a distribution of federal priorities, and it is the responsibility of the Congress actually to make the hard choices. The Congress, through the appropriations process, must decide how much to spend on defense; how much federal assistance to give to state and local governments; how much assistance should go to health, transportation, education, or environmental improvement.

Congress has the responsibility to make spending decisions which reflect the needs of the people. The nation's security is certainly a high-priority need, but there are others: federal funding for education is now only $7.5 billion; funding for drug abuse enforcement and prevention is only $750 million; for community development and housing, only $6.4 billion; for pollution control, only $700 million; for energy research, only $2.1 billion. Compare these figures to the Administration's defense budget of $92.6 billion.

In ordering our budget priorities, the Congress must be prepared to trim back in one category in order to increase spending in another. My own view is that significant cuts can be made in the President's proposed defense budget for FY 1975 which would free up several billion dollars of additional resources for helping to reduce the present tax burden, for reallocating to other areas of the federal budget, or possibly for both.

There is a pernicious view among those who habitually oppose cuts in defense spending reflected in the oft-heard slogan "Where national security is concerned, money is no object." This is a fine-sounding platitude, but the fact is that our total resources are always limited and must be allocated among many competing needs in our society. The nation has always compromised on national defense—even in wartime.

So tough budgetary choices must inevitably be made in defense, as in all areas of federal expenditure. While no President or Congress wishes to shortchange the defense effort, the unavoidable fact is that our society has other needs besides military power. Former Defense Secretary Robert McNamara expressed it well when he said some years ago: "I do not mean to suggest that we can measure national security in terms of dollars—you cannot price what is inherently priceless.

But if we are to avoid talking in generalities, we must talk about dollars. For policy decisions must sooner or later be expressed in the form of budget decisions on where to spend and how much."

THE PRESIDENT'S BUDGET FOR FISCAL YEAR 1975

The Nixon Administration has proposed to Congress the largest peacetime military budget in our history. The total request for the Department of Defense is $92.6 billion. To this figure, one can legitimately add the military budget within the AEC—for nuclear weapons programs and the like—which amounts to over $3 billion, and some additional funds used by other agencies for defense-related purposes. For purposes of this debate, however, I will use the Defense Department's own figure of $92.6 billion as the total request for FY 1975.

This spending request is an increase of about $10 billion over last year's request: a $10 billion increase notwithstanding the fact that we have withdrawn from Vietnam—the costliest war in our history; notwithstanding the fact that we have an arms control agreement with the Soviet Union and that we have entered into a new era of negotiation; and notwithstanding the fact that the Nixon Doctrine calls for a much less interventionist foreign policy than we have had in the past.

Only recently President Nixon sent to the Congress a message, accompanying the Report of his Council of Economic Advisers, in which he said: "Too much government spending is the spark that most often sets off inflationary explosions. . . . We must work together to cut where we safely can. We must so discipline our present decisions that they do not commit us to excessive spending in the future." What I propose is that we apply the President's tests to the defense budget.

Secretary Schlesinger testified before the Senate Armed Services Committee in February that this year's defense budget request in real terms "means doing no more than holding our own as compared to 1974." The basis for this remark is that the difference between the FY 1975 request of $92.6 billion and the FY 1974 budget of $87.1 billion—an increase of $5.5 billion—is barely enough to cover pay and price increases. Technically, the Defense Department's figures are correct—except that there has been some dubious manipulations of the statistical data.

The figure used by the Defense Department as representing the 1974 defense budget includes two items which really do not make sense for comparative purposes with respect to the FY 1975 request. The first of these is last year's $2.2 billion emergency aid to Israel. This figure is not a direct part of U.S. defense costs, and the Defense Department has already announced that Israel will be expected to pay back $1.2 billion of this arms aid. As a one-shot aid effort, these funds should be subtracted from the FY 1974 defense figure so as to provide a fairer comparison to the FY 1975 request which includes no such amount for Israel.

The second statistical manipulation which serves to inflate the FY 1974 budget is the retroactive inclusion of $2.1 billion contained in the Supplemental Appropriations request for purposes of buying new capability. Normally, Supplementals are reserved for such things as emergencies or cost overruns. Out of the total Supplemental request of $6.2 billion for defense, several billion dollars can legitimately be considered part of the FY 1974 budget—including, for example, a $3.4 billion figure for pay increases. But $2.1 billion of the Supplemental request is intended to increase inventory items such as ammunition and other supplies, increase airlift capability, accelerate production of the Trident submarine and, in Secretary Schlesinger's words, to "buy certain high-value weapons and equipment which are now in short supply in our Services." These funds clearly represent an increase in real defense resources and should require a new authorization. This kind of request is normally submitted in the regular budget as a new proposal, rather than in a Supplemental.

Despite the attempted distortion, the FY 1975 request is still higher in absolute terms than any peacetime military budget in our history. The Administration has attempted to create the impression that this increase results largely from military pay and the cost of the volunteer force. But compared to FY 1974, other areas of the budget have been increased even more: procurement is up 23.4 percent; research, development, test and evaluation is up 15.9 percent; and operation and maintenance is up 13.7 percent. By contrast, the costs for active duty military personnel have increased only 6.5 percent. If the volunteer force were terminated, no more than $750 million would be saved.

Finally, I should point out that Secretary of Defense Schlesinger stated last February before the House Defense Appropriations Subcommittee that outlays for defense "might have been a billion or a billion-and-a-half dollars less in 1975" were it not for the fact that additional spending was deemed necessary to stimulate the economy. I do not believe that increased defense spending—which is not essential to our security—is the wisest fiscal tool for stimulating our econ-

omy. This is so for several reasons: First, military spending is generally slower in impact than increasing other programs because of built-in lags necessary for cost-effective contracting. Second, countercyclical spending is less desirable through the Defense Department than through other agencies, because it cannot be targeted to particular geographic depressed areas as effectively. Third, military spending goes largely to industries employing skilled, well-paid workers, whereas unemployment is most severe among unskilled, low-income people. Fourth, military spending as a stimulus to the economy is particularly wasteful, because instead of creating social capital and providing services vitally needed in our states, cities and rural communities, it creates only superfluous military hardware.

When economic circumstances require a stimulus, a more effective and fairer way to pump demand into the economy would be to put extra spending power directly into the hands of working people who are hardest hit by both recession and inflation. This could be done through expanded and extended unemployment compensation benefits, public employment programs in hard-hit localities, a temporary reduction of the social security withholding rate or a reduction in income taxes in the lowest brackets.

WHERE CUTS CAN BE MADE

The format of this debate will not permit a detailed analysis of the defense budget or a systematic presentation of budget alternatives. There are a number of public policy organizations which have done excellent work in this field—and their proposed cuts range as high as $15 billion. I believe that reductions amounting to at least five billion dollars are not unreasonable—and certainly not unsafe.

Let me give some specific examples. First, in the area of manpower costs, which amount to over 55% of the total defense budget: The number of men in uniform has been dropping in recent years, in line with our withdrawal from Vietnam, the growing strength of our allies, and our new determination to avoid military involvement in regions which are not vital to American interests.

Still, far too many military personnel are involved in performing direct or indirect support tasks such as administration, logistics, training, or maintenance. Some of these support troops should be reduced.

Moreover, the U.S. should make significant reductions in the number of troops stationed abroad—bringing these men home and demobilizing them. The United States at present has 480,000 men in foreign countries—300,000 in Europe and 180,000 in the Western Pacific and Asia. We have 36,000 men in Thailand, for no apparent purpose other than possible reinvolvement in Indochina. We have a full division in South Korea, 24 years after the outbreak of the Korean War, even though the South Korean Army already outnumbers the North Korean Army by two-to-one. Our troops in Europe can be pared down as well as our allies assume a greater share of the burden for their own conventional defense. A 25% reduction in U.S. forces overseas would hardly signal an isolationist policy.

This year, the Administration is asking for a further increase in the number of civilian positions in the Defense Department even though there are already over 1.1 million such employees—nearly one civilian for every two in uniform. Excluding the Postal Service, the Department of Defense has roughly as many civilians as all other federal agencies combined.

The Senate Armed Services Committee has already recommended a two percent cut in military manpower and a four percent cut in the civilian bureaucracy this year. I would recommend additional manpower cuts beyond this, emphasizing reductions in support troops and civilian bureaucrats, saving our taxpayers well over two billion dollars in payroll and attendant operation and maintenance costs.

Moreover, it is time that something be done about "grade creep" in the military. Surely it is not essential to our nation's security to have more field grade and flag officers to command a force of 2.2 million men today then we had in 1945 to command a force of 12.1 million. Nor is our security enhanced by having 400,000 more sergeants than there are privates in the Army, Navy and Air Force. The Marine Corps doesn't have this problem—it has twice as many second lieutenants as lieutenant colonels and 23,000 more privates than sergeants. If our Armed Services had the same grade structure today as they did in 1964, we would save about $700 million annually.

Second, in the area of conventional weapons systems for our General Purpose Forces: Here, defense planners have gradually moved toward what is called a high-low mix—certain very expensive, maximum-capability weapons systems complemented by less expensive and less-capable alternatives. I welcome the trend toward less expensive alternatives at the lower end of the mix. Past procurement trends have been too spendthrift, favoring new weapons systems equipped with all the most advanced technologies regardless of expense, even when gains in performance were marginal.

For example, new fighters like the F-14 cost 15-25 times what the jets of the Korean War cost. Even taking into account inflation, a Korean War sabrejet would cost about $690,000 today—which happens to be about the same price as the average total cost of the new Phoenix air-to-air missile being placed on the F-14 fighter. This tendency to goldplate new weapons systems out of proportion to real military necessity must be controlled.

Substantial savings—ranging from one to four billion dollars—could be realized by stretching out procurement of more expensive weapons systems at the higher end of the mix and by emphasizing the lower end of the mix where possible. Examples of expensive weapons systems for which procurement should be stretched out include the SSN-688 nuclear attack submarine and the DD-963 destroyer. Systems which might be cancelled altogether include AWACS, the Navy's F-14 aircraft program and the Phoenix missile being developed for it, and the Army's renewed proposal for the Main Battle Tank (XM-1)—which the Congress wisely killed in 1971. Examples of weapons systems at the lower end of the mix which should be emphasized are the patrol frigate, the sea control ship and the VFX "austere" carrier aircraft proposal.

While the Pentagon has made much of the alleged decline of our conventional forces since the mid-sixties the truth is that our "peacetime" force for the seventies though quantitatively somewhat smaller is qualitatively far more powerful than in the mid-sixties. We maintain essentially the same number of tactical air wings. The Navy has the same number of attack carriers and three times as many attack submarines.

The small decrease in the number of ground divisions from 19⅓ to 16 during the last ten years has reflected deactivation of forces remaining from the earlier Berlin buildup and abandonment of plans to fight 2½ land wars simultaneously in Asia and Europe. Given this perspective, the cries of alarm about the alleged decline of our conventional power should be viewed with skepticism.

Third, I believe that cuts can be made in the budget for strategic weapons systems. I recognize that strategic forces account for only about 20 percent of the U.S. defense budget. But we are engaged in negotiations with the Soviet Union designed to stabilize and hopefully to achieve reductions in strategic nuclear weapons systems. We need not accelerate our own weapons development at this time on the theory that this would strengthen our position at the negotiating table.

I am not suggesting unilateral reductions in the strategic defense budget which might undermine an overall equality between ourselves and the Soviet Union. I support a limited Trident submarine program—although the pace of its development should not be geared to producing bargaining chips in the SALT negotiations. I also support the Navy's request for funds to develop a smaller submarine to succeed our present Polaris/Poseidon force. Our undersea deterrent is the backbone of our strategic nuclear forces.

But I have serious doubts about the directions being taken in our strategic bomber programs. The B-1 bomber is a typical example of a goldplated weapon system in financial difficulty. The unit cost of these planes has been rising steadily—now amounting to over $60 million per plane. I am concerned as to whether its ability to penetrate enemy airspace might be outpaced by advances in air defense technology before the aircraft is ready for development. My own preference would be for the Air Force to develop a less expensive stand-off bomber capable of firing its missiles from a position outside of enemy territory. Cancellation of the B-1 bomber program would save $500 million this year.

I also have serious questions about the Administration's relatively modest request for development funds to improve the counterforce capabilities of our strategic missile forces. These funds are to implement Secretary Schlesinger's new strategy, involving improvements or changes in the targeting, the command and control, the accuracy, and the yield of U.S. strategic nuclear weapons.

The military reason for this change is the assumed need to fill a perceived "gap" at the lower end of the spectrum of strategic nuclear deterrence. Along with this, there is the requirement, often mentioned by President Nixon, to multiply the options available to national leaders in the event deterrence fails. Both of these requirements can be satisfied, we are told, by the institution of greater flexibility in our targeting capability and in our hardware. With more rapid retargeting, with greater terminal accuracy, and with greater warhead yield, national leaders will obtain the ability to fight controlled or limited nuclear war by concentrating, if deterrence fails, on so-called military targets in a tit-for-tat fashion. This capacity, it is said, will also enhance the psychology or credibility of deterrence.

On the political side, a paradiplomatic function is claimed for the recommended changes in U.S. strategic forces. Their advent is expected to disabuse Soviet leaders of any notions that they may have that their new missile programs (the SS-X-16, SS-X-17, SS-X-18, and SS-X-19) will gain them a commanding lead in strategic weapons, assuming that this is their perception or motivation in this matter. If the Soviets see our willingness to commit our long lead in technology to the arms race, so the scenario runs, they will give up their own programs and negotiate more productively in the strategic arms limitation talks. Further, it is anticipated, this U.S. posture will reassure our friends and allies, convincing them that they can continue to rely on the American nuclear umbrella despite Soviet buildups.

I feel certain that there are few, if any, members of Congress who doubt the desirability of improving our command and control systems and our retargeting capacity. What causes concern are improvements in accuracy and yield, especially simultaneous improvements in these areas. Here I would like to recall the previous and emphatic statements of this Administration, both

President Nixon and former Secretary Laird, that the U.S. would resist any initiative that gave even "the appearance" of going for a first-strike or "silo-smashing" nuclear force, because it would be destabilizing and provocative. Accuracy and yield improvements, of course, give precisely this appearance. Thus, it is crucial that we know what now prompts this dramatic reversal in national policy.

A question also arises as to what price the U.S. will have to pay to get the increments of security which yield and terminal accuracy improvements are said to give us.

What are the system-life costs of these programs? Can we be sure that we are really getting a greater degree of safety and security for our money? Or are we in fact buying programs which will increase the risk of nuclear war rather than diminish it?

The initial cost of following Secretary Schlesinger's recommendations for providing such options—new warheads, new guidance systems, and advanced work on a new ICBM—is not large in relation to other defense costs. The Senate Armed Services Committee has approved $77 million for research and development in three programs: $32 million for accuracy improvements of the Minuteman; $25 million to increase the yield of Minuteman warheads; and $20 million for MARV (maneuverable reentry vehicles). But these relatively modest funds could be the opening wedge for programs which in time could cost billions. I believe we should scrutinize this proposal carefully before appropriating these funds this year.

Finally, there is the Administration's request for military assistance funds for foreign countries—amounting to nearly $3 billion. I believe that at least $1 billion can be cut from that figure, with more than half coming out of the Administration's $1.45 billion request for Vietnam. The American people have been led to believe that our involvement in Southeast Asia is at an end, and yet our continued assistance to South Vietnam, Cambodia and Laos is extraordinary. It is time that we ask tough questions concerning the relationship between all military assistance and our real foreign policy objectives.

To summarize, I believe that some cuts can be safely made in these four areas of the Administration's defense spending request for FY 1975: manpower, conventional weapons, strategic weapons, and military assistance. Such reductions can be made, in my view, without jeopardizing our national security or our overall foreign policy objectives.

The PRESIDING OFFICER. Under the previous order, the question is on agreeing to the amendment of the Senator from Missouri (Mr. EAGLETON).

The yeas and nays have been ordered and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. ROBERT C. BYRD. I announce that the Senator from Alaska (Mr. GRAVEL), the Senator from Indiana (Mr. HARTKE), the Senator from Wyoming (Mr. MCGEE), the Senator from South Dakota (Mr. MCGOVERN), and the Senator from Alabama (Mr. SPARKMAN) are are necessarily absent.

Mr. GRIFFIN. I announce that the Senator from Utah (Mr. BENNETT) and the Senator from New Jersey (Mr. CASE) are necessarily absent.

I also announce that the Senator from Illinois (Mr. PERCY) is absent on official business.

I further announce that, if present and voting, the Senator from New Jersey (Mr. CASE) and the Senator from Illinois (Mr. PERCY) would each vote "nay."



The result was announced—yeas 37, nays 55, as follows:

[No. 375 Leg.]

YEAS—37

| | | |
|---|---|---|
| Abourezk | Hughes | Pell |
| Bayh | Humphrey | Proxmire |
| Biden | Javits | Randolph |
| Burdick | Kennedy | Ribicoff |
| Church | Mansfield | Roth |
| Clark | Mathias | Schweiker |
| Cranston | Metcalf | Stafford |
| Eagleton | Metzenbaum | Stevenson |
| Fulbright | Mondale | Symington |
| Hart | Moss | Tunney |
| Haskell | Muskie | Williams |
| Hatfield | Nelson | |
| Hathaway | Packwood | |

NAYS—55

| | | |
|---|---|---|
| Aiken | Dole | Magnuson |
| Allen | Domenici | McClellan |
| Baker | Dominick | McClure |
| Bartlett | Eastland | McIntyre |
| Beall | Ervin | Montoya |
| Bellmon | Fannin | Nunn |
| Bentsen | Fong | Pastore |
| Bible | Goldwater | Pearson |
| Brock | Griffin | Scott, Hugh |
| Brooke | Gurney | Scott, William L. |
| Buckley | Hansen | |
| Byrd, Harry F., Jr. | Helms | Stennis |
| Byrd, Robert C. | Hollings | Stevens |
| Cannon | Hruska | Taft |
| Chiles | Huddleston | Talmadge |
| Cook | Inouye | Thurmond |
| Cotton | Jackson | Tower |
| Curtis | Johnston | Weicker |
| | Long | Young |

NOT VOTING—8

| | | |
|---|---|---|
| Bennett | Hartke | Percy |
| Case | McGee | Sparkman |
| Gravel | McGovern | |

So Mr. EAGLETON's amendment was rejected.

Mr. THURMOND. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. MCCLELLAN. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. HUDDLESTON. Mr. President, it is certainly no secret that the U.S. economy is the major problem facing our Nation. Furthermore, it is certainly no secret that the U.S. economy is a complex mechanism, with many parts, some of which are currently sending out contradictory signals.

We appear trapped in an economic morass, unable to find our way out of an Alice-in-Wonderland atmosphere which provides only more mazes and more confusion.

I believe, along with others, that no one policy, no single action can resolve our problems and alone restore our economy to stability and prosperity. For that reason, I recently joined with four of my colleagues in proposing a domestic summit conference on the economy—a conference which would design a set of recommendations, a policy package, to deal with the various needs in our economy. Such a conference—and such an integral approach to our problems—is, I believe, imperative, and I am pleased that President Ford has decided to hold such a summit and that preparations, some of which were announced yesterday, are underway.

That conference is however, some weeks off, and during those weeks the Senate will have not only the opportunity, but also the responsibility to examine closely one aspect of our economy—Federal spending. During those weeks the Senate will be considering a number of appropriations bills for fiscal 1975—including the two largest bills—the defense appropriation before us now and the Labor-Health, Education, and Welfare bill to come after the impending recess.

While the Senate has indicated support for a $295 billion ceiling on fiscal 1975 appropriations—which represents a reduction of some $10 billion in the budget request—recent tabulations suggest we are approximately $1 billion over the budget as a result of actions already taken and yet to come are the two major funding bills—the two bills which must be considered the principal potential obstacles to spending reductions. This is where a true test comes. This is where Congress can either demonstrate its ability to come to grips with budgetary matters or reveal its inability to make hard choices, to determine priorities among the proposals before us.

I believe we have a good chance of proving our ability. The budget request for defense was over $87 billion—more than one-fourth of the entire budget request. The House reduced this to $82.9 billion and the Senate Appropriations Committee to $81.5 billion—some $5.5 billion below the budget request.

I believe the entire Appropriations Committee and especially its distinguished chairman, the Senator from Arkansas, who also heads the Defense subcomittee, are to be highly commended. Not only have they tackled the difficult job of reducing Federal spending but they also tackled it in one of the two most difficult budget-cutting areas.

Furthermore, they have cut in a responsible and reasonable manner. In recent weeks, a number of efforts to reduce spending on an across-the-board basis have been made. I have been associated with these efforts. Some have characterized this as a meat-ax approach, and that characterization is, to some extent, true. When applied to a single bill, it fails to differentiate among those programs which can withstand reductions and those that will be severely damaged by them. When applied to a number of bills it fails to differentiate among those that have been subjected to close scrutiny and frugal considerations and those which have not. Yet, in many cases, when reductions must be made, such an approach is the only tool available, the only means of achieving one's desired ends.

We can, however, I believe, be pleased that we do not have to apply such an approach to the defense appropriations bill. This bill deals with the security of our country—the responsibility which rests at the heart of this and every other government in the world. It involves programs and strategies which must be examined and evaluated one by one. Fortunately, that is what has been done in this case.

The subcommittee and the committee took some significant actions which are likely to affect not only this appropriations bill but a number of defense appropriations bills in years to come.

It went straight to the core of a major cost item—U.S. troops stationed overseas. I, for one, do not believe we can bring every American troop home from

abroad and I recognize the very serious consequences of undermining the European troop reduction talks or the status quo in Europe. At the same time, I am cognizant of the very high financial cost imposed by the maintenance of forces abroad and the apparent lack of a comprehensive plan for determining the number of troops which are needed there. I share the committee's conclusion that reductions can take place and I believe the proposed 25,000 reduction by March 31, 1975, is a good initial step.

I also share the committee's concern over the proliferation and seeming duplication of missiles. The committee request for detailed information on the various missiles before the next budget is presented and before the next fiscal year begins should provide a fruitful area for examination and should lead to efficiency and economy in the development and procurement of weapons.

Elimination of the duplication of test facilities also bears further investigation.

Finally, the departments of government—and not only Defense—will have to learn—as the American consumer is doing—to consider the impact of inflation. Inflation has far-reaching consequences and we must seek to evaluate it in a consistent way, as the committee report mandates.

For these reasons—the substantial reductions made in committee, the concerns expressed in the committee report, and the indication that additional, more detailed examination of costly defense items will be forthcoming—I have decided to support the committee recommendation. This is not to suggest that it would be impossible to squeeze out another dollar here and there or that the committee should relax its future efforts to curtail spending. But, this position is taken in recognition of the outstanding work which has been done and in the hope of more of the same to come.

The defense appropriations bill involves many programs, many policies. It involves our concepts of parity and nuclear strategy and our efforts to save the world, including ourselves, from a horrendous destruction. It involves our conventional forces who must protect us from any who might seek to intimidate or influence us with nonnuclear military power. It involves our efforts to insure open seas both for our protection and our economic well-being.

We cannot afford to misunderstand or underestimate these needs. But neither can we afford idle and inefficient expenditures. The secret is finding the proper balance. I believe the pending bill moves in the right direction and offers even greater hope for the years to come.

Mr. NELSON. Mr. President, I would like to ask the distinguished chairman of the Defense Appropriations Subcommittee, Mr. McCLELLAN, a question concerning the report language dealing with military sales to foreign countries, which appears on pages 15 and 16 of the defense appropriations bill report.

The report language emphasizes the "political and economic impact of foreign military sales of the United States and recipient foreign countries." The committee expressed particular concern "that long-term security interests of the United States might be jeopardized by large cash sales of sophisticated weapons systems in areas of potential conflict." The report continued:

> Recent arms sales to the Middle East, Greece, and Turkey have created severe political, military, and economic repercussions on both the United States and the international community. These conflicts, weaken detente, threaten superpower confrontation, and have profound economic consequences.

Most importantly, the Defense Appropriations Committee concluded that—

> At present, Congress has little meaningful statutory control over cash sales which are the largest category of foreign military sales.

The committee henceforth will require:

> Prior notification of future cash sales of military equipment to foreign governments which exceed $25 million; provide for the introduction of new weapon systems to the inventory of foreign armed forces; or when cumulative military cash sales to any foreign government exceed $50 million in any fiscal year.

Mr. President, as you know significant portions of this reporting procedure parallels language of my amendment to the Foreign Military Sales Act which passed the Senate last year, but which was removed in conference along with the majority of the Senate provisions.

While I commend the distinguished chairman for recognizing the potential consequences of these massive sales of arms and for establishing this mechanism whereby the Department of Defense will report to the Senate Defense Appropriations Committee, I still believe that significant features of the Nelson admendment still should be put into law. I intend to reoffer my amendment, but I believe that the appropriate legislation to amend is the Foreign Assistance Act, which will be debated after the Labor Day recess, and not the defense appropriations bill.

Mr. McCLELLAN. I want to thank the distinguished Senator from the State of Wisconsin (Mr. NELSON) for his kind words.

The language in the report requiring the Defense Department to give prior notice of certain future cash sales of military equipment to foreign governments merely evidences our concern over the impact of these transactions. The committee felt that it would be desirable to have this information on hand as another factor in making determinations about production and procurement of military weapons. It is certainly not our intention to preempt this field.

I commend the distinguished Senator from Wisconsin for his efforts in this area and want to assure him that the committee does not in any way mean to preclude his amendment to the Foreign Military Sales Act.

Mr. DOLE. Mr. President, the Department of Defense appropriation bill we are considering today has been cut by $5½ billion, or 6.3 percent, from the budget request. The level of spending reported in the Senate bill of $82 billion reflects a "bare bones" expenditure for defense and should be effective in combating inflation. Since inflation is one of the greatest problems in our country today, I feel this appropriation bill is a great step forward in resolving that problem.

EARLY EFFORT

Several weeks ago, the junior Senator from Kansas initiated, led, and participated in several efforts to reduce appropriation bills to hold down Federal spending. Since those efforts began, the Senate has passed the conference reports or Senate versions of five appropriation bills reflecting a reduction of more than $1 billion from the budget request. During that time, the Senate Appropriation Committee has made an effort to determine our essential priorities and make even greater cuts in Federal spending.

The Senate Appropriation Committee is to be highly commended for their determined efforts to hold down Federal spending and inflation. Their reduction of the defense appropriation bill by $5½ billion is exemplary. The efforts of the committee will go a long way toward holding down inflation. Because of the committee's efforts in holding defense expenditures to the bare minimum, we are now faced with a whole new picture.

The cut made on the DOD appropriation bill is nearly five times as much as made on all the other appropriation bills put together. It is more than half of the total reduction being sought in the Federal budget this year. At the same time, I would not vote for further increases in the spending under this defense budget.

DEFENSE IS VITAL

Since the Senate Appropriation Committee has reduced spending to the bare minimum level, we should at the same time resist further reductions in the level of spending. As the President recently stated before both Houses of Congress, nothing is more important in this Nation than our national defense. As the President pointed out, we must not recede from our position of parity with the Soviet Union in military strength to a position of No. 2. A recent survey showed that the vast majority of the people in Kansas and across the country are directly opposed to a No. 2 position in military strength.

The $5½ billion cut by the Senate Appropriation Committee reduces defense spending to the bare minimum. Because of this, I must oppose the amendment offered by the Senator from Missouri (Mr. EAGLETON) to cut the defense budget by another $1 billion. Such a further reduction would weaken our defense posture dangerously and, in all likelihood, would put us in a No. 2 position of military strength in the world. Another $1 billion cut from the defense budget would threaten our national defense posture. It would also increase the probability of the outbreak of conflicts all around the world. The interest of peace in the world is very great for the United States. We must avoid reducing our defense posture to the point where our own peace and the peace of the world is in danger.

SPECIAL EXPENSES FOR DEFENSE

The inflation factor for defense expenditures is especially high. Fuel costs for the Department of Defense have been especially acute in driving up de-

fense expenditures. Yet it is obvious that our military vehicles and aircraft cannot function without fuel.

There have been numerous pay increases in the military which have also driven up defense expenditures. Military pay has been made comparable with civilian pay. This measure was passed by Congress and has contributed greatly to rising defense expenditures.

The Senator from Missouri (Mr. EAGLETON) has indicated that he is disturbed that we are getting much less defense for much more money. While I share the Senator's concern in this matter, I maintain that the way to get more defense for our money is not to take away the money. The way to improve the cost efficiency in our Defense Establishment is for the Congress to take a greater role in the oversight of our defense programs. We must take greater care in establishing priorities for spending to insure that wasteful programs are stopped.

But, Mr. President, we cannot achieve a better and more cost efficient defense by taking away too much money. We are already at a bare minimum spending level and to cut the budget further is inviting disaster.

REDUCTIONS ALREADY MADE

In recent years, numerous cutbacks in our Defense Establishment have already been made. It is my position that we should not maintain an excessively large Defense Establishment. However, it is my position and the position of the people of Kansas and the Nation that we must maintain an adequate defense posture.

From 1968 to 1974, the number of personnel was reduced from 3.6 million to 2.1 million in the Department of Defense. In the same period, the Soviet Union has increased its military strength from 3 million to 3.8 million men. This year, we are planning a 32,000-man reduction in the number of civilian personnel.

In the budget reported to the Senate by the Appropriation Committee, our research and development program in defense has already been reduced to "bare bones." The R. & D. program in defense has been the key to maintaining our military superiority. The $1 billion reduction proposed by the Senator from Missouri would further reduce our military R. & D. program. Considering the reductions already made, such a cut could be disastrous.

Mr. President, again I support the Senate Appropriation Committee in their efforts in reducing defense expenditures to a bare minimum. I support their efforts and feel that they have been adequate. The Senator would hope that further reductions can be avoided and that an increase from the Senate defense appropriation can be avoided as well in the conference committee.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that there be a 10-minute limitation on the vote on passage of the bill.

The PRESIDING OFFICER (Mr. JOHNSTON). Is there objection? The Chair hears none, and it is so ordered.

The bill is open to further amendment. If there be no further amendment to be proposed, the question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time.

Mr. MCCLELLAN. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

The PRESIDING OFFICER. The bill having been read the third time, the question is, shall it pass?

On this question the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. ROBERT C. BYRD. I announce that the Senator from Alaska (Mr. GRAVEL), the Senator from Michigan (Mr. HART), the Senator from Indiana (Mr. HARTKE), the Senator from Wyoming (Mr. MCGEE), the Senator from South Dakota (Mr. MCGOVERN), and the Senator from Alabama (Mr. SPARKMAN) are necessarily absent.

Mr. GRIFFIN. I announce that the Senator from Utah (Mr. BENNETT) and the Senator from New Jersey (Mr. CASE) are necessarily absent.

I also announce that the Senator from Illinois (Mr. PERCY) is absent on official business.

I further announce that, if present and voting, the Senator from New Jersey (Mr. CASE) and the Senator from Illinois (Mr. PERCY) would each vote "yea."

The result was announced—yeas 86, nays 5, as follows:

[No. 376 Leg.]

YEAS—86

| | | |
|---|---|---|
| Aiken | Ervin | Muskie |
| Allen | Fannin | Nelson |
| Baker | Fong | Nunn |
| Bartlett | Goldwater | Packwood |
| Bayh | Griffin | Pastore |
| Beall | Gurney | Pearson |
| Bellmon | Hansen | Pell |
| Bentsen | Haskell | Proxmire |
| Bible | Hathaway | Randolph |
| Biden | Helms | Ribicoff |
| Brock | Hollings | Roth |
| Brooke | Hruska | Schweiker |
| Buckley | Huddleston | Scott, Hugh |
| Burdick | Humphrey | Scott, William L. |
| Byrd, Harry F., Jr. | Inouye | Stafford |
| Byrd, Robert C. | Jackson | Stennis |
| Cannon | Javits | Stevens |
| Chiles | Johnston | Stevenson |
| Church | Kennedy | Symington |
| Clark | Long | Taft |
| Cook | Magnuson | Talmadge |
| Cotton | Mathias | Thurmond |
| Cranston | McClellan | Tower |
| Curtis | McClure | Tunney |
| Dole | McIntyre | Weicker |
| Domenici | Metcalf | Williams |
| Dominick | Metzenbaum | Young |
| Eagleton | Mondale | |
| Eastland | Montoya | |
| | Moss | |

NAYS—5

| | | |
|---|---|---|
| Abourezk | Hatfield | Mansfield |
| Fulbright | Hughes | |

NOT VOTING—9

| | | |
|---|---|---|
| Bennett | Hart | McGovern |
| Case | Hartke | Percy |
| Gravel | McGee | Sparkman |

So the bill (H.R. 16243) was passed.

Mr. MCCLELLAN. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. ROBERT C. BYRD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. MCCLELLAN. Mr. President, I move that the Senate further insist on its amendments and request a further conference with the House of Representatives on the disagreeing votes of the two Houses thereon; and that the Chair be authorized to appoint the conferees on the part of the Senate.

The motion was agreed to; and the presiding officer appointed Mr. MCCLELLAN, Mr. STENNIS, Mr. PASTORE, Mr. MAGNUSON, Mr. MANSFIELD, Mr. SYMINGTON, Mr. YOUNG, Mr. HRUSKA, Mr. COTTON, and Mr. CASE conferees on the part of the Senate.

## ENROLLED BILL AND JOINT RESOLUTIONS PRESENTED

The Secretary of the Senate reported that on August 20, 1974, he presented to the President of the United States the enrolled bill (S. 2510) to establish an Office of Federal Procurement Policy within the Office of Management and Budget, and for other purposes; and today, August 21, 1974, he presented to the President of the United States the following enrolled joint resolutions:

S.J. Res. 66. A joint resolution to authorize the erection of a monument to the dead of the First Infantry Division, U.S. forces in Vietnam;

S.J. Res. 220. A joint resolution to provide for the reappointment of Dr. William A. M. Burden as citizen regent of the Board of Regents of the Smithsonian Institution;

S.J. Res. 221. A joint resolution to provide for the reappointment of Dr. Caryl P. Haskins as citizen regent of the Board of Regents of the Smithsonian Institution; and

S.J. Res. 222. A joint resolution to provide for the appointment of Dr. Murray Gell-Mann as citizen regent of the Board of Regents of the Smithsonian Institution.

## THE 1980 WINTER OLYMPICS

Mr. MANSFIELD. Mr. President, I ask the Chair to lay before the Senate a message from the House of Representatives on Senate Concurrent Resolution 72.

The PRESIDING OFFICER (Mr. JOHNSTON) laid before the Senate the amendment of the House of Representatives to the concurrent resolution (S. Con. Res. 72) extending an invitation to the International Olympic Committee to hold the 1980 winter Olympic games at Lake Placid, N.Y., in the United States, and pledging the cooperation and support of the Congress of the United States, which was on page 2, line 12, after "tradition" insert:

*Provided*, That Olympic activities and plans in all respects fit within the present laws and adopted State plans, rules, and regulations respecting the entirety of the Adirondack Park; and be it further

*Resolved*, That Congress shall not support, financially or otherwise, any activities or plans which are in conflict with the letter or spirit of those laws, plans, rules and regulations, or which would require any modification of them.

Mr. MANSFIELD. Mr. President, I move that the Senate concur in the amendment of the House of Representatives.

The motion was agreed to.

## AMTRAK IMPROVEMENT ACT OF 1974

Mr. MANSFIELD. Mr. President, I ask the Chair to lay before the Senate a message from the House of Representatives on H.R. 15427.

The PRESIDING OFFICER (Mr. JOHNSTON) laid before the Senate a message from the House of Representatives announcing its disagreement to the amendment of the Senate to the bill (H.R. 15427) to amend the Rail Passenger Service Act of 1970 to provide financial assistance to the National Railroad Passenger Corporation, and for other purposes, and requesting a conference with the Senate on the disagreeing votes of the two House thereon.

Mr. MANSFIELD. I move that the Senate insist upon its amendment and agree to the request of the House for a conference on the disagreeing votes of the two Houses thereon, and that the Chair be authorized to appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. MAGNUSON, Mr. HARTKE, Mr. TUNNEY, Mr. PEARSON, and Mr. BEALL conferees on the part of the Senate.

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## YOUTH CONSERVATION CORPS

Mr. MANSFIELD. Mr. President, in behalf of the Senator from Washington (Mr. JACKSON), I ask the Chair to lay before the Senate a message from the House of Representatives on S. 1871.

The PRESIDING OFFICER (Mr. JOHNSTON) laid before the Senate the amendment of the House of Representatives to the bill (S. 1871) to amend the Youth Conservation Corps Act of 1972 (Public Law 92-597, 86 Stat. 1319) to expand and make permanent the Youth Conservation Corps, and for other purposes, as follows:

Strike out all after the enacting clause, and insert: That the Act of August 13, 1970 (84 Stat. 794) is amended to read as follows:

"POLICY AND PURPOSE

SECTION 1. The Congress finds that the Youth Conservation Corps has demonstrated a high degree of success as a pilot program wherein American youth, representing all segments of society, have benefited by gainful employment in the healthful outdoor atmosphere of the national park system, the national forest system, other public land and water areas of the United States and by their employment have developed, enhanced, and maintained the natural resources of the United States, and whereas in so doing the youth have gained an understanding and appreciation of the Nation's environment and heritage equal to one full academic year of study, it is accordingly the purpose of this Act to expand and make permanent the Youth Conservation Corps and thereby further the development and maintenance of the natural resources by America's youth, and in so doing to prepare them for the ultimate responsibility of maintaining and managing these resources for the American people.

"YOUTH CONSERVATION CORPS

"SEC. 2. (a) To carry out the purposes of this Act, there is established in the Department of the Interior and the Department of Agriculture a Youth Conservation Corps (hereinafter referred to as the 'Corps'). The Corps shall consist of young men and women who are permanent residents of the United States, its territories, possessions, trust territories, or Commonwealth of Puerto Rico who have attained age fifteen but have not attained age nineteen, and whom the Secretary of the Interior or the Secretary of Agriculture may employ without regard to the civil service or classification laws, rules, or regulations, for the purpose of developing, preserving, or maintaining the lands and waters of the United States.

"(b) The Corps shall be open to youth from all parts of the country of both sexes and youth of all social, economic, and racial classifications with all Corps members receiving compensation consistent with work accomplished, and with no person being employed as a member of the Corps for a term in excess of ninety days during any single year.

"SECRETARIAL DUTIES AND FUNCTIONS

"SEC. 3. (a) In carrying out this Act, the Secretary of the Interior and the Secretary of Agriculture shall—

"(1) determine the areas under their administrative jurisdictions which are appropriate for carrying out the programs using employees of the Corps;

"(2) determine with other Federal agencies the areas under the administrative jurisdiction of these agencies which are appropriate for carrying out programs using members of the Corps, and determine and select appropriate work and education programs and projects for participation by members of the Corps;

"(3) determine the rates of pay, hours, and other conditions of employment in the Corps, except that all members of the Corps shall not be deemed to be Federal employees other than for the purpose of chapter 171 of title 28, United States Code, and chapter 81 of title 5, United States Code;

"(4) provide for such transportation, lodging, subsistence, and other services and equipment as they may deem necessary or appropriate for the needs of members of the Corps in their duties;

"(5) promulgate regulation to insure the safety, health, and welfare of the Corps members; and

"(6) provide to the extent possible, that permanent or semi-permanent facilities used as Corps camps be made available to local schools, school districts, State junior colleges and universities, and other education institutions for use as environmental/ecological education camps during periods of nonuse by the Corps program.

Costs for operations maintenance, and staffing of Corps camp facilities during periods of use by non-Corps programs as well as any liability for personal injury or property damage stemming from such use shall be the responsibility of the entity or organization using the facility and shall not be a responsibility of the Secretaries or the Corps.

"(b) Existing but unoccupied Federal facilities and surplus or unused equipment (or both), of all types including military facilities and equipment, shall be utilized for the purposes of the Corps, where appropriate and with the approval of the Federal agency involved. To minimize transportation costs, Corps members shall be employed on conservation projects as near to their places of residence as is feasible.

"(c) The Secretary of the Interior and the Secretary of Agriculture may contract with any public agency or organization or any private nonprofit agency or organization which has been in existence for at least five years for the operation of any Youth Conservation Corps project.

"GRANT PROGRAM FOR STATE PROJECTS

"SEC. 4. (a) The Secretary of the Interior and the Secretary of Agriculture shall jointly establish a program under which grants shall be made to States to assist them in meeting the cost of projects for the employment of young men and women to develop, preserve, and maintain nonFederal public lands and waters within the States. For purposes of this section, the term 'States' includes the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, the Trust Territory of the Pacific Islands, and American Samoa.

"(b)(1) No grant may be made under this section unless an application therefor has been submitted to, and approved by the Secretary of the Interior and the Secretary of Agriculture. Such application shall be in such form, and submitted in such manner, as the Secretaries shall jointly by regulation prescribe, and shall contain—

"(A) assurances satisfactory to the Secretaries that individuals employed under the project for which the application is submitted shall (i) have attained the age of fifteen but not attained the age of nineteen, (ii) be permanent residents of the United States or its territories, possessions, or the Trust Territory of the Pacific Islands, (iii) be employed without regard to the personnel laws, rules, and regulations applicable to fulltime employees of the applicant, (iv) be employed for a period of not more than ninety days in any calendar year, and (v) be employed without regard to their sex or social, economic, or racial classification; and

"(B) such other information as the Secretaries may jointly by regulation prescribe.

"(2) The Secretaries may approve applications which they determine (A) to meet the requirements of paragraph (1) and (B) are for projects which will further the development, preservation, or maintenance of non-Federal public lands or waters within the jurisdiction of the applicant.

"(c)(1) The amount of any grant under this section shall be determined jointly by the Secretaries, except that no grant for any project may exceed 80 per centum of the cost (as determined by the Secretaries) of such project.

"(2) Payments under grants under this section may be made in advance or by way of reimbursement and at such intervals and on such conditions as the Secretaries find necessary.

"(d) Thirty per centum of the sums appropriated under section 6 for any fiscal year shall be made available for grants under this section for such fiscal year.

"SECRETARIAL REPORTS

"SEC. 5. The Secretary of the Interior and Secretary of Agriculture shall annually prepare a joint report detailing the activities carried out under this Act and providing recommendations. Each report for a program year shall be submitted concurrently to the President and the Congress not later than April 1 following the close of that program year.

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 6. There are authorized to be appropriated amounts not to exceed $60,000,000 for each fiscal year, which amounts shall be made available to the Secretary of the Interior and the Secretary of Agriculture to carry out the purposes of this Act. Notwithstanding any other provision of law, funds appropriated for any fiscal year to carry out this Act shall remain available for obligation and expenditure until the end of the fiscal year following the fiscal year for which appropriated.".

Mr. MANSFIELD. Mr. President, the House has amended S. 1871 by decreasing the amount authorized to be appropriated for each fiscal year for the funding of the Youth Conservation Corps from $100 million, as contained in the Senate bill, to $60 million. This is the only substantive difference between the House and Senate versions of this legislation.

Mr. President, while this is a substantial decrease in the annual authorization level to make permanent this important program which has been providing meaningful outdoor employment for our young people, the Interior and Insular Affairs Committee, of which I have the honor to be chairman, will have ample opportunity to oversee closely what the future needs of this program might be. Therefore, I feel that the House amendment should be accepted so that this successful project can be continued and made permanent.

I move that the Senate concur in the amendment of the House of Representatives to S. 1871.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Montana.

The motion was agreed to.

## DUTY APPLICABLE TO CRUDE FEATHERS AND DOWNS

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1018.

The PRESIDING OFFICER (Mr. JOHNSTON). The bill will be stated by title.

The second assistant legislative clerk read as follows:

A bill (H.R. 11452) to correct an anomaly in the rate of duty applicable to crude feathers and downs, and for other purposes.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on Finance with amendments.

Mr. CURTIS. Mr. President, I send to the desk an amendment and ask that it be reported.

The PRESIDING OFFICER. First, we must dispose of the committee amendments. The clerk will state the first committee amendment.

The second assistant legislative clerk read as follows:

On page 2, in the table, strike out "12/31/79" in the two places where it occurs and insert in lieu thereof "12/31/77."

On page 2, in line 1, strike out "(a)".

On page 2, beginning with line 5, strike out—

(b) For purposes of any authority that may be delegated to the President to proclaim such continuance of existing duty free treatment as he determines to be required or appropriate to carry out a trade agreement with foreign countries or instrumentalities thereof, the duty-free treatment provided by items 903.70 and 903.80 of the Appendix to the Tariff Schedules of the United States shall be considered as existing duty-free treatment.

The PRESIDING OFFICER. The question is on agreeing to the first committee amendment.

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the second committee amendment.

The second assistant legislative clerk read as follows:

On page 2, beginning with line 13, insert—

SEC. 3. (a) Section 542(b) of the Internal Revenue Code of 1954 (relating to corporations filing consolidated returns) is amended by adding at the end thereof the following new paragraph:

"(5) CERTAIN DIVIDEND INCOME RECEIVED FROM A NONINCLUDABLE LIFE INSURANCE COMPANY.—In the case of an affiliated group of corporations filing or required to file a consolidated return under section 1501 for any taxable year, there shall be excluded from consolidated personal holding company income and consolidated adjusted ordinary gross income for purposes of this part dividends received by a member of the affiliated group from a life insurance company taxable under section 802 that is not a member of the affiliated group solely by reason of the application of paragraph (2) of subsection (b) of section 1504.".

(b) The amendment made by this section shall apply to taxable years beginning after December 31, 1973.

The PRESIDING OFFICER. The question is on agreeing to the second committee amendment.

The amendment was agreed to.

The PRESIDING OFFICER. The clerk will state the amendment of the Senator from Nebraska.

Mr. CURTIS. Mr. President, should my chairman wish to be recognized, I shall defer the offering of the amendment.

Mr. LONG. Mr. President, this amendment that the Senator from Nebraska proposes would postpone until January 1, 1976, the requirement in present law that the Federal employee health program be properly coordinated with the medicare program. I am advised by our staff that this is necessary in order to provide the time necessary to make these two insurance programs work together effectively. The Senator may wish to say something further, but I have no objection to the amendment, and I think it is necessary.

Mr. CURTIS. Mr. President, I now ask that the amendment be stated.

The second assistant legislative clerk read as follows:

At the end of the bill, insert the following:

SEC. . (a) Section 1862(c) of the Social Security Act is amended by striking out "January 1, 1975" and inserting in lieu thereof "January 1, 1976".

(b) The Civil Service Commission and the Secretary of Health, Education, and Welfare shall submit to the Committee on Post Office and Civil Service and the Committee on Ways and Means of the House of Representatives, and to the Committee on Post Office and Civil Service and the Committee on Finance of the Senate, on or before March 1, 1975, a report on the steps which have been taken and the steps which are planned, to enable the Secretary of Health, Education, and Welfare to make the determination and certification referred to in section 1862(c) of the Social Security Act. If such report is not submitted to such committees on or before March 1, 1975, the date specified in such section (as amended by the first section) shall be deemed to be July 1, 1975, rather than January 1, 1976.

Mr. CURTIS. Mr. President, this amendment would postpone for 1 year, from January 1, 1975, to January 1, 1976, the requirement in present law that the Federal employee health program be properly coordinated with the medicare program. It is similar to a provision approved by the Senate Finance Committee and full Senate as part of H.R. 3153 in December of last year.

This amendment is necessary in order to avoid an even larger increase in premiums for Federal employee health programs than is already likely for next year. This extension is made necessary by the lack of action on the part of the Civil Service Commission and the Department of Health, Education, and Welfare to modify the Federal employee program so that it works in conjunction with medicare.

At present Federal employees and Federal retirees who are also eligible for medicare find that they cannot effectively get both benefits. In simple terms, the Federal Government, unlike all other employers, has not coordinated its program to medicare.

This amendment would also require that the Civil Service Commission and the Secretary of Health, Education, and Welfare submit a report to the proper committee in the Congress by March 1, 1975, on the steps then being taken to accomplish coordinated treatment for Federal workers. A similar amendment has been offered in the House by Representative JOEL BROYHILL.

Mr. President, I move the adoption of the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Nebraska.

The amendment was agreed to.

Mr. BAYH. Mr. President, I send to the desk an amendment and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk proceeded to read the amendment.

Mr. BAYH. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAYH's amendment is as follows:

Insert the following at the appropriate point in the bill:

SEC. . Part IV of chapter 11B of the Internal Revenue Code of 1954 (relating to deductions from the gross estate) is amended by adding at the end thereof the following new section:

"SEC. 2057. INTERESTS IN FAMILY FARMING OPERATIONS.

"(a) GENERAL RULE.—For purposes of the tax imposed by section 2001, the value of the taxable estate shall be determined by deducting from the value of the gross estate the lesser of (1) $200,000, and (2) the value of the decedent's interest in a family farming operation continually owned by him or his spouse during the five years prior to the date of his death and which passes or has passed to an individual or individuals related to him or his spouse.

"(b) SUBSEQUENT DISQUALIFICATION RESULTS IN DEFICIENCY.—The difference between the tax actually paid under this chapter on the transfer of the estate and the tax which would have been paid on that transfer had the interest in a family farming operation not given rise to the deduction allowed by paragraph (a) shall be a deficiency in the payment of the tax assessed under this chapter on that estate unless, for at least 5 years after the decedent's death—

"(1) the interest which gave rise to the de-

duction is retained by the individual or individuals to whom such interest passed, and

"(2) the individual or any of the individuals to whom the interest passed resides on such farm, and

"(3) such farm continues to qualify as a family farming operation.

"(c) DEATH OF SUBSEQUENT HOLDER.—In the case of the subsequent death of an individual to whom the interest in a family farming operation has passed, his successor shall be considered in his place for purposes of paragraph (b).

"(d) DEFINITIONS.—

"(1) FAMILY FARMING OPERATION.—A 'family farming operation' is a farm:

"(A) actively engaged in raising agricultural crops or livestock 'for profit', within the meaning of section 183, and

"(B) over which the owner or one of the owners exercises substantial personal control and supervision.

"(2) RELATIONS.—An individual is 'related' to the decedent or his spouse if he is that person's father, mother, son, daughter, brother, sister, uncle, aunt, first cousin, nephew, niece, husband, wife, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, stepfather, stepmother, stepson, stepdaughter, stepbrother, stepsister, half brother, or half sister."

Mr. BAYH. Mr. President, I am offering this amendment together with the distinguished Senator from New York (Mr. JAVITS) and the distinguished Senator from New Jersey (Mr. WILLIAMS).

This amendment is designed to deal with the problem of the disturbing decline in the number of farms and of families living on the farm. This amendment would exclude the first $200,000 in the value of the family farm from the taxable estate of those farmers who have managed their own farms during their lives and have willed it to relatives who plan to carry on this tradition.

Under the amendment, all such family farms must be actively used to raise agricultural crops or livestock for profit rather than as a hobby. To be specific, in order to qualify for the exemption, the decedent must have owned the farm for at least 5 years and must have exercised substantial management and control over the farm before he died. Those who inherit must not only continue to exercise substantial management and control over the farm, but also must maintain ownership and live on the farm for at least 5 years. In the event that a farm is willed to several children, all inheritors are covered by the amendment if one of them meets the residency and management qualifications set forth.

I want to emphasize that this proposal is not envisioned as a tax break for all farmers, but rather as a device to assist those farmers who are not likely to have sufficient liquid capital to meet the estate taxes. Presently, farmers usually have to sell part of their land to raise enough money to pay estate taxes; after one or two generations, so much of the farmland has been sold off that there is no longer a viable economic unit—particularly in these days when the average size of a farm is increasing, not decreasing. The result has been the increased ownership of land by corporations despite the fact that research studies by USDA relating cost per unit to size have generally shown that all of the economies of size can be achieved by modern and fully mechanized one-man and two-man farms.

As everyone concerned about the rise of corporate farming knows, the individual farmer has been having a progressively harder time making ends meet. Fifty years ago there were about 32 million Americans—more than 30 percent of the entire population—living on the farm; today there are only about 9 million Americans—slightly more than 4 percent of our population—still on the farm. This number is decreasing steadily.

Moreover, it is the small farmer, the family farmer, who is being forced off the farm into our already overcrowded cities. In fact, every day about 300 family farms in this country have to be abandoned by their owners because they are no longer viable. Cumulatively, a million family-sized farms were consolidated out of existence in the 1950's and another million in the 1960's.

The reasons for the demise of the family farmer are evident. While food prices in this country have gone up along with everything else, the farmer often has not shared in this increase. Food price increases have gone to retailers and middlemen, but too many farmers have seen their share of the retail food dollar remain constant, and at times, decline. At the same time, while the average American nonfarm worker labors an average of only 37 hours a week, the average farmer works 50 hours a week and earns less for his time. Farmers receive an average of only 5.4 percent return on their investment whereas there is a 10 to 12 percent average return on investment in industry.

One of the greatest problems faced by farm families is the estate tax—a tax which is uniquely burdensome for farmers because it is usually based on the inflated value of the land as a real estate parcel rather than on its fair value as a farming operation. Children who have spent years working the farm with their parents are suddenly confronted with a large tax when the owner of their operation dies. For a small farmer, estate taxes are particularly severe because most of his assets are generally nonliquid: His farm, his farmhouse, his livestock, his crops, and equipment comprise the bulk of his assets and they are all essential to the profitable operation of the farm. Nonfarmers, if only because their return on investment is usually greater, normally have a greater percentage of liquid assets with which they can meet estate taxes.

To illustrate the problem faced by family farmers, let us take the hypothetical case of a Mr. Jones, Jr., who is left a 300-acre farm valued at $700 an acre, plus farm equipment, crops, and farmhouse, for a total valuation of $280,000. At the prevailing tax rate, he would have to pay $56,700 in Federal estate taxes. An average small farmer, Mr. Jones, makes only about $10,000 a year from his farm; the income is already stretched thin to cover new farm equipment and family expenses. Assuming that Mr. Jones does not have large savings, he would be forced either to take out a mortgage on the farm—if it is not already mortgaged—or sell part of his land in order to pay the estate tax on his father's farm. Either way, he would decrease by a considerable margin the already small profit he is able to make from the farm. Furthermore, the burden of estate taxes could very possibly be so great that Mr. Jones, Jr., might find out that he can no longer make enough money on the farm to support his family. Thus he would be forced to sell the farm and look for work elsewhere.

Unless we want to see a continuating decline in the number of family farmers, and an eventual domination of the farm industry by large corporate farms, it is essential to help small farmers meet what are now unbearably high estate taxes.

Mr. President, there are two probable criticisms of this bill which I would like to address: First, small businesses would probably ask for similar tax breaks; and second, the cost could be high.

In response to the first consideration, I am certainly aware that small family businesses often have as difficult a time making ends meet as small family farms do, and that they need encouragement if they are to prosper. However, it seems to me that family farms differ from family businesses in significant respects which entitle farms to separate consideration with reference to estate taxes. The rapid technological changes, marginal profits, and the need for capital in farming encourage forced saving and reinvestment by all family members. Since farm households are relatively more self-sufficient than urban households and since the cost of rural living is generally lower than that of urban living, members of the family often are not remunerated for their contributions to the farm; rather, all wages and profits are pooled and reinvested in more land, new machinery or better fertilizer and seed.

Members of the younger generation may be taxed on money which otherwise might have come to them in the form of a salary. Combined with the fact that most profits are plowed back into the farm is the fact that the return on investment is generally lower in farming—5.4 percent—than in business—10 to 12 percent. Thus, farmers tend to have less liquid capital saved with which to pay estate taxes.

Farmers also suffer most dramatically from the fact that their estates are taxed at the real estate value of the land, rather than on the basis of the farming value of the land. The current shortage of land is pushing up real estate values both for the farmer and for the small businessman located in a city; however, a far greater proportion of a farm's assets are tied up in land. The farmer who finds that suburban sprawl is forcing up the value of his main asset simply cannot absorb the increased costs of that particular item.

The second main argument against my proposal is likely to be one of cost. The

Department of the Treasury has estimated that the revenue loss would be about $200 million annually. Unfortunately, I do not know the nature of their calculations leading to this estimate. However, the department of agricultural economics at Purdue University has provided a second tentative estimate of an annual revenue loss falling somewhere between $50 and $100 million—and probably closer to $50 million than to the higher figure. The amendment would not affect the existing $60,000 exemption from the estate tax nor the marital deduction.

All Americans—whether rural, urban, or suburban should recognize that the growth of corporate farms at the expense of the family farmer is a threat to the rural way of life as well as to the consumer's pocketbook. Literally thousands of farmers have been driven off the land into the cities. Good, hard-working people with dignity developed from years of self-sufficiency have suddenly found themselves lost in big cities. The irony of all this is that there is no evidence that these giant corporate farms offer any productive advantages. Rather it is the highly efficient family farmer who remains the secret behind the vast productive capacity of American agriculture. I would hope that the Senate would take a major step toward preserving this uniquely American institution and act favorably on this amendment.

Mr. President, I can think of nothing that will make a greater contribution to assuring the independence of the family farmer than this kind of program. I have discussed the amendment with the distinguished chairman of the Finance Committee, the Senator from Louisiana (Mr. LONG), and I understand he has no objection to the amendment, but I will let him speak for himself.

Mr. LONG. Mr. President, the Senator seeks to achieve the laudable objective of saving the family farm, which is disappearing as a part of the American scene. It would be well for something to be done along this line. I do not know whether the House would be willing to agree to this amendment or whether the President would sign the bill if it is agreed to. But, it seems to me, that we ought to endeavor to do something to prevent the family farm from vanishing from the American scene completely, as it may, should the present trend continue.

I have no objection to the amendment. I would be willing to take it to conference and see if we can persuade the House to agree to it.

The PRESIDING OFFICER. The question is on agreeing to the amendment (putting the question).

The amendment was agreed to.

Mr. GRIFFIN. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. GRIFFIN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The bill is open to further amendment. If there be no further amendment to be proposed, the question is on the engrossment of the amendments and the third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time.

The PRESIDING OFFICER. The bill having been read the third time, the question is Shall it pass (putting the question.)?

The bill (H.R. 11452) was passed.

Mr. MANSFIELD. Mr. President, I move to reconsider the vote by which the bill was passed

Mr. ROBERT C. BYRD. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

## DEPARTMENTS OF STATE, JUSTICE, AND COMMERCE, THE JUDICIARY, AND RELATED AGENCIES APPROPRIATION ACT, 1975

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 1062, H.R. 15404, with the understanding that no action thereon will be taken today.

The PRESIDING OFFICER. The clerk will report the bill by title.

The assistant legislative clerk read as follows:

A bill (H.R. 15404) making appropriations for the Departments of State, Justice, and Commerce, the Judiciary, and related agencies for the fiscal year ending June 30, 1975, and for other purposes.

The Senate proceeded to consider the bill which had been reported from the Committee on Appropriations with amendments.

## ORDER FOR ADJOURNMENT TO 10 A.M. TOMORROW

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent when the Senate completes its business today it stand in adjournment until the hour of 10 o'clock tomorrow morning.

The PRESIDING OFFICER. Without objection, it is so ordered.

## ORDER OF BUSINESS TOMORROW

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent after the two leaders or their designees have been recognized under the standing order on tomorrow there be a period for the transaction of routine morning business of not to exceed 15 minutes with statements limited therein to 5 minutes each; and at the conclusion of which the Senate will resume consideration of Calendar No. 1062, the bill making appropriations for State, Justice, and Commerce.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that on the disposition of the appropriation bill for State, Justice, and Commerce tomorrow, the Senate then proceed to the consideration of the conference report on pensions.

The PRESIDING OFFICER. Without objection, it is so ordered.

## MEMORIAL TRIBUTES TO SENATOR KARL MUNDT

Mr. ROBERT C. BYRD. Mr. President, on behalf of Mr. MCGOVERN and Mr. ABOUREZK I ask unanimous consent that all memorial tributes to Senator Karl Mundt appear in one place in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

## AMENDMENT OF THE NATURAL GAS PIPELINE SAFETY ACT OF 1968—H.R. 15205

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Chair lay before the Senate a message from the House of Representatives on H.R. 15205.

The PRESIDING OFFICER laid before the Senate H.R. 15205, an act to amend the Natural Gas Pipeline Safety Act of 1968, as amended, and for other purposes, which was read twice by title.

The PRESIDING OFFICER. The Senate will proceed with its immediate consideration.

If there are no amendments to be offered, the question is on the third reading and passage of the bill.

The bill was ordered to a third reading, was read the third time, and passed.

## ORDER TO HOLD BILL AT DESK

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that H.R. 16425, monitoring the economy, remain at the desk until the conclusion of business tomorrow.

The PRESIDING OFFICER. Without objection, it is so ordered.

## QUORUM CALL

Mr. ROBERT C. BYRD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

## PROGRAM

Mr. ROBERT C. BYRD. Mr. President, the Senate will convene at 10 o'clock tomorrow and, after the two leaders or their designees have been recognized under the standing order, there will be

a period for the transaction of routine morning business of not to exceed 15 minutes, with statements limited therein to 5 minutes; at the conclusion of which period the Senate will proceed to the consideration of H.R. 15404, an act making appropriations for the Departments of State, Justice and Commerce, the Judiciary and related agencies for the fiscal year ending June 30, 1975, and for other purposes.

Rollcall votes are expected on amendments to that bill and on final passage thereof.

On the disposition of the appropriation bill, the Senate will take up the conference report on pension reform. There will be a rollcall vote on the adoption of that conference report. Other bills cleared for action on the Calendar, if there be such, will be taken up and acted upon. Other conference reports, being privileged, may also be called up. So there will be rollcall votes tomorrow.

## ADJOURNMENT TO 10 A.M.

Mr. ROBERT C. BYRD. Mr. President, if there be no further business to come before the Senate, I move, in accordance with the previous order, that the Senate stand in adjournment until 10 a.m. tomorrow.

The motion was agreed to; and, at 5:41 p.m., the Senate adjourned until tomorrow, Thursday, August 22, 1974, at 10 a.m.

## NOMINATIONS

Executive nominations received by the Senate August 21, 1974:

DEPARTMENT OF STATE

William R. Crawford, Jr., of Pennsylvania, a Foreign Service officer of class 1, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of Cyprus.

## CONFIRMATIONS

Executive nominations confirmed by the Senate August 21, 1974:

FEDERAL ENERGY ADMINISTRATION

Roger West Sant, of California, to be an Assistant Administrator of the Federal Energy Administration.

DEPARTMENT OF STATE

Jack B. Kubisch, of Michigan, a Foreign Service officer of the class of Career Minister, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to Greece, vice Henry J. Tasca, resigning.

Richard L. Sneider, of New York, a Foreign Service officer of class 1, to be Ambassador Extraordinary and Plenipotentiary of the United States of America to the Republic of Korea.

(The above nominations were approved subject to the nominees' commitment to respond to requests to appear and testify before any duly constituted committee of the Senate.)

IN THE COAST GUARD

Coast Guard nominations beginning Christian T. Bonher, to be lieutenant junior grade, and ending Charles O. Gill, to be chief warrant officer, W-2, which nominations were received by the Senate, and appeared in the CONGRESSIONAL RECORD on July 31, 1974.

# HOUSE OF REPRESENTATIVES—*Wednesday, August 21, 1974*

The House met at 12 o'clock noon.

The Chaplain, Rev. Edward G. Latch, D.D., offered the following prayer:

*Fear not, O land; be glad and rejoice; for the Lord will do great things.*—Joel 2: 21.

Almighty God, by whose grace we were created, by whose strength we are sustained, and by whose love we are redeemed, we pray Thee to illumine our minds with Thy truth, to fill our hearts with Thy love, and to direct us in our endeavors for the highest good of our Nation that justice, peace, and good will may prevail in the hearts of people everywhere.

Strengthen the foundations of our national life that we and our people may be steadfast in faith, joyful in hope, great in moral living, high in spiritual power, and devoted to the welfare of all.

Thus may we be great enough and good enough and genuine enough for this challenging age in which we live; through Jesus Christ, our Lord. Amen.

## THE JOURNAL

The SPEAKER. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Without objection, the Journal stands approved.

There was no objection.

## MESSAGE FROM THE SENATE

A message from the Senate by Mr. Arrington, one of its clerks, announced that the Senate had passed without amendment a bill and a joint resolution of the House of the following titles:

H.R. 6485. An act to amend the tobacco marketing quota provisions of the Agricultural Adjustment Act of 1938; and

H.J. Res. 1105. Joint resolution designating August 26, 1974, as "Women's Equality Day."

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 14920) entitled "An act to further the conduct of research, development, and demonstrations in geothermal energy technologies, to establish a geothermal energy coordination and management project, to amend the National Science Foundation Act of 1950 to provide for the funding of activities relating to geothermal energy, to amend the National Aeronautics and Space Act of 1958 to provide for the carrying out of research and development in geothermal energy technology, to carry out a program of demonstrations in technologies for the utilization of geothermal resources, and for other purposes."

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 15581) entitled "An act making appropriations for the government of the District of Columbia and other activities chargeable in whole or in part against the revenues of said District for the fiscal year ending June 30, 1975, and for other purposes."

The message also announced that the Senate agreed to the amendment of the House to the amendment of the Senate numbered 5, to the foregoing bill.

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 16027) entitled "An act making appropriations for the Department of the Interior and related agencies for the fiscal year ending June 30, 1975, and for other purposes."

The message also announced that the Senate agreed to the amendments of the House to the amendments of the Senate numbered 9, 15, 16, 17, 20, 25, 27, 29, 34, and 50 to the foregoing bill.

The message also announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 12628) entitled "An act to amend title 38, United States Code, to increase the rates of vocational rehabilitation, educational assistance, and special training allowances paid to eligible veterans and other persons; to make improvements in the educational assistance programs; and for other purposes."

The message also announced that the Senate had passed with amendments in which the concurrence of the House is requested, a bill of the House of the following title:

H.R. 11510. An act to reorganize and consolidate certain functions of the Federal Government in a new Energy Research and Development Administration and in a Nuclear Energy Commission in order to promote more efficient management of such functions.

The message also announced that the Senate insists upon its amendments to the bill (H.R. 11510) entitled "An act to reorganize and consolidate certain functions of the Federal Government in a new Energy Research and Development Administration and in a Nuclear Energy Commission in order to promote more efficient management of such functions," disagreed to by the House; agrees to the conference asked by the House on the disagreeing votes of the two Houses thereon, and appoints Mr. ERVIN, Mr. JACKSON, Mr. MUSKIE, Mr. RIBICOFF, Mr. METCALF, Mr. PERCY, Mr. JAVITS, Mr. GURNEY, and Mr. ROTH to be the conferees on the part of the Senate.

The message also announced that the Senate agrees to the amendments of the House to a bill of the Senate of the following title:

S. 3270. An act to amend the Defense Production Act of 1950, as amended.

With amendments in which concurrence of the House is requested.

The message also announced that the Senate insists upon its amendments to the bill (H.R. 14883) entitled "An act to amend the Public Works and Economic Development Act of 1965 to extend the authorizations for a 2-year period, and for other purposes."

## H.R. 12628—VETERANS' EDUCATION AND TRAINING AMENDMENTS

(Mr. DORN asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. DORN. Mr. Speaker, I am convinced from personal observation of the past few days that President Ford will veto the Veterans' Education and Training Amendments which are in the final stages of consideration in Congress. The President has made it clear that he supports a strong education and training program for Vietnam veterans and will support legislation which will provide a rate increase commensurate with changes in the Consumer Price Index.

I am sure the President has reservations about some of the Senate amendments and I share these reservations, as do several of my colleagues on the conference. The Senate added 28 amendments to the House-passed bill. In an effort to reach a compromise, the House conferees reluctantly agreed to several provisions which in my opinion lack merit. We were successful in persuading the Senate to drop the controversial half-billion-dollar tuition-subsidy scheme, but there was retained in the bill a loan program using funds from the National Service Life Insurance Trust Fund. This proposal has been strongly opposed by the Veterans' Administration and the Department of the Treasury. I personally have not seen convincing evidence that the student-loan programs operated by the Office of Education are not sufficient to meet veterans' needs, and I am not convinced that a duplicate program administered by VA is necessary.

The cost-of-living increase which the President has indicated he will approve will provide a basic rate of $260 a month for the single veteran, with commensurate increases for other classes of veterans. This will represent a $40 per month increase for veteran trainees.

Even though I am convinced that the President will veto this legislation in an effort to moderate its high cost, I feel certain that the President will cooperate with us in speedily enacting legislation which will cover the legitimate needs of Vietnam veterans.

## SENATOR MIKE MANSFIELD: A GREAT MAJORITY LEADER OF THE U.S. SENATE

(Mr. DE LA GARZA asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. DE LA GARZA. Mr. Speaker, a great statesman has just achieved the record as majority leader for the U.S. Senate—an enviable record—one he has set with dignity and understanding. The senior Senator from Montana—affectionately known to all as MIKE MANSFIELD—can truly be called a dedicated U.S. Senator.

I have been privileged to serve with him at the United States-Mexico Interparliamentary meetings for many years. Our neighbor to the South accorded him the ultimate in respect and affection and has honored him by presenting him with Mexico's highest civilian award, "The Aztec Eagle."

As all of us know, he is a man of the people—a man—rare in this hectic time—who listens, yes, he listens to all who seek his counsel. He is not impatient with the burdens of leadership, nor arrogant with its powers.

MIKE MANSFIELD is a perfect gentleman—a true and loyal friend to all who have the privilege of knowing him.

As long as the U.S. Senate has men like MIKE MANSFIELD in charge, the Nation is in good hands.

## NELSON ROCKEFELLER—A WISE SELECTION FOR VICE PRESIDENT

(Mr. BELL asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BELL. Mr. Speaker, I want to add my words of praise to our President and great leader, Jerry Ford, for his wise selection of Nelson Rockefeller as his nominee for Vice President of the United States.

Mr. Rockefeller, in addition to great expertise and knowledge in government, brings a broadened base to our Republican Party.

Now with a few more—unfortunate—yes, I mean very unfortunate happenings—such as that which took place in Kansas City a few days ago—the GOP with its sails fully unfurled and rudder steady on course, can achieve its golden quest—control of the Congress of the United States.

## KARL E. MUNDT

(Mr. ABDNOR asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. ABDNOR. Mr. Speaker, this past weekend South Dakota and the United States lost one of its great legislative leaders in the death of former U.S. Senator Karl E. Mundt. Beginning a career in government in these halls in 1938, he served here 10 years, then was elected to the other body where he conducted his office with great distinction until felled by a stroke. Today he is being buried in his hometown of Madison, S. Dak.

After coming to Congress he began a fight against communism and for the preservation of American freedom that was to last the rest of his life. He was deeply concerned about the grave threats to our American system of government and dedicated his tenure to its staunch defense.

Part of his vision in preserving our American way of life was communicating it to other nations, not only through the Voice of America, but also through direct communications with our friends. He was a staunch advocate of and participant in the North Atlantic Treaty Organization's association of parliamentarians. Even more important was his early stress on the necessity to curtail nuclear weapons through international agreements as one of the cornerstones for building peace in the world.

A premier orator in the Halls of Congress known for its declamation, both as Congressman and as Senator, Karl Mundt attained great distinction, not only in his own right, but for the State of South Dakota which he served long and well. Although his fine career was cut short by a tragic stroke, his ability, his dedication, his statesmanship and his leadership will long be remembered as exemplary in the field of government and politics.

## VACATION OF SPECIAL ORDER

Mr. WYDLER. Mr. Speaker, I ask unanimous consent to vacate the previous special order I had obtained for August 23.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

## PERSONAL EXPLANATION

Mr. LATTA. Mr. Speaker, yesterday, when House Resolution 1333 was voted on, I was in my district with the Secretary of Agriculture. Had I been present I would have voted "aye".

## CUT OFF OF MILITARY AID TO TURKEY

(Mr. BINGHAM asked and was given permission to address the House for 1 minute and to revise and extend his remarks and include extraneous matter.)

Mr. BINGHAM. Mr. Speaker, I regret that the Foreign Affairs Committee was today obliged to suspend its markup sessions of the Foreign Assistance Authorization bill until after the upcoming recess without any discussion of the possibility of cutting off military assistance to Turkey so long as it continues its armed aggression in Cyprus.

I find it most unfortunate that the administration did not make clear to Turkey that the flow of military assistance to that country from the United States would cease if Turkey undertook to try to impose its will in the Cyprus crisis by force of arms. But it did not, and the situation has now gravely deteriorated.

As one member of the Foreign Affairs Committee, I believe that the Congress

should insist on a suspension of aid to Turkey until and unless agreement is reached among the parties involved with respect to the presence of Turkish forces on Cyprus and I believe many members of the committee and of the House feel the same way.

For the committee to have adopted—or at least to have discussed—such an amendment would have provided a valuable signal to the people of Greece that there is substantial support for the Greek position and a signal to the Government of Turkey that its policy of using brute force to achieve its objectives, while going through the motions of negotiating, is seen as unacceptable.

## AUTHORIZING THE SPEAKER TO DECLARE RECESS TODAY TO GREET PRESIDENT GERALD R. FORD

(Mr. O'NEILL asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. O'NEILL. Mr. Speaker, the House will be highly honored later this afternoon by a visit by the President of the United States. In view of that fact, Mr. Speaker, I ask unanimous consent that it may be in order for the Speaker to declare a recess subject to the call of the Chair at the appropriate time this afternoon.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

## CONFERENCE REPORT ON H.R. 11864, SOLAR HEATING AND COOLING DEMONSTRATION ACT OF 1974

Mr. TEAGUE. Mr. Speaker, I call up the conference report on the bill (H.R. 11864), the Solar Heating and Cooling Demonstration Act of 1974, to provide for the early development and commercial demonstration of the technology of solar heating and combined solar heating and cooling systems, and ask unanimous consent that the statement of managers be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The Clerk read the statement.

(For a conference report and statement, see proceedings of the House of August 12, 1974.)

Mr. TEAGUE (during the reading). Mr. Speaker, I ask unanimous consent that the statement be considered as read.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The SPEAKER. The Chair recognizes the gentleman from Texas.

Mr. TEAGUE. Mr. Speaker, the committee of conference has resolved the differences between the House and Senate passed versions of H.R. 11864, the Solar Heating and Cooling Demonstration Act of 1974. The bill passed the House on February 13, 1974, and passed the Senate on May 21, 1974.

There were 16 items in disagreement during the conference, including the amount to be authorized for this bill. The House receded on four items, the Senate receded on four items, and compromise was reached on eight items.

With regard to the amount to be authorized to carry out the purposes of this act, the committee of conference agreed to $5 million each for NASA and HUD in fiscal year 1975, and $50 million to be appropriated to unspecified agencies over the period fiscal year, 1976 through 1979.

H.R. 11864 had its origins in the Science and Astronautics Committee's Subcommittee on Energy. It was the first of three major energy bills considered by the committee this year. The second was the Geothermal Energy Research, Development, and Demonstration Act of 1974, which was reported from conference on August 8. The third, the Solar Energy Research, Development, and Demonstration Act of 1974, was unanimously reported out by the full committee on August 15.

H.R. 11864 received an overwhelming endorsement from the House of Representatives earlier in the year when it was cosponsored by 187 Members and sent to the Senate by a record vote of 253 to 2. The conferees have retained the crucial provisions of the House bill, and have strengthened them by incorporating the most salient of the Senate amendments. I believe that the resulting conference compromise is a strong and timely piece of legislation and I join with the other House conferees in their unanimous support of the conference report. On Monday, August 12, the Senate approved this conference report by unanimous consent.

In a moment, I will yield the floor to the distinguished Chairman of the Subcommittee on Energy, MIKE MCCORMACK, who will discuss in detail the provisions of H.R. 11864 as approved by the committee of conference. But first, I would like to say a few words regarding the importance of this bill.

As you know, solar energy is among the most attractive of our energy resources. It is a clean, plentiful, and renewable source of energy. Furthermore, our supply of solar energy cannot be taxed, expropriated, or interrupted by any foreign power.

The bill which we are considering today will greatly facilitate the widespread use of solar energy for heating and cooling in millions of American homes. It will demonstrate the economic practicality of solar heating and cooling systems by private manufacturers. Enactment of H.R. 11864 will be a very meaningful step toward easing the energy shortage and reducing America's dependence on the fossil fuels of foreign nations.

I stand in strong support of H.R. 11864 and urge each of you to join our Senate counterparts in sending this bill to the President for his signature.

I include the following:

CONFERENCE COMPROMISES ON H.R. 11864

There were 16 items in disagreement during the conference. Of this number, the House receded on 4 and the Senate receded on 4. A compromise was reached with regard to the remaining 8 items.

SECTION 1. SHORT TITLE

"Solar Heating and Cooling Demonstration Act of 1974". House and Senate versions identical.

SECTION 2. FINDINGS AND POLICY

Adopts all 8 House findings and adds three Senate findings.

Adopts House policy provision, deleting reference to use of "current technology."

SECTION 3. DEFINITIONS

Adopts House definitions of "solar heating", "solar heating and cooling", and "residential dwellings".

Adopts Senate definitions of "Administrator" (of NASA), "Secretary" (of HUD), and "Director" (of NSF).

SECTION 4. CONDUCT OF ACTIVITIES IN SOLAR HEATING AND COOLING TECHNOLOGIES BY NASA

Adopts House provision, deleting "basic and applied" from NASA's research program.

SECTION 5. DEVELOPMENT AND DEMONSTRATION OF SOLAR HEATING SYSTEMS TO BE USED IN RESIDENTIAL DWELLINGS

Conference version effects a compromise between House and Senate versions. Establishes a fully integrated joint administrative structure within which NASA and HUD will carry out the demonstration project.

SECTION 6. DEVELOPMENT AND DEMONSTRATION OF COMBINED SOLAR HEATING AND COOLING SYSTEMS TO BE USED IN RESIDENTIAL DWELLINGS

Conference version effects essentially the same compromise for Section 6 as for Section 5. Provides for joint administration of demonstration by NASA and HUD.

SECTION 7. COMPREHENSIVE PROGRAM DEFINITION

Added in conference to circumvent difficulties forseen by the Conferees in certain provisions of the House or the Senate bill.

Notably, the House definition of "substantial numbers" and the Senate provision for Federal financing of 75% of the cost to a private homeowner of installing solar heating and cooling systems have been eliminated through addition of this section.

SECTION 8. TEST PROCEDURES AND DEFINITIVE PERFORMANCE CRITERIA

To resolve the differences between the House and Senate versions regarding the time periods allowed for formulation of performance criteria, the Conference version provides for formulation of interim performance criteria pending formulation of permanent criteria.

SECTION 9. DEVELOPMENT AND DEMONSTRATION OF SOLAR HEATING AND COMBINED SOLAR HEATING AND COOLING SYSTEMS FOR COMMERCIAL BUILDINGS

Conference version adopts the Senate provision with an amendment including apartment buildings in the demonstration project. NASA, in consultation with other Federal agencies, will conduct this portion of the demonstration project.

SECTION 10. SOLAR HEATING AND COOLING RESEARCH BY NATIONAL SCIENCE FOUNDATION

Conference bill adopts the Senate provision with amendments providing for conduct of applied research by NSF and for reports to NASA and HUD conveying the results of NSF research.

SECTION 11. COORDINATION, MONITORING, AND LAISION

Adopts the Senate provision with an amendment integrating the requirement for coordination with appropriate technical and professional societies and with industry representatives in the development of performance criteria and test procedures.

SECTION 12. DISSEMINATION OF INFORMATION AND OTHER ACTIONS TO PROMOTE PRACTICAL USE OF SOLAR HEATING AND COOLING TECHNOLOGIES

Both the House and Senate versions provided for dissemination of information in a similar fashion. The conference provision integrates the House and Senate provisions.

SECTION 13. LIMITING ON FEDERALLY ASSISTED OR FEDERALLY CONSTRUCTED HOUSING

Adopts the House provision with an amendment to except any floor area limitation which might inhibit the demonstration program.

SECTION 14. ENCOURAGEMENT AND PROTECTION OF SMALL BUSINESS

The House bill and the Senate amendment included essentially similar provisions with respect to the encouragement and protection of small business. The conference substitute adopts the Senate amendment, virtually identical with the House bill.

SECTION 15. PRIORITIES

Adopts the Senate provision directing the Secretary of HUD to set priorities in accordance with specified criteria.

SECTION 16. REGULATIONS

Adopts the House provision directing the Administrator of NASA, in consultation with the appropriate agency heads, to prescribe regulations for implementation of the provisions of the Act.

SECTION 17. USE OF PUBLICLY ASSISTED HOUSING

The Senate amendment provided for the Secretary of HUD to make appropriate use of publicly assisted housing in the demonstrations. The House bill did not contain a comparable provision. The conference substitute adopts the Senate amendment.

SECTION 18. TRANSFER OF FUNCTIONS

Adopts in substance the House provision for transfer of NASA and NSF functions to ERDA.

SECTION 19. AUTHORIZATION OF APPROPRIATIONS

Authorizes $5 million each for HUD and NASA in FY 1975 and $50 million total for the next four fiscal years.

This section represents a compromise between House and Senate bills.

Mr. WYDLER. Mr. Speaker, will the gentleman yield?

Mr. TEAGUE. I yield to the gentleman from New York.

Mr. WYDLER. Mr. Speaker, this conference report is an excellent one. It has been signed by all the conferees. I urge the Members of the House to accept it.

Mr. SYMMS. Mr. Speaker, energy from the Sun represents a largely untapped resource which has the potential of filling a number of our energy needs for centuries to come. If only 5 percent of our home heating and cooling needs could be met from this source we could save an increasingly precious 600,000 barrels of oil per day.

Mr. Speaker, if the experience of the past is any guide, the introduction of not one but three Federal bureaucracies into this new and hopeful field may have the effect of slowing down progress and stifling creativity—and at considerable expense to the taxpayers.

There is no real reason why the creative forces of American free enterprise cannot tackle the problem of developing and marketing solar energy at a reasonable cost to the consumer. The basic technology already exists, much of it as a byproduct of the space program, so there are no overwhelming technological obstacles.

Furthermore, there seems to be a popular belief that no new scientific or technological breakthrough can be achieved without massive Government funding. We forget that the world's greatest technological progress has occurred through the American free enterprise system. The steam engine, the electric light and the airplane were all products of enterprising inventors operating without large Government subsidies. There is no reason to believe that this same creative spirit cannot develop new energy sources—if only it were allowed to do so. When the Federal Government supplies all of the funds for research and development in a given area it almost always permanently controls the availability and the marketing of whatever end products result. Already, this fear of total control with the possibility of complete nationalization of energy production has spurred the utility and oil companies to invest substantial funds into research and development efforts on such things as controlled nuclear fusion and geothermal energy.

Of course, in certain cases where very large initial capital investments are required it is proper for the Federal Government to help out indirectly as it has done in the past through tax incentives.

Mr. Speaker, finally, another reason I oppose an all-out congressional effort for solar energy is that solar energy is suitable only as an auxiliary energy source. Our real energy problems will be better solved by the development of controlled nuclear fusion and magnetohydrodynamic energy production. Both of these methods are highly efficient and nearly pollution free. Thus, they are more worthy of such all-out efforts.

Mr. MOSHER. Mr. Speaker, I would like to compliment the House conferees for their dedication in analyzing and synthesizing the various viewpoints reflected in the House and Senate versions of H.R. 11864. The call to marshall our Federal resources in order to demonstrate the viability of solar heating and cooling is one which requires a delicate matching of technical expertise, human talent, and commercial insight. The task is aggravated when the answers to individual aspects of the problem lie in different Federal agencies. I believe the conference bill contains an optimum blend of the best which each concerned Federal entity has to offer.

The bill aims to provide the wherewithal to demonstrate the practicality of solar heating within 3 years and the practicality of solar heating and cooling within 5 years. The effort, by its very nature, is a combination of innovative technology and building designs. The conferees' recognition of this dual nature prompted vesting the responsibility for this program in Federal entities which represent both these features.

In particular, the National Aeronautics and Space Administration—NASA—was known to have a strong background in understanding solar technology from the space program. NASA also has familiarity in managing detailed and extensive projects. Therefore, NASA was chosen as the appropriate Federal agency to spearhead this phase of the program. The second phase requires the installation and demonstration of solar systems in dwellings and buildings. This requirement made it fitting to vest the latter responsibilities in the Department of Housing and Urban Development. The conferees believe this joint responsibility is realistic and necessary.

The nature of this program requires that suitable solar equipment be designed and procured before it can be installed and demonstrated. The NASA–HUD venture is thus time-phased with NASA playing a key role early in the program while HUD's activity will peak later. Nevertheless, the conferees recognized that early coordination and cooperation between both NASA and HUD is essential to insure a successful outcome. To promote this harmony the conference bill provides for early HUD participation in establishing interim performance criteria for solar heating systems. These criteria will be used by NASA in procuring solar equipment. In this respect the House adopts the Senate's provisions.

In addition the Committee of Conference adopts a new provision requiring the joint submission by NASA and HUD of a comprehensive program definition plan for implementing the goals of this bill. HUD is given authority to set program priorities in conformity with set standards. The standards include: geographic dispersal of demonstrations, projected costs of commercial production and maintenance, and encouragement of projects with State and local governments on a cost-sharing basis. The conference thereby adopts the Senate amendment as to the appropriate agency in which to vest the designation of priorities.

The conference bill calls for solar systems to be demonstrated in a "substantial number" of dwellings in diverse geophysical areas chosen by HUD. This is meant to provide realistic data so that valid extrapolations of performance may be made. The conferees felt it inappropriate to bind HUD with a set number of demonstration sites. Likewise, the bill does not preclude HUD from procuring and installing solar equipment other than that provided by NASA under legislative authority otherwise available to HUD.

The conference bill emphasizes that consideration be given to all types of structures: residential dwellings, apartment buildings, office buildings, factories and other facilities. It also stresses the desirability of encouraging participation by small business in the program.

The competence of the National Science Foundation—NSF—and the National Bureau of Standards—NBS—is recognized in the bill. The NSF is directed to perform relevant research in

support of the program. The conference bill adopts a Senate amendment directing the Director of the NSF to apprise the Secretary of Housing and Urban Development of the results of such research. NBS is intended to participate with HUD in shaping the interim performance criteria. It will also monitor and evaluate the data collected from installed solar systems.

The conference bill authorizes $5 million for NASA and $5 million for HUD for fiscal year 1975. It goes on to authorize $50 million for fiscal years 1976, 1977, 1978 and 1979. Thus the total authorization is $60 million.

Mr. Speaker, the Solar Heating and Cooling Demonstration Act is meant to be a streamlined response to the urgent national priority for alternative energy sources. Solar energy is not a new energy source as such, but its successful harnessing can make a significant contribution to our energy inventory. I believe it will hasten the day of America's self-sufficiency in energy. The conference bill establishes a concise program with well-reasoned guidelines to spur the advances necessary for implementing solar heating and cooling. I urge my colleagues to join me in supporting it.

Mr. McCORMACK. Mr. Speaker, as reported by the committee of conference, H.R. 11864 provides for the demonstration within a 3-year period of the practical use of solar heating technology and for the development and demonstration within a 5-year period of the practical use of combined solar heating and cooling technology.

In essence, the bill establishes a two-stage demonstration program to be carried out under the joint administration of the National Aeronautics and Space Administration—NASA—and the Department of Housing and Urban Development—HUD. During the first stage, the Administrator of National Aeronautics and Space Administration, in consultation with the Secretary of Housing and Urban Development, will contract for the development and manufacture of solar heating and combined solar heating and cooling systems for residential and commercial use. During the second stage, the Secretary of Housing and Urban Development will supervise the installation, monitoring, and dissemination of data and information regarding the systems procured under stage 1.

The exact numbers of solar systems and buildings to be involved in this demonstration program will be determined jointly by HUD and NASA. The conferees have agreed, however, that in general the program will utilize a number of different systems, building types, and geographic regions sufficient to provide realistic data on the overall practicality of solar heating and cooling.

I want to emphasize three points regarding this legislation:

First, this bill is aimed at demonstrating practicality and marketability of solar heating and combined solar heating and cooling systems. None of the equipment or buildings utilized in this project will be of a "one of a kind" nature. All of the solar systems and the buildings in which these systems are to be installed will lend themselves to large-scale production by private corporations.

Second, the demonstration project established under this legislation is not merely a program for the Federal bureaucracy. The involvement of HUD and NASA will end at the close of the 5-year demonstration program. Once it has demonstrated that there is a market for solar heating and cooling systems, the Federal Government will yield to private enterprise.

Third, at several points in this demonstration project, every effort will be made to include the private sector. The bill provides that the designs for solar systems and buildings utilized in this demonstration will be selected on the basis of design competitions open to all qualified individuals and firms. Furthermore, the bill contains a special provision to encourage and protect the participation of small businesses in the demonstration project.

Mr. Speaker, I feel that the version of H.R. 11864 agreed to by the committee of conference is a strong bill. Its provisions are adequate to realize the objectives of the original House version which the House passed by the overwhelming vote of 253 to 2. The changes which were adopted in conference have served to clarify and to strengthen the bill which we sent to the Senate in February.

The conferees have essentially agreed to two substantive changes in the original House version of H.R. 11864.

First, whereas the original House version delineated in a rather "cut and dried" fashion the responsibilities and duties delegated under the bill to HUD and NASA, the conference version establishes a joint administrative structure in which the Secretary of Housing and Urban Development and the Administrator of the National Aeronautics and Space Administration must consult with each other before discharging their major responsibilities. The result of this change is to create a more fully integrated program which fosters a spirit of greater cooperation between HUD and NASA.

Second, the conferees agreed to a compromise regarding authorization for HUD and NASA during the 5-year demonstration period. HUD and NASA will be authorized $5 million each for the remainder of fiscal 1975, these sums to remain available until expended. An additional $50 million is authorized to implement the provisions of the bill for the next 4 fiscal years. The conference version leaves the proportion of the remaining $50 million to be appropriated for HUD or NASA in any given fiscal year to be resolved in negotiations between the respective heads of these organizations.

In addition to the two changes which I have just explained, the conferees have adopted two amendments which I feel significantly strengthen the bill.

First, the bill now contains a provision requiring the Secretary of Housing and Urban Development and the Administrator of the National Aeronautics and Space Administration to prepare a comprehensive program definition outlining how they will conduct the demonstration program established by the bill. This program definition will be transmitted to the President and to both Houses of Congress within 120 days of enactment of this legislation.

Second, the conferees have adopted a provision directing the Secretary of Housing and Urban Development to make appropriate use of publicly assisted housing, particularly low-rent housing, in demonstrating solar heating and combined solar heating and cooling systems. I feel that this provision represents a meaningful step toward assuring that the benefits of solar energy are made available to all Americans, regardless of their economic situation.

Mr. Speaker, in concluding, I would like to say that the bill which we have before us today reflects the efforts of a large number of people. It has had the benefit of expert testimony presented to the Subcommittee on Energy by 39 qualified individuals and organizations active in the field of solar energy research. It has received additional input from five Senate committees and from the staffs of several Federal agencies. It has received the unanimous support of the Senate and is consistent with administration energy policies.

I join with my fellow conferees in expressing our unanimous support of the conference report on H.R. 11864, the Solar Heating and Cooling Demonstration Act of 1974.

The SPEAKER. Without objection, the previous question is ordered on the conference report.

There was no objection.

The SPEAKER. The question is on the conference report.

The question was taken.

Mr. WYDLER. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 402, nays 4, not voting 28, as follows:

[Roll No. 512]

YEAS—402

| | | |
|---|---|---|
| Abdnor | Boland | Chisholm |
| Abzug | Bolling | Clancy |
| Adams | Bowen | Clausen, |
| Addabbo | Brademas | Don H. |
| Alexander | Bray | Clawson, Del |
| Anderson, | Breaux | Clay |
| Calif. | Breckinridge | Cleveland |
| Anderson, Ill. | Brinkley | Cochran |
| Andrews, N.C. | Brooks | Cohen |
| Andrews, | Broomfield | Collier |
| N. Dak. | Brotzman | Collins, Ill. |
| Annunzio | Brown, Calif. | Collins, Tex. |
| Archer | Brown, Mich. | Conable |
| Arends | Brown, Ohio | Conte |
| Armstrong | Broyhill, N.C. | Conyers |
| Ashbrook | Broyhill, Va. | Corman |
| Ashley | Buchanan | Cotter |
| Badillo | Burgener | Coughlin |
| Bafalis | Burke, Fla. | Cronin |
| Baker | Burke, Mass. | Culver |
| Barrett | Burleson, Tex. | Daniel, Dan |
| Bauman | Burlison, Mo. | Daniel, Robert |
| Beard | Burton, John | W., Jr. |
| Bell | Burton, Phillip | Daniels, |
| Bennett | Butler | Dominick V. |
| Bergland | Byron | Danielson |
| Bevill | Camp | Davis, S.C. |
| Biaggi | Carney, Ohio | Davis, Wis. |
| Biester | Carter | de la Garza |
| Bingham | Casey, Tex. | Delaney |
| Blackburn | Cederberg | Dellenback |
| Blatnik | Chamberlain | Denholm |
| Boggs | Chappell | Dennis |

| | | |
|---|---|---|
| Dent | Kuykendall | Rooney, Pa. |
| Derwinski | Kyros | Rose |
| Devine | Lagomarsino | Rosenthal |
| Dickinson | Latta | Rostenkowski |
| Diggs | Leggett | Roush |
| Dingell | Lehman | Rousselot |
| Donohue | Lent | Roy |
| Dorn | Litton | Roybal |
| Downing | Long, La. | Runnels |
| Drinan | Long, Md. | Ruppe |
| Dulski | Lott | Ruth |
| Duncan | Lujan | Ryan |
| du Pont | Luken | St Germain |
| Eckhardt | McClory | Sandman |
| Edwards, Ala. | McCloskey | Sarasin |
| Edwards, Calif. | McCollister | Sarbanes |
| Eilberg | McCormack | Satterfield |
| Erlenborn | McDade | Scherle |
| Esch | McEwen | Schneebeli |
| Eshleman | McFall | Schroeder |
| Evans, Colo. | McKay | Sebelius |
| Evins, Tenn. | McKinney | Seiberling |
| Fascell | Macdonald | Shipley |
| Fish | Madden | Shoup |
| Fisher | Madigan | Shriver |
| Flood | Mahon | Shuster |
| Flowers | Mallary | Sikes |
| Flynt | Mann | Sisk |
| Foley | Maraziti | Skubitz |
| Ford | Martin, Nebr. | Slack |
| Forsythe | Martin, N.C. | Smith, Iowa |
| Fountain | Mathias, Calif. | Smith, N.Y. |
| Fraser | Mathis, Ga. | Snyder |
| Frelinghuysen | Matsunaga | Spence |
| Frenzel | Mayne | Staggers |
| Frey | Mazzoli | Stanton, |
| Froehlich | Meeds | J. William |
| Fulton | Melcher | Stark |
| Fuqua | Metcalfe | Steed |
| Gaydos | Mezvinsky | Steelman |
| Gettys | Michel | Steiger, Ariz. |
| Giaimo | Milford | Steiger, Wis. |
| Gibbons | Miller | Stephens |
| Gilman | Mills | Stokes |
| Ginn | Minish | Stratton |
| Gonzalez | Mink | Stubblefield |
| Goodling | Minshall, Ohio | Studds |
| Grasso | Mitchell, Md. | Sullivan |
| Gray | Mitchell, N.Y. | Symington |
| Green, Pa. | Mizell | Talcott |
| Griffiths | Moakley | Taylor, Mo. |
| Grover | Mollohan | Taylor, N.C. |
| Gubser | Moorhead, | Teague |
| Gude | Calif. | Thompson, N.J. |
| Guyer | Moorhead, Pa. | Thomson, Wis. |
| Haley | Morgan | Thone |
| Hamilton | Mosher | Thornton |
| Hammer- | Moss | Tiernan |
| schmidt | Murphy, Ill. | Towell, Nev. |
| Hanley | Murphy, N.Y. | Traxler |
| Hanrahan | Murtha | Treen |
| Hansen, Idaho | Myers | Udall |
| Harrington | Natcher | Ullman |
| Harsha | Nelsen | Vander Jagt |
| Hastings | Nichols | Vander Veen |
| Hawkins | Nix | Vanik |
| Hays | Obey | Veysey |
| Hechler, W. Va. | O'Brien | Vigorito |
| Heckler, Mass. | O'Hara | Waggonner |
| Heinz | O'Neill | Waldie |
| Helstoski | Owens | Walsh |
| Henderson | Parris | Wampler |
| Hicks | Passman | Ware |
| Hillis | Patman | Whalen |
| Hinshaw | Patten | White |
| Hogan | Pepper | Whitehurst |
| Holifield | Perkins | Whitten |
| Holt | Pettis | Widnall |
| Holtzman | Peyser | Wiggins |
| Horton | Pickle | Williams |
| Hosmer | Pike | Wilson, Bob |
| Howard | Poage | Wilson, |
| Huber | Powell, Ohio | Charles H., |
| Hudnut | Preyer | Calif. |
| Hungate | Price, Ill. | Wilson, |
| Hunt | Price, Tex. | Charles, Tex. |
| Hutchinson | Pritchard | Winn |
| Ichord | Quie | Wolff |
| Jarman | Quillen | Wright |
| Johnson, Calif. | Railsback | Wyatt |
| Johnson, Colo. | Randall | Wydler |
| Johnson, Pa. | Rees | Wylie |
| Jones, Ala. | Regula | Wyman |
| Jones, N.C. | Reid | Yates |
| Jones, Okla. | Reuss | Yatron |
| Jones, Tenn. | Rhodes | Young, Alaska |
| Jordan | Riegle | Young, Fla. |
| Karth | Rinaldo | Young, Ga. |
| Kastenmeier | Roberts | Young, Ill. |
| Kazen | Robinson, Va. | Young, S.C. |
| Kemp | Robison, N.Y. | Young, Tex. |
| Ketchum | Rodino | Zablocki |
| King | Roe | Zion |
| Kluczynski | Rogers | Zwach |
| Koch | Roncallo, N.Y. | |

NAYS—4

| | |
|---|---|
| Crane | Landgrebe |
| Gross | Symms |

NOT VOTING—28

| | | |
|---|---|---|
| Aspin | Green, Oreg. | Rangel |
| Brasco | Gunter | Rarick |
| Burke, Calif. | Hanna | Roncalio, Wyo. |
| Carey, N.Y. | Hansen, Wash. | Rooney, N.Y. |
| Clark | Hébert | Stanton, |
| Conlan | Landrum | James V. |
| Davis, Ga. | McSpadden | Steele |
| Dellums | Montgomery | Stuckey |
| Findley | Nedzi | Van Deerlin |
| Goldwater | Podell | |

So the conference report was agreed to.

The Clerk announced the following pairs:

Mr. Hébert with Mr. Aspin.
Mr. Landrum with Mr. Stuckey.
Mr. Rooney of New York with Mrs. Burke of California.
Mr. Gunter with Mr. Roncallo of New York.
Mr. Carey of New York with Mr. McSpadden.
Mr. James V. Stanton with Mr. Montgomery.
Mr. Van Deerlin with Mrs. Green of Oregon.
Mr. Clark with Mr. Conlan.
Mr. Dellums with Mrs. Hansen of Washington.
Mr. Nedzi with Mr. Goldwater.
Mr. Podell with Mr. Findley.
Mr. Rangel with Mr. Hanna.
Mr. Rarick with Mr. Davis of Georgia.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

## GENERAL LEAVE

Mr. TEAGUE. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the conference report on H.R. 11864 just agreed to.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

## PERMISSION FOR COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE TO HAVE UNTIL MIDNIGHT, AUGUST 29, 1974, TO FILE REPORT ON H.R. 15301, RAILROAD RETIREMENT ACT AMENDMENTS

Mr. STAGGERS. Mr Speaker, I ask unanimous consent that the Committee on Interstate and Foreign Commerce may have until midnight, August 29, 1974, to file a report on H.R. 15301, Railroad Retirement Act amendments.

The SPEAKER. Is there objection to the request of the gentleman from West Virginia?

There was no objection.

## GENERAL LEAVE TO EXTEND

Mr. ABDNOR. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the life, character, and public service of the late Honorable Karl E. Mundt.

The SPEAKER. Is there objection to the request of the gentleman from South Dakota?

There was no objection.

## CONFERENCE REPORT ON H.R. 14920, GEOTHERMAL ENERGY RESEARCH, DEVELOPMENT, AND DEMONSTRATION ACT OF 1974

Mr. TEAGUE. Mr. Speaker, I ask unanimous consent for the immediate consideration of the conference report on the bill (H.R. 14920) to further the conduct of research, development, and demonstrations in geothermal energy technologies, to establish a geothermal energy coordination and management project, to amend the National Science Foundation Act of 1950 to provide for the funding of activities relating to geothermal energy, to amend the National Aeronautics and Space Act of 1958 to provide for the carrying out of research and development in geothermal energy technology, to carry out a program of demonstrations in technologies for the utilization of geothermal resources, and for other purposes.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. TEAGUE. Mr. Speaker, I ask unanimous consent that the statement of the managers on the part of the House be read in lieu of the report.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of August 19, 1974.)

Mr. TEAGUE (during the reading). Mr. Speaker, I ask unanimous consent that further reading of the statement of the managers be dispensed with.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. TEAGUE. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, the committee of conference has resolved the differences between the House and Senate passed version of H.R. 14920, the Geothermal Energy Research, Development and Demonstration Act of 1974. This bill passed the House on July 10, 1974 and the Senate on July 11.

Of the 15 items in disagreement during the conference, the House receded on four and the Senate receded on three. Compromise was reached on the remaining eight items.

H.R. 14920 is the second of three major energy bills considered by the Committee on Science and Astronautics this year. The first was the Solar Heating and Cooling Demonstration Act of 1974. The third—the Solar Energy Research, Development and Demonstration Act of 1974—was reported from the committee on August 15.

As adopted by the committee of conference, H.R. 14920 provides for a Federal program to bring presently unused geothermal energy resources to commercial demonstration by the end of this decade. Conducted under the direction of a six-member geothermal energy

coordination and management project this demonstration program is designed to provide valuable information on the feasibility and practicality of generating electricity from hot dry rock, geopressured zones and hot water convective systems.

The conference version of H.R. 14920 is very similar to the original House version which passed the House on July 10 by a vote of 404 to 3. The amendments adopted by the conferees have served to strengthen this legislation by providing for a better program definition and for closer cooperation between the Federal Government and private enterprise. I believe that the bill adopted by the committee of conference is adequate to achieve the objectives of the original House bill and I join with the other House conferees in their unanimous support for the conference report.

Mr. GROSS. Mr. Speaker, will the gentleman yield?

Mr. TEAGUE. I will be glad to yield.

Mr. GROSS. Are the amendments germane to the bill?

Mr. TEAGUE. Mr. Speaker, the amendments are germane. There is an advisory agency made up of representatives of a number of agencies. The conference named one additional person and provision is made to name a chairman. That is the only difference in the bill.

Mr. GROSS. I thank the gentleman.

Mr. WYDLER. Mr. Speaker, will the gentleman yield?

Mr. TEAGUE. I yield to the gentleman from New York.

Mr. WYDLER. Mr. Speaker, the minority also supports this conference report and urges its adoption by the House.

Mr. MOSHER. Mr. Speaker, the conference bill which we submit today is virtually identical to the bill originally passed by this Chamber. The few adjustments that have been made in conference are more cosmetic than substantive.

The Geothermal Energy Research, Development, and Demonstration Act establishes a framework for pursuing the successful exploitation of the energy trapped below the Earth's crust. The bill provides a means for coordinating the Federal geothermal effort. Such coordination is essential if the national effort is to be a team effort. To accomplish this goal the bill establishes a geothermal energy coordination and management project. The project will be responsible for managing and coordinating the national geothermal program. It will be composed of representatives from concerned Federal agencies. Two changes were made in conference. First, the project was expanded from five to six members. The new member will be a person appointed by the President. Second, the designation of the Administrator of the Federal Energy Administration—FEA—as a member of the project was changed to an Assistant Administrator of Federal Energy Administration. The conference bill retains the House direction that the President may select the chairman of the project from among its six members.

Another important feature of the bill is the provision for NASA to undertake a comprehensive program definition at the earliest possible opportunity. This will result in a game plan which will guide future action. It should maximize productivity and minimize duplication. This program definition provision is exclusively a House originated section. It has no Senate counterpart.

The heart of the Federal geothermal effort is divided into three phases: Resource inventory and assessment program; research and development; and demonstration. The resource inventory and assessment phase will locate, evaluate, and catalog our geothermal resources. This information will be available to those wishing to pursue geothermal energy projects. The House bill vested the responsibility for this assessment phase in the project while the Senate bill explicity designated the Secretary of the Department of the Interior—DOI—to undertake it. The House conferees agreed to the Senate designation since the DOI together with the U.S. Geological Survey has the required capability to perform the exploratory type work which this phase demands.

The research and development phase seeks to overcome the remaining technical barriers impeding the widespread utilization of geothermal energy. The conference substitute is the same as the House bill, except that it adopts Senate provisions authorizing a broader scope of investigation. The House bill confined its research to technology directly related to geothermal energy. The Senate counterpart gives the project greater latitude to pursue technologies having an impact beyond just geothermal energy. This increased flexibility is prudent.

The efforts of the first two phases will culminate in the demonstration phase. This phase will demonstrate the commercial viability of geothermal energy as a power source. It will include the design, construction, and operation of both pilot and full-scale geothermal demonstration plants. The plants will be located in different geographic areas and employ various geothermal technologies. This diversity will show that geothermal energy is suitable for widespread use.

The agency conducting a demonstration project shall dispose of any electric energy and other byproducts. Such disposal will be achieved by sale to the maximum extent. It is not intended that geothermal demonstration projects compete with or displace existing local utilities. In order to avoid any such conflict the conference bill adopts a Senate provision calling for the project to enter into cooperative agreements whenever possible with non-Federal entities for the joint operation of demonstration projects. The conference bill also provides for additional congressional oversight in this area by requiring specific legislative authority before the project could proceed with demonstration projects where the Federal share would be more than $10 million.

The bill's remaining provisions cover the support of geothermal-oriented education; loan guarantees for qualified borrowers wishing to pursue geothermal energy programs; and protection of the environment. Each of these features is essentially the same as appeared in the House bill.

Mr. Speaker, I believe the Geothermal Energy Research, Development, and Demonstration Act is a sound legislative initiative. The answer to our Nation's energy problem lies in fostering and integrating many new technologies into a comprehensive energy package. Geothermal energy can play a valuable role as one part of this total response. I urge my colleagues to join me in supporting it.

Mr. GOLDWATER. Mr. Speaker, the conference bill before us embodies all of the features which appeared in the House bill. While some minor adjustments were made in conference, they are minimal.

The impact of the Geothermal Energy Research, Development, and Demonstration Act cannot be overemphasized in view of our national energy shortage. This bill will provide the means whereby our Nation can harness the natural heat energy of the Earth. This energy is not vulnerable to arbitrary stoppages and has no known adverse environmental effects.

The only commercially developed geothermal plant in operation in the United States today is located in the State of California. I refer, of course, to "the Geysers." The U.S. Geological Survey estimates that there exists vast geothermal fields throughout southern California and many other areas of our country with equally high potential. This bill will accelerate the process of transforming that potential into electricity. In so doing we will be following the pioneering work originally spearheaded by the farsighted citizens of California.

The Geothermal Energy Research, Development, and Demonstration Act sets up a game plan to achieve these results in an expeditious yet systematic manner. The Federal geothermal effort is divided into three parts: Resource inventory and assessment; research and development; and demonstration. The assessment phase will focus on locating and cataloging our geothermal reserves. The research phase will foster work aimed at solving the remaining technical barriers obstructing geothermal energy's full utilization. The demonstration phase will incorporate the results of the first two phases by designing, constructing, and operating geothermal energy plants. This will be the programs ultimate goal—the successful demonstration of the viability of geothermal energy as a commercial source of energy.

The bill also seeks to foster participation by private enterprise at an early stage by providing for a loan guarantee program. The Federal Government will underwrite loans made to qualified borrowers for the purpose of pursuing geothermal energy development. This feature is a reasonable means for spurring the private sector to join the effort.

We recognize the importance of establishing an overall direction early in the program. NASA is directed to conduct a definition effort at the beginning of the program in order to identify priorities. This will insure that the

Federal program will make optimum use of its resources. The current sense of urgency over our energy problems should not overshadow the necessity of prudent budgetary planning. The program definition feature will allow us to make the best use of the taxpayer's money.

Mr. Speaker, I believe that the Geothermal Energy Research, Development, and Demonstration Act will play a valuable role in correcting our energy shortage. It sets the stage for dividends which we will collect for many years. I deem myself privileged to have participated in shaping the bill. All of my colleagues can be confident that their support of this bill will stand as a tribute to their farsightedness.

Mr. McCORMACK. Mr. Speaker, it is proper to note that this legislation would not have been possible if it were not for the foresight and leadership of the chairman of the full committee, my good friend from Texas, OLIN TEAGUE. His understanding of the role of energy and the need for alternate energy sources was shown when he formed the subcommittee I have the honor of chairing. Only with his support, have we been able to consider, report, and pass such important pieces of legislation as this Geothermal Energy Research, Development, and Demonstration Act and the Solar Energy Heating and Cooling Act.

Mr. Speaker, H.R. 14920, the Geothermal Energy Research, Development, and Demonstration Act takes the present splintered and undefined Federal effort in geothermal energy and coordinates a unified program through the Atomic Energy Commission, the National Science Foundation, and the Department of the Interior. Included in the management project will be the National Aeronautics and Space Administration and the Federal Energy Administration. The chairman will be appointed by the President. This management project will have authority to manage and fund all geothermal energy research, development, and demonstration activities.

This concept was accepted by the Senate in conference committee except for the fact that the President will appoint one additional member to the management project and he will designate who the chairman shall be.

In the House version, the Administrator of the National Aeronautics Space Administration is directed to carry out a comprehensive program definition for a national effort in bringing geothermal energy to commercial development stage.

This program definition is retained in the conference bill. In addition, specific emphasis is to be given to a resource inventory and assessment program to be formulated in conjunction with the program definition and to be carried on by the U.S. Geological Survey.

This program definition is intended to be a major determinate of the programs initiated and carried out by the management project. In H.R. 14920, as it passed the House, three important elements were to be considered within the management project's programs. These were resource assessment and evaluation, research and development, and demonstration. All three of these have been retained.

In conference with the Senate, two changes were made in Research and Development and Demonstration program. Authority is granted to carry on research when that research goes outside the field of geothermal energy to the point where the research can be published for utilization by others, and, in addition, under the demonstration program, additional emphasis is given for the need for cooperative ventures with non-Federal organizations such as public and private utilities, and municipalities in the construction and operation of viable geothermal demonstration plants. It was our conclusion in conference that we would hasten the day of development and acceptance of geothermal energy as an alternate energy resource, if we would, from early in the program, involve the ultimate users of such an energy source. We have given Congress an added control in that any demonstration project in which the estimated costs to the Federal Government is greater than $10 million, Congress must review that project and specifically authorize it before it can be carried out.

A fourth and equally important program envisioned under H.R. 14920, was the Government loan guarantee program. This program is intended to accelerate geothermal energy development by private enterprise. For the most part the House and Senate versions regarding the loan program were identical. I might point out that a difference in House and Senate report language was clarified in the conference report by noting that the size of any loan guarantee will not be greater than $25 million for any single project nor greater than $50 million for any single borrower.

In conclusion, I might add that we had a most amicable conference with our counterparts in the Senate, because we had a fundamental agreement that geothermal energy was important enough to the country that a coordinated and increased Federal effort in that field is needed and needed now.

The bill will establish congressional concern and leadership in providing this country a viable and realistic project independence. I wish to join with my fellow conferees in expressing our unanimous support of the conference report on H.R. 14920, the Geothermal Energy Research Development and Demonstration Act of 1974.

The SPEAKER. Without objection, the previous question is ordered on the conference report.

There was no objection.

The SPEAKER. The question is on the conference report.

The conference report was agreed to.

A motion to reconsider was laid on the table.

## GENERAL LEAVE TO EXTEND

Mr. TEAGUE. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the conference report just agreed to.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

## CONFERENCE REPORT ON S. 821, JUVENILE JUSTICE AND DELINQUENCY PREVENTION ACT OF 1974

Mr. HAWKINS. Mr. Speaker, I ask unanimous consent for the immediate consideration of the conference report on the Senate bill (S. 821) to improve the quality of juvenile justice in the United States and to provide a comprehensive, coordinated approach to the problems of juvenile delinquency, and for other purposes.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. HAWKINS. Mr. Speaker, I ask uncoordinated approach to the problems of the managers be read in lieu of the report.

The SPEAKER. Is there objection to the request of the gentleman from California?

Mr. GROSS. Mr. Speaker, reserving the right to object, is the gentleman planning to explain the conference report?

Mr. HAWKINS. Yes, I am.

Mr. GROSS. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of August 19, 1974.)

Mr. HAWKINS (during the reading). Mr. Speaker, I ask unanimous consent that further reading of the statement of the managers be dispensed with.

The SPEAKER. Is there objection to the request of the gentleman from Alabama.

Mr. STEIGER of Wisconsin. Mr. Speaker, I reserve the right to object.

The SPEAKER. The gentleman from Wisconsin reserves the right to object.

Mr. STEIGER of Wisconsin. Mr. Speaker, under my reservation is a question, if I wish to lodge a point of order against a portion of the conference report is it appropriate to do so now?

The SPEAKER. Is the gentleman making a parliamentary inquiry?

Mr. STEIGER of Wisconsin. I reserved the right to object prior to the request to dispense with further reading of the conference report to inquire when a point of order can be lodged.

The SPEAKER. The Chair will state that a point of order should have been made prior to the reading of the joint statement. The point of order will now come too late.

Mr. STEIGER of Wisconsin. I thank the Speaker. I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. HAWKINS. Mr. Speaker, I am delighted to report that the managers on the part of the House were able to resolve their differences with our Senate colleagues on the House amendment to the bill (S. 821) to provide a comprehensive, coordinated approach to the problems of juvenile delinquency and for other purposes.

The managers recommend a conference substitute bill for adoption. It is the product of many hours of labor on the part of our distinguished colleagues, Ms. CHISHOLM, and Messrs. PERKINS, QUIE, and STEIGER. In addition, we were supported by the able efforts of committee staff members, Bill Cable, Marty LaVor, Bob Williams, and Al Johnson.

The conference substitute is an independent bill, contrary to the Senate bill which amended the Omnibus Crime Control and Safe Streets Act. It incorporates many of the provisions of the House amendment as well as several provisions of the Senate bill over which the Committee on Education and Labor lacked jurisdiction. It includes several conforming amendments which bring the Omnibus Crime Control and Safe Streets Act into conformity with the Juvenile Justice and Delinquency Prevention Act of 1974. It is a source of deep gratification for me to state that these amendments are incorporated into the substitute bill with the support and endorsement of our distinguished colleagues, Mr. RODINO and Mr. CONYERS on the Committee on the Judiciary.

The bill establishes an Office of Juvenile Justice and Delinquency Prevention within the Deparmtent of Justice, Law Enforcement Assistance Administration, headed by an Assistant Administrator who would be appointed by the President with the advice and consent of the Senate. I might note, Mr. Speaker, that the managers on behalf of the House did not accept this provision easily. It was necessary to do so in order to secure the passage of the bill and thereby insure the delivery of much-needed services to the youth of this Nation. We intend to maintain vigilant oversight in the implementation of this provision.

The bill requires that States, in order to receive funds, must submit a plan which provides for the development of advanced techniques in the treatment and prevention of delinquency under the administration of State planning agencies. The membership of these SPA's is broadened to include the participation of individuals and organizations which are experienced in the treatment and prevention of juvenile delinquency. It is our intent that this important provision will be implemented by each State within 30 days of the enactment of this bill, barring extraordinary circumstances.

In addition to providing funding through the States, the bill also provides for up to one-half of all program assistance through special emphasis prevention and treatment grants in which the Administrator is authorized to directly fund worthwhile local programs.

The bill further establishes a Coordinating Council on Juvenile Justice and Delinquency Prevention and a National Advisory Council on Juvenile Justice and Delinquency Prevention.

It provides a Runaway Youth Act to be administered by the Department of Health, Education, and Welfare and extend the Juvenile Delinquency Prevention Act of 1972, also within the Department of Health, Education, and Welfare for 1 additional year for transitional and phaseout purposes only.

Finally the bill provides certain basic rights to juveniles within Federal jurisdiction and establishes a National Institute for Juvenile Justice and Delinquency Prevention within the Office and a National Institute of Corrections within the Federal Bureau of Prisons.

The conference substitute authorizes an annual appropriation of $75,000,000 for fiscal year 1975, $125,000,000 for fiscal year 1976, and $150,000,000 for fiscal year 1977. In addition, $10,000,000 is authorized for the Runaway Youth Act for each fiscal years 1975, 1976, and 1977 and $500,000 for the reporting requirement of that act during fiscal year 1975. Such sums as may be necessary are authorized for the Coordinating Council.

Mr. Speaker, I cannot overemphasize the sense of satisfaction which the membership of this House may feel with the passage of this bill. Along with our able and distinguished colleagues in the Senate, Hon. BIRCH, M. BAYH, Hon. ROMAN HRUSKA, Hon. MARLOW COOK and others, we have worked long and diligently to secure its consideration. Our differences, although numerous, were resolved in the spirit of give and take, compromise, and respect for differing opinions. I urge the membership to swiftly and favorably consider this bill.

Mr. BELL. Mr. Speaker, will the gentleman yield?

Mr. HAWKINS. I yield to the gentleman from California.

Mr. BELL. I thank the gentleman for yielding. I want to commend the gentleman for his leadership on this bill and in this conference, and I want to say that I rise in support of this conference report.

Mr. QUIE. Mr. Speaker, I yield 10 minutes to the gentleman from Wisconsin (Mr. STEIGER).

Mr. STEIGER of Wisconsin. Mr. Speaker, it is with some reluctance that I rise this afternoon to indicate my opposition to the adoption of the conference report.

I do not do so lightly, and I do not do so without the full recognition and understanding of the fact that it is necessary, in my view, for there to be an increased effort in the field of juvenile delinquency. However, the conference report, as it comes back to the House this afternoon in the form of S. 821, is both, in terms of substance and of fundamental approach, grossly wrong. I would want the House to recognize the fact that the House conferees capitulated without even a whimper to the other body in accepting the Law Enforcement Assistance Administration as the agency responsible for juvenile delinquency. As a matter of fact, Mr. Speaker, there was not even, may I say respectfully to my fellow conferees, one motion to sustain the House position which by a vote of 2-to-1 rejected LEAA and kept this in HEW.

I think the House ought to know and should be mindful of the fact that there are very real differences in the concept and approach as between LEAA and HEW. The rational of those supporting this bill is that no bill might come. But at what price in terms of approach are we to pay by surrender?

By adopting the conference report this afternoon, the Congress of the United States—and were it to be signed, and I hope it is not, by the President of the United States—effectively eliminates any effort by the Department of Health, Education, and Welfare to undertake the kind of effort to prohibit and prevent people from becoming involved in the juvenile justice system. We are, in effect, saying that those involved in juvenile justice today, the police departments, the parole officers, the judges, will become the end-all and be-all in juvenile delinquency prevention and control. These groups have an important role to play but so do many others like the educational community who will not have the chance they should if we pass this bill.

I think it is wrong. I think the approach is wrong. I think the agency is wrong, and I think the conference report is wrong.

I deeply regret that I find myself in this position, but let me, if I can, go through and suggest to the Members of the House that, No. 1, we ought to understand that the conference committee was not a conference commitee at all. It was, in fact, a series of negotiations between the staff of the other body and the staff of this body, in which the conferees met and got a sheet of paper which said that the staff recommends this, the staff recommends that, and the staff recommends this, and the staff recommends something else.

I have yet to see a conference in which the members of the conference had so little to do. All we had to do was ratify what the staff had to say.

As a matter of fact, if it had not been for the gentleman from Minnesota (Mr. QUIE), the conferees would have done nothing. He got them to agree to one minor modification regarding the National Institute of Corrections in the Bureau of Prisons in the Department of Justice.

If one goes through the conference report, Mr. Speaker, there are a number of areas that the House might well consider in terms of making a judgment as to whether or not we think the conference report ought to be sustained.

No. 1, the bill, as it comes back to us, does not accept the House version in terms of not specifying that there be certain GS-18 or other level officers

available for the administration of the act. The House did not include that kind of specific provision relating to supergrade positions in the Federal Government.

Second, the House bill provided that 75 percent of the funds were to be spent through local governments. The other body provided 50 percent. The conference report is 66⅔ percent, and I think that is wrong.

Third, the House amendment required that the local chief executive provide for the supervision of local programs by designating a local supervisory board. The conference substitute did not provide that, but, rather, adopted the other body's language which drops this provision.

The Senate bill required that within 2 years, juvenile status offenders are to be placed in shelter facilities. The delinquents are not to be detained or incarcerated with adults, and it provided that a monitoring system should be developed to comply with these provisions.

The House provision simply encouraged these concepts.

The conference substitute adopts the Senate provision.

Mr. Speaker, I might say, in all honesty, that the Committee on Education and Labor has no experience at all in this field and yet this bill mandates far-reaching measures.

The Senate bill provided for specific protection to be afforded employees affected by the act.

May I say, Mr. Speaker, that I want to call the attention of the Members of the House to those provisions that relate to the placement and protection of employees affected.

The conference substitute adopted almost in toto the Senate provision which details explicitly what is to happen to employees who might be affected as a result of the adoption of this act. I think those provisions are overly long in terms of the way they go about it. I think they did damage to the House approach in providing fair and equitable treatment.

In effect we are saying to those at the local and State level that "You cannot do anything to an affected employee unless it is approved by the Administrator of LEAA." You can make no change in State or local employees without Federal approval.

The Senate bill, by an amendment offered by Senator BUCKLEY and adopted, prohibited the use of potentially dangerous behavior modification treatment modalities on nonadjudicated youth without parental consent. The conference substitute does not contain that provision, and I think that, if for no other reason, is sufficient reason to reject the conference report.

LEAA has been infamous, may I say, Mr. Speaker, in terms of its approach in using the behavior modification techniques, with or without parental consent. The dropping of that protection for juveniles and parents, I think, is a serious mistake.

There is one last point that I would point out to the Members, and that is that we will find replete in the conference report a series of provisions which have to do with the creation of a National Advisory Council for the Bureau of Prisons and the National Institute for Delinquency Prevention, and we have advisory council upon advisory council, all of which are without relation to each other.

Thus, Mr. Speaker, I must say explicitly and directly that I am disturbed and disappointed by the action of the conferees. I think the bill is in imperfect shape. It ought to be rejected and we ought to go back to the drawing board in order to find a better way to do our business.

This will not upgrade, modernize, or enhance our efforts in the field of juvenile delinquency, and by eliminating HEW we have done serious damage to our efforts to prevent people from becoming delinquents instead of simply seeing them wound up in the juvenile justice system as it is now.

Mr. Speaker, I hope the conference report will be rejected.

Mr. QUIE. Mr. Speaker, I yield myself 5 minutes.

Mr. SPEAKER, I am proud to bring the agreed-upon conference bill back to the House for its consideration. I believe that it is stronger and better than either of the original House or Senate passed bills were before we went to conference.

My reasons for this view are that the conferees adopted the Senate provision making the Law Enforcement Assistance Administration the lead Federal agency for coordination of all juvenile justice and delinquency prevention programs, while, at the same time, retaining all of the key features of the House bill.

When the House originally considered H.R. 15276, I offered an amendment which would have substituted LEAA for HEW as the administering agency for the juvenile justice and delinquency prevention program. I urged this amendment because of an objective review and comparison of the two agencies which established conclusively that HEW had proved itself capable of providing the leadership needed to fight the juvenile delinquency problem on a coordinated national level.

I argued that for LEAA because it has been extensively involved in juvenile delinquency programing. It has provided leadership in the Federal juvenile delinquency area through the Federal Interdepartmental Council to coordinate all Federal juvenile delinquency programs.

Since 1968, LEAA, with its larger resources and dynamic organization, has committed millions of dollars in program funds for delinquency prevention and control. In fiscal 1972 LEAA allocated almost $140 million for juvenile delinquency programs. The 1973 amendment to the Omnibus Crime Control and Safe Streets Act required for the first time that State plans include a comprehensive program for the improvement of juvenile justice.

As a result of the 1973 amendments, LEAA has established new juvenile delinquency initiatives including establishment of a juvenile justice division in its office of national priority programs and National Institute of Law Enforcement and Criminal Justice and the establishment of a juvenile delinquency initiative as a major new focus for fiscal years 1974, 1975, and 1976.

LEAA presently has a viable network of 55 State planning agencies equipped to immediately develop and implement comprehensive programs to prevent and reduce juvenile delinquency. LEAA's administration is prepared to fully implement this act so that it will be operational in the shortest possible time.

In placing this program in LEAA the Congress is recognizing that the problems of juvenile delinquency cannot be treated separate and apart from the criminal and juvenile justice system. Indeed, the juvenile justice system should be viewed as a continuum of responses, both inside and outside the formal system of police, courts, and corrections, which are made to juvenile crime in an attempt to prevent and reduce its occurrence. The overall goal of this effort is to assist youth in becoming useful and productive members of our society.

To give you some idea of the basic differences between LEAA and HEW I would like to share the contents of some correspondence with you on one particular aspect of this legislation. It pertains to the National Institute for the Continuing Studies for the Prevention of Juvenile Delinquency that was proposed in the House bill. On June 26, at a time when the subcommittee was considering this legislation, both agencies were asked to explain what they were already doing with respect to the provisions of title III, what they would do if the provisions became law, how long would it take to establish the program, and how much money would they put into it. On June 27, the next day, I received the following memo from LEAA:

[U.S. GOVERNMENT MEMORANDUM]

JUNE 27, 1974.

To: STEPHEN BOYLE, Director, Congressional Liaison Office.

Through: JOHN M. GREACEN, Deputy Director, NILEJ.

From: JAMES C. HOWELL, Director, Juvenile Delinquency Division.

Subject: Correspondence between H.R. 15276 Provisions (Title III) Regarding the Institute for Continuing Studies of the Prevention of Juvenile Delinquency and Current/Planned Activities of the Juvenile Delinquency Division of the National Institute of Law Enforcement and Criminal Justice.

A. WHAT IS LEAA ALREADY DOING WITH RESPECT TO THE PROVISIONS OF H.R. 15276 (TITLE III)?

Sec. 302, Provisions 1–12.

The Juvenile Delinquency Division of the National Institute of Law Enforcement and Criminal Justice (NILECJ) currently performs all 12 functions provided under Sec. 302, excepting numbers 6, 7, 10 and 11.

The Juvenile Delinquency Division currently:

(1) serves as an information bank by collecting and synthesizing data and information concerning all aspects of juvenile delinquency;

(2) serves in a limited capacity as a clearinghouse and information center for the preparation, publication, and dissemination of information regarding juvenile delinquency (in collaboration with the National

Criminal Justice Reference Service and the National Criminal Justice Information and Statistics Service, both of which are within LEAA);

(3) disseminates pertinent data and studies (excluding a periodic journal) to individuals, agencies, and organizations concerned with the prevention and treatment of juvenile delinquency;

(4) prepares in cooperation with educational institutions, Federal, State, and local agencies and other organizations studies with respect to the prevention and treatment of juvenile delinquency;

(5) devises and conducts seminars and workshops for researchers (but not practitioners although we have the authority to do so) involved in the juvenile delinquency area;

(8) conducts, encourages, and coordinates research and evaluation on juvenile delinquency;

(9) encourages the development of demonstration projects in new and innovative techniques and methods to prevent and treat juvenile delinquency; and

(12) disseminates the results of such evaluations and research and demonstration activities to persons actively working in the field of juvenile delinquency.

With regard to provisions 6, 7, 10, and 11:

(6) and (7): While the Juvenile Delinquency Division does not presently conduct training programs for persons connected with the prevention and treatment of juvenile delinquency, or provide technical training assistance, these functions could be provided within two months of the passage of the legislation.

(10) and (11): The Juvenile Delinquency Division could be prepared to provide for evaluation of all programs assisted under this Act and also for other specific Federal, State, or local juvenile delinquency programs, within two months of the passage of this legislation. The Division already provides for evaluation of programs assisted by other units of LEAA.

B. WHAT ARE THE CURRENT PLANS FOR THE JUVENILE DELINQUENCY DIVISION OF NILECJ?

The LEAA has identified juvenile delinquency as a national priority for FY 1975. The Institute's preliminary work plan for its Juvenile Delinquency Division is attached. It calls for a minimum of $3 million for research on juvenile delinquency for FY 1975. However, this plan is being revised to place even greater emphasis on the prevention and control of delinquency. The Director of NILECJ has earmarked up to $6 million for this effort for FY 1975.

The above amounts refer to program funds and do not include personnel and housekeeping costs.

C. WHAT IS THE TIME FRAME FOR LEAA IMPLEMENTATION OF TITLE III?

In order to implement the provisions under Title III, it is only a matter of intensifying present recruitment and program efforts. LEAA could have the new Institute running in stride within two months of passage of this Act.

Please note that there is also in existence a National Institute of Corrections, operating under the sponsorship of LEAA and the Federal Bureau of Prisons. The Institute conducts research and evaluation of both juvenile and adult corrections, and carries on an extensive training program. Some of the functions contemplated for the proposed Institute for the Continuing Study of Prevention of Juvenile Delinquency relating to juvenile detention and corrections are presently being performed. Other contemplated functions could be readily incorporated into the ongoing program. In fiscal year 1974 LEAA funded the National Institute of Corrections to the extent of $2 million. The N.I.C. has asked LEAA to set aside $4 million for fiscal year 1975.

JUVENILE DELINQUENCY

1.111: Identify the relationships between specific types of delinquent behavior and personal, social, and community variables by 1980, $535,000.

1.1205: Develop and evaluate model juvenile delinquency prevention programs dealing with education, employment, health needs, recreational needs, and youth advocacy by 1979, $977,000.

1.211: Determine the relative effectiveness of various alternatives to juvenile incarceration currently utilized in juvenile rehabilitation by 1977, $100,000.

1.2200: Develop, implement, and evaluate standards for Juvenile Justice System operations by 1980, $288,000.

1.2201: Determine procedures and programs for diverting juveniles from the juvenile justice system by 1979, $500,000.

1.2202: Develop, implement, and evaluate an optimal state level organizational structure for a state juveline justice system by 1981, $600,000.

Mr. QUIE. On June 30, the day before the bill was to be taken up by the House, after it had gone through subcommittee and full committee, I still had not heard from HEW. Once HEW was asked the questions so I might use the information during the floor during debate. Just before the bill was taken up on the floor HEW's office of Legislation transmitted some information via telephone but stated that it was "unconfirmed and that they would not be able to get a specific answer in writing for a few days." I waited and waited but I did not receive any response from HEW. Finally, on July 17, I wrote to Secretary Weinberger asking him to specifically respond to the questions that I had asked on June 26. Moving "with all deliberate speed," HEW's response finally was sent to me on August 8. The following is a copy of that response:

HEALTH, EDUCATION, AND WELFARE,
*Washington, D.C., August 8, 1974.*

Hon. ALBERT H. QUIE,
*House of Representatives,*
*Washington, D.C.*

DEAR MR. QUIE: Thank you for your letter of July 17 relative to the proposed Institute for the Continuing Studies for the Prevention of Juvenile Delinquency contained in H.R. 15276. Following are the questions you raised and our response to them:

Questions 1 and 2: If H.R. 15276 was enacted into law, how long would it take to fully staff and make the Institute completely operational, and how many personnel would be required to staff such Institute?

Answer: It would take six to eight months to fully staff the Institute. Thirty professionals plus support staff would be required. Faculty and consultative services would be handled on a contractural basis. H.R. 15276 limits the authorized funding for Title III to 10 percent of the appropriation for any fiscal year, Sec. 601(C).

Question 3: Considering that the present budget for the OYD is $10 million and the Department's request for FY 1975 is $15.9 million, I am led to believe that a major portion of the $5.9 million increase will be spent on runaway youth programs. Specifically how much money will the Department commit to the new Institute in FY 1975, and specifically where would the Institute funds come from? I have questions like: Would the monies be transferred from other agencies in the Department? If so, which agencies? Will the Department ask for a supplemental appropriation to fund the Institute?

Answer: (The FY 1975 budget for the Office of Youth Development contains $15 million, not $15.9 million). The funding mechanism for the Institute in FY 1975 has not yet been determined. Such determination will be made only after the bill is enacted into law.

Question 4: According to the Office of Legislation, the Department is now engaged in some activities mandated for the new Institute. Would you please specifically describe those functions being carried out by the Department? Which agencies in the Department have responsibility for carrying out these functions and under which legislative authorities do they conduct them?

Answer: (1). The Office of Youth Development in the Office of Human Development, Office of the Secretary, administers the 1972 Juvenile Delinquency Prevention Act, P.L. 92-381. This office provides leadership in planning, developing and coordinating programs that furnish services to youth in danger of becoming delinquent. Emphasis is on community-based facilities for youth, training of personnel involved in such services and the provision of technical assistance in such field.

(2). The Office of Education, under Title I, Elementary and Secondary Education Act of 1965, as amended, Title I, P.L. 89-50, provides educational programs in State administered institutions serving neglected or delinquent children.

Teacher Corps grants enable correctional schools and universities to jointly develop special training programs to prepare educational personnel to work effectively with delinquent and socially maladjusted youth.

(3). *NIMH Center for Studies of Crime and Delinquency,* 42 U.S.C. 241, 242(a), 2681 et seq., develops needed behavioral and social science knowledge on problem behavior. The scope of the Center's efforts encompasses a wide range of issues in delinquency, crimes, law and mental health, and individual violent behavior.

Question 5: Finally, if the legislation as passed by the House was signed into law, would all of these functions now administered throughout the Department be officially transferred to the new Institute and come under the direct and complete control of the Institute's Director or would they be left in the operating agencies and not under the Director's control?

Answer: Any identifiable juvenile delinquency function administered throughout the Department would be officially transferred to the new Institute, under the control of the Institute Director.

I trust that this information will be of assistance and appreciate your interest in our program.

Sincerely,

CAP. WEINBERGER,
*Secretary.*

Mr. QUIE. As you can see by simply comparing the specific response from LEAA which explains clearly what they would do in this one area if the bill was passed and signed into law, coupled with HEW's inadequate answer, which was received only after continuous requests, I think the case for LEAA can be clearly understood by anyone who takes the time to be objective.

Mr. Speaker, prevention and treatment of juvenile crime are part and parcel of the cure for the illness of crime that threatens to debilitate our Nation. This bill, I believe, will bring about coordination of all Federal efforts in the agency best able and equipped to address the total juvenile delinquency problem.

At this point I would like to discuss other key provisions which the House conferees were successful in obtaining.

I must point out for those who keep track of what happens in conferences that the Senate receded to the House 24 times, the House receded to the Senate 28 times and on 9 occasions dropped or compromised provisions in a way neither really receded.

The conferees accepted verbatim the House title establishing a Federal assistance program to deal with the problems of runaway youths and their families. This program is to be administered by the Department of Health, Education, and Welfare. The House conferees insisted that HEW be responsible for the program in order to avoid labeling of such youth as delinquent or predelinquent youth merely because they choose this means of dealing with their problems.

The House provisions for including alcohol abuse in the definition of "juvenile delinquency program," in the listing of advanced techniques to prevent juvenile delinquency, and among special emphasis programs and grants were adopted.

The reporting requirements of the House bill were adopted in total. These include the President's report to Congress on actions taken or anticipated with respect to the recommendations of the Administrator, the addition reporting requirements for each of the first 3 years, and the requirement that Federal agencies submit juvenile delinquency development statements analyzing the extent to which their program conforms with and furthers Federal juvenile delinquency prevention and treatment goals and policies.

The conferees also adopted the House provision for a Coordinating Council on Juvenile Justice and Delinquency Prevention as a substitute for the Senate's Interdepartmental Council. A separate appropriation authorization was agreed to as provided in the House bill. This, I believe, will give the council the independence and strength necessary to affectively perform its coordination function.

Other items adopted were as follows. The House provision for programs aimed at retention of youth in elementary and secondary schools and the House requirement that assistance be made available on an equitable basis to physically handicapped youth was adopted. The 50 percent limitation on the use of funds for construction of community-based facilities, as provided by the House, was also adopted.

The House conferees were successful in having most of the substance of the National Institute for Juvenile Justice and Delinquency Prevention adopted as provided in the House bill including all of the functions and powers of the Institute enumerated in our bill.

On balance, I believe that the House conferees were successful in obtaining many substantial and important concessions from the Senate conferees. Many of the instances in which the House did recede were simply in order to effectuate the role of LEAA as the lead Federal agency. The conference bill fully reflects the essential administrative provisions so carefully developed by the Committee on Education and Labor in order to create a fully effective and comprehensive Federal program to combat the problem of juvenile delinquency. I urge all my colleagues to join me in support of this conference report.

Mr. HAWKINS. Mr. Speaker, I yield 5 minutes to the distinguished gentleman from Kentucky (Mr. PERKINS).

Mr. PERKINS. Mr. Speaker, I rise in support of the conference report and I personally feel that the conference agreement we have brought back to this Chamber is the best that we could work out. Undoubtedly, several people have felt that the Department of Health, Education, and Welfare should still administer the juvenile delinquency program. If we recall, in 1962, when we first enacted the program, we set up a small program in the Department. Unfortunately for the size of the problem with which this legislation deals it is still an extremely small program as presently we are only spending approximately $10 million in the Department of Health, Education, and Welfare on juvenile delinquency. In the conference report we do not transfer it abruptly to the Law Enforcement Administration Section of the Department of Justice. We provide a 1-year phase-in.

I think all of the Members in this Chamber are aware that the Law Enforcement Administrative Agency in the Department of Justice, administers a much larger program of approximately $100 million for juvenile justice.

To my way of thinking, better coordination of all programs directed at juvenile delinquency problems is possible under the conference agreement.

Mr. Speaker, this administrative transfer is a step that I have expressed strong reservations about taking in the past but in order to adequately meet most effectively the needs of juveniles there has to be a strong central agency to administer all juvenile delinquency programs. This is the basis upon which the conferees were able to resolve this House-Senate difference. Because of this change in administrative responsibility the Committee on Education and Labor, through it subcommittee on Equal Opportunities, will pursue an active and vigorous course of oversight to insure that the programs operated under this act are carried out in a fashion that best meets the needs of juveniles and is consistent with the intent of the act.

Mr. Speaker, I want at this time to express my sincere appreciation to the chairman of the subcommittee, our colleague, GUS HAWKINS, and to all the members of his subcommittee who have worked so long and hard and without whose efforts we would not have this legislation before us today.

One of the most important disputes in the conference was decided in favor of the House conferees. The Senate conferees lead by the Judiciary Committee chairman very strongly insisted on a provision in their bill that surplus property be made available to the Department of Justice for various purposes throughout the country. The House conferees felt that this might jeopardize the schools of the country in obtaining essential surplus property and since the Committee on Government Operations, headed by the gentleman from California (Mr. HOLIFIELD) and Mr. BROOKS, is making a study of this important subject matter, we refused to go along with the Senate. We took time out in our conference sessions to hold a special conference with these Members of the Committee on Government Operations and with the Senators involved to make sure we could convince the Senate to yield.

The Senate conferees were convinced that because the House Committee on Government Operations is currently taking up a general review of the subject of excess and surplus property they agreed to delete this provision pending the conclusion of the committee's review. During this review it is assumed that the General Services Administration will liberally construe the regulations to best meet the needs of law enforcement agencies throughout the country.

So when the gentleman from Wisconsin states we went over there and capitulated, I hardly agree with that statement.

Mr. HOLIFIELD. Mr. Speaker, will the gentleman yield?

Mr. PERKINS. I yield to the gentleman from California.

Mr. HOLIFIELD. I thank the gentleman for yielding.

On behalf of the full Committee on Government Operations, I want to express our appreciation for the courtesy which the gentleman's committee has shown our committee. The disposal of surplus property was set up by legislation from our committee back in 1949. I was the author of the bill, and we have set up a formula that has worked well for the people of America.

Everybody wants to get a piece of that surplus property, and if we divided it amongst everybody who wanted to have some of the surplus property, we would not have much for anybody. We are giving it mostly to education and to recreation and for hospitalization purposes. The gentleman is aware of that. We had conferences personally together. I think that the compromise that was arrived at was fair, and I believe that Members of the other body felt that it was a fair compromise, because the gentleman from Texas (Mr. BROOKS) who will be chairman next year, has already scheduled complete hearings on the subject of excess property and surplus property.

The logic of our presentation and the cooperation of the gentleman and his conferees allowed us to postpone this action until a thorough review can be completed.

Mr. PERKINS. Mr. Speaker, I urge that all Members in the House support the conference report.

Mr. HAWKINS. Mr. Speaker, I yield 5 minutes to the gentleman from Florida (Mr. PEPPER).

Mr. PEPPER. Mr. Speaker, I commend the distinguished gentleman from California (Mr. HAWKINS) and also his able chairman, the gentleman from Kentucky (Mr. PERKINS), as well as all members of

the Education and Labor Committee for laboring as long and diligently and dedicatedly as they have to bring this bill to the floor of the House and I also commend them for the labor they employed in trying to bring a good bill back to this body.

However, I do want to express my keen disappointment that the committee found it necessary to concede to the position of the other body and provide for the administration of this program by the LEAA rather than by the Department of Health, Education, and Welfare. As we all know, about 50 percent of the serious crime of this country is committed by people, mostly boys, under 18 years of age. Almost any chief of police or law enforcement officer will tell us that 9 out of 10 of those young people who get into the commission of serious crimes are school dropouts. So if we could do something effective to prevent school dropouts and prevent young people from getting into the criminal group in this country, we could not only reduce crime very materially but also save a great many bright and promising young lives.

The place to deal most effectively with preventing school dropouts is in the school system of this country. The distinguished gentleman from Kentucky, the chairman of the Committee on Education and Labor, in response to a question of mine when the elementary and secondary education bill was before us for consideration said there were three sections in that bill from which money can be derived to aid in preventing school dropouts in the country. That is why I thought, as did the committee itself, that it was better to have this measure administered by the Department of Health, Education, and Welfare so that Department could coordinate all the various programs dealing with education and the like in trying to prevent young people from falling into careers of crime.

Mr. HOLIFIELD. Mr. Speaker, will the gentleman yield?

Mr. PEPPER. I yield to the gentleman from California.

Mr. HOLIFIELD. Mr. Speaker, the gentleman is absolutely correct. The largest proportion of this surplus property is going to the educational institutions throughout the country. In most cases, as in the State of California, the State board of education allocates the property to the various school districts. This is, as the gentleman said, where we attack crime at the teenage level, and this is what is being done.

It would be nice if we had enough surplus property to give to every organization that is well motivated in America, but we do not have enough to do that. There are only certain kinds of materials which are available for certain purposes. Once we screen all the agencies of the Government and give the agencies of the Government a chance to get something which has been declared excess by the Department and there is something left, that is when the formula takes over to give most of it to education and then secondarily there will be an allocation for hospitals in the health field, and that is why it is in the Department of Health, Education, and Welfare. They are the ones who will handle 80 percent or 90 percent of this material. Then the rest of it is allocated for other purposes, for one purpose or another. A little of it goes to civil defense. Then administratively it is going into areas such as the McAlester prison for instance where it will help the law enforcement people there.

But to give all the counties, something like 3,700 or 3,800 counties which would become claimants under the bill proposed by the other body, to give them this material would have nullified the whole purpose of the judicious use of surplus property.

Mr. PEPPER. Mr. Speaker, I thank the gentleman. I am pleased to have that information.

I say only in conclusion that I would support this conference report because we want to have a bill. But hope upon the structure of this bill which I hope will be adopted by the House, we can build in the future a program to save the youth of this country from crime and delinquency and that we will adapt the administration of the program to the agency best suited to provide the sort of assistance needed for the young people of this country.

Mr. QUIE. Mr. Speaker, I yield 5 minutes to the gentleman from California (Mr. BELL).

Mr. BELL. Mr. Speaker, as I have previously stated, I believe that juvenile delinquency is one of the most serious issues facing our Nation today.

This problem is one that affects each and every one of us—either directly, or through the resulting financial burden inflicted on society.

We cannot escape or ignore juvenile delinquency therefore, we must meet it head on.

Today, we are considering the conference report to the Juvenile Justice and Delinquency Prevention Act of 1974.

I continue to believe that the programs for prevention and rehabilitation of juvenile delinquents would best be administered by HEW.

And there is much that Mr. STEIGER said with which I agree.

The conferees, however, have agreed to abide by the Senate and place such programs under the auspices of LEAA, the Law Enforcement Assistance Administration in the Department of Justice.

Although I strongly favor HEW as being the lead agency in the field of juvenile delinquency prevention, I will support the conference report.

I believe that we must begin now to implement the many programs and policies put forth in this measure.

Today is already too late.

I urge my colleagues to join me in supporting this necessary and vital measure.

Mr. HAWKINS. Mr. Speaker, I yield 3 minutes to the distinguished majority leader (Mr. O'NEILL).

(By unanimous consent Mr. O'NEILL was allowed to speak out of order.)

Mr. O'NEILL. Mr. Speaker, I take this time so I may direct my remarks to the gentleman from Maryland (Mr. BAUMAN).

Yesterday, Mr. Speaker, by mutual consent of the leadership on both sides of the aisle and by the members of the Judiciary Committee, I offered to this House a resolution. At the completion of the resolution, Mr. Speaker, I asked that all Members may have 5 legislative days in which to extend their remarks and it was objected to, Mr. Speaker, by the gentleman from Maryland (Mr. BAUMAN). He gave a reason at that particular time.

I told him that I thought he should have cleared it with the leadership on his own side of the aisle; but nevertheless, Mr. Speaker, when all the Members had left last night, the gentleman came to the well and asked unanimous consent of the then Speaker of the House who was sitting there, if he may insert his remarks in the RECORD, with unanimous consent, following the remarks where he had objected.

So, Mr. Speaker, in today's RECORD on page 29362 you will find the remarks of Mr. BAUMAN. You will not find the remarks of Mr. MCCLORY, one of the people who had asked me to do this. You will not find the remarks of other members of the Judiciary Committee, who were prepared at that time to put their remarks in the RECORD; but you will find the remarks of Mr. BAUMAN and Mr. BAUMAN alone.

Mr. BAUMAN. Mr. Speaker, I demand that the gentleman's words be taken down.

The SPEAKER. The gentleman demands that the words be taken down.

The Clerk will report the words objected to.

Mr. O'NEILL. Mr. Speaker, I understand that the gentleman has asked my remarks to be taken down, which is the custom of the House.

I believe my remarks to be true. I know the gentleman is correct in his asking the words be taken down. Consequently, I would have to say that the Chair would have to rule my remarks out of order.

I so await the ruling.

Mr. BAUMAN. Mr. Speaker, does the gentleman ask unanimous consent to withdraw his remarks?

The SPEAKER. The Chair did not understand that.

Mr. BAUMAN. Does he not have to request that, or does not the Chair have to rule?

The SPEAKER. The Chair will rule when the Clerk reports the words taken down.

Mr. BAUMAN. Then, I demand the regular order.

The SPEAKER. Regular order is underway.

The Clerk will report the words.

The SPEAKER. The Clerk will report the words objected to.

The Clerk read as follows:

Mr. O'NEILL. Mr. Speaker, I take this time so I may direct my remarks to the gentleman from Maryland (Mr. BAUMAN).

Yesterday, by mutual consent of the leadership on both sides of the aisle and by the Members of the Judiciary Committee, I offered to this House a resolution. At the completion of the resolution, Mr. Speaker, I asked that all Members may have 5 legislative days in which to extend their remarks and it was

objected to, Mr. Speaker, by the gentleman from Maryland (Mr. BAUMAN). He gave a reason at that particular time.

I told him that I thought he should have cleared it with the leadership on his own side of the aisle; but nevertheless, Mr. Speaker, when all the Members had left last night, the gentleman came to the well and asked unanimous consent of the then Speaker of the House who was sitting there, if he may insert his remarks in the Record, with unanimous consent, following the remarks where he had objected. So, Mr. Speaker, in today's Record on page 29362 you will find the remarks of Mr. BAUMAN. You will not find the remarks of Mr. MCCLORY, one of the people who had asked me to do this. You will not find the remarks of other Members of the Judiciary Committee, who were prepared at that time to put their remarks in the record; but you will find the remarks of Mr. BAUMAN and Mr. BAUMAN alone.

I just want to say that I think in my opinion it was a cheap, sneaky, sly way to operate.

The SPEAKER. The words in the last sentence are not parliamentary. Without objection, the offending words will be stricken from the RECORD.

Mr. BAUMAN. Mr. Speaker, reserving the right to object, I would only like to say to the gentleman from Massachusetts and to the House that as for the gentleman from Massachusetts, I can understand his concern about my objection yesterday. It was the only possible way in which I or any other Member could have actually spoken on the resolution pending.

If he will look at the page numbers he cited, he will find subsequent to that, that the gentleman from Ohio (Mr. DEVINE), the gentleman from Indiana (Mr. DENNIS), and the gentleman from California (Mr. WIGGINS), all in my presence asked permission and did extend their remarks. And, of course, the gentleman from Massachusetts got 5 legislative days to extend on his special order. I did not object to any of these requests.

Mr. O'NEILL. Mr. Speaker, will the gentleman yield on that point?

The SPEAKER. The gentleman from Massachusetts cannot proceed at this point.

Mr. BAUMAN. And, Mr. Speaker, a number of other Members did extend their remarks, and I did not object.

The SPEAKER. Is there objection?

Mr. HAYS. Mr. Speaker, reserving the right to object, and I think I will object, because I have some kind of a feeling that when you are right and tell the truth around here, there is no use of having the words stricken out. Nobody else got to put anything in the RECORD, and the gentleman did object.

Mr. BAUMAN. Mr. Speaker, I am going to demand the gentleman's words be taken down, if you are speaking of my telling the truth in the House.

Mr. HAYS. Maybe I will have your words taken down. If you call me a liar, I will have them taken down.

Mr. BAUMAN. Mr. Speaker, I do not yield for any further discussion.

Mr. HAYS. Mr. Speaker, I do object and ask the words be taken down.

The SPEAKER. The regular order is going to be followed. The Chair is going to conclude this matter and will insist that all Members remain in order while this matter is being disposed of.

MOTION OFFERED BY MR. SISK

Mr. SISK. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. SISK moves that the words of the gentleman from Massachusetts, Mr. O'NEILL, be stricken from the RECORD.

Mr. SISK. Mr. Speaker, I move the previous question on the motion.

The previous question was ordered.

The SPEAKER. The question is on the motion offered by the gentleman from California.

The motion was agreed to.

Mr. RAILSBACK. Mr. Speaker, I would like to join in supporting the conference report on S. 821, the Juvenile Justice and Delinquency Prevention Act of 1974. The legislation presents a comprehensive program for a coordinated Federal attack on the most serious aspect of crime in our country today—youth involvement. I especially want to commend the conferees for their hard work and leadership in this crucial area.

We are all aware of the terrible consequences this Nation suffers as a result of the ever-increasing crime rate—the price we pay is tragic both in human and economic terms.

Juveniles are not only responsible for a disproportionate share of crime year after year, but, over the past 5 years, juvenile involvement in violent crime has increased by 60 percent.

Furthermore, the young criminal of today is quite likely to be the adult offender of tomorrow. Offenders under age 20 are rearrested more frequently than any other age group.

In the last decade, the Federal Government has accepted increasing responsibility in the fight against crime. Unfortunately, however, delinquency programs have remained largely a disappointment. They were certainly the "step-child" when it came to appropriations. And, spread through a myriad of agencies and programs, they suffered further from a lack of organization.

S. 821, the Juvenile Justice and Delinquency Prevention Act of 1974, addresses these problems with the establishment of a new structure for the coordination of all Federal activities relating to juvenile delinquency. In addition, there is provision for substantial appropriations for a viable and effective effort. The bill gives primary responsibility to the Department of Justice for the coordination of all Federal delinquency programs; establishes a generous grant program for assistance to States and localities in their delinquency efforts; provides for a national training and information center for persons dealing with delinquents; sets up a specific program for projects relating to runaway youth; and provides for an independent council to oversee and evaluate the Federal juvenile delinquency effort.

I am particularly pleased S. 821 includes the language of my bill, H.R. 45, to establish a National Institute for Juvenile Justice and Delinquency Prevention. I have long been convinced of the need for a training and information center, and, early my first term in Congress, I introduced legislation to create such an institute. It has been a long time in the coming, but I am very grateful to all those who worked with me for so many years on this legislation. Senators BAYH and PERCY introduced the bill on the Senate side, and Congressmen PETE BIESTER and ABNER MIKVA were the other original House sponsors. Most recently, Congressmen BILL STEIGER and AUGUSTUS HAWKINS have been instrumental in having my language included in their comprehensive bill. For me and the more than 100 cosponsors of H.R. 45, this is truly a great day.

We know there is information on programs and techniques available, but it is of little use unless it can be communicated to those responsible for initiating and implementing programs in the States and localities.

The Institute proposed in S. 821 would solve the communications problem in two ways. Primarily it would provide short-term training of professionals and lay people involved in the prevention and control of youth crime. To assist in developing training programs at the State and local levels, technical training teams would also be available from the Institute.

Additionally, the Institute would collect, prepare, and disseminate information, acting as the national clearinghouse for delinquency source material. For the first time, persons dealing with juveniles would have ready access to the most modern and proven-effective techniques and programs.

Mr. Speaker, there are other important aspects of this bill that make it innovative and comprehensive—aspects which members of the committee have pointed out. I just wanted to say again how pleased I am the Institute is included in S. 821, and reaffirm my belief that the legislation properly addresses some of the problems we have faced in the past in the area of juvenile justice, and establishes a sound basis for an effective future effort. I would hope the House will pass the conference report on S. 821, the Juvenile Justice and Delinquency Prevention Act of 1974, and send the legislation on to the White House for signature. Our young people need this effort.

Mr. HAWKINS. Mr. Speaker, I have no further requests for time.

Mr. QUIE. Mr. Speaker, I have no further requests for time on this side.

Mr. HAWKINS. Mr. Speaker, I move the previous question on the conference report.

The previous question was ordered.

The conference report was agreed to.

A motion to reconsider was laid on the table.

House Resolution 1337 was laid on the table.

## GRANTING SUBPENA POWER TO THE COMMITTEE ON HOUSE ADMINISTRATION

Mr. SISK. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 737 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 737

*Resolved*, That (a) the Committee on House Administration, acting as a whole or by subcommittee, is authorized to conduct full and complete investigations and studies and make inquiries concerning any or all of the subject matter within its jurisdiction as set forth in clause 9 of rule XI of the Rules of the House of Representatives. However, the committee shall not undertake any investigation or study of any subject which is being investigated or studied for the same purpose by any other committee of the House.

(b) For the purpose of making such investigations and studies, the committee or any subcommittee thereof is authorized to sit and act, subject to clause 31 of rule XI of the Rules of the House of Representatives. during the present Congress at such times and places within the United States, including any Commonwealth or possession thereof, whether the House is meeting, has recessed, or has adjourned, and to hold such hearings and require, by supena or otherwise, the attendance and testimony of such witnesses and the production of such books, records, correspondence, memorandums, papers. and documents, as it deems necessary. Subpenas may be issued over the signature of the chairman of the committee or any member designated by him and may be served by any person designated by such chairman or member. The chairman of the committee, or any member designated by him, may administer oaths to any witness.

The SPEAKER. The gentleman from California (Mr. SISK) is recognized for 1 hour.

Mr. SISK. Mr. Speaker, I yield 30 minutes to the gentleman from California (Mr. DEL CLAWSON) pending which I yield myself such time as I may consume.

Mr. Speaker, this resolution authorizes the Committee on House Administration to conduct investigations and studies, and make inquiries concerning any or all of the subject matter within its jurisdiction under the Rules of the House.

The resolution also allows the Committee on House Administration to hold hearings and to require by subpena, if needed, the attendance and testimony of such witnesses and the production of such books, records, correspondence, memorandums, papers and documents as it deems necessary.

Mr. Speaker, this actually is a procedure where the Committee on House Administration, through giving it power of subpena, can conduct and to order such investigations and studies as may possibly be needed in connection with the upcoming election.

I hope that the resolution will be adopted.

Mr. DEL CLAWSON. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, the purpose of House Resolution 737 is to authorize the Committee on House Administration to investigate matters within its jurisdiction, and to provide subpena power to House Administration to carry out these investigations. The effect of the resolution is limited to the 93d Congress.

House Resolution 737 was introduced on December 5, 1973, but the Committee on House Administration did not ask that the resolution be reported out until now.

Mr. Speaker, in the past, there was a Special Elections Committee which handled election disputes and had subpena power. That function was transferred to the Committee on House Administration and therefore the committee needs subpena power to carry out its work.

Mr. Speaker, I recommend adoption of the resolution.

Mr. Speaker, I have no further requests for time and I reserve the balance of my time.

Mr. SISK. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

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## DEPARTMENT OF STATE APPROPRIATIONS AUTHORIZATION ACT OF 1974

Mr. SISK. Mr. Speaker, by direction of the Committee on Rules, and on behalf of my colleague, the gentleman from Illinois, Mr. MURPHY, I call up House Resolution 1311 and asked for its immediate consideration.

The Clerk read the resolution as follows:

H. RES. 1311

*Resolved*, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 16168) to authorize appropriations for the Department of State, and for other purposes. After general debate, which shall be confined to the bill and shall continue not to exceed one hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Foreign Affairs, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit. After the passage of the bill H.R. 16168, the Committee on Foreign Affairs shall be discharged from the further consideration of the bill S. 3473, and it shall then be in order in the House to move to strike out all after the enacting clause of the said Senate bill and insert in lieu thereof as one amendment in the nature of a substitute the texts of the bills H.R. 16168 and H.R. 15046 as passed by the House.

The SPEAKER. The gentleman from California (Mr. SISK) is recognized for 1 hour.

Mr. SISK. Mr. Speaker, I yield 30 minutes to the gentleman from California (Mr. DEL CLAWSON), pending which I yield myself such time as I may consume.

Mr. Speaker, House Resolution 1311 provides for an open rule with 1 hour of general debate on H.R. 16168, a bill to authorize appropriations for the Department of State for the fiscal year 1975.

House Resolution 1311 provides that after the passage of H.R. 16168, the Committee on Foreign Affairs shall be discharged from the further consideration of the bill S. 3473, and it shall then be in order in the House to move to strike out all after the enacting clause of S. 3473 and insert in lieu thereof as one amendment in the nature of a substitute the texts of the bills H.R. 16168 and H.R. 15046 as passed by the House.

H.R. 16168 provides authorizations for the categories of Administration of Foreign Affairs; International organizations and conferences; International commissions; Educational exchange; Migration and refugee assistance; Salary increases for State Department employees and Soviet Jewish Refugees in Israel. The total authorization in the bill is $744,191,000.

Mr. Speaker, I urge the adoption of House Resolution 1311 in order that we may discuss, debate and pass H.R. 16168.

Mr. Speaker, I reserve the balance of my time.

Mr. DEL CLAWSON. Mr. Speaker. I yield myself such time as I may consume.

Mr. Speaker, this rule, House Resolution 1311 provides 1 hour of general debate on H.R. 16168, the State Department Authorization. The bill will be open to all germane amendments. Mr. Speaker, there is one unusual provision in this rule. The Senate bill, S. 3473, includes both the USIA and the State Department authorizations. In order to expedite going to conference on these bills, this rule provides that after completion of action on the State Department bill in the House, it will be in order to insert, as one amendment in the nature of a substitute, the texts of the bills, H.R. 16168, State Department authorization, and H.R. 15046, USIA authorization, in the Senate bill.

This will mean that the conferees will have before them not only the Senate authorization for State Department and USIA, but also the House authorizations for both the State Department and USIA.

The purpose of this bill, H.R. 16168, is to authorize $744,191,000 for the State Department for fiscal 1975. The USIA authorization passed the House on August 1, 1974.

Mr. Speaker, I recommend adoption of the rule.

Mr. STRATTON. Mr. Speaker, will the gentleman yield?

Mr. DEL CLAWSON. I yield to the gentleman from New York.

Mr. STRATTON. Mr. Speaker, I would like to ask the gentleman from California if this is not the bill to which the other body added a section that would require an entire treaty to be written before the Navy could do anything about establishing a fueling station at the island of Diego Garcia in the Indian Ocean?

Mr. DEL CLAWSON. I am happy to yield to the gentleman from Ohio who can answer that question.

Mr. HAYS. Mr. Speaker, I will say to the gentleman this is the bill, but of course when we go to conference that will be something else again.

Mr. STRATTON. Mr. Speaker, if the gentleman will yield further, is it possi-

ble some member of the House Committee on Foreign Affairs might try to attach that same kind of amendment to the bill here?

Mr. DEL CLAWSON. I yield again to the gentleman from Ohio.

Mr. HAYS. Mr. Speaker, nobody has notified this Member who will be managing the bill of any such amendment, but there is of course no way in which I can read the mind of the total membership to find out what is going to be offered in the way of an amendment. I do not believe, I will say, that such an amendment will be offered.

Mr. DEL CLAWSON. Mr. Speaker, if I may respond to the gentleman from New York, this is an open rule which will permit amendments to be offered from the floor.

Mr. STRATTON. Mr. Speaker, recalling some of the amendments that have been offered in the past, I think the best advice perhaps is to be prepared anyway. I thank the gentleman for yielding.

Mr. DEL CLAWSON. Mr. Speaker, I thank the gentleman.

I have no further request for time.

I urge adoption of the rule.

Mr. Speaker, I reserve the balance of my time.

Mr. SISK. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

Mr. HAYS. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 16168) to authorize appropriations for the Department of State, and for other purposes.

The SPEAKER. The question is on the motion offered by the gentleman from Ohio (Mr. HAYS).

The motion was agreed to.

The SPEAKER. The Chair designates the gentleman from Texas (Mr. ECKHARDT) as Chairman of the Committee of the Whole and requests the gentleman from Illinois (Mr. PRICE) to assume the chair temporarily.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 16168, with Mr. PRICE of Illinois (Chairman pro tempore) in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN pro tempore. Under the rule, the gentleman from Ohio (Mr. HAYS) will be recognized for 30 minutes and the gentleman from Wisconsin (Mr. THOMSON) will be recognized for 30 minutes.

The Chairman recognizes the gentleman from Ohio (Mr. HAYS).

Mr. HAYS. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, some may wonder why the authorization bill for the Department of State is only reaching the House today. Let me say that it was the plan of the subcommittee to have Secretary of State Kissinger as the opening witness at our hearings. The Secretary agreed to come. But each time a date was set a crisis of some kind intervened and forced postponement of his appearance. It was with reluctance that we finally decided to proceed without the benefit of his testimony.

Let me give the committee the good news first. After considering each of the items requested by the Executive and adjustments that the subcommittee made, the bill carries authorizations of $744,191,000—a reduction of $59,839,000 from the Executive proposal.

The fiscal sums in this bill are on a traditional line-item basis. I will highlight the amounts with a short explanation of each.

The first item is for salaries and expenses for which we recommend $360,785,000, a reduction of $15,350,000 from the request. This is the principal operating account of the Department for its personnel in Washington and abroad. The United States has 129 embassies, 76 consulates general, 50 consulates, 1 liaison office, and 1 embassy branch office. To man those posts we have 3,689 Americans abroad and employ more than 5,200 foreign nationals. In Washington there are almost 5,000 employees.

I hear complaints on occasion from Members of this body as well as from private citizens that the State Department has too many people overseas. The fact is that less than 18 percent of our official personnel overseas are employed by the Department of State. The rest represent other agencies of the Government. Successive Presidents have made efforts to reduce our personnel abroad and have had some success. I think more personnel from other agencies can be brought home. In all fairness, the Department of State should not be blamed for swollen numbers.

This item as presented to the committee included $15.6 million for the second annual payment of a total of 30 such payments to the Foreign Service retirement fund. This is the amount estimated by the actuary that is needed to take care of the increased unfunded liability of the Foreign Service retirement fund arising from the transfer of AID foreign service personnel from the Civil Service retirement system to the Foreign Service retirement system. As I told the House last spring when we had the State Department supplemental authorization, the transfer benefits AID personnel, not Department of State personnel and should properly be charged against the AID appropriations. In addition to reducing this item by $15.6 million we have included a section that specifically prohibits the use of any funds elsewhere in this bill from being used to pay this charge.

There is a growing concern that our Ambassador to the United Nations and other senior officials assigned to that post may be the victims of acts of violence. For that reason we provided that $250,000 could be used to assure the necessary protective services for them.

For international organizations and conferences we recommend an authorization of $229,604,000. This is one item on which we are holding the line fairly well. Two years ago my subcommittee began a strenuous effort to reduce the assessed contributions of the United States for a number of these international organizations. I think our efforts have been successful. Reductions to a 25-percent level have been achieved in a number of them. Because some of them are on a multi-year budget cycle we authorize an exception for them this year in section 4 of the bill. Next year I would expect that there would be no need for any exceptions.

In the case of international commissions we lopped off $94,575,000 that was intended for various works along the Colorado River to reduce the saline content of its waters flowing into Mexico. This item will be handled in separate legislation and there is no need for it in the State Department authorization bill.

The Executive requested almost $65 million for educational exchange programs. These programs are one of the most effective means of increasing international understanding. When you stop to think of the billions we appropriate for weapons, this item seems infinitesimal. My subcommittee thought we ought to make a modest effort to step up exchange programs and so we recommend an authorization of $75 million.

The bill also carries an authorization of $40 million for assistance to Israel for the resettlement of Soviet Jews in that country. The money is intended for assistance to Israel; not third countries including the United States. During the past 2 years Congress has appropriated $86.5 million for this humanitarian purpose.

The subcommittee added a new provision of law that authorizes the Secretary of State to make an exgratia payment of 1 year's salary to dependent survivors of Foreign Service personnel who die overseas as a result of terrorist activities or accidents in line of duty. We regard this as a small compensation to the immediate survivors of the victims. Since January 1, 1973, the effective date, there have been eight such deaths. In the interval since the subcommittee considered this matter, the number of deaths rose from six to eight. The most recent was early this week. The salaries amount to about $175,000. I think there will be no doubt as to death arising from acts of terrorism. In the case of accidents in line of duty we mean just that. Drunken driving or other acts that encourage self-destruction do not meet the criteria we intend to establish. It should be noted too that death as a result of a disease contracted abroad does not qualify for the payment to the survivors. It is a tightly drafted provision.

Finally, the Executive requested an open-ended authorization for any salary increases that may be made this year. We rejected that and required a specific

sum. The Executive came up with $11.5 million which we included.

There was also a request for an authorization of 5 percent beyond the figures carried in the bill to meet "urgent requirements" that may arise after enactment. We turned that down completely.

Mr. Chairman, I think members of the committee can be reassured that this is a carefully considered measure. Throughout the year my subcommittee looks into various activities of the Department of State and if we think some further investigation should be pursued. we do it. I urge the Members to support H.R. 16168.

Mr. PEPPER. Mr. Chairman. will the gentleman yield?

Mr. HAYS. I yield to the gentleman from Florida.

Mr. PEPPER. Would this bill cover the case of Ambassador Davies?

Mr. HAYS. May I say to the gentleman it will, because we made it retroactive and it will cover that case.

Mr. PEPPER. I commend the gentleman.

Mr. GROSS. Mr. Chairman. will the gentleman from Ohio yield?

Mr. HAYS. I yield to the gentleman from Iowa.

Mr. GROSS. I believe the gentleman said this authorization is $59 million below the budget figure.

Mr. HAYS. Yes.

Mr. GROSS. But it is still, if my figures are correct, still $48 million, almost $49 million more than was expended for the same general purposes last year; is that not correct?

Mr. HAYS. To the best of my recollection, that is approximately correct.

Mr. GROSS. I do not believe I was in the committee when this bill was voted out. Therefore, I hope the gentleman will tell us, now or later, why the increase and where the money will go.

Mr. HAYS. I think it is fair to say to the gentleman from Iowa that a good deal of the increase is caused by the inflation. The Federal Government, as the gentleman knows, has given one increase this year to Federal employees, and another one is proposed in October of 5½ percent. Those two items are in there, as well as the fact that there have been increased costs for personnel abroad as well as for goods and services that must be bought.

We went through this exercise last year. I think the gentleman and I both agree upon the fact that it is caused by the devaluation of the dollar. I have deplored that as much as the gentleman from Iowa, but it is the effect which applies.

The facts of the matter are that an Embassy employee in Bonn, Germany, can get about 60 percent less in marks for his dollar as he could get a year ago. They got a salary cut of about 40 percent and they could not exist or live there on that. That explains in large measure the reason for the increase.

Mr. GROSS. I thank the gentleman.

Mr. THOMSON of Wisconsin. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I would like to join with the gentleman from Ohio, the chairman of the Subcommittee on State Department Organization and Foreign Operations, in calling for support of H.R. 16168.

While the Chairman has already reviewed the details of the bill, I would like to comment briefly upon some of the changes from a year ago. The increase in the category for administration of foreign affairs reflects mandatory overseas wage and price expenses resulting from inflation.

The amount for international organizations and conferences is slightly under last year's appropriation as a result of a reduction to 25 percent in the U.S. contribution to the United Nations and most of its specialized agencies.

We agreed that the educational exchange program of the Department of State would be strengthened financially so that the Department could expand its efforts in this area, working with private, voluntary organizations and individuals.

We also provided an authorization not to exceed $11.5 million for salaries and related costs resulting from any pay increases that may take place during fiscal year 1975.

The bill provides $40 million to assist Israel in the resettlement of Soviet Jews in that country. This is an increase of $3.5 million over the funds appropriated a year ago.

Mr. Chairman, the committee has carefully examined the requirements of the Department of State in arriving at the amounts recommended in this bill, and I urge its approval.

Mr. HAYS. Mr. Chairman, I yield such time as he may consume to the gentleman from New York (Mr. BINGHAM).

Mr. BINGHAM. Mr. Chairman, I am gratified that section 2(c) of H.R. 16168, the State Department Authorization Act for fiscal year 1975, authorizes $40 million for the resettlement of Soviet Jewish refugees in Israel. Senator EDMUND MUSKIE and I were the principal sponsors of the original authorizing legislation for this highly successful program in 1972. Our legislation was incorporated as section 101(b) of Public Law 92-352, and an additional authorization was enacted in 1973. The provisions in the bill before us today will allow the Department of State to continue to provide this important humanitarian assistance for these new citizens of Israel.

There should be no doubt that these funds are desperately needed by the Israeli Government. The flow of refugees emigrating from Russia to Israel, though lower than last year, has continued in 1974 at a rate of more than 1,500 a month. There is every indication that marked increases in the rate of Jewish emigration from the U.S.S.R. are quite possible in the immediate future as a result of intense negotiations between the Congress, President Ford, and the Soviet Government in connection with the trade bill. It is estimated that more than 150,000 Soviet Jews have applied for exit visas. A relaxation of restrictions on emigration and harassment of those who apply could result in a sharp upturn in the number of emigrants which Israel will have to resettle, and I share the hopes of people all over the world that this will happen.

The costs of resettlement are staggering. In 1973, Israel received 54,700 immigrants, more than 60 percent of whom were from the Soviet Union, at an estimated resettlement cost of $550 million. Obviously the U.S. Government is only contributing a modest portion of that amount, but our assistance is extremely important. The Israeli people are making remarkable, unparalleled efforts to meet these costs themselves, while at the same time recovering from the costly Yom Kippur War. The nation's total production is taxed at a rate of 62 percent, and defense expenditures absorb approximately 46 percent of the gross national product. Clearly, Israel needs as much assistance as we can afford to provide.

During my visits to Israel, I have seen the results of the refugee resettlement program and can testify to the value of this great humanitarian program. These funds are used for transportation costs of refugees coming to Israel, for the construction and operation of absorption centers and medical facilities, the construction of housing, and a variety of training and education programs which enable refugees to adapt quickly and take useful places in Israeli life. I urge my colleagues to support the legislation before us which will help this important work to continue.

Mr. HAYS. Mr. Chairman, I have no further requests for time. I reserve the balance of my time.

Mr. THOMSON of Wisconsin. Mr. Chairman, I yield 3 minutes to the gentleman from Delaware (Mr. DU PONT).

Mr. DU PONT. Mr. Chairman, I thank the gentleman from Wisconsin for yielding. I would like to take just a moment to address myself to a subject I have spoken of a number of times before, and that is the question of publication of Members' travel expenses in the CONGRESSIONAL RECORD.

As some Members may recall, I made some comments on the floor earlier, and had intended to offer an amendment to this bill to require the publication of Members' travel expenses in the RECORD. However, on the advice of the Parliamentarian, I determined that such an amendment would not be germane to this bill. Therefore, I am unable to offer it.

I also discovered that it is not germane to the foreign assistance bill, and so we are not going to be able to offer it there.

It now appears that in order to get our objective accomplished, we are going to have to offer a separate bill, take it through committee, and that is the only way that we are going to be able to proceed.

I did want to take a moment today, however, to talk about this issue. I think it important that the people in the country have available to them this information, and we will be offering specific legislation to correct the problem that was raised by the elimination of this requirement a year ago.

Mr. HAYS. Mr. Chairman, I yield myself 1 minute.

I just want to say, in response to the gentleman from Delaware, that legislation has just gone into effect which requires that within 60 days after the convening of a new session of Congress each year, each chairman of each committee shall get together all of the facts and figures about the money spent by his committee members and employees in foreign travel, both in foreign currency and U.S. dollars, and file it as a single document, giving the expenditures of each member and employee with the Clerk of the House or with the Secretary of the Senate, as the case may be, where it will be available for public inspection, which, in fact, makes it available for anybody who wants to look at it and available to any newspaperman. It will be all together in one place. If they see fit to publish them in the newspapers, they can do so.

Mr. Chairman, I have no further requests for time.

Mr. NIX. Mr. Chairman, I rise in support of the bill, H.R. 16168. I want to draw particular attention to section 3 of the bill, which establishes death gratuities of 1 year's salary for the surviving dependents of our diplomats who died from injuries sustained in the line of duty.

The recent violent death of Ambassador Rodger Davies in Cyprus adds another name to the growing list of U.S. diplomats who have given their lives in the performance of their duty. Only a few weeks ago Mexican police discovered the body of John Patterson, a young diplomat, born and raised in Philadelphia, who was kidnaped and murdered while serving as our vice-consul in Hermosillo.

I am sure that the Committee on Foreign Affairs will continue its study of the problem of terrorist attacks on our diplomats. I want to commend the gentleman from Ohio (Mr. HAYS) and the members of his subcommittee for including the gratuity provision in this bill. It will not solve the problem of terrorism, but it will at least honor the brave men who have given their lives in our service and provide assistance for their families.

Mr. DRINAN. Mr. Chairman, the sufferings of emigrants echo loudly through the darkened halls of human misery. These countless millions, seeking to escape political, economic, or religious oppression at home, uproot themselves to find freedom and solace in other lands. Leaving friends and relatives behind, they seek happier times and a newer life on distant shores.

These citizens of the world deserve and need our help. In their search for a different and better life, we must extend our hand of friendship to relieve the anxieties and fears of their temporary dislocation. The inevitable processes of transition and adjustment drain emotional and material reserves. They place a severe strain as well on the resources of the receiving country.

We have before us today a bill which would authorize funds for easing the problems caused by emigration. The Department of State Appropriations Authorization Act of 1974, H.R. 16168, would provide such relief in two sections. First, it would grant almost $10 million for migration and refugee assistance around the world. This general fund is made available to the Special Assistant to the Secretary for Refugee and Migration Affairs. It would allow the assistance to be used both on a multilateral and unilateral basis.

A second provision would authorize up to $40 million designated to relieve the special emigration problems caused by the exit of Soviet Jews. Since most of these emigres are relocating to Israel, the bulk of the money would go to that beleaguered nation. Although my own bill, H.R. 14158, introduced on April 10, would have authorized an amount not to exceed $50 million for these purposes, I believe the figure set by our committee is adequate for fiscal year 1975.

We should recall that Jewish emigration from Russia to Israel dropped off dramatically in the first half of 1974. In 1973 the average monthly arrivals of Jews in Israel was 2,800. In the first months of 1974, the arrival rate fell 33 percent to 1,800. The backlog of applications by Jews to leave the Soviet Union is over 135,000.

I should note parenthetically that hopefully the Trade Reform Act will soon become law, with its Jackson-Vanik amendment denying most-favored-nation treatment and export credits to any nation which restricts emigration. Passage of this bill authorizing funds to alleviate refugee problems is another milestone on the road to final passage for Jackson-Vanik, and ultimately freedom for Soviet Jewry.

If, in the course of the year, the Soviet Union liberalizes its emigration policies, and if additional moneys are needed in light of changed circumstances, Congress can always increase the authorization ceiling. The funding level in this bill will go a long way to smooth the disruptions of resettlement.

It should never be forgotten that we are, after all, a Nation of immigrants. We know at close hand the difficulties which attend the absorption of "the homeless tempest tossed." To turn away from them now would be to deny our own heritage. I urge my colleagues to vote in favor of this bill.

Mr. THOMSON of Wisconsin. Mr. Chairman, I have no further requests for time.

The CHAIRMAN pro tempore. There being no further requests for time, the Clerk will read.

The Clerk read as follows:

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as the "Department of State Appropriations Authorization Act of 1974".

AUTHORIZATIONS OF APPROPRIATIONS

SEC. 2. (a) There are authorized to be appropriated for the Department of State for the fiscal year 1975, to carry out the authorities, functions, duties, and responsibilities in the conduct of the foreign affairs of the United States, including trade negotiations, and other purposes authorized by law, the following amounts:

(1) for the "Administration of Foreign Affairs", $360,785,000, of which $250,000 are authorized to be appropriated for the purpose of providing protection for the representatives of the United States to the United Nations appointed by the President under section 2 of the United Nations Participation Act of 1945, including Delegates and Alternate Delegates to any session of the General Assembly of the United Nations;

(2) for "International Organizations and Conferences", $229,604,000;

(3) for "International Commissions", $17,832,000;

(4) for "Educational Exchange", $75,000,000; and

(5) for "Migration and Refuge Assistance", $9,470,000.

(b) In addition to amounts authorized by subsection (a) of this section, there are authorized to be appropriated for the Department of State for the fiscal year 1975 not to exceed $11,500,000 for increases in salary, pay, retirement, or other employee benefits authorized by law.

(c) In addition to amounts otherwise authorized, there are authorized to be appropriated to the Secretary of State for the fiscal year 1975 not to exceed $40,000,000 to carry out the provisions of section 101(b) of the Foreign Relations Authorization Act of 1972, relating to Russian refugee assistance.

(d) Appropriations made under subsections (a) and (b) of this section are authorized to remain available until expended.

DEATH GRATUITIES FOR CERTAIN FOREIGN SERVICE PERSONNEL

SEC. 3. The Act entitled "An Act to provide certain basic authority for the Department of State", approved August 1, 1956 (70 Stat. 890), is amended by inserting immediately before section 15 (22 U.S.C. 2680) the following new section:

"SEC. 14. (a) Subject to the provisions of this section and under such regulations as the Secretary of State may prescribe, the Secretary is authorized to provide for payment of a gratuity to the surviving dependents of any Foreign Service employee who dies as a result of injuries sustained in the performance of duty outside the United States in an amount equal to one year's salary at the time of death. Appropriations for this purpose are authorized to be made to the account for salaries and expenses of the employing agency. Any death gratuity payment made under this section shall be held to have been a gift and shall be in addition to any other benefit payable from any source.

"(b) A death gratuity payment shall be made under this section only if the survivor entitled to payment under subsection (c) is entitled to elect monthly compensation under section 8133 of title 5, United States Code, because the death resulted from an injury (excluding a disease proximately caused by the employment) sustained in the performance of duty, without regard to whether such survivor elects to waive compensation under such section 8133.

"(c) A death gratuity payment under this section shall be made as follows:

"(1) First, to the widow or widower.

"(2) Second, to the child, or children in equal shares, if there is no widow or widower.

"(3) Third, to the dependent parent, or dependent parents in equal shares, if there is no widow, widower, or child.

If there is no survivor entitled to payment under this subsection, no payment shall be made.

"(d) As used in this section—

"(1) the term 'Foreign Service employee' means a chief of mission, Foreign Service

officer, Foreign Service information officer, Foreign Service Reserve officer of limited or unlimited tenure, or a Foreign Service staff officer or employee;

"(2) each of the terms 'widow,' 'widower', 'child', and 'parent' shall have the same meaning given each such term by section 8101 of title 5, United States Code.

"(3) the term 'United States' means the several States and the District of Columbia.

"(e) The provisions of this section shall apply with respect to deaths occurring on and after January 1, 1973.".

LIMITATION ON PAYMENTS

SEC. 4. There are authorized to be appropriated funds for payment prior to January 1, 1975, of United States expenses of membership in the United Nations Educational, Scientific, and Cultural Organization, the International Civil Aviation Organization, and the World Health Organization notwithstanding that such payments are in excess of 25 per centum of the total annual assessment of such organizations.

PROHIBITION ON USE OF FUNDS

SEC. 5. No part of any funds appropriated under this Act shall be used to make any payment to the Foreign Service Retirement and Disability Fund to meet any unfunded liability of such fund created by the inclusion of officers and employees of the Agency for International Development in the Foreign Service Retirement and Disability System.

Mr. HAYS (during the reading). Mr. Chairman, I ask unanimous consent that the bill be considered as read, printed in the RECORD, and open to amendment at any point.

The CHAIRMAN pro tempore. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. GROSS. Mr. Chairman, I move to strike the necessary number of words.

Mr. Chairman, a few moments ago I addressed a question to the distinguished gentleman from Ohio with respect to the increase in this authorization of almost $49 million over last year.

Subsequent to that, there was some colloquy on the House floor, and evidently a substantial amount of the increase over last year goes to Israel in the form of an outright grant of $40 million for refugees from Russia.

Mr. HAYS. Let me say this, if the gentleman will yield.

Mr. GROSS. Yes, I yield to the gentleman.

Mr. HAYS. There is a slight increase over what they got. When we had a figure similar to this in the bill last year, it was compromised in conference, and I believe $36.5 million was the figure. The figure in this bill is $40 million.

It may well be compromised in conference, but if it stays at $40 million, it is an increase of $3.5 million.

The Senate authorization bill carries $50 million, I think.

Mr. GROSS. I would understand it if the gentleman did not have a figure in mind at the moment, but does he recall the total figure this Government gives to the United Nations and through other channels for the support of refugees in Palestine? I wonder what we expend on the several hundred thousand refugees who have been there for years.

Mr. HAYS. As to this year I can tell the gentleman. I do not remember the figures year by year. They have been large, as the gentleman knows. Last year it was about $15 million.

Mr. GROSS. $15 million?

Mr. HAYS. That is right.

Mr. GROSS. And for just 1 year, $40 million would be provided in this bill for a comparatively few refugees in Israel. That is hard to believe.

Mr. HAYS. Well, Mr. Chairman, these people are refugees, as the gentleman knows, who are being permitted to exit from the Soviet Union. They have nowhere else to go, they have nothing to start on, and it has put a great burden on the State of Israel.

As the gentleman knows, there is a great deal of sentiment in this country in this regard, as evidenced by the refusal of the other body to proceed with the most-favored-nation treaty with the Soviets. Because of that situation, the Soviet Government has relaxed its policies, and this has created a big burden for the State of Israel.

Mr. GROSS. Of course, Mr. Chairman, my concern is for the millions upon millions and the billions of dollars that are being spent on this one country, to the exclusion of a lot of other people who may need help in one regard or another.

I find it hard to assimilate the fact that $40 million is going out of the pockets of the U.S. taxpayers for that purpose.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. PRICE of Illinois, Chairman pro tempore of the Committee of the Whole House on the State of the Union, reported that that committee, having had under consideration the bill (H.R. 16168) to authorize appropriations for the Department of State, and for other purposes, pursuant to House Resolution 1311, he reported the bill back to the House.

The SPEAKER. Under the rule, the previous question is ordered.

The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

The question was taken; and the Speaker announced that the ayes appeared to have it.

Mr. KETCHUM. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 330, nays 43, not voting 61, as follows:

[Roll No. 513]

YEAS—330

| | | |
|---|---|---|
| Abdnor | Andrews, N. Dak. | Barrett |
| Abzug | Archer | Bennett |
| Adams | Arends | Bergland |
| Addabbo | Armstrong | Bevill |
| Alexander | Ashley | Biaggi |
| Anderson, Ill. | Aspin | Biester |
| Bingham | Hamilton | Patten |
| Blackburn | Hammer-schmidt | Pepper |
| Blatnik | Hanley | Pettis |
| Boggs | Hanna | Pickle |
| Boland | Hanrahan | Pike |
| Bolling | Harrington | Poage |
| Bowen | Harsha | Powell, Ohio |
| Bray | Hays | Preyer |
| Breaux | Hechler, W. Va. | Price, Ill. |
| Breckinridge | Heckler, Mass. | Pritchard |
| Brinkley | Heinz | Quillen |
| Brooks | Helstoski | Railsback |
| Broomfield | Henderson | Rangel |
| Brotzman | Hicks | Rees |
| Brown, Calif. | Hillis | Regula |
| Brown, Mich. | Hinshaw | Reid |
| Brown, Ohio | Hogan | Reuss |
| Broyhill, N.C. | Holtzman | Rhodes |
| Broyhill, Va. | Horton | Rinaldo |
| Buchanan | Hosmer | Roberts |
| Burgener | Howard | Robison, N.Y. |
| Burke, Calif. | Hudnut | Rodino |
| Burke, Fla. | Hungate | Roe |
| Burke, Mass. | Hunt | Rogers |
| Burleson, Tex. | Hutchinson | Roncalio, Wyo. |
| Burton, John | Jarman | Roncallo, N.Y. |
| Butler | Johnson, Calif. | Rooney, Pa. |
| Carney, Ohio | Johnson, Pa. | Rose |
| Carter | Jones, Ala. | Rosenthal |
| Cederberg | Jones, N.C. | Rostenkowski |
| Chamberlain | Jones, Okla. | Roush |
| Chappell | Jones, Tenn. | Roy |
| Clark | Jordan | Roybal |
| Clausen, Don H. | Karth | Ruppe |
| Clawson, Del | Kastenmeier | Ruth |
| Cleveland | Kazen | Ryan |
| Cochran | King | St Germain |
| Cohen | Kluczynski | Sandman |
| Collins, Ill. | Koch | Sarbanes |
| Conable | Kuykendall | Scherle |
| Corman | Kyros | Sciberling |
| Cotter | Lagomarsino | Shipley |
| Coughlin | Latta | Sikes |
| Cronin | Leggett | Sisk |
| Culver | Lent | Slack |
| Daniel, Dan | Litton | Smith, N.Y. |
| Daniel, Robert W., Jr. | Long, La. | Snyder |
| | Long, Md. | Spence |
| Danielson | Luken | Staggers |
| Davis, S.C. | McClory | Stanton, J. William |
| Davis, Wis. | McCloskey | Stark |
| de la Garza | McCollister | Steed |
| Delaney | McCormack | Steelman |
| Dellenback | McDade | Stephens |
| Dellums | McEwen | Stokes |
| Denholm | McFall | Stratton |
| Dennis | McKay | Stubblefield |
| Derwinski | McKinney | Studds |
| Devine | Macdonald | Sullivan |
| Dickinson | Madden | Symington |
| Diggs | Madigan | Talcott |
| Dingell | Mahon | Taylor, Mo. |
| Donohue | Mallary | Taylor, N.C. |
| Dorn | Mann | Thomson, Wis. |
| Downing | Maraziti | Thone |
| Drinan | Martin, Nebr. | Thornton |
| Dulski | Martin, N.C. | Tiernan |
| Duncan | Mathias, Calif. | Towell, Nev. |
| du Pont | Matsunaga | Traxler |
| Eckhardt | Mayne | Udall |
| Edwards, Ala. | Melcher | Ullman |
| Edwards, Calif. | Metcalfe | Vander Jagt |
| Eilberg | Mezvinsky | Vander Veen |
| Erlenborn | Milford | Vanik |
| Eshleman | Mills | Veysey |
| Evans, Colo. | Minish | Vigorito |
| Evins, Tenn. | Minshall, Ohio | Waggonner |
| Fascell | Mitchell, Md. | Waldie |
| Fish | Mitchell, N.Y. | Walsh |
| Fisher | Mizell | Wampler |
| Flowers | Moakley | Ware |
| Foley | Mollohan | Whalen |
| Fountain | Moorhead, Calif. | White |
| Fraser | Moorhead, Pa. | Whitehurst |
| Frelinghuysen | Morgan | Whitten |
| Frenzel | Mosher | Widnall |
| Frey | Moss | Wiggins |
| Fulton | Murphy, Ill. | Williams |
| Fuqua | Murphy, N.Y. | Wilson, Bob |
| Gaydos | Murtha | Wilson, Charles H., Calif. |
| Gettys | Myers | |
| Ginimo | Natcher | Wilson, Charles, Tex. |
| Gibbons | Nelsen | Winn |
| Gilman | Nichols | Wolff |
| Goldwater | Nix | Wright |
| Gonzalez | Obey | Wyatt |
| Gray | O'Brien | Wydler |
| Green, Pa. | O'Hara | Wylie |
| Griffiths | O'Neill | Wyman |
| Grover | Owens | Yates |
| Gubser | Parris | Yatron |
| Gude | Passman | Young, Alaska |
| Guyer | Patman | |
| Haley | | |

| | | |
|---|---|---|
| Young, Ga. | Young, Tex. | Zion |
| Young, Ill. | Zablocki | Zwach |

NAYS—43

| | | |
|---|---|---|
| Anderson, Calif. | Crane | Rousselot |
| | Flynt | Runnels |
| Ashbrook | Froehlich | Satterfield |
| Bafalis | Ginn | Schneebeli |
| Baker | Goodling | Schroeder |
| Bauman | Gross | Sebelius |
| Beard | Ichord | Shoup |
| Burlison, Mo. | Johnson, Colo. | Shuster |
| Byron | Ketchum | Skubitz |
| Camp | Lott | Steiger, Ariz. |
| Clancy | Lujan | Symms |
| Collier | Miller | Treen |
| Collins, Tex. | Price, Tex. | Young, Fla. |
| Conlan | Randall | Young, S.C. |
| Conyers | Robinson, Va. | |

NOT VOTING—61

| | | |
|---|---|---|
| Andrews, N.C. | Forsythe | Mink |
| Annunzio | Grasso | Montgomery |
| Aspin | Green, Oreg. | Nedzi |
| Badillo | Gunter | Perkins |
| Bell | Hansen, Idaho | Peyser |
| Brademas | Hansen, Wash. | Podell |
| Brasco | Hastings | Quie |
| Burton, Phillip | Hawkins | Rarick |
| Carey, N.Y. | Hébert | Riegle |
| Casey, Tex. | Holifield | Rooney, N.Y. |
| Chisholm | Holt | Sarasin |
| Clay | Huber | Shriver |
| Conte | Kemp | Smith, Iowa |
| Daniels, Dominick V. | Landgrebe | Stanton, James V. |
| | Landrum | |
| Davis, Ga. | Lehman | Steele |
| Dent | McSpadden | Steiger, Wis. |
| Esch | Mathis, Ga. | Stuckey |
| Findley | Mazzoli | Teague |
| Flood | Meeds | Thompson, N.J. |
| Ford | Michel | Van Deerlin |

So the bill was passed.

The Clerk announced the following pairs:

Mr. Hébert with Mr. Podell.
Mr. Rooney of New York with Mr. Rarick.
Mr. James V. Stanton with Mr. Aspin.
Mr. Thompson of New Jersey with Mrs. Holt.
Mr. Teague with Mr. Riegle.
Mr. Dominick V. Daniels with Mr. Smith of Iowa.
Mr. Brademas with Mr. Casey of Texas.
Mrs. Grasso with Mr. Bell.
Mr. Dent with Mr. Andrews of North Carolina.
Mr. Flood with Mrs. Green of Oregon.
Mr. Landrum with Mrs. Hansen of Washington.
Mr. Stuckey with Mr. Kemp.
Mr. Van Deerlin with Mr. Quie.
Mr. Nedzi with Mr. Sarasin.
Mr. Gunter with Mr. Conte.
Mr. Montgomery with Mr. Esch.
Mr. Phillip Burton with Mr. Huber.
Mr. Carey of New York with Mr. Steiger of Wisconsin.
Mrs. Chisholm with Mr. Holifield.
Mr. Ford with Mr. Shriver.
Mr. Lehman with Mr. Peyser.
Mr. Mathis of Georgia with Mr. Davis of Georgia.
Mr. Meeds with Mr. Forsythe.
Mrs. Mink with Mr. Hansen of Idaho.
Mr. Clay with Mr. Perkins.
Mr. Badillo with Mr. Michel
Mr. Annunzio with Mr. Landgrebe.
Mr. Mazzoli with Mr. Steele.
Mr. McSpadden with Mr. Findley.
Mr. Hawkins with Mr. Hastings.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

The SPEAKER. Pursuant to the provisions of House Resolution 1311, the Committee on Foreign Affairs is discharged from the further consideration of the Senate bill (S. 3473) to authorize appropriations for the Department of State and the U.S. Information Agency, and for other purposes.

The Clerk read the title of the Senate bill.

MOTION OFFERED BY MR. HAYS

Mr. HAYS. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. HAYS moves to strike out all after the enacting clause of the bill S. 3473 and insert in lieu thereof as one amendment in the nature of a substitute the texts of the bills H.R. 16168 and H.R. 15046, as passed, as follows:

That this Act may be cited as the "Department of State and United States Information Agency Appropriations Authorization Act of 1974".

AUTHORIZATION OF APPROPRIATIONS FOR THE DEPARTMENT OF STATE

SEC. 2. (a) There are authorized to be appropriated for the Department of State for the fiscal year 1975, to carry out the authorities, functions, duties, and responsibilities in the conduct of the foreign affairs of the United States, including trade negotiations, and other purposes authorized by law, the following amounts:

(1) for the "Administration of Foreign Affairs", $360,785,000, of which $250,000 are authorized to be appropriated for the purpose of providing protection for the representatives of the United States to the United Nations appointed by the President under section 2 of the United Nations Participation Act of 1945, including Delegates and Alternate Delegates to any session of the General Assembly of the United Nations;

(2) for "International Organizations and Conferences", $229,604,000;

(3) for "International Commissions", $17,832,000;

(4) for "Educational Exchange", $75,000,000; and

(5) for "Migration and Refugee Assistance", $9,470,000.

(b) In addition to amounts authorized by subsection (a) of this section, there are authorized to be appropriated for the Department of State for the fiscal year 1975 not to exceed $11,500,000 for increases in salary, pay, retirement, or other employee benefits authorized by law.

(c) In addition to amounts otherwise authorized, there are authorized to be appropriated to the Secretary of State for the fiscal year 1975 not to exceed $40,000,000 to carry out the provisions of section 101(b) of the Foreign Relations Authorization Act of 1972, relating to Russian refugee assistance.

(d) Appropriations made under subsections (a) and (b) of this section are authorized to remain available until expended.

DEATH GRATUITIES FOR CERTAIN FOREIGN SERVICE PERSONNEL

SEC. 3. The Act entitled "An Act to provide certain basic authority for the Department of State", approved August 1, 1956 (70 Stat. 890), is amended by inserting immediately before section 15 (22 U.S.C. 2680) the following new section:

"SEC. 14. (a) Subject to the provisions of this section and under such regulations as the Secretary of State may prescribe, the Secretary is authorized to provide for payment of a gratuity to the surviving dependents of any Foreign Service employee who dies as a result of injuries sustained in the performance of duty outside the United States in an amount equal to one year's salary at the time of death. Appropriations for this purpose are authorized to be made to the account for salaries and expenses of the employing agency. Any death gratuity payment made under this section shall be held to have been a gift and shall be in addition to any other benefit payable from any source.

"(b) A death gratuity payment shall be made under this section only if the survivor entitled to payment under subsection (c) is entitled to elect monthly compensation under section 8133 of title 5, United States Code, because the death resulted from an injury (excluding a disease proximately caused by the employment) sustained in the performance of duty, without regard to whether such survivor elects to waive compensation under such section 8133.

"(c) A death gratuity payment under this section shall be made as follows:

"(1) First, to the widow or widower.

"(2) Second, to the child, or children in equal shares, if there is no widow or widower.

"(3) Third, to the dependent parent, or dependent parents in equal shares, if there is no widow, widower, or child.

If there is no survivor entitled to payment under this subsection, no payment shall be made.

"(d) As used in this section—

"(1) the term 'Foreign Service employee' means a chief of mission, Foreign Service officer, Foreign Service information officer, Foreign Service Reserve officer of limited or unlimited tenure, or a Foreign Service staff officer or employee;

"(2) each of the terms 'widow', 'widower', 'child', and 'parent' shall have the same meaning given each such term by section 8101 of title 5, United States Code.

"(3) the term 'United States' means the several States and the District of Columbia.

"(e) The provisions of this section shall apply with respect to deaths occurring on and after January 1, 1973.".

LIMITATION ON PAYMENTS

SEC. 4. There are authorized to be appropriated funds for payment prior to January 1, 1975, of United States expenses of membership in the United Nations Educational Scientific, and Cultural Organization, the International Civil Aviation Organization, and the World Health Organization notwithstanding that such payments are in excess of 25 per centum of the total annual assessment of such organizations.

PROHIBITION ON USE OF FUNDS

SEC. 5. No part of any funds appropriated under this Act shall be used to make any payment to the Foreign Service Retirement and Disability Fund to meet any unfunded liability of such fund created by the inclusion of officers and employees of the Agency for International Development in the Foreign Service Retirement and Disability System.

AUTHORIZATION OF APPROPRIATIONS FOR THE UNITED STATES INFORMATION AGENCY

SEC. 6. (a) There are authorized to be appropriated for the United States Information Agency for fiscal year 1975, to carry out international informational activities and programs under the United States Information and Educational Exchange Act of 1948, the Mutual Educational and Cultural Exchange Act of 1961, and Reorganization Plan Numbered 8 of 1953, and other purposes authorized by law, the following amounts:

(1) $228,368,000 for "Salaries and Expenses" and "Salaries and Expenses (special foreign currency program)," except that so much of such amount as may be appropriated for "Salaries and Expenses (special foreign currency program)" may be appropriated without fiscal year limitation;

(2) $6,770,000 for "Special international exhibitions"; and

(3) $4,400,000 for "Acquisition and construction of radio facilities".

Amounts appropriated under paragraphs (2) and (3) of this subsection are authorized to remain available until expended.

(b) In addition to amounts authorized by subsection (a) of this section, there are authorized to be appropriated without fiscal year limitation for the United States Information Agency for the fiscal year 1975 not to exceed $4,200,000 for increases in

salary, pay, retirement, or other employee benefits authorized by law.

ANNUAL UNITED STATES INFORMATION AGENCY REPORTS TO CONGRESS

SEC. 7. Section 1008 of the United States Information and Educational Exchange Act of 1948 (22 U.S.C. 1439) is amended to read as follows:

"REPORTS TO CONGRESS

"SEC. 1008. The Secretary shall submit to the Congress annual reports of expenditures made and activities carried on under authority of this Act, inclusive of appraisals and measurements, where feasible, as to the effectiveness of the several programs in each country where conducted.".

PRIOR AUTHORIZATION BY CONGRESS

SEC. 8. Section 701 of the United States Information and Educational Exchange Act of 1948 (22 U.S.C. 1476) is amended by adding at the end thereof the following new subsection:

"(e) The provisions of this section shall not apply to, or affect in any manner, permanent appropriations, trust funds, and other similar accounts administered by the United States Information Agency as authorized by law.".

The motion was agreed to.

The Senate bill was ordered to be read a third time, was read the third time and passed.

A motion to reconsider was laid on the table.

The House bills (H.R. 16168) and (H.R. 15046) were laid on the table.

## GENERAL LEAVE TO EXTEND

Mr. HAYS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the subject of the State Department authorization bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There was no objection.

## PROVIDING FOR CONSIDERATION OF H.R. 15977, AMENDING THE EXPORT-IMPORT BANK ACT OF 1945

Mr. PEPPER. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 1305 and ask for its immediate consideration.

The Clerk read the resolution as follows:

H. RES. 1305

*Resolved*, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 15977) to amend the Export-Import Bank Act of 1945, and for other purposes. After general debate, which shall be confined to the bill and shall continue not to exceed one hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Banking and Currency, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

The SPEAKER. The gentleman from Florida (Mr. PEPPER) will be recognized for 1 hour.

Mr. PEPPER. Mr. Speaker, I yield 30 minutes to the able gentleman from Tennessee (Mr. QUILLEN) and I yield myself such time as I may consume.

Mr. Speaker, House Resolution 1305 provides for an open rule with 1 hour of general debate on H.R. 15977, a bill to amend the Export-Import Act of 1945.

H.R. 15977 repeals provisions of the Export-Import Bank Act which excluded the receipts and disbursements of the Bank from the totals of the budget of the U.S. Government and exempted them from annual expenditure and net lending—budget outlays—limitations of the budget. The bill also provides that the Bank shall not guarantee, insure, or extend credit to Turkey until the President reports to the Congress that Turkey is cooperating with the United States in the curtailment of heroin traffic.

H.R. 15977 amends the act to increase the aggregate amount of loans, guarantees and insurance which the Bank may have outstanding at any one time from the present limit of $20 billion to $25 billion. The bill also extends the power of the Bank to exercise its functions until June 30, 1978.

It is the intention of H.R. 15977 that the Export-Import Bank should vary its rates, terms and other conditions in ways which will help to maximize the future growth of U.S. exports and to strengthen the U.S. industrial base through these sales in foreign markets.

Mr. Speaker, I urge the adoption of House Resolution 1305 in order that we may discuss, debate and pass H.R. 15977.

Mr. QUILLEN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, the able gentleman from Florida (Mr. PEPPER) has explained the provisions of House Resolution 1305, to provide discussion on the extension of the Export-Import Bank Act of 1945.

Mr. Speaker, there are certain restrictions contained in this measure when it is debated on the floor of the House that have not heretofore been in the act. Whatever our feelings might be on the bill itself, Mr. Speaker, I see no objection to the rule and I urge the passage of the rule.

I have no requests for time.

Mr. PEPPER. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

## PROVIDING FOR CONSIDERATION OF H.R. 15487 AUTHORIZING A STUDY OF FOREIGN DIRECT AND PORTFOLIO INVESTMENT IN THE UNITED STATES

Mr. PEPPER. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 1296 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES 1296

*Resolved*, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 15487) to authorize the Secretary of Commerce and the Secretary of the Treasury to conduct a study of foreign direct and portfolio investment in the United States, and for other purposes. After general debate, which shall be confined to the bill and shall continue not to exceed one hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Foreign Affairs, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit. After the passage of H.R. 15487, the Committee on Foreign Affairs shall be discharged from the further consideration of the bill S. 2840, and it shall then be in order in the House to move to strike out all after the enacting clause of the said Senate bill and insert in lieu thereof the provisions contained in H.R. 15487 as passed by the House.

The SPEAKER. The gentleman from Florida (Mr. PEPPER) is recognized for 1 hour.

Mr. PEPPER. Mr. Speaker, I yield 30 minutes to the able gentleman from Ohio (Mr. LATTA) pending which I yield myself such time as I may consume.

Mr. Speaker, House Resolution 1296 provides for an open rule with 1 hour of general debate on H.R. 15487, the Foreign Investment Study Act of 1974.

House Resolution 1296 provides that after the passage of H.R. 15487, the Committee on Foreign Affairs shall be discharged from the further consideration of the bill S. 2840, and it shall then be in order in the House to move to strike out all after the enacting clause of S. 2840 and insert in lieu thereof the provisions contained in H.R. 15487 as passed by the House.

H.R. 15487 directs the Secretaries of Commerce and Treasury to undertake a comprehensive collection and analysis of data on foreign direct and portfolio investment in the United States. The purpose of the study is to increase the understanding of the implications of such investments both within the U.S. Government and among the public and thus help lay the foundation for a national policy concerning foreign investments in the United States.

H.R. 15487 authorizes an appropriation of $3 million to be expended without fiscal year limitation.

Mr. Speaker, the Committee on Foreign Affairs reported the bill without opposition. I urge the adoption of House Resolution 1296 in order that we may discuss, debate and pass H.R. 15487.

Mr. LATTA. Mr. Speaker, as explained, House Resolution 1296 is the rule which provides for the consideration of H.R.

15487, the Foreign Investment Study Act of 1974. The rule provides for an open rule with 1 hour of general debate. In order to facilitate going to conference, the rule makes it in order to insert the House-passed language in the Senate bill.

The purpose of this bill is to secure factual information with which to determine the implications of foreign investment in the United States.

Section 10 of the bill directs the Secretaries of Commerce and Treasury to submit an interim report to the Congress 18 months after enactment of this act and a final report not later than 2½ years after enactment.

The bill authorizes no more than $3 million to be appropriated until expended.

Mr. PEPPER. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

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## AMENDING THE EXPORT-IMPORT BANK ACT OF 1945

Mr. ASHLEY. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 15977) to amend the Export-Import Bank Act of 1945, and for other purposes.

The SPEAKER. The question is on the motion offered by the gentleman from Ohio (Mr. ASHLEY).

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 15977, with Mr. PRICE of Illinois in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. The gentleman from Ohio (Mr. ASHLEY) will be recognized for 30 minutes, and the gentleman from New Jersey (Mr. WIDNALL) will be recognized for 30 minutes.

The Chair now recognizes the gentleman from Ohio.

Mr. ASHLEY. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, the Export-Import Bank Act of 1945 is the charter for the Export-Import Bank. The purpose of the Bank, pursuant to this statute, is to aid in financing and to facilitate exports and imports between the United States and foreign countries. As a practical matter, its entire activity is devoted to supporting exports. The Congress has specified that it is national policy to foster the expansion of exports which contribute to the promotion and maintenance of our employment and real income and the increased development of our production resources. To this end, the act directs the bank to provide programs which are competitive with those offered by Government agencies of the other principal exporting countries.

The Congress has passed legislation extending the life of the Bank through September 30. H.R. 15977 would extend the charter of the Bank to June 30, 1978. The bill would further provide for an increase in the overall lending authority of the Bank from $20 billion to $25 billion. This increase is an amount sufficient to maintain a pace of growth in the activity of the Bank at current levels for a period of 2 years. This would afford the Congress the opportunity for a review of the activities of the Bank within a short time.

Another principal feature of the legislation is an amendment prohibiting any loan of more than $50 million to a Communist country unless the Bank has submitted to Congress a statement explaining the proposed transaction at least 30 legislative days prior to the transaction's final approval. This is designed to assure that the Congress will have time to review the policy implications of such proposed transactions and to take such action as it may deem appropriate.

The committee bill also takes specific cognizance of the interest, concern, and intent of the Congress with respect to the problems of persons seeking to emigrate from the Soviet Union. You will recall, Mr. Chairman, that the House expressed itself in this matter in the Trade Reform Act of 1973, H.R. 10710, which passed the House in the first session. To carry the intent of the so-called Jackson-Vanik amendment, H.R. 15977 prohibits the participation by the Soviet Union in any U.S. Government credit or guarantee program while the trade bill is pending before the Senate.

The full committee adopted two other amendments of substantial significance with respect to the activities of the Bank. One committee amendment, adopted by a vote of 17 to 15, would repeal provisions of the Export-Import Bank Act which exclude the receipts and disbursements of the Bank from the totals of the unified budget.

This is an amendment which I will oppose. The provision was adopted without hearings or extensive discussion or deliberation on the consequences of its enactment. The Bank was excluded from the budget as the result of legislation adopted by the Congress in 1971 by an overwhelming margin after thorough hearings and deliberation by the Subcommittee on International Trade and with the full support of my colleague, Mr. REUSS, the sponsor of the amendment, to now include the Bank in the unified budget.

Let me point out that the Congressional Budget and Impoundment Act passed just over a month ago calls for a full evaluation by the new budget committees of the complicated issues and many considerations which surround this matter. Therefore, I urge you to oppose adoption of the committee amendment.

The second committee amendment of consequence is one which would provide that the Bank shall not guarantee, insure, or extend credit to Turkey until the President reports to the Congress that Turkey is cooperating with the United States in the curtailment of heroin traffic. It is the view of the committee that the amendment will impress the Turkish Government with the American resolve in this matter.

Mr. Chairman, Eximbank is a self-sustaining, profitmaking organization. It is not to be confused with economic assistance organizations which require appropriated funds. Eximbank does not ask the Congress for any appropriated funds. An investment of $1 billion by the Treasury in Eximbank back in 1945 has been the sole Federal contribution to this institution. The Bank funds its lending with repayments of principal and interest on outstanding loans, earnings from fees, short-term borrowings from the Treasury at current Treasury rates, proceeds from the Bank's debentures sold in the private market at prevailing interest rates, and from its capital and reserves. In fiscal year 1974 the Bank earned net income of $107 million and paid a $50 million dividend to the Treasury. Total payments to the Treasury now amount to $906 million.

Mr. Chairman, in fiscal year 1974 the Export-Import Bank supported more than $12 billion of our export sales to 125 countries. These sales sustain nearly 800,000 full-time U.S. jobs and do so without requiring a single dollar of appropriated funds. All of the Bank's loan proceeds go directly to Ameircan employers selling American products and generating American payrolls.

The Bank has responded to the concerns expressed by the Subcommittee on International Trade and has modified its programs to meet changing foreign and domestic economic conditions. The Bank now maintains a flexible interest rate policy with a rate ranging from 7 percent to 8½ percent, with the rate for each specific loan dependent upon the needs and circumstances surrounding the particular transaction. Approximately 44 percent of the Bank's authority is being applied in the form of direct credits. Where the Bank is involved in direct lending, its participation ranges, with rare exception, between 30 percent and 45 percent of the transaction, in order to make the upmost use of its resources and to be responsive to the congressional requirement that it stimulate and support maximum private participation in export lending.

Mr. Chairman, the programs of the Export-Import Bank should be maintained under close review, as the legislation and the committee report provide. The Bank also needs to be sustained without undue impediments if we are to achieve the export growth which will be necessary to assure that we can pay for vital raw material imports without eroding the value of the dollar.

Mr. ICHORD. Mr. Chairman, will the gentleman yield?

Mr. ASHLEY. I yield to the gentleman from Missouri.

Mr. ICHORD. Mr. Chairman, the gentleman stated that the Export-Import Bank raised the interest rate from its former 6 percent to its rate now of 7 percent, which is a flexible rate, up to 8½ percent.

About 2 years ago I had a colloquy with the distinguished gentleman from Texas (Mr. PATMAN), the chairman of the full committee, in which I pointed out that American domestic airlines were being subjected to very unfair competitive disadvantages by the Export-Import Bank in their competition with international airlines such as Lufthansa and BOAC, which could buy 747's, for example, at an interest rate of 6 percent while Pan American and TWA were compelled to go out in the open market and pay as much as 11½ percent.

Did the subcommittee or the full committee deal with this problem in any respect?

Mr. ASHLEY. Of course they did. In our lengthy hearings this matter was gone into at some detail, and it was the decision of the subcommittee and the full committee not to try to dilute the purpose by extending to domestic carriers the same concessionary interest rates offered by the Export-Import Bank to foreign buyers of United States aircraft. However, we felt that there may well need to be a remedy for such domestic carriers beyond the scope of the subcommittee's jurisdiction.

I might add that the gentleman from Missouri is somewhat off in his figures as to the difference between what foreign airline purchasers and the domestic carriers are required to pay. Although the Ex-Im Bank works with the concessional lending credit, so that if the rate now is 8.5 percent at which the Ex-Im Bank is lending for this particular type of transaction, that is not what the foreign purchaser is obligated to pay. The Ex-Im Bank only loans from 30 percent to 45 percent of the total transaction, and then a bank or consortium of banks provide the other portion of the credit at prime rate plus ½ percent to 2 percent plus. So it is a mix of these two rates that result in an interest rate of between a gross of 9 percent and a little over 10 percent. That is still lower, to be sure, than what is generally available to our domestic carriers. However, the terms in contrast to rates, are generally less favorable for the export sales. The resulting cash flows are little different.

Mr. ICHORD. I would agree that the mix would be somewhat higher, but I would point out that 3 years ago Pan-Am sold bonds at par bearing interest at 11⅛ and 11¼ percent to buy 747 planes, and I am sure that if those airlines were to sell bonds today they would have to pay somewhere in the neighborhood of 13 or 14 percent in order to buy the airplanes.

Mr. HANNA. Mr. Chairman, will the gentleman yield?

Mr. ASHLEY. I yield to the gentleman from California.

Mr. HANNA. Mr. Chairman, the gentleman is aware, as well as I am, I am sure, that in respect to the interest rates that there is another aspect of it that has not been well appreciated by those not carefully following the actions of the Export-Import Bank. And I would say to the gentleman in the well that in the instance of sales to nonmarketing economies it has been my observation, and I am sure the gentleman in the well has observed this, too, that in those transactions, and in the negotiations of those transactions, the price sometimes absorbs part of the interest because there is a legal situation in a given country as to how much they might pay. Therefore many of these deals are put together in a way in which the total interest rate is absorbed in the negotiations in some other aspect of the deal.

Mr. ASHLEY. The total selling price and the financing of such deals, including a concessional interest rate, are part of a package, and it is a total package. The main thing is whether or not the American deal is competitive with the foreign deal.

Mr. HANNA. That is what I am saying. I think this is something that the Members of the House have to appreciate. When we look at just one aspect of a package we can get a distorted view as to exactly what part interest plays in a full finance package. Such view does not show appreciation for what the competition in total requires that we do.

Mr. ASHLEY. The gentleman is absolutely right.

Mr. WIDNALL. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, before the House today is legislation which is vital to the competitiveness of American products in foreign markets and vital to American employment and instrumental in moderating the deficit in our balance of trade. The bill, H.R. 15977, would extend the life of the Export-Import Bank by 4 years and increase the overall lending authority of the Bank from $20 billion to $25 billion.

To a significant extent, the success of American exporters depends on the quality of financing which they can offer to foreign customers. The Eximbank has provided direct loans to importers of American goods and services, has guaranteed loans made by private banks to importers, and—in cooperation with the Foreign Credit Insurance Association—has insured export receivables against loss from the failure of the importer to pay. The Bank has sought to make its services competitive with those of the official export credit agencies of other industrialized nations. If the Bank's services were not competitive, American exporters would frequently lose customers to foreign exporters who could offer considerably more attractive financing.

To understand why the services of the Eximbank are so essential, one must fully comprehend the sorry state of our balance of trade and how important an improvement in that balance is. In recent years, as we all know, imports have grown more rapidly than exports. The United States registered the first deficit of this century in its balance of trade in 1971. Yet another, larger deficit was incurred in 1972. Although the United States enjoyed a surplus in its balance of trade last year, a deficit of at least $4 billion is predicted for 1974. The chief reason for this is well known—the excessive and extortionate rise in the price of oil.

Why is an improvement in our trade balance so important? There are two reasons. The first, and the most obvious, is that exportation stimulates the economy, promoting high levels of employment and real income and encouraging the development of productive resources. The second reason is that, if our deficit is prolonged, the dollar will weaken in foreign-exchange markets. We may not be able to prevent the dollar from depreciating, and thus the prices of most imports into the United States—including raw materials such as oil—will rise. Domestic inflation will be thereby exacerbated. Therefore, for the sake of the strength of our domestic economy, and for the sake of the international strength of the dollar, we must do all that we can to encourage the export of services and finished goods. One way by which to do this is to allow the Eximbank to continue to provide competitive financial services.

Because other industrialized nations also have huge oil deficits which they will try to offset at least partially by increasing their exports, the competition for export markets is now quite intense. As a result, many other official export credit agencies are offering financial services which are superior to those of the Eximbank. These agencies provide much more financial support to their exporters, charging considerably lower interest rates to borrowing importers. Some countries offer services which the United States does not usually provide—such as combinations of loans and foreign aid, bilateral arrangements for large credits on special terms, and trade agreements between governments to provide support beyond ordinary international financing practice. The Eximbank should seek to minimize the competition in Government-supported export financing, and—indeed—H.R. 15977 directs it to do so. However, when there is competition, the Eximbank must be allowed to meet it. To cripple or kill the Eximbank would be disastrous—disastrous to our balance of trade and disastrous to the many American exporters who depend on the services of the Bank.

This is vital legislation, and I urge its adoption.

I yield 5 minutes to the gentleman from Pennsylvania (Mr. JOHNSON).

Mr. JOHNSON of Pennsylvania. Mr. Chairman, the late President Franklin D. Roosevelt was the initiator of the Export-Import Bank 40 years ago. He set it up by an Executive order with minimum funding and without congressional approval.

Why did he deem this Bank necessary? Because we had just recognized the Soviet Union diplomatically, and the purpose of the Bank was to stimulate trade with the Soviets.

However, Stalin apparently did not want our trade and the Bank was allowed to die.

In 1945, with the passage of the Export-Import Act, however, the Bank was revived again to stimulate Russian trade. After World War II, our relations with Russia deteriorated badly and we engaged in direct aid to poorer nations, and the Bank again went into a decline.

This low profile continued through the 1960's when the Bank made small loans only to companies doing business with underdeveloped countries. For instance, for fiscal year 1969, the Bank was involved in total annual commitments of around $2.5 billion, about half of it on direct loans, even though its lending power was $13.5 billion.

Starting with the 1970's, our balance of payments position began to deteriorate and there were massive outflows of U.S. capital. The administration therefore turned to the Eximbank as a means of stimulating exports.

The Bank increased its commitment for fiscal year 1970 to $4 billion, and fiscal year 1971 to $5.4 billion. Congress raised its lending power that year to $20 billion. With this stimulant, the Bank's commitments in 1972 rose to $7.2 billion, and in 1973 to $8.5 billion.

Only 1.7 percent of the Bank's credits have been made to the Soviet Union. The Bank charges 7 percent to 8½ percent interest on its loans. This compares with Japan, which charges 5½ percent and Britain 6 percent, even though their prevailing interest rates are higher than ours. By reason of the fact that the Bank long ago borrowed its money on which to operate, its present weighted average cost of money is 6.8 percent. The Bank has operated at a nice profit.

Since 1945, it has paid $906 million in dividends to the Treasury, and has a surplus of $1.5 billion. During the past year, it has been responsible for $12.9 billion in export trade, which is translated into 738,000 full-time jobs.

Only 1.7 percent of the Bank's credits have been made to the Soviet Union. The Bank's commitment to the U.S.S.R. is $289 million, and about $600 million to other Communist countries. Europe and Japan have $9 billion worth.

One of the apparent criticisms of the Bank is this participation in Communist loans, and the possibility of an expansion of this business.

Détente means different things to different people. To the American businessman, it implies the hope of a new frontier. To the U.S. Government, it means "normalization" of commercial relations with the Soviet Union and Communist China. We all rejoiced when former President Nixon made that dramatic trip to Red China, and thereby opened the door to that nation. And his two trips to Russia inspired everyone and rekindled hopes for peace in the world.

The administration has dreams of $120 billion in trade with Soviet Russia alone. Only time will tell whether the Iron Curtain will be lowered, as we all would like to see. It seems to me that we are either going to have détente with other nations, or we will have to resort to a "fortress American" policy, which would be unfortunate. I personally have faith in Bill Casey as he endeavors to carry out administration policy in this new era of Soviet-Chinese relations.

There is another reason why we must expand our export trade at once. It has been estimated that higher oil prices will increase outflows by $15 billion in the current year. Think of the frightful effect this will have on our balance of payments position. Other nations in the same revenue boat will be fighting for exports, too. Without Eximbank support, U.S. sellers cannot compete with foreign government-supported export sales in today's market.

We have been told that the underdeveloped nations, the Arabs and most Communist countries would prefer to trade with the United States. Let us make it possible today.

Mr. ASHLEY. Mr. Chairman, I yield 5 minutes to the gentleman from Louisiana (Mr. PASSMAN).

Mr. PASSMAN. Mr. Chairman, I rise in support of this bill which has for its purpose to renew the charter of the Export-Import Bank of the United States. I can support this legislation enthusiastically simply because I have had an opportunity for 21 years to review the operation of the Export-Import Bank and I can say that in my considered judgment the Export-Import Bank is one of the finest Federal agencies we have.

The Export-Import Bank makes money for the American worker, the American manufacturer, and the American taxpayer instead of spending it. It provides many major benefits to the U.S. economy without any appropriation of tax money.

The operation of this unique Federal agency affects the daily lives of tens of thousands of our fellow Americans. I have the feeling that too little is known about what the Bank is, what it does, and what it means for all of us. Eximbank has come in for some criticism lately based upon a few loans relating primarily to one country. So, I think it is doubly important, especially at this time, for all Americans to know the facts about this agency.

The purpose and role of the Eximbank is to help American businessmen and workers sell American products and services to customers overseas and to get paid for these sales in dollars here in the United States.

Having said this, the next question is, why do we need a U.S. Government agency to help American businesses sell abroad when presumably this country has the greatest industrial base and economic potential in the world?

The reason is very simple, Mr. Speaker. Like everything here in the United States today, when a man wants to sell something abroad he has got to have a good, competitive product and he has got to offer credit to his customer or there is "no dice" on the sale. Now we think we have good products to sell from this country and, in fact, in many instances we have the best. But we do not have a monopoly on the world market, and let us get that absolutely clear right here and now. Why? Because other industrialized countries of the world, which our country helped to rebuild after their total devastation in World War II, are now in there producing and competing with us in almost every market in the world. And they are competing not only with their products but also with their credit, and this credit is backed and supplied by the governments of those countries. So, Mr. Chairman, here we have the situation where our great country, with an open heart and hand, provided billions of dollars to rebuild the economies of our allies, and even our former enemies, and now we are faced with the cold, hard competition from their sellers. This, of course, is no surprise and is necessary to a dynamic trading world, but it also requires our country to back up American businessmen with the same types of support for their world sales as is provided by foreign governments to their competitors. This is the reason and justification for the existence of the Export-Import Bank.

In fact, Mr. Chairman, the official export credit agencies of England, Germany, France, Italy, and Japan are providing eight times as much financial support in total to their exporters than is our country through Eximbank. Notwithstanding all the talk we have heard in some quarters around here lately about this Bank's low interest rate, Eximbank today is on the high end of the scale compared to these other countries, some of which provide rates as low as 5½ percent, cover a greater proportion of the financing—compared to Eximbank's maximum in loans of 45 percent—and even crank in some foreign aid funds on a deal which is important enough to them for political reasons. Preliminary figures indicate that Western Europe and Japan, with a combined economy roughly the size of our own, covered about $68 billion of actual export shipments through their official agencies last year compared to about $7 billion of U.S. shipments covered by Eximbank. It requires a certain percentage as a cash payment and charges fees and interest for these services. In all instances, it requires repayment of the loans, whether made by the Bank itself or by private lenders guaranteed by the Bank, to be made in U.S. dollars right here in the United States. Most important, the loans must be related to American products, produced in the United States, and exported from this country. So the funds cannot be spent in the borrower's country or in a third country. In fact, no Eximbank dollars ever leave the United States because although the Bank extends its loan to the foreign buyer of the U.S. goods, it disburses its funds to the U.S. suppliers when the goods are shipped.

Now, how does Eximbank's operations translate into benefits to the U.S. economy and the taxpayer?

Let me cite a few more facts—facts, my friends, not hypotheses or allegations. Since this body approved the last exten-

sion and increase in authority for Eximbank in 1971, the Bank has supported some $33 billion—yes, billion—in export sales of American goods and services. This means over 1,800,000 man-years of work right here in our U.S. communities. In just the last fiscal year, Eximbank supported nearly $13 billion in sales to foreign buyers in some 125 countries, which has accounted for, or will in future production, nearly 800,000 full-time American jobs. In the history of the Bank, the export sales it has helped to consummate have accounted for over $16 billion in tax revenues to the Federal Government alone and have provided over $5 billion in profits to U.S. businesses.

Mr. Chairman, this agency has got to be one of the best buys going for the American taxpayer. This is particularly so when you consider the billions of appropriated American tax dollars that this country has lent, spent, and given away through our so-called foreign aid programs and to prop up all of the international lending institutions where we have absolutely no assurance that the funds will be used to buy American goods and in fact, by and large, they are not. To take but two examples, from 1970 through 1972 the Inter-American Development Bank spent roughly 24 percent of their funds for U.S. procurement, while the Asian Development Bank spent about 11 percent here. In contrast, 100 percent of the Eximbank dollars, plus the private funds that match Eximbank's funds, are spent right here in the United States. Furthermore, these international development institutions as well as our foreign aid program operate largely through appropriated tax funds, whereas Eximbank does not use any appropriated funds in its operations. Members will recall, for example, that this Congress recently approved another $1.5 billion addition to the International Development Association, the self-loan window of the World Bank, which will come from taxpayer funds. Now I realize that these institutions have a somewhat different purpose than Eximbank, but when we are talking about allocation of this country's resources it certainly seems to me, Mr. Chairman, that there can be no question that we are getting top-dollar value in the Export-Import Bank.

I would like to emphasize here a very important point of which some Members may not be aware. There is a provision in the bill which we are considering. It would reverse the decision we made in 1971 not to have Eximbank included along with all other government operations in the unified budget. This was primarily because the particular accounting rules used in the budget just did not fit the operations of the Eximbank. The subject is going to be reconsidered after a full study before the Budget Committee. But the bill pending now contains language which would put Exim right back into the budget. Apparently, because of the fear that without this amendment Eximbank will operate without any congressional controls. Let me tell you that we are not and have not been giving this agency carte blanche to go out tomorrow and commit the U.S. Government for $25 billion to the Russians or anyone else. Although Eximbank does not operate with appropriated funds, its annual budget is submitted to, reviewed, and approved by the Congress each year in the same manner as annual budgets of other Federal agencies. Each year Eximbank submits to the President, who in turn submits to the Congress in his budget, the amounts of its authority which the Bank expects to commit in that particular year. This budget program is the subject of thorough hearings before the Subcommittee on Foreign Operations, which I have the honor of chairing, where we discuss not only what the Bank expects to do in the future but what they have done during the previous year.

The Appropriations Committee then recommends to the House in the annual foreign assistance and related programs appropriations bill several limitations on how this Bank can utilize their commitment authorities for the next fiscal year. First, we put in an overall limitation on their new program activity, that is, the amount that they can commit under all of their programs. Second, within that overall limitation, we limit the amount that they can do in equipment and services loans, that is their regular loan programs. Finally, we limit their administrative and entertainment expenses. So the rate at which this agency will be able to commit the additional authority requested here today will be set annually by the Congress. Their programs, activities, and commitment levels will continue to be subject to annual review and approval by this Congress.

Now for an agency that has never—I repeat, never—in its 40-year history required one cent of appropriated funds from the American taxpayer, I think this agency has an unparalleled record of support for the American economy and the taxpayer. Not only does the Bank not require any appropriated funds, it in fact makes a profit on its operations of over $100 million annually, from which it pays funds into—yes, into, not out of—the U.S. Treasury. From its profits over the years, this agency has paid $906 million in dividends into the Treasury and has accumulated retained earnings, which it uses in its operations, of $1.5 billion. All of this profit belongs to the taxpayers. Furthermore, it has sustained this profit record while at the same time helping to support some $76 billion in sales of American goods and services, which provide jobs right here in the United States, profits to American industry, and tax revenues.

Please keep in mind that the Eximbank does not finance giveaway programs. It only finances sound loans that will be repaid in dollars even with a profit on the interest when averaged out.

Mr. Chairman, I hope this bill passes overwhelmingly.

Mr. PATMAN. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. PRICE of Illinois, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 15977) to amend the Export-Import Bank Act of 1945, and for other purposes, had come to no resolution thereon.

## ANNOUNCEMENT BY THE SPEAKER

The SPEAKER. The Chair desires to make an announcement.

The Chair is advised that the President is presently in the Senate, and will be coming to the House Chamber shortly.

The Chairman appoints the gentleman from Massachusetts (Mr. O'NEILL), the gentleman from California (Mr. MCFALL), the gentleman from Arizona (Mr. RHODES), and the gentleman from Illinois (Mr. ARENDS) to escort the President of the United States into the Chamber.

During the recess which the Chair is about to declare, only those persons having the privileges of the floor of the House will be permitted in the Chamber.

## RECESS

The SPEAKER. The House will now stand in recess subject to the call of the Chair. The bells will be rung 15 minutes before the House meets again.

Accordingly (at 2 o'clock and 59 minutes p.m.), the House stood in recess subject to the call of the Chair.

## DURING THE RECESS

The SPEAKER. The House will be in order.

The Chair advises that he believes the President will choose to speak from the well where he will feel more at home. I think the President intends to greet Members in the well after he makes his remarks. We are not going by the 5-minute rule. If it is to be a 1-minute speech, it will be a long 1 minute.

Mr. GROSS. Mr. Speaker, I have a motion to strike the enacting clause if he needs one.

The SPEAKER. I think the gentleman from Iowa had better give that to the President.

The Chair will receive a message.

The DOORKEEPER. Mr. Speaker, the President of the United States.

## VISIT BY THE PRESIDENT OF THE UNITED STATES

At 3 o'clock and 6 minutes p.m., the President of the United States, preceded by the Doorkeeper (Hon. William M. Miller) and accompanied by the committee of escort, entered the Hall of the House of Representatives and stood in the well.

[Applause, the Members rising.]

The SPEAKER. My distinguished colleagues, past and present, it is a great privilege personally to welcome back to the well of the House, and to recognize for such time as he may consume, a most distinguished and beloved former colleague, and a friend of every Member in this Chamber. I repeat that it is an honor and a high personal privilege to present the President of the United States.

[Applause, the Members rising.]

The PRESIDENT OF THE UNITED STATES. Mr. Speaker and my former colleagues of the House of Representatives: You do not know how much it means to me to come back and see all of you and to be so warmly welcomed. It makes one's political life a great, great experience to know that, after all of the disagreements we have had and all of the problems we have worked on, there are friends such as you. It is a thing that in my opinion makes politics worthwhile. I am proud of politics, and I am most grateful for my friends.

Mr. Speaker, I was glad to see that the Rules of the House of Representatives have been changed. I was expecting, knowing that the House was considering a bill from the Committee on Banking and Currency, that I would have to go to my old friend, the chairman of the Committee on Banking and Currency, and get a couple of minutes.

But let me say after 10 days of the honeymoon, Mr. Speaker—and I recall the old adage, "out of sight, out of mind"—I just wanted to drop by my old home to say "hello."

Mr. Speaker, as most of you know, my wife, Betty, and I packed up our belongings and moved across the Potomac earlier this week. We were reminded of what Harry Truman said when he moved out of the White House in 1953:

> If I had known how much packing I would have to do, I would have run again.

I did better than Harry did. I went to Chicago.

It is a beautiful house down there, as all of you know, not only beautiful in appearance inside and out, but it has great, great traditions.

But, Mr. Speaker, let me say that our—and when I say "our" I mean my wife, Betty, and the family and myself—our affections for the White House will never surpass our love for the House of Representatives and for the fine men and women who work here.

You have all been extremely generous in your support, extremely generous in your good will, and you have been extremely generous in your advice. But it has all been good, and I hope you keep the flow going.

I said on the other side of the Capitol in the other body, a few moments ago, that I was making a few remarks as an inauguration of Pennsylvania Avenue as a two-way street.

I have asked your help in the past when I was in the House, and I am going to ask it now. This is a standard procedure for Presidents, but I am not making, I hope and trust, a pro forma gesture when I ask your help in the remaining days of the Congress. You know and I know that I do not believe in gestures. I never have and I never will. So when I ask your help, I mean it.

I want to reiterate, the help I have sought in the last 10 days has been responded to in a beautiful way, and, Mr. Speaker, your leadership in this has made it much, much easier for me, and for that I am deeply grateful.

Together we have got a big job ahead, and I emphasize "we" on the basis of togetherness, for if we do work together as we have in recent days, we can get the job done.

I want to express my appreciation for the response that has come already in the Cost of Living Council monitoring legislation; the action taken in reference to some of our spending problems; the action taken in housing, in education, and in pension reform. These are all landmark pieces of legislation. This is a good achievement for the Congress, and this is legislation that I am proud of and privileged to sign as President of the United States.

I will be coming back when you return from your much-deserved recess, and I will be coming back to ask your help in the future. I think we can continue to work together, and if we do, it will be the best for the country, and the best for you, and certainly the best for me.

I have noted in my contacts throughout the country that the public wants us to work together, and we can prove that such togetherness will be beneficial.

Let me conclude by simply saying that I think we have a good team in the executive branch, and it can work as a team with a good team on Capitol Hill, the House and the Senate. With that kind of partnership, a good team in the legislative and a good team in the executive, America cannot help but move ahead for the betterment of all.

Thank you very much.

[Applause, the Members rising.]

The PRESIDENT OF THE UNITED STATES. Mr. Speaker, I would be very glad and honored to shake hands with Members who would like to. I would like to wish them the very, very best, as they leave on a long-overdue and richly deserved recess.

Mr. Speaker, I will start from my left.

(Members formed in a line to the left of the President and were greeted personally as they passed before him.)

(At 3 o'clock and 47 minutes p.m., the President accompanied by the committee of escort retired from the Hall of the House of Representatives.)

The SPEAKER. The Chair announces that the House will reconvene at 5 minutes past 4.

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## AFTER RECESS

The recess having expired, the House was called to order by the Speaker at 4 o'clock and 5 minutes p.m.

## PERMISSION TO PRINT PROCEEDINGS HAD DURING RECESS IN CONGRESSIONAL RECORD

Mr. McFALL. Mr. Speaker, I ask unanimous consent that the proceedings had during the recess be printed in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

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## AMENDING THE EXPORT-IMPORT BANK ACT OF 1945

Mr. PATMAN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H.R. 15977) to amend the Export-Import Bank Act of 1945, and for other purposes.

The SPEAKER. The question is on the motion offered by the gentleman from Texas.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill H.R. 15977, with Mr. PRICE of Illinois in the chair.

The CHAIRMAN. When the Committee rose, the gentleman from Ohio (Mr. ASHLEY), had 11 minutes remaining; and the gentleman from New Jersey (Mr. WIDNALL) had 19 minutes remaining.

The Chair recognizes the gentleman from New Jersey.

Mr. WIDNALL. Mr. Chairman, at this time I yield 5 minutes to the gentleman from Minnesota (Mr. FRENZEL).

Mr. FRENZEL. Mr. Chairman, I rise in support of H.R. 15977, a bill to extend the authority of the Export-Import Bank. At a time when the United States is headed for its third balance-of-payments deficit in 4 years, this advocate for export expansion is an essential part of our economic policy.

America's oil bill will probably be around $25 billion this year. Without the financing assistance of the Export-Import Bank, we could find our balance-of-payments deficit hitting between $5 and $7 billion. We need the Bank if we are going to reduce the impact of that deficit.

Eximbank is not an "expensive deal for the taxpayers." It is a self-sustaining, profitmaking organization. It does not ask Congress for any appropriated funds. Yet, in fiscal 1974, Eximbank supported nearly $13 billion of U.S. export sales which sustain nearly 800,000 full-time U.S. jobs and produce subcontractor and supplier orders in all parts of America. While making that contribution to the American economy, the Bank has collected enough interest and fees to pay the Treasury $906 million in dividends, build a reserve of $1.5 billion, pay for the money it borrows and carry an organization of 400 people to promote U.S. economic interests worldwide. That is one of the best deals the American taxpayer has ever had.

Mr. Chairman, the International Trade Subcommittee held lengthy hearings on

this legislation, and reported out what I believe is a good bill. It does contain some provisions which I am less than happy about, but it also includes some necessary improvements in the Export-Import Bank Act which I support. It is not simply a straight extension, but a bill which tries to give the Bank the ability to do its job better, and at the same time give the Congress ample opportunity to scrutinize the Bank's operations. The committee has extended the Bank's authority to operate for 4 years, until 1978, but it provided only enough loan authority, $25 billion, to last the Bank for 2 years, so that the committee will have a formal opportunity to review the Bank's activities.

Some of the other provisions in the committee bill are:

Instructs the Bank to cooperate with the export banks of other nations to minimize Government support of export financing.

Clarifies the authority of the President with respect to determinations on trading with Communist nations.

Requires the Bank to report to Congress 30 days prior to approval all transactions with Communist nations which exceed $50 million.

Prohibits bank financing of any program with the U.S.S.R. until the Senate resolves the dispute over the trade bill.

Prohibits the extension of any credit to Turkey until the President reports to Congress that Turkey is cooperating in the curtailment of heroin traffic.

The bill also places the Bank back under the budget. I do not like that provision, and will support the move to strike it from the bill. The Bank does not cost the taxpayers any money, as some of the budget amendment proponents contend. It actually makes a profit, a rare occurrence for a Government agency these days. Last year it turned over $50 million to the U.S. Treasury, and it has almost paid off the original $1 billion investment by the taxpayers.

Mr. Chairman, many opponents of this bill and of the Bank have alleged that the Bank helps to subsidize the export of U.S. jobs. I do not find that to be the case. In fact, Eximbank helps to maintain jobs for about 800,000 people in this country by helping to keep the export goods which these people produce competitive in world markets. The Department of Economic Development, in my home State of Minnesota, estimates that approximately 97,000 Minnesotans are employed as a result of international sales. The financing assistance of Eximbank, used extensively in Minnesota, helps keep many of these people steadily employed.

Eliminating the Eximbank would almost certainly make our products less competitive in world markets. American goods are generally of the best quality, and we retain many of our markets because of that quality. But we have serious competition for quality goods from many other nations. And when quality is more or less equal, the purchasers of these products start comparing the financing available. Members of the House should realize that other nations have their own export banks which offer very favorable interest rates.

[In percent]

| | |
|---|---|
| France | 5.95– 6.95 |
| Germany | 9.00–11.50 |
| Italy | 6.00– 7.50 |
| Japan | 6.25– 8.75 |
| United Kingdom | 6.40– 9.00 |

Our present Eximbank rate is between 6 and 8.50 percent.

In short, Mr. Chairman, our American companies will have to continue to compete with other nations over the quality of products, but without the assistance of the Eximbank, they will never be able to compete with the financing terms.

I think the extension of the Bank's authority is essential if we are to maintain our share of the world markets. And I urge my colleagues to support the bill.

Mr. WIDNALL. Mr. Chairman, at this time I yield 2 minutes to the gentleman from Kansas (Mr. SHRIVER).

Mr. SHRIVER. Mr. Chairman, I rise in support of this legislation to extend the life of the Export-Import Bank for 4 years and to increase its loan, guarantee and insurance authority.

Those of us who are concerned about jobs, the balance of payments situation, and the ability of American firms to sell their products abroad recognize the necessity of support from the Export-Import Bank.

The largest part of U.S. exports can—and should—proceed without any support from the Export-Import Bank. This has always been the case. Bank support is critical, however, in enabling U.S. manufacturers to compete for foreign orders when foreign suppliers are receiving extensive financial support from their governments, and in mobilizing and combining with private capital to enable American manufacturers to compete for projects which, because of their size or amortization period cannot be financed with private capital alone.

Mr. Chairman, I am aware of the concerns, and sympathize with them, of those who today will attempt to rectify the inequities in the act which permits foreign international air carriers to purchase long-range U.S. jet aircraft under more favorable financing terms than available to U.S. international air carriers.

However, we must guard against a patchwork exercise through the amending process that would benefit a few but penalize and perhaps bring financial disaster to many industries.

The general aviation industry, for example, so important to our national economy and the economy of the State of Kansas, in the past 10 years has exported over 25,000 general aviation aircraft, a milestone that was reached last April.

The industry, incidentally, has been a consistent major factor in contributing to a favorable balance of payments in U.S. international trade. For example, in the first 6 months of 1974, 2,272 aircraft valued at $138.2 million were shipped to international markets, compared to 1,639 units valued at $96.2 million for the same period in 1973—a 44-percent increase in dollar value.

It is of interest to note that for every one aircraft-imported into the United States, 23 are exported.

These accomplishments in the face of foreign competition which by the way receive considerable direct Government subsidy or are owned by the Government outright, are attributable to effective U.S. marketing and technological superiority. The Export-Import Bank has played an important and necessary role in the industry export achievements by providing loan insurance guarantees and other forms of financing for about 40 percent of the sales over the years.

Recently, one of the general aviation manufacturers in my Fourth Congressional District in Kansas informed me that 40 percent of its total production goes out of the United States—and 20 percent of that is financed through the Export-Import Bank.

The significance of the Export-Import Bank to the continued growth of general aviation exports cannot be overemphasized.

I would point out that the nature of the Bank's participation in financing general aviation export sales is in the form of financial guarantee of loans, and not direct loanmaking. Under the financial guarantee program, the Export-Import Bank unconditionally guarantees repayment by a borrower up to 100 percent of the outstanding principal due on such loans, plus interest on any loan made by a U.S. financial institution to a buyer in another country for the purchase of U.S. goods and services. This is cooperative financing with other U.S. financial institutions and the record to date clearly indicates this program to be a profitable program of the Bank at no cost to the American taxpayer.

Mr. Chairman, the general aviation industry of the United States has, on a continuous basis, contributed to the positive side of the balance of payments in U.S. trade. With the increasing cost of oil imports and raw materials essential to the economy of our country, it is singularly important that the Congress take no action to inhibit or hamper the exports of those industries who by strength of their salesmanship and the superiority of their product, supported by the Export-Import Bank, return American dollars from their overseas depositories.

Mr. ASHLEY. Mr. Chairman, I yield 5 minutes to the gentleman from California (Mr. REES).

Mr. REES. Mr. Chairman, members of the committee, I would like to bring out some figures which I think will shock all of us if we are concerned with the balance of payments deficits that we face in this country, and which will exist in other countries that are in direct competition with us for world markets.

The U.S. bill for imported oil last year was $8 billion. The bill for imported oil this year is estimated to be $21 billion. The projected bill for imported oil in the year 1980 is $33 billion, an increase of $8

billion to $21 billion by this year just for the United States. The only way we can pick this deficit up is either to attract foreign investment into the United States or increase our exports.

Let me give the Members some figures for Western Europe.

If we are in competition with any area of this world in the export market, it is with Western Europe. In 1973 the oil imported into Western Europe was $20 billion, and in the year 1974, this year, that oil bill will more than double, $55 billion.

What does that mean? It means that while the United States has to go from $8 billion to $20 billion, we are still in pretty good shape because we produce about 70 percent of our own oil. However, the pressure is going to be on Western Europe which, other than in the North Sea area, does not have its own oil.

There is going to be downward pressure on the value of their currency, as there is right now. Take the dollar, for example. It is stronger than it has been in over a year because oil pricing has less effect on us than other industrialized countries. Therefore, the only way Western Europe and Japan, the other industrialized countries, can effectively compete is to compete in the export market, to bring in hard currency to pay for their petroleum.

Two ways of competing are, to devaluate one's currency so that the cost of the goods one exports is cheaper, or, to give more concessionary rates for financing of exports. I suspect that this is just what Western Europe will do, and this is what Japan will do.

If at any time in the history of the Eximbank, the Eximbank were absolutely necessary for the economy of this country, it is now. This is the worst time to cripple the Eximbank and to cripple the potential of the United States to export products.

There has been a great deal of discussion in the debate about the problem of exporting airplanes. We do have a situation where we have concessionary rates that probably average out to about 9 or 10 percent to export our airplanes to foreign competitors. Pan American has to pay the top rate, and they do not have concessionary rates.

There has been talk of restricting the export of airplanes by eliminating concessionary rates.

Let me give you some figures from a southern California airplane company. In 1974, this year, 82 percent of the airplanes manufactured in Long Beach will be exported. If there were not concessionary rates, with the competitive situation we have against the A-300 European airbus, there would be a good chance that McDonnell Douglas orders would be drastically cut down because of the inability to find sufficient money at sufficient rate of interest to finance the airplane.

This would have a direct effect on our domestic airline industry because McDonnell Douglas would have to reduce their production run of airplanes and, therefore, the unit price of airplanes being purchased by domestic airlines would go up. The projection of McDonnell Douglas is that the price would increase up to 45 percent per unit if the export market was substantially cut.

The Members can see, therefore, that we would be cutting off our nose to spite our face by restricting the Eximbank in their financing of U.S. airplanes abroad.

Remember, right now the United States can build better airplanes and better technical products than any country in the world, but a lot of other countries are catching up. The only way that we can stay ahead is to develop that broad international market.

If we amend the Eximbank bill in any way to affect the lending ability of the Bank, to affect the rates that the Bank might charge, I think we would be hurting ourselves in our ability to maintain a positive balance of payments in our trade account.

Therefore, Mr. Chairman, I would urge all of those here to support the basic committee bill, with the exception of the Ashley amendment, which should be approved.

Mr. WIDNALL. Mr. Chairman, I yield 5 minutes to the gentleman from Georgia (Mr. BLACKBURN).

Mr. BLACKBURN. Mr. Chairman, there are a few things that should be brought into perspective about the Export-Import Bank of the United States that I do not think have been brought out here today.

First of all, we are being told in effect that if the Export-Import Bank were not functioning, our exports from the United States would fall quite drastically. For myself, I think such fears are greatly exaggerated.

The reason we are able to sell as much as we do sell in foreign markets is because we have better products. We are selling airplanes to the British, to the Germans, and to the Japanese because we have better airplanes than any that are being manufactured anywhere else. To the extent we subsidize these sales by concessional interest rates, we are undermining the competitiveness of American air carriers to the extent that they do not have the same concessional interest rates.

There is one thing that I think has brought the Bank under considerable criticism recently—and I think justifiably so—and that is the generous loans to the Soviet Union. It takes no great genius to understand why we are making such great transfers and sales to the Soviet Union. We are financing these transfers of equipment to the extent of 90 percent when you combine U.S. private and Eximbank financing. We are financing these at concessional interest rates.

Why should the Soviet Union not take advantage of these purchases? With inflation as it is now taking place in the world, the Soviets will be paying us back about 50 cents on the dollar by the end of the financing period. They would be extremely foolish if they did not take advantage of the latest in American technology and American capital goods with these concessional loans at these concessional interest rates.

There is one other observation that is presented to the floor quite often which I do not think is completely candid, and that is this: "Well, this does not cost the taxpayers anything. It is a money-making institution."

What we must keep in mind is this: First of all, the Bank was financed with $1 billion directly from the Federal Treasury. The Bank does not pay any interest on that. I think they pay a 5 percent dividend on that $1 billion. The Bank has retained earnings in the amount of $1.5 billion, which costs them nothing.

The Bank uses those funds and mingles them with the funds they borrowed later on the open market. And remember this: That when the Bank does use those funds and mingles them with funds borrowed on the open market, it is competing with our homeowners, it is competing with our businessmen, and it is competing with any institution or person in America who wants to borrow money.

However, when this Bank goes into the open market, it has an advantage that our homeowners do not have and that our businessmen do not have. This Bank's obligations are backed up by the full faith and credit of the U.S. Government. So this enables this institution to borrow money at lower interest rates than any one of us or any one of our constitutents whom we represent could obtain when borrowing money.

Mr. Chairman, none of us want to severely handicap or cripple the Export-Import Bank, but I do think we must keep in mind that the Eximbank and its borrowings have an impact on our own internal capital markets. It effectively raises the interest rates that our people, that our constituents will pay on their loans, because it is an unfair competitor in the market when it borrows money.

What I am suggesting—and this is one of the provisions I am going to suggest later on in the amending process—is that the Bank's loans bear an interest rate equivalent to the commercial rate which is then being offered by the biggest banks in America. When we speak of the prime rate, that is not a realistic figure as far as the average consumer or the average businessman we are talking about is concerned. They cannot borrow money at the prime rate.

I am still willing to concede the Bank a concessional interest rate in its loans to foreign borrowers. However, I am saying the Export-Import Bank of the United States is setting the scale that the rest of the world follows in these international transactions, and when the Bank sets the scale extremely low or unrealistically low, we force the British, the Japanese, and the Germans down to the equivalent low rate.

I think we should force the bank to charge something more realistic than the concessional interest rate it is charg-

ing on those loans, at a time when capital is in short supply throughout all of the Western world.

Second, I intend to offer an amendment later on in the amending process which would truly open the markets of the Iron Curtain bloc countries.

If we want to use the Export-Import Bank as an instrument for increasing trade, we should see to it that trade goes to the people of the Iron Curtain bloc countries, and not just to the leaders and their subordinate agencies in those Iron Curtain bloc countries.

The CHAIRMAN. The time of the gentleman has expired.

Mr. WIDNALL. Mr. Chairman, I yield 5 minutes to the gentleman from Michigan (Mr. BROWN).

Mr. BROWN of Michigan. Mr. Chairman, I will not take the full 5 minutes. I intend at the appropriate time in the House to make a unanimous consent request that the letter of August 9, 1974, from Mr. Casey of the Export-Import Bank be included in the RECORD at this point.

The letter referred to is as follows:

EXPORT-IMPORT BANK
OF THE UNITED STATES,
*Washington, D.C., August 9, 1974.*

DEAR MR. BROWN: The purpose of this letter is to put before you facts and considerations that deserve to be taken into account in extending the charter and authorization of the Export-Import Bank.

You will recall how the $6 billion trade deficit for 1972 so greatly concerned us, how it led to successive devaluations of the dollar and how this, in turn, contributed greatly to the inflation which now besets us. We were able to convert this $6 billion deficit into a small surplus for 1973. The quadrupling in the price of imported oil and the sharp increase in the price of raw materials will convert that surplus into another substantial deficit. Other nations are under even greater pressure and, as they see their reserves falling, they are restricting imports and pushing exports harder to pay for the higher imported oil costs. In short, our export needs have increased heavily at the same time that our exporters must work harder to find overseas customers and compete harder for their business.

In the fiscal year just ended, Eximbank financed $12.9 billion in U.S. export sales. Today, we need a rising level of exports to avoid the impetus to further inflation which will surely come if new deficits result in a cheaper dollar, increased import costs and the ability of foreign currencies to compete more advantageously with American consumers for the supplies available in our domestic market. Our best hope for enough additional exports to close this trade gap lies in the high price, high technology goods and services which require the kind of financing Exim provides.

Today, we are confronted, on the one hand, with abnormally high interest rates at banks and, on the other hand, with the need to compete with financing at interest rates running as low as 5½% which counterparts of Eximbank, maintained by the governments of other industrialized countries, provide to their exporters. To carry out our mandate from Congress to back up U.S. exporters with financing competitive to that which foreign governments provide, while responding to the higher cost of money, we are working along two lines.

On one track, we have raised our interest rate and reduced the portion of the export price we finance in order to keep the Bank viable and move our terms as close to market rates as possible within the constraints of foreign competition. On the other track, we are now carrying on negotiations with the members of the Common Market and Japan looking towards a gentlemen's agreement which would limit competition in interest rates.

Recently, most of our loans have been held to 30% of the export price rather than the 45% which had been the practice for the last several years. As our cost of borrowed money exceeded 6% for the first time in the latter part of '73, we increased our interest rate to 7%. Then, as our average cost of borrowed money rose to 7% in May 1973, we changed from a fixed 7% interest rate to a band between 7% and 8½%. Since then, most of our loans have been at 8%. A few days ago, we increased our guarantee fees from ½% to a range between ¾ and 1½%.

Despite this unprecedented increase in Eximbank's rates, there is concern about the spread between our interest rate and commercial rates. We have been the leaders in raising the rates in the export financing league but it would be damaging both to our export trade and our ability to negotiate a limit on interest competition if, unilaterally, we moved too far too fast. The fact is that a large slice of world trade is financed below market interest rates. A good many U.S. businesses are borrowing at the lower rates available from Eximbank's competitors when they purchase foreign equipment.

That spread between Eximbank's rates and the commercial bank rates is not as great as it seems. Other countries are financing 75 to 85% of their exporters' selling price at interest rates averaging around 6½% to 7%. The actual interest rate paid for comparable financing today by the typical borrower from Eximbank is not 8% but over 10%. He pays 8% to Eximbank for a loan covering 30% of the export price and 12% to a bank for the remaining 55% of an 85% financing. This results in a blended rate of 10.55%.

How then, do we compete? On interest rates, we are only able to moderate the disadvantage our businessmen carry in international competition. Official export financing provided by Europe and Japan runs seven to eight times as much as ours in the aggregate. We do compete effectively in two areas. First, by providing insurance and guarantees we help generate enough bank and supplier credit to handle short and medium term payments for our exporters. Second, by flexibility in our loan maturities and by the use of our guarantees we enlist private capital to develop workable financing packages for high price exports and expensive projects which utilize U.S. equipment and technology. This is uniquely necessary and especially important to our export trade and balance of payments. It is these exports that use our special skills, give us high returns with a minimum drain on our resources and support the high skill, high pay employment which is so important to us. Capital to finance these projects would frequently not be available at all without Eximbank participation. Thus, while we barely manage to stay in the ball game in interest costs, our real importance is in assuring the sheer availability of financing and the flexibility of terms necessary to maintain our leadership in the big projects (power, natural resources, transportation, communications) and in high technology products (jets, nuclear reactors). This leadership is increasingly vital to our ability to develop and pay for the resources we need and to the competitiveness, productivity and ability to allocate costs over the world market which is so important to meeting our needs and fighting inflation at home.

Today shortages of fuel, minerals, food and fibers are worldwide. American equipment and technology applied to natural resources around the world can combat shortages and moderate prices. The financing required for the engineering and equipment, the power and transportation it will take to accomplish this end can only be generated with the help of financial catalysts like Eximbank.

The billions flowing to oil rich countries must be put to productive use. This will also require financial catalysts. Congress recently revitalized one of these catalysts by authorizing the contribution of $1.5 billion to IDA which made loans of about $1.1 billion last year. Other catalysts are the World Bank which lent about $3.2 billion last year and AID which in 1973 authorized about $2 billion in loans and grants. In its last fiscal year Exim authorized $4.6 billion in loans and facilitated another $4.2 billion of private financing through its insurance and guarantee programs.

Eximbank is able to do this without any appropriations of tax money because it has made good use of the $1 billion the Treasury invested at Congressional direction 30 years ago and the guarantee authority which the Congress has provided. We still have the Treasury's $1 billion. Since then, we have collected enough interest and fees to pay the Treasury $906 million in dividends, cover losses, build a reserve of $1.5 billion, pay for the money we borrow and carry an organization of 400 people to promote U.S. economic interests, world wide. We get the money we need to finance exports from repayments of loans made out of our capital and reserves, borrowings from the Treasury at the interest rates it pays and from the sale of the Bank's debentures to the private market at prevailing interest rates.

We watch the employment impact of our financing very carefully. Today, the U.S. exports 12% of its production and this accounts for more than three million jobs. The great bulk of our financing supports the export of power plants, mining equipment, locomotives trucks and other products which clearly provide jobs in the United States and produce either raw materials we need or power and transportation which is not exported from foreign countries. Over the last 3½ years 12% of the Bank's authorization supported exports of equipment used to increase productive capacity in foreign countries.

Where we can't prove that production will not come back to the United States and displace U.S. exports, we only finance when we can assure ourselves that European and Japanese manufacturers are ready and able to provide the equipment and financing if we don't. When the project will proceed with or without us we are prepared to provide the financing so that the jobs and the business associated with the machinery will go to the U.S. Other countries are committed to use their labor and materials. Just because productive equipment and methodology is so widely available around the world, we must maintain our markets abroad for the sophisticated, high technology items which both support the higher paid jobs and the balance of payments revenue on which a sound U.S. economy depends.

There are two procedural proposals which concern us. One would place Eximbank under the Budget. Three years ago when this was considered extensively by the Congress, there was an overwhelming vote to take Exim out of the Budget. This was because Exim requires no appropriations and budgetary accounting treats disbursements on a loan as expenditures and ignores the asset, an obliga-

tion which will be repaid with interest which is acquired. This results in a phoney deficit. Next year, this unreal method of budget accounting would produce an unreal deficit of $1.5 billion for the Bank. This phoney deficit will confuse policy in a period like the present where the fight against inflation from government spending calls for holding down the deficit and the fight against inflation from trade deficits and dollar devaluation calls for increased exports. If and when Eximbank is brought under the Budget, the archaic budgetary accounting should be changed to reflect the fact that Eximbank disbursements are an income producing investment and not a current expense like a payroll, grant or subsidy, or even a capital expenditure to acquire a depreciating asset needing costly maintenance like a battleship.

The Budget issue is a complicated one. It should not be decided in a precipitous manner. Rather, it should be studied carefully by the Budget Committee of both Houses as provided in the recently enacted Budget Control Act of 1974. Nothing will be lost by careful and deliberate study of the pros and cons of including in the Budget Eximbank, the Rural Electrification Administration and other agencies. Congress will continue to exert effective control over the level of the Bank's activities by placing an annual limitation on its lending after careful review by the Appropriations Committees.

Another kind of procedural provision which may be proposed would require Congressional review of individual financing transactions. This would be bad for the Bank, bad for our exporters and bad for our position in the world. It could convert each of the larger financing transactions into a potential political cause celebre. U.S. exporters would give their foreign competitors another chance to snatch the sale away. Sovereign nations all over the world will not be willing to have their projects become the subject of debate and possible rejection by the legislature of another country. To avoid this prospect many deals will go directly to another industrialized country ready and anxious to supply and finance satisfactory equipment.

Eximbank participates in larger projects with its counterparts from other countries. For example there is a thermal power station in Israel with $75 million in U.S. items and $54 million from Canada, a petrochemical project in Brazil with U.S. costs of $50 million and French costs of $49.7 million, a refinery with U.S. costs of $55 million, British costs of $50 million and Canadian costs of $78 million, a power plant in Korea with U.S. costs of $68 million and British costs of $80 million. In all the cases there would be no great problem in reducing or eliminating the U.S. participation and increasing the other participation or bringing in a new participant.

Syndications of private banks frequently round out the necessary financing. If Eximbank is unable to commit firmly and promptly it will no longer be a desirable participant in these large projects.

There must be another way to provide for necessary Congressional oversight. Congress can certainly fix the objectives, the scope and the scale of Exim's operations. Eximbank will certainly follow the policies set by the Congress. This can be assured by adapting the directives now established in Exim's authorizing legislation, by broadening the scope of the report we now file twice a year on meeting credit competition and by the annual limitation on Exim's loans established by the Appropriations Committees and approved by the Congress. Congress in the revised Export Administration Act and in amendments to the Atomic Energy Act of 1954 has strengthened controls over exports of products in short supply and our transfers of technology. Eximbank does not finance anything which has not been approved for export. The bill reported out of the House Banking Committee reflecting these considerations is much to be preferred to more sweeping and cumbersome provisions which may be proposed.

In conclusion let me assure you that with the extended authority and continued flexibility requested, Eximbank's directors and staff will continue to strive diligently to implement the mandate of the Congress and to the benefit of U.S. workers, exporters, producers and consumers.

Sincerely yours,

WILLIAM J. CASEY.

Mr. Chairman, I think this letter probably more eloquently, articulately and validly expresses the position of the Export-Import Bank than I personally could do here today.

With reference, however, to the remarks of the gentleman from Georgia, I should just like to point out to my colleagues that all of the arguments they are hearing today were heard in our committee. Our committee dealt with those arguments, and I think we dealt with them in a more deliberative way than we could possibly deal with them today.

With the exception of one amendment which the committee adopted, one which I will oppose and the gentleman from Ohio (Mr. ASHLEY) will oppose, I believe the bill should pass as reported from the committee.

With regard to other remarks of the gentleman from Georgia (Mr. BLACKBURN), the gentleman knows very well that the Export-Import Bank does not finance 100 percent of the transactions it is involved in, but 30 to 45 percent of the amount of such transactions. The balance of the transaction is consummated by utilization of other commercial financial institutions at the going market rate, so that the effective rate of the total transaction with respect to the borrower or with respect to the one with whom the Export-Import Bank is dealing, the effective rate to that company or to that firm, or that transactee, if I might call it such, with the Export-Import Bank, is very close to the commercial rate in this country whereas our foreign financial institutions comparable to the Export-Import Bank are lending and involving themselves in financing up to 75 percent or even more, of the total amount of the transactions in which they engage.

As a consequence, the effective rate to those dealing with these other foreign Export-Import Bank counterparts is a much lower rate.

It was this body, about 2 years ago, at the request and urging of the gentleman from Ohio (Mr. ASHLEY) and myself, that the Export-Import Bank became more competitive in its financial and export transactions so as to help out in the balance of payments situation, because we felt the Export-Import Bank was not being as competitive as it should be with its foreign counterparts—and I think that decision was right at that time—and was passed by this body. Also what we have said in the committee report with respect to the Export-Import Bank adjusting its rates charged in accordance with the desirability of the transaction as viewed in the national interest, is appropriate. I would urge for all of the reasons that are set forth in the committee report that the bill as reported from the committee be adopted with, as I say, the exception of that one amendment which the gentleman from Ohio (Mr. ASHLEY) and I both oppose.

Mr. WIDNALL. Mr. Chairman, I have no further requests for time, and I reserve the balance of my time.

Mr. ASHLEY. Mr. Chairman, I yield 5 minutes to the gentleman from California (Mr. HANNA).

Mr. HANNA. Mr. Chairman, we have heard a great deal presented here, some con, most of it pro, about this bill and the purposes which it seeks to serve. I can say to the Members that what we are talking about here is something that is very vital to the United States. That vital something is the 4 to 4½ percent of our national product which characteristically over the years has been in international trade.

Now as we have moved into a more competitive situation, it has been increasingly difficult for us to maintain that constant 4½ percent. This is the lowest by far, the lowest percentage of gross national product from any industrial country that is predicated on international trade, and the only reason we are able to keep it in that low percentage has been the vitality of our own internal economy, but that economy is beginning to be hard pressed to maintain the 96 percent of our GNP and still be able to leave us in a healthy condition in terms of our balance of trade.

I predict to the Members that there is no way that the United States of America can continue to be healthy unless we press more closely to 7 and 8 percent of our GNP as a part of international trade. If we think we can do this without the assistance of institutions, then we do not have an eye on the history of international trade as it has come about and developed in this modern time in those countries which are our competitors.

There are institutional links in other countries far stronger, far more effective than any that we have had. The United States of America, since the days of the old Yankee Clipper, felt they did not have to turn an eye to international trade and very few people were engaged in it and very few people were interested in it. Those days are coming back. The Yankee trader must arise again because without that as an ingredient of the future, the strength of the United States will wane, and I am sure that there is no Member in this House who cares to have that happen.

The bill that the committee proposes to the Members is supportive of that very important institution and tries to strengthen it in a very small and modest way, far too modest, I am afraid, because the increases that we have given the Bank will hardly cover the increases

that have come about in prices, so that the volume of trade I am afraid will not advance as it should. Certainly we should do nothing—and I emphasize "nothing" to impede the operations of this Bank in trying to carry out the very important purpose to which it is dedicated.

I can understand the feelings of those who want to do something about showing concern for high interest rates. I join with them in that concern. I would like to join them in the effort, but, believe me, we cannot address ourselves to anything constructive about interest rates in the United States by trying to change the effectiveness, the competitiveness of the Export-Import Bank. The interest rates they charge are now higher than those that are available to their competitors, and we should not burden them any further than they have been willing to burden themselves.

Also, as I pointed out in the colloquy with my friend, the gentleman from Ohio (Mr. ASHLEY), every package in finance is a complete package, of which interest is only one of the aspects of the financial package. There will be a price that will be negotiated, give and take, depending on the interest rates that are presented. There will be carrying charges and other incidentals in that package which will increase or decrease, depending on what the interest is. Interest is only one of the components in the total financial package.

So do not think we can grab hold of this thing to any effectiveness in terms of our own views.

The CHAIRMAN. The time of the gentleman has expired.

Mr. BROWN of Michigan. I think there is one other point that should be made before we go into the amending process. I know many of the Members have some concern about international relations and our contacts and intercourse with nonmarket countries. The Bank is not the kind of institution that should be thrust into the foreign relations field in respect to some of the things Members would like to try to achieve. There have to be other instruments we use for this.

I suggest if we are interested in trade we should keep our eye on trade and not think we are not going to get a free lunch. If we put burdens on somebody else, they will put burdens on us. We in the United States cannot at this point accept any more burdens on our foreign trade. Quite the contrary, we have to do more to support it and increase it and help it.

I hope the Members will pass this bill as sent to us by the committee and turn down amendments offered by others than the committee.

Mr. WIDNALL. Mr. Chairman, I yield such time as he may consume to the gentleman from New York (Mr. CONABLE).

Mr. CONABLE. Mr. Chairman, in considering the measure before us here today—legislation to extend and increase authority of the Export-Import Bank—I think it is essential to look at the impact of the Bank's operations on U.S. domestic employment.

In the fiscal year just ended Eximbank supported nearly $13 billion in U.S. export sales through its insurance, guarantee, direct credit and other programs out of the $70 billion plus of U.S. exports. Although aggregate employment estimates are difficult to make, it is calculated that these exports directly supported by Eximbank's programs keep about 800,000 Americans employed.

The impact of exports is more clearly seen by specific examples—a plant in Anaheim, Calif., employing 9,000 people exports 16 percent of its production. A producer of printing presses and machinery in Rhode Island has 900 employees and exports 50 percent of its output. Time precludes my extending this list of examples, but I can safely say that the cases I have cited have counterparts in virtually every part of the United States.

Few Americans seem to realize the extent to which exports do create jobs. Many persons who actually are producing for export do not even know it. For example, those making component parts for equipment to be assembled elsewhere may have no way of knowing the final destination of their product. The same holds true for farmers. Grain producers of the Middle West have only recently become fully aware of the effect that foreign sales can have on their well-being.

The exporting family also includes countless thousands working on the periphery of export production, such as those providing community services at export-impacted plant locations. It also includes transport companies which move exports; banks, insurance companies, and other professional firms which service exports; and even the merchants in communities where exports help meet local payrolls.

Some of the largest manufacturing plants in the United States, such as producers of farm machinery, locomotive parts, steel mill and refinery equipment, ship from 20 to 40 percent, and in a few cases even more, of their entire output to foreign customers.

In short, the relationship of exports to employment is a more pervasive and complex one than often is appreciated.

A basic requirement of exporting is credit financing. In the money crunch caused by inflated prices generally, and by the heavy diversion of the world's currency reserves to pay quadrupled oil prices, credit has become the controlling factor in more and more export transactions. The pay-as-you-earn incentive provided much of the thrust to the recent boom in world trade, and is now intensified by prevailing tight money conditions.

There is another source of heavy demand on credit. In order to offset the higher cost of oil imports all industrialized nations are competing harder for export business. This is often done through official export agencies which support the credit needs of their countries' exporters. In this competition, the United States has its Export-Import Bank; but unlike many foreign counterparts, Eximbank operates on a self-supporting, self-financing basis, paying its way through its interest, fee, and other earnings. The Bank requires no year-by-year appropriations of taxpayers' money.

Despite its contribution to exports—and through these to employment—Eximbank has been criticized by those who fear that when it finances the export of productive American equipment the Bank is exporting American jobs.

In the first place only a limited number of Eximbank transactions involve exports of goods that contribute directly to productive capacity. Most Eximbank-supported exports are for projects such as powerplants or communications networks, or involve products such as earthmoving equipment, locomotives, trucks, and so forth, which are not exported from the purchasing country. Another large share includes products which at most can have only a marginal competitive impact on U.S. jobs. The remainder—which over the past 3½ years has accounted for only 12 percent of Eximbank authorizations—did involve equipment exports used to increase productive capacity in foreign countries.

The Eximbank analyzed 57 loans authorized in 1973 which financed exports of productive equipment and found that many of these transactions involved such installations as cement plants and fertilizer plants where the resulting foreign production would neither displace existing U.S. exports to the purchasing country nor compete with U.S. exports in any third-country market. Moreover, it was found that the buyers could have obtained technology equivalent to ours for their particular purposes from competitors in other countries.

There were some cases where it would be difficult to prove that none of the production would ever come back to the United States, or that none of it would displace or compete with future U.S. exports. But Eximbank did find, in every such case, that European and Japanese manufacturers were ready and able to provide competitive equipment on competitive terms that could have been used effectively to get the purchaser's local labor and materials into production. The equipment business would have gone somewhere else and the impact on the United States would, if anything, be compounded by the loss of the initial export sale too.

I believe that exports are important to employment here at home and that the Export-Import Bank plays a critical role in maintaining and expanding U.S. exports and thus contributes to employment.

I ure support of Eximbank and passage of H.R. 15977.

Mr. WIDNALL. Mr. Chairman, I yield such time as he may consume to the gentleman from New York (Mr. RONCALLO).

Mr. RONCALLO of New York. Mr. Chairman, I support this bill. I would like to be associated with the words of the gentleman from California (Mr. HANNA).

Mr. ANDERSON of California. Mr.

Chairman, I rise in support of this vital piece of legislation which extends and modifies the authority of the Export-Import Bank for 4 years.

Since its creation in 1945, this self-sustaining institution has made vast contributions to the American economy. By following a policy to foster the expansion of U.S. goods and services, Eximbank has significantly contributed to the promotion and maintenance of a high level of employment while facilitating trade between the United States and foreign countries.

In 1974, Eximbank supported nearly $13 billion of U.S. export sales, sustained nearly 800,000 full-time jobs, and earned for the U.S. taxpayers $50 million in dividends for the U.S. Treasury.

In California, international trade represents one of our most dynamic growth sectors. The projected $8.4 billion in foreign sales in 1974 will account for the employment of nearly 7 percent of California's labor force.

Mr. Chairman, it is essential to California and to the Nation to maintain the important international trade segment of our economy. Therefore, we must provide the necessary incentive to keep our U.S. products competitive on the world market. A strong, flexible Export-Import Bank is critical to the success of U.S. exporting efforts.

May I urge my colleagues to join me in voting for this timely piece of legislation.

Mr. ZABLOCKI. Mr. Chairman, I rise to speak in favor of the Export-Import Bank and the bill which has been introduced to extend its life and increase its lending authority. Throughout its 40-year existence, Eximbank has made a significant contribution to the U.S. economy by supporting over $76 billion in U.S. export sales to foreign countries. These exports have resulted in jobs for U.S. workers, have produced revenues for all levels of Government, and have enabled us to earn the foreign exchange required to pay for needed imports. Eximbank has thereby contributed to the high standard of living we enjoy in this country and has assisted in maintaining the strength of our industrial sector in the world economy.

Eximbank has accomplished these achievements without expending taxpayers' funds and with an excellent repayment record on its loans. The Bank was funded originally with a $1 billion capital investment from the Treasury. Over $900 million in dividends has now been paid to the Treasury out of the Bank's profits. Over the years, Eximbank has lost only 2 cents on every $100 of loans. This record is far better than the bad debt ratios of large U.S. commercial banks and is a reflection of the sound banking practices followed by the Bank's Directors.

An issue relating to congressional control will be raised by the amendment introduced by the gentleman from Missouri (Mr. ICHORD). I particularly want to express my views on this provision to impose prior congressional approval or disapproval of individual Eximbank loan transactions. Congress already exercises control over Eximbank's activities through the annual review of all operations conducted by the Appropriations Committees of both Houses and through periodic reviews of the Bank's charter such as we are currently undertaking. Neither we as individual Congressmen nor our staffs have the necessary time or the technical banking expertise to determine whether a particular project is financially, economically, and technically sound. Congress should set the policy limitations on loans, and leave individual loan decisions to the Bank's Board of Directors who are charged with the responsibility for making this type of examination and decision.

I am particularly concerned about the foreign relations aspects of granting the Congress the authority to approve or disapprove individual transactions. The congressional debate of an important loan to a foreign country and the possibility of rejection could strain our relations with that country. The uncertainty of an individual Eximbank loan could cause the project to be snatched by a foreign competitor ready and anxious to supply and finance satisfactory equipment. No other industrial country requires legislative review of individual export transactions.

By imposing such a requirement on Eximbank, we would be placing our exporters at a serious disadvantage vis-a-vis their competitors. We would be jeopardizing important export sales into which American firms may have put months, even years of effort as well as substantial sums of money to prepare a successful bid. We could be unknowingly damaging intergovernmental relationships.

Further, Mr. Chairman, we would be severely constraining the ability of the Eximbank to participate with its counter parts in other countries in large scale projects, such as thermal power stations and petrochemical complexes; projects, which frequently require the financial participation of financial institutions, private and government, of a number of countries. If the Bank were not able to commit firmly and promptly, U.S. participation in these multi-country projects would become far less possible.

What purpose, then, would a congressional veto serve? I believe that banking decisions should be left to Eximbank's Board of Directors and we should restrict our oversight of Eximbank's activities to the traditional and existing channels. Eximbank has served the American people well in the past and we should continue to give it the flexibility to perform effectively in the future.

I strongly urge my colleagues to vote against the amendment.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the Export-Import Bank Act of 1945 (12 U.S.C. 635 and following) is amended as follows:

(a) Section 2(a)(1) of such Act is amended by inserting in the third sentence immediately after the words "other evidences of indebtedness;" the words "to insure, coinsure, and reinsure;".

(b) Section 2(a)(1) of such Act is further amended by inserting immediately after the word "Government." the following new sentence: "The Bank is authorized to publish or arrange for the publication of any documents, reports, contracts, or other material necessary in connection with or in furtherance of its objects and purposes without regard to the provisions of section 87 of the Act of January 12, 1895 (28 Stat. 622), and section 11 of the Act of March 1, 1919 (40 Stat. 1270; 44 U.S.C. 501)."

(c) The third sentence of section 2(a)(1) of such Act is amended by inserting "to retain legal counsel to represent it in any legal or arbitral proceeding in any foreign country;" immediately after "jurisdiction;".

COMMITTEE AMENDMENTS

The CHAIRMAN. The Clerk will report the first committee amendment.

The Clerk read as follows:

Committee amendment: On page 2, strike out lines 7 through 9 and insert in lieu thereof the following: section 501 of title 44 of the United States Code."

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Committee amendment: On page 2, line 13, insert a semicolon after "jurisdiction" and before the quotation marks.

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the third committee amendment.

The Clerk read as follows:

Committee amendment: On page 2, immediately following line 13, insert the following new subsection:

(d) Section 2(a)(2) of such Act is repealed. Section 2(a)(1) is amended by striking out "(1)".

Mr. ASHLEY. Mr. Chairman, I rise in opposition to the committee amendment.

Mr. CONTE. Will the gentleman yield?

Mr. ASHLEY. I yield to the gentleman from Massachusetts.

Mr. CONTE. Mr. Chairman, I rise in support of this bill to extend the life of the Export-Import Bank. I believe that it is essential to the economy of our country, and particularly to the position of the United States in the world economy, that we extend the authorization for the Eximbank.

Eximbank is not a burden on the American taxpayer. It is a self-sustaining, profitmaking organization. Over the span of the Bank's life, it has paid dividends totalling some $856 million into the U.S. Treasury.

Some critics of the Bank say that it gives an unfair subsidy to participating companies, by loaning money at rates below what most lenders will offer. To that charge, I say that all a company has to do is look overseas for its materials and equipment, and it will find a host of other

countries eager to offer subsidized interest rates for imported goods. The Eximbank is making American goods competitive with goods manufactured overseas, thus contributing to our balance of trade and also helping our economy by stimulating American exports.

In fiscal year 1974, Eximbank supported nearly $13 billion of U.S. export sales which sustain nearly 800,000 full-time U.S. jobs and produce subcontractor and supplier orders in all parts of the country. The program of the Eximbank is especially valuable to the small business, a special interest of mine as ranking Republican on the Select Committee on Small business. By their nature, the terms and conditions of the medium-term guarantee, insurance, and relending programs of the Eximbank are especially attractive to the smaller businesses of this country.

These small businesses are able to compete in international markets only because of the Eximbank. Of course the giants like United States Steel and Westinghouse can go into the private credit markets to finance their exports.

But the small businesses in my district, like the Clark Aiken Co. of Lee, the Hunter Machine Co., of North Adams, the Kidder Stacy Co., of Agawam, the Lenox Machine Co., and Worthington, CEI, Inc., of West Springfield, simply do not have the resources to compete internationally against the foreign-subsidized giants. All of the companies which I have mentioned are able to participate in world trade through Eximbank financing, thereby contributing to employment and the economic life of that part of Massachusetts, about 95 percent of American business is classified as small business. I believe that it is vital to continue subsidized exports through the Eximbank to maintain the competitive quality of American, and particularly small business exports on the world market.

The Eximbank also contributes favorably to our balance-of-trade position. Especially now, when we are paying through the nose for our petroleum imports, we should support the efforts of the Eximbank to mitigate the adverse impact on our trade account of the increased expenditures for petroleum imports.

Mr. ASHLEY. Mr. Chairman, the issue raised by this committee amendment is whether there is presently a justification for including the Export-Import Bank's operation in the unified budget. Let me emphasize that the bill is currently excluded from the budget under a law which we enacted in 1971. That action was taken by a lopsided vote after thorough hearings and deliberations by the Subcommittee on International Trade of the Committee on Banking and Currency and both bodies of the Congress. We again acted to exclude the Bank's operations from the unified budget just over a month ago when the Congressional Budget and Impoundment Act was debated and acted upon.

At that time we focused on whether some six off-budget agencies, including the Eximbank, should be included in the budget. The conferees determined that such action should not be taken until further study of the matter. Section 606 of the Budget Act is very specific on this point. It states:

> The Committees on the Budget of the House of Representatives and the Senate shall study on a continuing basis those provisions of law which exempt agencies of the Federal Government, or any of their activities or outlays, from inclusion in the Budget of the United States Government transmitted by the President under Section 201 of the Budget and Accounting Act, 1921. Each committee shall, from time to time, report to its House its recommendations for terminating or modifying such provisions.

Inasmuch as, Mr. Chairman, we have established by very recent action of budget committees on both sides of Congress, in view of this language it would certainly strike me that these budget committees should be allowed to carry out their mandate to study and report back to the Congress whether or not these off-budget agencies should or should not be included in the budget.

Mr. BOLLING. Mr. Chairman, will the gentleman yield?

Mr. ASHLEY. I yield to the gentleman from Missouri.

Mr. BOLLING. I would like to strongly endorse the statements of the gentleman from Ohio. As the gentleman from Ohio may remember, we worked on that Budget and Impoundment Control bill. The provision he just read is a key element in the ability of the conferees to be unanimous. I think it is terribly important that the Budget Committee be allowed in this case, as in the other cases, to look into all the various areas and ramifications involved in shifting in a quixctic fashion one item or another of the six from off-budget to on-budget. It seems to me very important that the gentleman's position prevails.

Mr. ASHLEY. I certainly thank the gentleman from Missouri for his important contribution.

Mr. Chairman, it is being suggested that the Treasury Department now supports the view that the transactions of the Bank should be a part of the unified budget. This manifestly is contrary to the fact. Secretary Simon as recently as this morning has stated unequivocally that it is his view that the language of the Budget Act should be followed and that the Bank's operations should be excluded pending further study and recommendation by the House and the Senate Budget Committees.

Let me make several additional points, Mr. Chairman. First of all, to place the bank within the budget under current budgetary accounting procedures would mislead the American public and the Congress by impacting the budget with a deficit of approximately $1.5 billion annually, even though the Bank makes no use whatever of appropriated funds.

The reason for this is that disbursements by the Bank pursuant to loan agreements would be treated the same way as expenditures of appropriated funds, but would not be offset by either the promissory notes which the Bank receives from its borrowers—and which past experience shows are collectible assets—or by receipt of the funds obtained by the Bank from the sale of its debentures in private money markets. This would result in pressures on the Bank to reduce its operations in the real world of international trade so that the unreal deficit could be diminished, which simply makes no sense.

Finally, Mr. Chairman, the sponsor of the committee amendment, the gentleman from Wisconsin (Mr. REUSS) bases part of his argument for inclusion of the Bank on the assertion that "the Eximbank is a creature of Congress which has operated outside the surveillance of Congress."

The CHAIRMAN. The time of the gentleman has expired.

(By unanimous consent Mr. ASHLEY was allowed to proceed for an additional 2 minutes.)

Mr. ASHLEY. Again, Mr. Chairman, this is manifestly contrary to fact. Specific annual authorizations and expense ceilings are recommended each year by the Appropriations Committees of both Houses and acted upon by Congress in the Foreign Assistance and Related Programs Appropriations Act.

After the action by Congress in the Foreign Assistance and Related Programs Appropriation Act, an estimate of the impact on the budget if the Export-Import Bank were to be included was made available to the committee members at that time. We also know that overall limitation on the Bank's activities are recommended by the Banking Committees of both Houses and approved by the Congress in the Bank's enabling legislation. Obviously, this provides considerable opportunity for additional oversight review.

It should be pointed out, too, that annually the bank justifies required activity levels for the fiscal year to the Office of Management and Budget and to the Congress. These levels are part of the Bank's annual budget. They are printed in the budget of the U.S. Government, and—in accordance with the provisions of the Government Corporation Control Act—the President transmits each year to the Congress the budget for program activities and administrative expenses of the Bank.

So, perfectly clearly, Mr. Chairman, there can be no argument that inclusion of the Bank in the budget is needed in order to accommodate perfectly legitimate, well nigh, congressional oversight. This manifestly is not the situation, and it is not needed.

Mr. J. WILLIAM STANTON. Mr. Chairman, will the gentleman yield?

Mr. ASHLEY. I yield to my colleague from Ohio.

Mr. J. WILLIAM STANTON. Mr. Chairman, the gentleman referred to the fact that the last time this came before the committee was July 8, 1971. I wish to point out to the membership present that this Bank was removed from the budget by a 249 to 112 vote.

Further, if the gentleman will yield further, it is significant that just a couple of minutes ago, we heard from

our former minority leader, who in 1971 spoke strongly to remove the Bank from the budget.

In that respect, he simply said:

Mr. GERALD R. FORD. I happened to be on the subcommittee of the Committee on Appropriations for a number of years that had jurisdiction over the Export-Import Bank's budget. At that time we did not have the unified budget. That subcommittee regularly reviewed the Export-Import Bank operations. For an experimental reason we put the Export-Import Bank operations under the unified budget. I have not seen the Export-Import Bank improve its operations because it has been under the unified budget. As a matter of fact it has been handicapped in the functioning and the responsibility of the Export-Import Bank because it has been forced to operate under the unified budget. Let us go back to the way we had it when it operated well and where I think it can operate better in the future than it has in the last 2 or 3 years.

Mr. ASHLEY. Mr. Chairman, I think the gentleman raises a good point. If the minority leader felt about the issue as he did at that time, I can only observe that his presence a few minutes ago as President might well suggest that he feels the same about it today.

Mr. ICHORD. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count. Sixty-seven Members are present, not a quorum.

The Chair announces that he will vacate proceedings under the call when a quorum of the Committee appears.

Members will record their presence by electronic device.

The call was taken by electronic device.

QUORUM CALL VACATED

The CHAIRMAN. One hundred and four Members have appeared. A quorum of the Committee of the Whole is present. Pursuant to rule XXIII, clause 2, further proceedings under the call shall be considered as vacated.

The committee will resume its business.

Mr. REUSS. Mr. Chairman, I move to strike the requisite number of words, and I rise in support of the committee amendment that is in the bill now. An effort is being made to strike it out. The bill puts the Export-Import Bank back in the budget where it ought to be. From the beginning of time, back in the 1930's, until 1971, the Export-Import Bank was in the budget, and Congress very properly exerted annual control over it.

Then with, I have to confess, myself voting for it, we voted in 1971 to take it out of the budget. What happened? The Export-Import Bank's lending immediately jumped by $5 billion in the first year; it doubled over what it had been in 1970, or tripled over what it had been in 1969.

What are some of the export transactions that have been made under unsupervised Export-Import Bank subsidization.

One category has been that of scarce materials. Cotton goods which we need in this country have been shipped under Export-Import Bank subsidized 5- and 6-percent loans to countries like Japan, which do not need subsidies. Oil drilling equipment, which is terribly short in this country, almost unavailable in Texas, Oklahoma, and elsewhere where it is needed, has been shipped over to oil-rich Iran at 7-percent interest rates, so that they can dig more oil not to ship to us.

What is wrong with our housing industry? The housing industry is flat on its back because no credit is available to it. Where is the credit going? Much of it is unnecessary in financing such countries as West Germany, France, Japan, which are all overflowing with reserves and do not need it.

What about jobs? Suppose you work for Pan-Am, or TWA, or Northwest Airlines, and you are a stewardess, or a pilot, or a maintenance worker, and you find that the Export-Import Bank has been financing the sale of U.S. wide-body jets, unique in the world—there is no competitor to them—to Lufthansa or Japan Air Lines, or Air France in France, at 6- and 7-percent interest rates, but the American companies, such as Pan-Am, have to pay the going rate of 12 or 13 percent interest on their loans on such planes. Naturally those companies are in trouble, and jobs are jeopardized.

All we ask is that Export-Import Bank be put back in the budget. It will cause no embarrassment, but it will give the appropriate committees an opportunity to look over their activities year after year instead of giving them, as we are, if this clause is stricken from the bill, a free ride for 4 years without the necessity of coming under annual scrutiny as to what they are doing, and on how much their expenditures take out of the total spending budget.

Mr. MITCHELL of Maryland. Mr. Chairman, will the gentleman yield?

Mr. REUSS. I yield to the gentleman from Maryland.

Mr. MITCHELL of Maryland. Mr. Chairman, as I am sure the gentleman in the well will recall that I supported his position in the committee. Subsequently I had been named to the House Budget Committee. The question has come up on whether or not we ought to take this kind of action prior to the time the House Budget Committee is really fully operative.

Would the gentleman respond to a situation which poses a dilemma for me right now?

Mr. REUSS. I hope what I am about to say will enable the distinguished gentleman from Maryland, who was my candidate for the Budget Committee, and of whom I expect great things, and the gentleman from Ohio, Mr. ASHLEY, who seems to be in a dubious frame of mind about the committee bill, and of whom I expect great things as well, as two new budgeteers to let the House work its will today.

Let us put the Export-Import Bank back in the budget, and if the Budget Committee, in its wisdom, as it gets along with its job in the years to come, feels that there is any reason to take it out and blindfold ourselves, come before us, give us the arguments, and we will listen to them carefully. We will weigh their arguments, and I hope reject them.

Mr. MITCHELL of Maryland. I thank the gentleman for his comments.

Mr. FRENZEL. Mr. Chairman, I move to strike the requisite number of words and I rise in opposition to the committee amendment.

Mr. Chairman, as has been said, the House voted by a 2-to-1 majority to take the Export-Import Bank out of the budget in 1971. Currently our Budget Committee, our fledgling Budget Committee, is supposed to be charged with determining whether it belongs in or belongs out. I think that the committee acted unwisely in accepting the Reuss amendment, and it did so, I think this committee should be advised, by a very narrow vote, I think, of 17 to 15 in the committee.

The effect of this amendment, if it becomes law, will be to impact the Federal budget with about $1½ billion annual deficit. Let me say right now that that deficit does not require one nickel of Federal appropriations, so what we will have is some kind of a bogus deficit that we will be working against.

It is my hope, and the hope of many people in this Congress, that we are eventually going to balance the budget. It is my hope and my personal intention that that occur not later than the next fiscal year. If we are going to have to attack straw figures in the budget such as will be included if we accept the Eximbank back into the budget, that cause of budget balancing will be hopeless, and the spenders will have won their argument because they will say it is impossible to balance the budget. Give us a chance to balance that budget, and defeat the committee amendment.

Mr. HANNA. Mr. Chairman, move to strike the requisite number of words and I rise in opposition to the committee amendment.

Mr. Chairman, I only want to point out that there is a possibility that the Members might be misled by the eloquence of the presentation of my good friend, the gentleman from Wisconsin, but the truth of the matter here is that we are talking about an institution in which the United States has made an investment. That investment has run along without any servicing. The Bank has been making money. It has been a good investment. It has returned 5 percent on the investment.

Somebody raised the question that we ought to look at that with horror. I hope that gentleman has some of the stock that has been in my portfolio. I should ceiving 5 percent from all of my investhave been delighted to have been rements. I think we need to realize that that is what we are talking about here. Why should we carry the profitable loan portfolio of the Bank in our budget?

Are we now blindfolded? That is the second question. How many of us have felt blindfolded since 1971?

We have the annual report of the Bank in the report that the President sub-

mitted to Congress. Let me remind the Members that a specific annual authorization and ceiling has been recommended each year by the Committee on Appropriations of both the House and the Senate, acted upon by the Congress in the Foreign Assistance and Related Program Appropriation Act. That is still active, so what are we talking about here?

We can look over any part of the operation in the report and we have control over the operation and expenses, over the management expenses of the Bank. It is a good, sound investment, and a healthy institution. We made a good judgment when we took it out of the budget. Let us stay with that sound judgment.

Mr. BROWN of Michigan. Mr. Chairman, I move to strike the requisite number of words and I rise in opposition to the amendment.

There are a few things that I think need to be pointed out. First of all, the vote in the committee was 17 to 15. I very actively oppose this amendment, and I was one of those who was not there to oppose it in committee and I am sure there were others like me who were not there or this issue would not be facing us this afternoon.

I would seek the forgiveness of my colleagues that this situation has occurred and I can only say in my defense that I was in another committee when the vote was taken on this question.

The second thing to consider is who is supporting this amendment other than the gentleman from Wisconsin? Do the Appropriations Committee members support it? Do we hear them say, "Yes, we want to bring this into the budget?" No, to the contrary. If there is any Appropriations Committee feeling toward this amendment, I think it probably is we should abide by the Budget Committee's determination and withhold the movement of any of these entities that are outside the budget until they can all be considered under the Budget Control Act.

The gentleman from Ohio (Mr. ASHLEY) referred to that earlier.

Then third, I think it should be pointed out, as it has been by the gentleman from Ohio and the gentleman from California, that the Eximbank's loan commitments are committed during a fiscal year and are within limits approved by the Office of Management and Budget and Congress. But the disbursements of loans are often made several years later. Once the Export-Import Bank makes a loan commitment, it must honor that commitment by making disbursements to U.S. exporters when they ship the goods abroad. If the Export-Import Bank loan disbursements are treated as budgetary expenditures, the budgetary requirements would impose restraints upon commitments legally entered into years previously.

I think that the arguments in support of the committee amendment are weak, it should never have been adopted in the first place in the committee, and I am sure it will not be adopted now.

Mr. REES. Mr. Chairman, will the gentleman yield?

Mr. BROWN of Michigan. I yield to the gentleman from California.

Mr. REES. Mr. Chairman, I am very pleased to see the gentleman brought out the problem of forward loan commitments. Many of these Export-Import Bank loans are very complicated packages dealing with 5 or 10 manufacturers for a specific project overseas. Some of these projects for example could take 5 to 10 years and. therefore, we would have a very complicated series of disbursements over the life of the loans. If we get into the budget we will have a jam up on a loan-by-loan yearly budgetary squeeze and we can find many of these projects would be jeopardized.

Mr. BROWN of Michigan. Mr. Chairman, I thank the gentleman for his comments.

I think there is not an exporter or businessman around or a member of a labor organization that does not recognize the importance of the Export-Import Bank to the economy of this country. I do not think we want to put that Bank that does so much for the economy of this country into an on-again, off-again basis as might be the case if it were subjected to the budget constraints the amendment calls for.

Mr. DENT. Mr. Chairman, will the gentleman yield?

Mr. BROWN of Michigan. I yield to the gentleman from Pennsylvania.

Mr. DENT. Mr. Chairman, in order that there can be no misunderstanding, we have received correspondence from the A.F. of L. this morning saying they are in support of the amendment offered by the gentleman from Wisconsin (Mr. REUSS) and they say very specifically the least we can do is we should keep the Bank in the budget.

Those loans should be made with the needs of America in mind and we should not play favorites and that should be forbidden.

The gentleman is suggesting they take the opposite view. So let us let the RECORD show organized labor is in favor of the amendment.

Mr. BROWN of Michigan. If the gentleman will let me be heard, I suggested they support the Export-Import Bank and its activities. I said it should not be an on-again, off-again basis as it might be under the budget. I did not say the A.F. of L. or any other organization was supporting the defeat of the Reuss amendment. That was not my suggestion.

Mr. DENT. I thank the gentleman.

Mr. BROWN of Michigan. The gentleman knows or should know I take the position that the position he has cited on behalf of labor is not a correct position.

I think the gentleman has stated the position of organized labor with respect to the Reuss amendment and I trust he will be able to garner some, but few, votes for it.

Mr. DENT. The statement the gentleman just made, we find little in the Eximbank to deserve its continued support, despite the rhetoric of the Eximbank. There is little there that we can be proud of.

Let me quote the rest of his letter:

Specifically, we urge the rejection of an amendment that will take the Exim Bank out of the budget processes of the federal government. The special exclusion of the bank in the past has served to isolate it from the oversight operations of Congress. Certainly any low-interest rate, multi-billion dollar lending operation deserves close annual scrutiny in the budget.

The U.S. Treasury in a recently disclosed study declared that the loans for U.S. commercial jet aircraft failed to increase exports and have not helped employment in the U.S. aircraft industry. In fact, they hurt the U.S. balance of payments. The Treasury termed these loans a needless subsidy. To extend the same loan provisions to U.S. airlines would only compound the disaster. Foreign purchasers of U.S.-made aircraft can well afford the commercial borrowing rate. The amendment should be defeated and the Exim Bank should be required to refer foreign aircraft purchasers to normal commercial lending channels.

Overall, we find little in the Exim Bank to deserve its continued support. Despite the rhetoric of the Exim Bank representatives and that of the multinational firms, who have little stake in this nation, American workers are not benefiting from the Exim Bank's lending policies.

Therefore, at least, the Bank should be kept in the budget; its loans be made with the needs of America in mind, and loan favoritism to all airlines should be forbidden.

Mr. McKINNEY. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I seem to note that a great many comments have been made about keeping the Eximbank in the budget. Very clearly, the Eximbank is not in the budget, we removed it in 1971. I really am somewhat surprised when my colleague and close friend, the gentleman from Wisconsin, in 1971 stated that he thought we should remove it from the budget and that he would vote for this because exports were extremely necessary.

Well, I would suggest that today exports are probably far more necessary with the dollar problems we have and with the petroleum dollar problem we are going to have in the future.

Mr. REUSS. Mr. Chairman, will the gentleman yield?

Mr. McKINNEY. I would be delighted to yield.

Mr. REUSS. Something important has happened since 1971 and that was the fact that since March 1973, the dollar has floated. Therefore, the mad drive we all had on the dollar, including the gentleman from Wisconsin, for more exports has subsided. Now we have to consider the balance of benefits and that is why the change and I would hope others would see it.

Mr. McKINNEY. I would suggest that the mad drive we had for dollars in those days is nothing compared to the mad drive that we will have to offset the billions, probably over $500 billion, that we will be pouring out of this country and

Eurodollar pouring out of Western Europe to buy the petroleum to make our industries go.

But, members of the committee, I would like to say, there have been so many misconceptions expressed about the Eximbank that I question whether I have enough understanding of the English language or that I know what the people have been talking about in this House. We have heard statements such as the Eximbank spends billions and takes back peanuts. I have been in the legislature on the State level and I know about this governmental concept.

I suggest the Eximbank has developed an earning power which is close to a $100 million a year and I suggest President Ford and the Congress would not be confronted with the diabolical mess we have with inflation if the rest of our governmental agencies were even breaking even.

Then; I am told there is no control on the part of Congress. The annual budget message is printed in the RECORD and transmitted by the President to the Congress every year. The budget administrative program is separated. so we can clearly tell what it is doing with its money and that it is not running away with the taxpayers' dollars. Specific annual authorization ceilings are needed and given by the Congress so the bank can operate. Overall limitations are put on the various operations.

Now, the other story I hear is that the Bank has made 5-percent loans to Iran to give them oil drilling equipment. If somebody will give me proof in writing and prove they have done that, then I will accept it; but they have not done it.

Then we hear that in the last year we have been giving 5-percent loans to the Iron Curtain countries. The real fact is that the average rate is 8½ percent.

We know the Bank is the one hope we have when it comes to competing in equipment and goods that the rest of the world has to sell.

We had a debate on the floor of this House not too long ago where we said we are ging to limit the sale of atomic powerplants and yet we are going to be the only people that limit their sale with sanctions; we require safeguards, whereas France, England and probably India would be delighted to let them go at any terms.

There are a great many nations that make trucks that would like to sell them. There are a great many nations that make locomotives that would like to sell them. There are a great many nations that make planes and would like to sell, in particular the A-300 British-French air bus consortium is going to give us a real run for our money.

If we do not have the weapon of credit, the very original idea of the dynamic American market in our country; if we do not have that weapon of credit to deal with the rest of the world, we are going to reduce those markets and reduce our balance of trade. Quite frankly, I think we will go down the tube, because we have got to maintain the balance of payments if we are going to be a valid world power.

Mr. DENT. Mr. Chairman, I move to strike the necessary number of words.

My fellow Members, one of the great advantages of forcing the Bank through the budgetary system would be to give us somewhere near a reliable report. I have never seen one report which coincides with another report on the loans, terms, dates or anything else.

Let us take the Kama River Plant. On March 1973, it is listed as having a U.S. contract value of 342 millions of dollars, with the Eximbank loan participation of $153,950,000. Now, we just go to the next report from the Eximbank—and no report from subcommittees, oversight committees or anything else to the contrary—and now we find the Kama River Plant on March 21, 1973, 15 days later, the loan value is $86 million and the export sale is $225 million.

The truth of the matter is that for the first time, in violation of every concept of the Eximbank, the first time we were forced to put the money that we loaned into the Amtorg Bank, the Russian central bank, rather than in the hands of the depository in the United States to pay the American producers of the goods and products we shipped over to Russia. We have had to put the money in their central bank.

Again, we know it is a violation of the act for the Eximbank to finance purchase of domestic labor or domestic properties or line sites.

Yet, what have we done in Yugoslavia? In Yugoslavia, in a steel mill we will hear more about as it comes on line, with its products flowing into the United States because they will be able to get that hated word "chrome," where we will not, we have financed site location plant preparation and the wages of Yugoslav labor.

This Eximbank was organized in the fall of 1934, effective in 1935. It was organized for one specific purpose only. It was organized to take advantage of a then détente—which we call détente today—but it was a Bill Bullitt springboard into Russian goodwill. We decided to let this country finance for the foreign exchange starved Russian country—to finance for them exactly what we financed for the whole world.

That was under a Democratic administration. It took 40 years and a Republican administration to make the very first loan under that particular law to Russia. There is some suspicion that these loans are illegal. They say to me, "We do not loan any money to Russia, do we?"

I know we get a report. If it went through the budget, we would know—we would know that we have authorized equipment for a great iron foundry. American participation is the total, $30 million.

Take dry manufacturing equipment, $1,261,000. Then take the tableware and dishware plant. Where do the Members think that tableware is going to end up, on the tables of the GI's in the United States?

It is $6,893,000. There is not one tableware plant in the United States, and all the tableware plants in the United States put together have not been able to expand or to update their manufacturing processes to the tune of one-third of that amount of money in the last 20 years.

Surely, I am interested, and I have an amendment coming up. What am I interested in? I am not interested in closing the borders of the United States to competition. However, I am interested in closing the borders to that kind of competition that steals American jobs.

Mr. BLACKBURN. Mr. Chairman, I move to strike the requisite number of words, and I rise in support of the committee amendment.

Mr. Chairman, and Members of the Committee, what we are really discussing here is the question of whether or not Government involvement in the economy should be reflected in the budget.

If we appropriate money for the Eximbank, the Treasury would obviously have to go out and borrow the money because there are no surplus funds available for the Treasury to donate to the Eximbank.

What we are really wrestling with now is the question of whether or not we are going to be honest as to the true impact Government borrowing is having on our domestic capital markets. The truth of the mater is that the Eximbank is an agency of the Federal Government. No one argues that it is not. It is a basic fact that it issues debt obligations on the open market.

When constituents, whether they be businessmen or whether they be homeowners, go out to borrow money for their homes or for the building of their factories or the improvement of their plants, they have to compete with the full faith and credit of the U.S. Treasury.

If we are going to send a Federal instrumentality out into the capital markets to borrow money, no matter for what purpose, whether it be for homes or what have you, it should be responsive to the U.S. Congress. The committee amendment makes it responsive and responsible to the U.S. Congress by making its borrowings a part of the Federal budget.

We are just deluding ourselves when we say it should not be a part of the Federal budget. If we are assuming the obligation of underwriting all of the borrowings of this organization, why should we not also exercise realistic control over those borrowings?

Members of the House, we have heard many, many times the cry to bring our Federal budget under control and about the backdoor spending programs that we have created over the years that put many, many areas of our Federal budget out of our real control.

Whom are we kidding when we say that these borrowings really do not have any impact on our capital markets or interest rates at home? We are kidding only ourselves, and we are trying to kid the American taxpayers. We may succeed in deluding ourselves, but I can assure the Members that the homeowners and home buyers of America and the

businessmen of America recognize that they have unfair competition from a Federal agency.

I think it is only reasonable that we bring that agency under control of the budget so that we can respond to our constituencies when they ask how that bank is operating and for what purposes its money is being loaned.

More importantly, we should be honest by remembering that that Bank's operations have an impact on our Federal obligations by reason of our borrowings and through the capital markets.

Mr. Chairman, I would urge an acceptance of the committee amendment.

Mr. VANIK. Mr. Chairman, will the gentleman yield?

Mr. BLACKBURN. I will be happy to yield to the gentleman from Ohio.

Mr. VANIK. Mr. Chairman, I want to concur with and join in the remarks of the distinguished gentleman from Georgia. I support the language in the bill committee.

I think the borrowing of the Eximbank have a direct effect on everyone's interest rate throughout this country, and the borrowings of the Eximbank have a direct effect on inflation.

I think the contingent liabilities of this country are out of control, and I think they have to be monitored. The only way they can be monitored is to subject the banks to the regular budget process, and I certainly hope the committee language will be sustained.

Mr. BLACKBURN. Mr. Chairman, I thank the gentleman for his remarks.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. BLACKBURN. I yield to the gentleman from Iowa.

Mr. GROSS. I associate myself with the gentleman's remarks. I see no reason why there should not be some budgetary control of this operation.

Mr. BLACKBURN. What is really happening here is that we are being asked to admit that we made a mistake in 1971. Surely; I am not afraid to make that admission, and I urge my colleagues to make the same admission.

Mr. CONTE. Mr. Chairman, I move to strike the requisite number of words, and I rise in opposition to the committee amendment.

Mr. Chairman, I rise in opposition to efforts by this committee to include the activities of the Export-Import Bank in the Federal budget. I believe that such an inclusion would be both unwise and unwarranted at this time.

In 1971, Congress removed Eximbank from the budget by an overwhelming vote because the Bank does not use appropriated funds. Furthermore, the expenditures of the Eximbank result in and are offset by obligations payable to the bank—assets which have been proven over the years to be 99.98 percent collectable. Eximbank not only operates without appropriated funds, but has in fact paid a total of $906 million in dividends to the U.S. Treasury. To place Eximbank within the budget under current budgetary acounting procedures misleads the American public by attributing to the budget a deficit of approximately $1.5 billion annually, even though no appropriated funds are used.

Mr. Chairman, during the recent hearings of the respective Banking Committees on this bill, there was no study or investigation of the impact or ramifications of placing Eximbank back into the budget. I believe that to do so now would be precipitous action at its worst.

If the Bank were put back into the budget, it would be forced to raise funds by selling assets in the private market. Past experience would indicate that this would cost the Government from 1 to 2 percent more in interest costs than is incurred through direct borrowings.

The fact that Eximbank is outside of the budget in no way weakens congressional control over the level of Eximbank's activities. Specific annual authorizations and expense ceilings are recommended each year by the Appropriations Committees of both Houses and acted on by Congress in the Foreign Assistance and Related Programs Appropriations Act.

Mr. Chairman, I have sat on the Subcommittee of Appropriations for Foreign Operations for 16 years, save 2. We have had the Eximbank before us, and we have asked them questions. We have them there all day long. I am sure those hearings will be open, and that the gentleman from Louisiana (Mr. PASSMAN), will allow any Member of the Congress to come in and sit in those hearings and ask any questions of the Eximbank.

Mr. Chairman, the overall limitations on the Bank's activities during its statutory life are recommended by the Banking Committees of both Houses and approved by the Congress in the banks enabling legislation.

Perhaps the strongest reason for keeping the Bank out of the budget at this time is that the Budget Committee which has just recently been formed is about to undertake a full evaluation of the many issues and considerations which surround this matter. I believe that we should wait until the Budget Committee has completed its study and presented its recommendations on this matter before taking action on this matter.

One of the reasons we formed the Budget Committee was that our usual piecemeal approach to budgeting and appropriations resulted in excessive spending. I think that we should recognize that adoption of the committee amendment to return the Eximbank to the budget is exactly that sort of piecemeal action which we were trying to forestall.

I urge that Eximbank be kept out of the budget and this committee amendment defeated.

Mr. ANDERSON of Illinois. Mr. Chairman, will the gentleman yield?

Mr. CONTE. I yield to the gentleman from Illinois.

Mr. ANDERSON of Illinois. Mr. Chairman, I wish to join with the gentleman in expressing opposition to this amendment. I have great respect for both the gentleman who is its author and his expertise in this area of international finance. However, it seems to me that he ignores completely the distorting impact that the inclusion of the operations of the bank in the annual Federal budget would have; that that budget would then in effect reflect an additional $1½ billion deficit in the Federal budget, ignoring completely the fact that those expenditures are going to be, as the gentleman just suggested, collectible over a period of years to the tune of better than 99.98 percent.

So it is not really budget reform or budget control at all; it is budget distortion.

At least as the gentleman has said, let us wait until we have had the recommendations of our own Budget Committee before we rush into the adoption of an amendment which does not, as I understand it, even have the benefit of hearings within the House Committee on Banking and Currency.

I join the gentleman in opposition to the amendment.

Mr. ASHLEY. Mr. Chairman, I wonder if we can get some idea as to a limitation of time.

Mr. Chairman, I move that all debate on this amendment and all amendments thereto close in 10 minutes.

The motion was agreed to.

The CHAIRMAN. The Chair will recognize all Members who were standing at the time the motion was agreed to for three-quarters of a minute each.

The Chair recognizes the gentleman from New York (Mr. WOLFF).

Mr. WOLFF. Mr. Chairman, I rise in support of the committee amendment. I would like to say that this situation is very similar to the one we had with OPIC, the Overseas Private Investment Corporation, which is considered under the budget.

There is no reason why the Export-Import Bank does not belong in the same category.

Mr. Chairman, I ask unanimous consent that I be permitted to yield the balance of my time to the gentleman from Wisconsin (Mr. REUSS).

The CHAIRMAN. The Chair will state that the time of the gentleman from New York has expired.

The Chair recognizes the gentleman from Iowa (Mr. GROSS).

(By unanimous consent, Mr. GROSS yielded his time to Mr. ROUSSELOT).

The CHAIRMAN. The Chair recognizes the gentleman from California (Mr. ROUSSELOT).

Mr. ROUSSELOT. Mr. Chairman, I just want to comment on the statement made by my good colleague, the gentleman from Massachusetts (Mr. CONTE). Actually if we reject the committee amendment it will accomplish exactly the opposite. The committee amendment will prevent a piecemeal approach to this whole problem of the budget. That is why the gentleman from Wisconsin (Mr. REUSS) objected to eliminating the committee amendment, because we wanted to include this agency with many others. To say it is piecemeal is wrong; it

would be piecemeal if we leave out the committee amendment. So the gentleman could not be more inaccurate, in my judgment.

And with respect to my good friend and colleague, the gentleman from Illinois (Mr. ANDERSON), we have lots of long-term commitments in other agencies budgets. The social security system is one such agency, and we have many others. Nobody ever comes in and suggests we do not want to put that in the unified budget, because we have too many long-term commitments in such an agency; that argument just does not hold up. This should be included with all other agencies in the unified budget. What is wrong with it? If this Congress says we want to reassume the responsibility for knowing what the total budget is of this country, then we should reassume that responsibility and support the committee amendment and vote down the position of my good colleague, the gentleman from Ohio (Mr. ASHLEY).

(By unanimous consent, Messrs. VANIK and DENT yielded their time to Mr. REUSS.)

The CHAIRMAN. The Chair recognizes the gentleman from Ohio (Mr. WYLIE).

Mr. WYLIE. Mr. Chairman, I rise in support of the committee amendment. I will vote for the bill to continue the Export-Import Bank's operations, because it has done an outstanding job over the years, but I can see no reason why its operations should not be included in the unified budget. It is a creature of Congress, and it operates by sufferance of the Congress. I think all receipts and disbursements of all U.S. agencies should be included in the unified budget so as to facilitate closer scrutiny by the Congress. This amendment is not a question of encouraging the second guessing of the operations of the Export-Import Bank by Congress.

The purpose of this amendment is to determine the impact of Eximbank operations on our economy. We have included the Highway Trust Fund in the unified budget, the Social Security Trust Fund is now included in the unified budget and I think to determine the inflationary impact of Export-Import Bank operations, the Bureau of the Budget and our own new Budget Committee ought to have a chance to see what effect its loans might have on our economy. I really can see no harm in this amendment, and it might do some good to have the Export-Import Bank report to Congress on a continuing basis.

The CHAIRMAN. The Chair recognizes the gentleman from Wisconsin (Mr. REUSS).

Mr. REUSS. Mr. Chairman, a vote aye, a vote in favor of the committee amendment, means that one so voting wants to see that the Ex-Im Bank is in the Budget, available for annual scrutiny. I think that is where it ought to be.

It was suggested a moment ago that what Ex-Im Bank does is to make loans, and that the money ultimately comes back. So it does, but that is no reason for exempting it from the budget.

Aid makes loans, and that is included. Foreign military loans are made. They are included in the budget.

Just take Ex-Im for fiscal year 1973, during that little period when it was exempt from the budget. In that year it dispersed almost $2 billion of loans and received less than $1.3 billion back in repayments. The difference, more than $600 million, is a deficit. That is a drain on our national store of credit, and it hurts housing. That is a contributor to our inflation.

It seems to me we cannot take a sensible overall look at spending in this country unless we include things like the Ex-Im Bank. It is a modest committee amendment. I hope it will be supported.

(By unanimous consent, Messrs. CONTE and FRENZEL yielded their time to Mr. BROWN of Michigan.)

The CHAIRMAN. The Chair recognizes the gentleman from Michigan (Mr. BROWN).

Mr. BROWN of Michigan. Mr. Chairman, I think it is terribly important that we keep in mind what is before us. This is a committee amendment; a committee amendment which was offered by the gentleman from Wisconsin (Mr. REUSS) in committee and was adopted on a close vote. Those of us who oppose the committee amendment are urging the Members to vote "no" at this time since the question is on adoption of the committee amendment.

Not only do many of us on the committee urge such vote, the representatives of the Budget Committee urge a "no" vote; representatives of the Committee on Appropriations, as the Members have heard here today, urge a "no" vote; President Ford, when he was a colleague of ours in this body, urged a "no" vote, and I am sure his position is still the same. I would predict to my colleagues that when the vote is taken on this amendment, a majority of the Committee on Banking and Currency will vote "no" on this amendment.

Mr. ROUSSELOT. Mr. Chairman, will the gentleman yield?

Mr. BROWN of Michigan. I yield to the gentleman from California.

Mr. ROUSSELOT. I thank the gentleman for yielding.

How did this amendment get in the bill if not by a regular vote of the committee?

Mr. BROWN of Michigan. I think the gentleman should have been listening when I was in the well a short time ago and said it was adopted on a 17-to-15 vote in the absence of several members of the committee, including this member, who would have voted against the amendment. That is how it got in there, and I would suggest it is not truly a committee amendment, but an amendment which was adopted by less than even a majority of the full committee.

Mr. Chairman, I urge a "no" vote on the amendment.

Mr. J. WILLIAM STANTON. Mr. Chairman, will the gentleman yield?

Mr. BROWN of Michigan. I yield to the gentleman from Ohio.

Mr. J. WILLIAM STANTON. Mr. Chairman, I simply repeat the last time that this came before the House, it took the Bank out of the budget by a 249-to-112 vote. Mr. Chairman, I have the names here of anybody who wants to see how he voted the last time. I assume everybody will vote the same this time.

The CHAIRMAN. The Chair recognizes the gentleman from Ohio (Mr. ASHLEY).

Mr. ASHLEY. Mr. Chairman, the entire Congress twice has voted to exclude the operations of the Eximbank from the totals of the unified budget. It did so in 1971, and it did so just a little more than a month ago in this year 1974. Contrasted to this action of the full House of Representatives, indeed, the entire Congress, we find that in the full committee, not the Subcommittee on International Trade, but in the full committee, there were 17 votes to restore the operations of the Bank under the unified budget.

The question is a simple one. Are we going to rely upon the wisdom of these 17 Members who acted without any deliberation or are we going to follow the wisdom of the House on two previous occasions?

The CHAIRMAN. All time has expired.

The question is on the committee amendment.

The question was taken; and the Chairman announced that the ayes appeared to have it.

RECORDED VOTE

Mr. BROWN of Michigan. Mr. Chairman, I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 191, noes 202, not voting 41, as follows:

[Roll No. 514]

AYES—191

| | | |
|---|---|---|
| Abzug | Danielson | Jordan |
| Addabbo | Davis, S.C. | Karth |
| Anderson, Calif. | Davis, Wis. | Kastenmeier |
| Archer | Delaney | Kemp |
| Armstrong | Dellums | Ketchum |
| Ashbrook | Denholm | Lagomarsino |
| Badillo | Dennis | Landgrebe |
| Bafalis | Dent | Lehman |
| Bauman | Derwinski | Litton |
| Beard | Devine | Long, Md. |
| Bennett | Dingell | Lott |
| Bevill | Drinan | Luken |
| Biaggi | Duncan | McCollister |
| Bingham | Eckhardt | McKay |
| Blackburn | Edwards, Calif. | Macdonald |
| Boland | Fish | Mahon |
| Bowen | Flood | Mann |
| Bray | Flowers | Maraziti |
| Breckinridge | Flynt | Martin, N.C. |
| Brinkley | Fountain | Matsunaga |
| Brooks | Fraser | Mazzoli |
| Brown, Calif. | Froehlich | Melcher |
| Brown, Ohio | Gaydos | Metcalfe |
| Burgener | Gibbons | Mezvinsky |
| Burke, Calif. | Gilman | Miller |
| Burke, Mass. | Goldwater | Minish |
| Burleson, Tex. | Gonzalez | Mitchell, Md. |
| Burlison, Mo. | Goodling | Mollohan |
| Burton, John | Gross | Montgomery |
| Burton, Phillip | Hanley | Moorhead, Calif. |
| Byron | Hanrahan | Morgan |
| Carney, Ohio | Hawkins | Moss |
| Chappell | Hechler, W. Va. | Murphy, Ill. |
| Chisholm | Heckler, Mass. | Murphy, N.Y. |
| Clancy | Helstoski | Murtha |
| Clawson, Del | Henderson | Natcher |
| Clay | Hinshaw | Nichols |
| Cochran | Holt | O'Hara |
| Collins, Ill. | Holtzman | Parris |
| Conlan | Howard | Patman |
| Conyers | Huber | Pike |
| Crane | Hudnut | Price, Ill. |
| Daniel, Dan | Hungate | Randall |
| Daniel, Robert W., Jr. | Ichord | Rangel |
| | Jarman | Reuss |
| | Johnson, Calif. | |

| | | |
|---|---|---|
| Riegle | Skubitz | Vander Veen |
| Rinaldo | Slack | Vanik |
| Robinson, Va. | Smith, Iowa | Vigorito |
| Rodino | Snyder | Waldie |
| Rogers | Staggers | Walsh |
| Roncalio, Wyo. | Stark | Wampler |
| Rooney, Pa. | Steed | Whitten |
| Rose | Steelman | Wilson, |
| Rosenthal | Steiger, Ariz. | Charles H., |
| Roush | Stokes | Calif. |
| Rousselot | Stratton | Wilson, |
| Roy | Stubblefield | Charles, Tex. |
| Runnels | Studds | Wolff |
| Ryan | Sullivan | Wright |
| Sarbanes | Symington | Wylie |
| Satterfield | Symms | Yates |
| Scherle | Taylor, Mo. | Yatron |
| Schroeder | Taylor, N.C. | Young, S.C. |
| Seiberling | Traxler | Zwach |
| Shipley | Udall | |

NOES—202

| | | |
|---|---|---|
| Abdnor | Ginn | Pepper |
| Adams | Grasso | Perkins |
| Alexander | Grover | Pettis |
| Anderson, Ill. | Gubser | Pickle |
| Andrews, N.C. | Gude | Poage |
| Andrews, N. Dak. | Guyer | Powell, Ohio |
| Arends | Haley | Preyer |
| Ashley | Hamilton | Pritchard |
| Barrett | Hammer-schmidt | Quie |
| Bell | Hanna | Quillen |
| Bergland | Hansen, Idaho | Railsback |
| Biester | Harrington | Rees |
| Blatnik | Harsha | Regula |
| Boggs | Hastings | Rhodes |
| Bolling | Hays | Roberts |
| Brademas | Heinz | Robison, N.Y. |
| Breaux | Hicks | Roe |
| Broomfield | Hillis | Roncallo, N.Y. |
| Brotzman | Horton | Rostenkowski |
| Brown, Mich. | Hosmer | Roybal |
| Broyhill, N.C. | Hunt | Ruppe |
| Broyhill, Va. | Hutchinson | Ruth |
| Buchanan | Johnson, Colo. | Sandman |
| Burke, Fla. | Johnson, Pa. | Sarasin |
| Butler | Jones, N.C. | Schneebeli |
| Camp | Jones, Okla. | Sebelius |
| Carter | Jones, Tenn. | Shoup |
| Casey, Tex. | Kazen | Shriver |
| Cederberg | King | Shuster |
| Chamberlain | Kluczynski | Sikes |
| Clark | Kuykendall | Sisk |
| Clausen, Don H. | Kyros | Smith, N.Y. |
| Cleveland | Latta | Spence |
| Cohen | Lent | Stanton, J. William |
| Collier | Long, La. | Stanton, James V. |
| Collins, Tex. | Lujan | Steiger, Wis. |
| Conable | McClory | Talcott |
| Conte | McCloskey | Thompson, N.J. |
| Corman | McCormack | Thomson, Wis. |
| Cotter | McDade | Thone |
| Coughlin | McEwen | Thornton |
| Cronin | McFall | Tiernan |
| Culver | McKinney | Towell, Nev. |
| Daniels, Dominick V. | Madden | Treen |
| de la Garza | Madigan | Ullman |
| Dellenback | Martin, Nebr. | Vander Jagt |
| Dickinson | Mathias, Calif. | Veysey |
| Dorn | Mathis, Ga. | Waggonner |
| Downing | Mayne | Ware |
| Dulski | Meeds | Whalen |
| du Pont | Michel | White |
| Edwards, Ala. | Milford | Whitehurst |
| Erlenborn | Mills | Widnall |
| Esch | Mink | Wiggins |
| Eshleman | Minshall, Ohio | Williams |
| Evans, Colo. | Mitchell, N.Y. | Wilson, Bob |
| Fascell | Mizell | Winn |
| Findley | Moakley | Wyatt |
| Fisher | Moorhead, Pa. | Wydler |
| Foley | Mosher | Young, Alaska |
| Forsythe | Myers | Young, Fla. |
| Frelinghuysen | Nelsen | Young, Ga. |
| Frenzel | Nix | Young, Ill. |
| Frey | Obey | Young, Tex. |
| Fuqua | O'Brien | Zablocki |
| Gettys | O'Neill | Zion |
| Giaimo | Owens | |
| | Passman | |
| | Patten | |

NOT VOTING—41

| | | |
|---|---|---|
| Annunzio | Fulton | Koch |
| Aspin | Gray | Landrum |
| Baker | Green, Oreg. | Leggett |
| Brasco | Green, Pa. | McSpadden |
| Carey, N.Y. | Griffiths | Mallary |
| Davis, Ga. | Gunter | Nedzi |
| Diggs | Hansen, Wash. | Peyser |
| Donohue | Hébert | Podell |
| Eilberg | Hogan | Price, Tex. |
| Evins, Tenn. | Holifield | Rarick |
| Ford | Jones, Ala. | Reid |
| Rooney, N.Y. | Stephens | Van Deerlin |
| St Germain | Stuckey | Wyman |
| Steele | Teague | |

So the committee amendment was rejected.

The result of the vote was announced was above recorded.

The CHAIRMAN. If there are no further amendments to section 1, the Clerk will read.

The Clerk read as follows:

SEC. 2. Immediately after the second sentence of section 2(b)(1) of such Act insert the following new sentence: "The Bank shall, in cooperation with the export financing instrumentalities of other governments, seek to minimize competition in Government-supported export financing.".

AMENDMENT OFFERED BY MR. DENT

Mr. DENT. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. DENT:

Section 2 of the bill H.R. 15977 is amended by inserting immediately following line 21 on page 2 the following new subsection:

(b) The last sentence of section 2(b)(1) of such Act is amended by striking out all after the third semicolon and inserting in lieu thereof the following: "and that the Board of Directors shall not authorize loans, guarantees, or insurance which would substantially and adversely affect the competitive position of any United States industry in foreign or domestic markets, the employment of labor within the United States, or the availability of materials which are in short supply in the United States."

Mr. DENT. Mr. Chairman, this amendment specifically puts the following provision in this act:

And that the Board of Directors shall not authorize loans, guarantees, or insurance which would substantially and adversely affect the competitive position of any United States industry in foreign or domestic markets, the employment of labor within the United States, or the availability of materials which are in short supply in the United States.

I have heard so many times about how this bill or this act creates American jobs and gives us favorable balances of trade. Exactly the opposite is true, for if the assertion were true, we would not have 68 million reaching into the public treasury or the public trough, as it were, directly and indirectly.

We have more individuals today unemployed, because they are drawing social security, than ever before, more who are drawing straight out-and-out welfare, more who are receiving private pensions, making up the total of 68 million Americans that Mr. Hoover did not have the benefit of. In Mr. Hoover's day, every person who could breathe was counted as unemployed.

Right now, today and every day that we lend money to build a competitive production facility somewhere in the world, we are destroying American jobs. Every time we ship materials out of this country, we decrease our productiveness and our production, because we have short supplies of materials needed for production, and we are creating unemployment.

Right now, today, I defy any Member of this Congress to take a list of 10 ordinary items used around the house, both for consumption and for daily use of some kind, and walk into one single store and fill that order for the 10 products he is looking for. We have never been so devoid of shelf products in our lives before.

Why? We talk about our great new need for productivity. How are we going to have productivity when we do not have the plants to produce products?

Right now, today, we are going to lose millions of pounds of produce that cannot be canned or put up for the winter use of families or of the American merchandising industry, because we have no containers, because we cannot get lids to seal the containers.

Why? Productivity? We have not the facilities to produce. We cannot produce today the needs of 210 million people, because we have closed production facilities.

The only entity that profits from the Ex-Im Bank is the conglomerate entity internationally based. Ordinary little plants out in small communities are as far away from getting any kind of help with this kind of loan as they would be if that particular industry was not even in existence.

Mr. Chairman, this amendment does not force the bank to do anything. It is offered just to measure the impact of productivity and financing production facilities in a competitive line of production.

Mr. Chairman, I will live to see the day, if God is willing, when the minds of these Members will not be working in the past.

I thank the gentleman for trying to secure order, but you know and I know that you cannot make people listen when they do not want to hear. They do not want to hear, because they know that everything I say is backed up by the history of this legislation. It is backed up by the simple facts that are there for everyone to see.

You measure it by what? You measure it by the shortages in your stores across the country.

The CHAIRMAN. The time of the gentleman has expired.

(By unanimous consent, Mr. DENT was allowed to proceed for 2 additional minutes.)

Mr. DENT. Mr. Chairman, you measure it by the number of your citizens in your own localities who are unemployed. You measure it by the fakery that has been thrown out to the American people that this helps balance the payments. If it does, how then, since we began this bill, have we dropped from a nation that was owed $37 billion by foreign countries to a position where we now owe foreign countries $108 billion? How can you lose money if you are making money? And why are we now under the threat of foreign countries buying up all of our national and natural resources, buying up our banks, buying up our distribution centers, buying up our truck lines? Why? Because they have the dollar that they bought for 64 to 66 cents, and they are spending it here at an American dollar rate of $1. And so they are buying everything up they can. With what? With money they got from us.

If you want another illustration, here is one:

We have loaned Iran through the Export-Import Bank $2,876,000,000. Iran just loaned Great Britain $2 billion. You can bet that they got more than the 6 percent that we received from Iran.

What did they give it to them for? For pipe factories, thermonuclear powerplants, all of the things that we now need in America. You cannot go into any community and build anything with American made products.

Mr. Chairman, for the last several months, the existence and purpose of the Export-Import Bank have been extensively debated and examined. At a time when domestic interest rates are at a record high, the mere mention of money available at 6 to 8 percent interest is enough to turn the most casual head. Further clarification finds that in an effort to maintain the competitiveness of U.S. exporters abroad and to insure a fair share of the world market for the U.S. exporter, such money is available only to those foreign entities who buy American goods. On the face of it, that is a sound purpose. To my way of thinking, in a constantly changing economic world, where most governments heavily subsidize their industries much more so than we in the United States do, it is important that the Federal Government protect U.S. industries and workers. You have heard me time and again support Federal protection of industries and workers heavily affected by our trade policies, particularly by excessive imports, urging you to recognize the fact, as most of you do here today, that there are occasions when assistance and protection of American industry, whether regulatory or monetary, is warranted.

Whether protecting the competitive position of U.S. industries and workers affected by exports, or protecting the competitive position of U.S. industries and workers affected by imports, the issue remains the same. Yet, many of my colleagues who support the continued existence of the Export-Import Bank, have consistently characterized the efforts by those of us concerned with the effects of a trade policy that allows excessive import penetration on domestic production capabilities as "protectionist," and joined against us, insisting that "free trade" was the only rational course, and to offer protection to industries and workers affected by excessive imports would interfere with free market forces. Yet, here we are today, anticipating passage of a bill, whose purpose is to protect the competitive position of American industry in world markets.

My position relative to insuring the continued competitiveness of U.S. industries has not changed. My reservations with the Eximbank do not stem from its purpose, but rather from the effects of its transactions on smaller domestic industries, those companies which are not multinationals, and the workers employed by these businesses. Additionally, I am concerned that Eximbank does not make effective use of its resources, often extending credit without reasonable justification. Indeed, as early as February 1973, the General Accounting Office recognized that the Bank fell short in very serious areas, and recommended that the following actions be taken:

First. Eximbank should develop a system to provide management with information to determine essentiality of its financing.

Second. Eximbank should develop a system to determine countries and products in greatest need of Eximbank financing.

I include the following:

EXHIBIT E—PART 1

EXPORT-IMPORT BANK OF THE UNITED STATES– APPROVED CREDITS, U.S.S.R.

| Buyer | Item | U.S. contract value (thousands) | Exim loan | Approved |
|---|---|---|---|---|
| 1. Mashinoimport | Submersible electric pumps | $25, 937 | $11, 672 | Feb. 21, 1973 |
| 2. Stankoimport, Techmashimport | Plant to produce tableware and dishware | 6, 893 | 3, 102 | Mar. 5, 1973 |
| 3. Avtopromimport, Metallurgimport, Stankoimport | Kama River truck plant | 342, 120 | 153, 950 [1] | Mar. 5, 1973 |
| 4. Technopromimport | 250 circular knitting machines | 5, 620 | 2, 529 | Sept. 6, 1973 |
| 5. Stankoimport | 2d tableware | 21, 833 | 9, 825 | Nov. 26, 1973 |
| 6. Stankoimport | 2 assembly lines for manufacturing pistons | 12, 902 | 5, 806 | Do. |
| 7. Mashinoimport | 38 gas reinjection compressors | 26, 252 | 11, 813 | Dec. 20, 1973 |
| 8. Mettalurgimport | Iron ore pellet plant | 36, 000 | 16, 200 | Do. |
| 9. Stankoimport | Machining friction drums | 5, 580 | 2, 511 | Do. |
| 10. Stankoimport | Transfer line for manufacturing pistons | 15, 722 | 7, 075 | Do. |
| 11. Techmashimport | Acetic acid plant | 44, 515 | 20, 032 | Feb. 21, 1974 |
| 12. Ufa Motor Works | Transfer line for machine flywheels | 7, 458 | 3, 356 | Feb. 28, 1974 |
| 13. Traktoroexport | Canal building equipment | 6, 600 | 2, 970 | Mar. 22, 1974 |
| 14. Stankoimport | Valve making machinery | 4, 700 | 2, 115 | Do. |
| 15. U.S.S.R. Chamber of Commerce and industry and Moscow city council | International trade center | 80, 000 | 36, 000 | Do. |
| Total | | 642, 132 | 288, 956 | |

[1] Credit increased.

Note: In addition to the above are the following guarantees in the form of preshipment covers to U.S. exporters: Number—10; amount—$116,932.

UPDATE OF APPROVED CREDITS TO SOVIET UNION FROM EXIM BANK

| Buyer | Item | U.S. value (thousands) | Exim loan | Approved |
|---|---|---|---|---|
| Techmashimport-Promsyrioimport | Ammonia plant | $400, 000 | 180, 000 | May 21, 1974 |
| Pending credit applications: | | | | |
| Stankoimport | Transfer lines for crankshaft half bearings | 41, 000 | 18, 453 | Jan. 10, 1974 |
| Pending preliminary commitments: (No action taken, not yet approved) | | | | |
| 1. Ministry of geology | Yakutsk exploration phase/development of natural gas | 110, 000 | 49, 500 | |
| 2. Mashinoimport | Oil pipeline pressure regulators | 10, 000 | 4, 500 | |
| 3. Metallurgimport | Tractor factory | 50, 000 | 22. 500 | |

APPENDIX I

PRODUCTION FACILITIES SUBSIDIZED

| Country | Release date [1] | Loan | Export sale | Purpose | Terms | Other financing |
|---|---|---|---|---|---|---|
| U.S.S.R. | 10/1/73 | $2, 529, 000 | $5, 620, 000 | 250 circular knitting machines from Rockwell Int'l of Pittsburgh to produce fabrics for shoes, play toys and lining. | 6%—14 semiannual installments starting 2/10/75 | Bankers Trust, N.Y.—45% and Bank for Foreign Trade of USSR—10%. |
| Yugoslavia | 10/1/73 | 47, 600 | 56, 000 | Feasibility study and engineering services for a 500 MW thermal power station (Chas. T. Main Int'l of Boston). | 6%—4 semiannual installments beginning 11/5/76 | Energoinvest of Sarajevo guaranteed by Privredna Banka. |

APPENDIX I—Continued

PRODUCTION FACILITIES SUBSIDIZED—Continued

| Country | Release date[1] | Loan | Export sale | Purpose | Terms | Other financing |
|---|---|---|---|---|---|---|
| Poland | 7,26,73 | $22,320,000 | $49,600,000 | 2 meat processing plants—A. Epstein Companies, Inc. | 6%—20 semiannual installments beginning 2,10,76. | Morgan Guaranty Trust, N.Y. 45%—Bank Handlowy w Warszawie, S.A. 10%—guarantee for Ex-Im Polish People's Republic. |
| Poland | 7,11,73 | 1,094,850 | 2,433,000 | Cyber 72-14 computer system from Control Data Corp. | 6%—10 semiannual installments beginning 10,5 73. | Security Pacific National Bank of Los Angeles—45% Bank Handlowy w Warszawie, S.A. 10%—guarantee by Government of Poland. |
| USSR | 3,21,73 | 86,450,000 | 225,000,000 | Kama River Truck Plant (equipment to produce trucks and engines). | 6%—24 semiannual installments beginning 10 10/77. | Chase Manhattan 45%—no guarantee from Eximbank Vneshtorgbank—10%. |
| | 3/21/73 | 3,101,912 | 6,893,138 | Tableware and dishware plant | 6%—14 semiannual installments beginning 3 10 76. | Wells Fargo Bank—45% no guarantee from Eximbank Vneshtorgbank—10%. |
| | 3/21/73 | [2] 11,671,650 | 25,937,000 | 500 electric pumping units | 6%—14 semiannual installments beginning 8,5,74. | Consortium headed by French American Banking Corp.—no guarantee—45% Vneshtorgbank—10%. |
| Poland | 8,29,73 | 13,500,000 | 30,000,000 | Equipment for Gray Iron Foundry | 6%—20 semiannual installments beginning 2 15 76. | Morgan Guaranty syndicate—45%—Handlowy W Warszawie S.A.—10%. |
| | | 567,000 | 1,261,000 | Tape drive manufacturing equipment | 6%—semiannual installments (10) beginning 5,1 74. | United Bank of California 10% by borrower. |
| Poland | 9,24,73 | 2,680,740 | 5,957,200 | State Foreign Trade Enterprise to purchase weaving looms to produce cotton fabrics supplied by Rockwell Int'l of Pittsburgh. | 6%—14 semiannual installments beginning 11,5 74. | Another U.S. source—45% 10% Varimex. Guaranteed by the Polish Government. |
| Yugoslavia | 9,24,73 | 1,350,000 | 3,000,000 | Oil production equipment (from division of Youngstown Sheet & Tube Company. | 6%—10 annual installments beginning 5,5,75. | 45% Continental Bank International of New York—Borrower will make cash payment or $300,000. |
| Poland | 2,22,73 | 8,910,000 | 19,800,000 | 2 meat processing plants | 6%—20 semiannual installments beginning 8,10 73. | First National Bank of Chicago 45%—Bank Handlowy w Warszawie, S.A. 10%. |
| Yugoslavia | 3,14,73 | 5,208,000 | 11,574,000 | Equipment for television network | 6%—20 semiannual installments | Bank of America—45% guaranteed by Ex-Im Bank—10% from Yugoslavia trading companies. |
| Poland | 4,5,73 | 1,989,000 | 4,420,000 | Steel rolling mill | 6%—17 semiannual installments beginning 6,15 75. | $1,985,000 Chase Manhattan Bank—10% Bank Handlowy w Warszawie, S.A. |
| Romania | 5,31,73 | 823,500 | 1,800,000 | Synthetic rubber plant | 6%—10 semiannual installments beginning 2,5,75. | $823,500 Morgan Guaranty Trust Co. of New York 10% guaranteed from ROMCHIM (Romanian State Enterprise for Foreign Trade). |
| Romania | 6,18,73 | 1,762,875 | 4,000,000 | Nuclear plant research center | 6%—14 semiannual installments beginning 7,31 76. | U.S. supplier Gulf Energy and Environmental Systems Co. of San Diego 8 9% ROMENERGO 15% First National City Bank (AEC will provide enriched UF6 to GEES). |
| Romania | 5,9,73 | 12,937,750 | 29,000,000 | Tire plant (radial etc. 1 million capacity) Gen'l Tire technology, design plant layout, engineering procurement, personnel training. | 6% 20 semiannual installments beginning 8 10 76. | 45% Other sources 10% ROMC HIM guaranteed by the Romanian Bank for Foreign Trade. |
| Yugoslavia | 10 12 73 | 2,087,000 | 5,950,000 | Fiberboard plant | 6% 16 semiannual installments beginning 3,10 76. | 45% French American Banking Corp. 10% Krivaja. |
| Poland | 6,11 73 | 696,800 | 1,548,000 | Components for crawler tractors (Int'l Harvester). | 6%—semiannual 10 installments beginning 8,5 74. | Morgan Guaranty Trust Co. |
| Poland | 5 8 73 | 2,610,000 | 5,800,000 | Furnaces for a steel plant in Poland—9 vacuum annealing furnaces for 50,000 ton per year silicon steel production. | 6%—17 semiannual installments beginning 2,10,76. | Continental Illinois National Bank and Trust Co. of Chicago 45% Bank Handlowy w Warszawie S.A. 10%. |
| Yugoslavia | 5,25,72 | 217,500 | 255,000 | Feasibility study for an integrated steel plant. | 6%—4 semiannual installments beginning 2,15,73. | Koppers Company, Inc. Pittsburgh will put up $12,000—Borrower $25,500. |
| Romania | 9 15 72 | 1,191,809 | 3,178,164 | Offshore drilling platform equipment | 6%—10 semiannual installments beginning 1,15,76. | Manufacturers Hanover Trust Company 37.5% Impexmin of Bucharest 10%. |
| Yugoslavia | 12,4,72 | 11,250,000 | 25,000,000 | Bor mining complex | 6%—10 semiannual installments beginning 2,15,79. | 45% Girard Trust Bank of Philadelphia Rudarski-Topionicarski Basen Bor (R.T.B. Bor) 10%. |

[1] Information on these tables are examples from Eximbank press releases. All details are not included in each case. Some indications of various types of loans, credit guarantees and repayment guarantees have been noted. Eximbank loan usually provides 45% of U.S. cost at 6%. Eximbank may guarantee other U.S. financial support. Repayment is often guaranteed by foreign country particularly USSR and Bloc Countries.

[2] Authorized.

| Country | Release date[1] | Export sale | Amount of loan | Purpose | Terms | Other finance | Multinational |
|---|---|---|---|---|---|---|---|
| Brazil | 6 7 73 | $2,700,000 | $1,237,000 | Expand pulp and paper mill | 6%—14 semiannual installments beginning 11,10 75. | 10% from borrower and Eximbank guaranteed First National City Bank loan $1,237,000. | Champion Int'l Corp. and 92% owned Champion Papel e Celulose, S.A. |
| Brazil | 4,4,73 | 1,705,000 | 726,250 | Equipment and services for polystyrene plant. | 6%—12 semiannual installments beginning 8,10 74 repayment guaranteed by Dow Chemical. | 10% from borrower and 45% from Bank of America. Repayment guaranteed by Dow Chemical. | Dow Chemical, U.S. and Dow Quimica subsidiary of Dow Chemical of Midland, Mich. |
| Mexico | 3 26,73 | 20,000,000 | 9,000,000 | Equipment, material, and services for terephthalate plant. | 6%—16 semiannual installments beginning 11,10 75. | $9 million guarantee, from group headed by FNCB. | Petrocel—(Hercules Inc. "plans to hold a 40% interest in Petrocel"). |
| Malaysia | 3 28,73 | 3,500,000 | 1,575,000 | Goods and services for a tube and tire factory. | 6%—10 semiannual installments beginning 8,10,74. | 10% Goodyear; guarantee of $1,575,000 from Morgan Guaranty Trust. | Goodyear Malaysia Berhad 51% owned by Goodyear Tire and Rubber. |
| Brazil | 1,4,73 | 10,000,000 | 4,500,000 | Goods and services for fertilizer plant. | 6%—16 semiannual installments beginning 8 10 75. | 10% COPEBRAS of Sao Paulo—Eximbank guaranteed loan of $4,500,000. | COPEBRAS is 70% owned by Cities Service Company. |
| Taiwan | 7,10,72 | 3,900,000 | 1,250,000 | Goods and services for polyethylene plant. | 6%—5 semiannual installments beginning 11,15 76. | 10% and USI Far East Eximbank guarantee of $1,250,000 from FNCB. | USI Far East is 80% owned subsidiary of National Distillers and Chemical Corp. |
| Holland | 5,22,72 | 725,000 | 261,000 | Help finance acquisition of U.S. movie ("The Great Northfield Minnesota Raid"). | 6%—4 semi-annual installments beginning 7 15 73. | 10% MCA Int'l N.V. and Eximbank financial guarantee of $26,000 loan from Bank of America. | MCA International—a Dutch incorporated subsidiary of MCA, Inc. |
| Mexico | 9,29,72 | 3,308,493 | 1,516,000 | Goods and service for expansion of tire plant in Mexico. | 6%—24 quarterly installments beginning 2 31 75. | 10% General Popo $1,516,000 Chase Manhattan Bank. | General Popo (1932 established majority owned Mexican subsidiary of General Tire and Rubber, Akron, Ohio). |
| Venezuela | 3,14,73 | 3,200,000 | 1,440,000 | Equipment & services for expansion of tire plant in Venezuela. | 6%—10 semi-annual installments beginning 3 10 74. | 10% C. A. Goodyear de Venezuela $1,440,000 loan from First Nat'l Bank of Boston. | Goodyear Tire and Rubber, Co. of Akron, Ohio Goodyear de Venezuela. |

Footnotes at end of table.

| Country | Release date[1] | Export sale | Amount of loan | Purpose | Terms | Other finance | Multinational |
|---|---|---|---|---|---|---|---|
| Brazil | 5/25/73 | $1,600,000 | $705,000 | Automotive valve equipment. | making 6%—10 semi-annual installments beginning 9/5/74. | 10% Eaton S.A. of Brazil Expected loan of $705,000 from First National City Bank. | Eaton S. A. of Brazil and Eaton Corp. of Cleveland Ohio. |

[1] Information on these tables are examples from Eximbank press releases. All details are not included in each case. Some indication of various types of loans, credit guarantees and repayment guarantees have been noted. Eximbank loan usually provides 45% of U.S. cost at 6%. Eximbank may guarantee other U.S. financial support. Repayment is often guaranteed by foreign country particularly USSR and Bloc Countries.
[2] Authorized.

| Country | Release[1] date | Loan | Export sales | Purpose | Terms | Other financing |
|---|---|---|---|---|---|---|
| Taiwan | 7/20/73 | $576,725 | $1,357,000 | Textile manufacturing equipment | 6%—10 semiannual installments beginning 11/10/74. | Eximbank Guarantee of loan for $576,725 from private U.S. sources. Repayment of all loans guaranteed by China Unit Trust and Investment Corp. |
| Singapore | 9/10/73 | 642,000 | 1,400,000 | 2 electric arc furnaces and related equipment and services for iron and steel mills. | 6%—14 semiannual installments beginning 5/20/75. | Loan of $642,000 from Bank of America 10% from borrower. |
| Turkey | 8/29/73 | 3,690,550 | 8,600,000 | Textile manufacturing equipment | 6%—14 semiannual installments beginning 11/10/75. | Eximbank Financial guarantee of $2,222,550 North Carolina National Bank Borrower will make cash payment of balance of U.S. costs—$493,900. |
| Malaysia | 8/10/73 | 1,204,000 | 2,800,000 | 1,008 automatic looms, related materials and services (textile). | 6%—14 semiannual installments beginning 11/10/74. | $1,204,000 Chase Manhattan Bank of Kuala Lumpur Pentex Sendirian Berhad (Penang, Malaysia), $425,000. |

[1] Information on these tables are examples from Eximbank press releases. All details are not included in each case. Some indications of various types of loans, credit guarantees and repayment guarantees have been noted. Eximbank loan usually provides 45% of U.S. cost at 6%. Eximbank may guarantee other U.S. financial support. Repayment is often guaranteed by foreign country particularly USSR and Bloc Countries.
[2] Authorized.

Mr. ASHLEY. Mr. Chairman, I do this reluctantly, but the hour is late, the Members are tired and, although I do not even like to suggest cutting off debate, I would like to get a consensus of how many Members might want to speak on this amendment.

Mr. Chairman, I move that all debate on this amendment and all amendments thereto close at 20 minutes after 6.

The motion was agreed to.

The CHAIRMAN. The Chair will recognize the Members who were standing at the time the motion was agreed to for 1 minute each.

(By unanimous consent, Mr. ASHLEY yielded his time to Mr. REUSS.)

The CHAIRMAN. The Chair recognizes the gentleman from Missouri (Mr. ICHORD).

Mr. ICHORD. Mr. Chairman, I rise in favor of the amendment. For the purpose of making legislative history, I would yield to the gentleman from Pennsylvania. I have complained repeatedly about the Exim bank making loans to Lufthansa, BOAC, and other international airlines at 6 percent, while Pan American, TWA, our own domestic airlines had to borrow money at as much as 12 percent. It would appear to me that such loans do adversely affect American airlines.

Would such loans to Lufthansa and other foreign airlines be covered by the gentleman's amendment and be prohibited?

Mr. DENT. I thank the gentleman for asking that question.

The U.S. Treasury in a recently disclosed study declared that the loans for U.S. commercial jet aircraft under the Exim bank failed to increase exports and did not help employment in the United States.

The CHAIRMAN. The Chair recognizes the gentleman from Illinois (Mr. FINDLEY).

Mr. FINDLEY. Mr. Chairman, I rise in opposition to the amendment.

I call the attention of the Members to language in the amendment which I feel is so loosely and poorly drafted that it could effectively keep the Eximbank from financing even the import of petroleum products.

It would be an invitation to law suits and hobble, rather than promote trade expansion.

(By unanimous consent, Mr. HANNA yielded his time to Mr. REES.)

(By unanimous consent, Mr. JOHNSON of Pennsylvania yielded his time to Mr. BROWN of Michigan.)

The CHAIRMAN. The Chair recognizes the gentleman from California (Mr. REES).

Mr. REES. Mr. Chairman, before I came to Congress, I was an exporter, and I used to export American-made goods to other countries. I never used the Eximbank, because I was kind of one of these nickel-and-dime exporters, but I thought I was doing some good for this economy when I was exporting. I thought I was helping to create jobs, especially in California where I had my office.

What this amendment does, I really do not know because of its overbroad language. Let me read to the Members though what the law is today. This is the policy statement in the present Export-Import Bank Act of 1945:

> It is the policy of the United States to foster expansion of exports of goods and related services, thereby contributing to the promotion and maintenance of high levels of employment and real income to the increased development and productive resources of the United States.

That is just what the Eximbank does. It finances exports of American products to other countries. Many times people say, "Well, you are exporting jobs," because we find we cannot compete in most of the world. As a result, this country has concentrated in and become the greatest technical-resource country in the world today, because we have gone into the field of aerospace; we have gone into the field of computers; we have gone into the field of advanced science technology, and this is what we sell abroad.

As I said before, our oil import bill is rising from $8 billion last year to $20 billion this year, and we had better export. We had better realize that unless we export and keep the market healthy, unless we keep our industries going at full capacity, like the aircraft companies in my district such as Douglas and Lockheed, we are not going to survive in an international competitive market.

This amendment as it is is very vague. It might well adversely affect industry in the United States. It hurts our competitive position. I do not see how any board of directors, with the language offered by the gentleman from Pennsylvania, could make a rational decision on any project loan of the Eximbank.

Mr. Chairman, I would urge this committee to vote no on the amendment.

The CHAIRMAN. The Chair recognizes the gentleman from Ohio (Mr. J. WILLIAM STANTON).

Mr. J. WILLIAM STANTON. Mr. Chairman, I rise in opposition to the amendment. I wish to point out to the members of the committee that I do not think the gentleman from Pennsylvania really meant it when he said the Eximbank loans go only to the big cities and to the big companies. I do not know about Pennsylvania but I know in my own congressional district there are small companies and I could name companies with 50 to 75 employees which do business through the Eximbank. There is a town of Wickliffe in the district of the gentleman from Ohio (Mr. VANIK) and there are small companies in my district that do business with the Bank.

Mr. DENT. Mr. Chairman, will the gentleman yield?

Mr. J. WILLIAM STANTON. I yield to the gentleman from Pennsylvania.

Mr. DENT. Mr. Chairman, what product do they make?

Mr. J. WILLIAM STANTON. Mr. Chairman, one company make meters and the other makes a product which goes into a hospital and the other makes veneer equipment.

The CHAIRMAN. The Chair recognizes the gentleman from Minnesota (Mr. FRENZEL).

Mr. FRENZEL. Mr. Chairman, I rise in opposition to the amendment. In 1971

this committee and this House put into the law the requirement that the Board of Directors had to take into account the possible adverse effects on the U.S. economy. Under that direction, I think the Board has acted responsibly and that is a direction with which they are familiar.

But the language in the Dent amendment requires somehow that these people who are essentially bankers will now be obliged to make some kind of study of availability of materials in short supply in the United States. That is a job for another agency and a determination for other people to make. It will unnecessarily confuse the act, and the Bank, and will disrupt bank operations when its purpose is to create and support American jobs. The Bank supports 800,000 American jobs in this country.

The amendment should be defeated.

The CHAIRMAN. The Chair recognizes the gentleman from Michigan (Mr. BROWN).

Mr. BROWN of Michigan. Mr. Chairman, one thing we must keep in mind is that the Eximbank is not the only lending institution in the world. There are many other counterparts throughout the world. The Germans have one and the French have one and the Japanese have one. Every nation has an Eximbank of sorts. And every one of those institutions lends money in the financing of exports at better rates and better terms than does the Eximbank.

A recent survey of the Eximbank credits for goods which contribute to the productive capacity of foreign countries reveals that such credits were made largely to buyers which would have proceeded with the project in any event but would have purchased the goods from non-U.S. sources.

So what the Dent amendment would propose to do, would be totally ineffective in denying to the nation involved, the productive activity, would basically only be punitive to our exporters, and, would have no impact upon the competitive position of those products in our economy domestic or foreign.

Also some of the products financed or assisted by the Eximbank are projects such as power projects and things of that nature which would have an indirect effect upon agriculture, for instance. I think the gentleman from Pennsylvania would agree that agriculture is an industry. This means we are not going to help developing countries or anybody else through the Eximbank financing because it would, as the amendment says, adversely affect the competitive position of U.S. industry in foreign or domestic markets.

It is obvious the amendment is not sound. It is obvious the amendment should be defeated.

The CHAIRMAN. All time on the amendment has expired.

The question is on the amendment offered by the gentleman from Pennsylvania (Mr. DENT).

The amendment was rejected.

AMENDMENT OFFERED BY MR. BLACKBURN

Mr. BLACKBURN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BLACKBURN: Page 2, line 17, after "SEC. 2." add (1).

After line 21, add: "(2) Section 2(b) of such Act is amended by adding at the end thereof the following new paragraph:

"(6)(A) The Bank shall not provide guarantees, insurance, and extensions of credit at rates of interest which are less than one percentage point below the prime commercial rate as determined pursuant to subparagraph (B).

"(B)(i) For purposes of this paragraph, the prime commercial rate is the average rate of interest at which the five largest commercial banks in the United States lend funds to their best corporate customers, as computed and recomputed by the Bank at least weekly.

"(ii) The Bank is authorized and directed to determine, within 30 days after the date of enactment of this paragraph and at one year intervals thereafter, the five largest commercial banks in the United States as measured by the total amount of all time, savings, and demand deposits held in each bank.

Mr. BLACKBURN (during the reading). Mr. Chairman, I ask unanimous consent that the amendment be considered as read and printed in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. BLACKBURN. Mr. Chairman, the purpose of my amendment is to require the Bank to loan money at an interest rate equal to not less than 1 percent below the prime commercial rate of interest. What we are dealing with when we are talking about the Bank's assets is the question of whether or not we are going to get the highest and best return. It is a question whether or not a commodity, a resource of this country, is going to draw its highest and best rate of return. This includes the assets of the Bank the cash assets of the Bank, and let us keep in mind it holds $1.5 billion upon which it now pays no interest to anyone, the U.S. Treasury or anyone else. As long as that money is being loaned out at a rate less than the prime commercial rate, we are subsidizing the exporters of this country. I do not believe we have to subsidize them to the extent we are at the present time.

I think my amendment, which would require the Bank to charge an interest rate of 1 percent less than the prime commercial rate in existence at the time of the loan, and I have established a method whereby the Bank can determine that the prime commercial rate is the average charged by the five largest banks in the country.

Mr. ASHLEY. Mr. Chairman, will the gentleman yield?

Mr. BLACKBURN. I yield to the gentleman from Ohio.

Mr. ASHLEY. Because the interest rate may be less than the going interest rate does not mean it is a subsidized rate. There can be a concessionary rate that is not a subsidized rate and that is the situation with the Eximbank. Does the gentleman agree with that?

Mr. BLACKBURN. No. I do not agree. Let me address myself to the question the gentleman raised. If the bank was receiving a commercial rate of interest on its assets of money, there would be that much more money flowing into the United States Treasury; so to the extent we are not receiving as much from the Bank's assets as we would under a prime rate, the Treasury is losing money and the taxpayers are losing money, because any income we receive from the Treasury is going to be to our benefit.

Mr. ASHLEY. But that is a concessionary rate. The gentleman has just described a concessionary, not a subsidized rate.

Mr. BLACKBURN. I agree. It is costing the United States to offer a concessionary rate. When the taxpayers of the country are having to pay 9 and 10 percent interest on money borrowed for their homes and then we are loaning money to foreign governments, including the Soviet Union, at 7 percent, that is wrong.

If we are going to subsidize the continued existence of this corporation, we ought to be able to say to the taxpayers that we are making money and charging a realistic interest on the loan.

Mr. ROUSSELOT. Mr. Chairman, will the gentleman yield?

Mr. BLACKBURN. I yield to the gentleman from California.

Mr. ROUSSELOT. In other words, what the gentleman is trying to do is protect our consumers at home who have to go to the banks and pay pretty substantial rates of interest. All the gentleman is asking is that when these guarantees of loans are made by the Eximbank, that it be 1 percent less than the prime rate, which is way below the market rate. Is that not true?

Mr. BLACKBURN. I agree with the gentleman. That is a good point. In other words, the prime rate is not one at which any of us or our constituents can borrow money. That is substantially a fictitious rate that should be available to big borrowers, not to small consumers.

Mr. ICHORD. Mr. Chairman, will the gentleman yield?

Mr. BLACKBURN. I yield to the gentleman from Missouri.

Mr. ICHORD. The amendment should also permit the Eximbank to pay a larger dividend back to the Treasury; is that not so?

Mr. BLACKBURN. That is exactly right.

Mr. ROUSSELOT. Mr. Chairman, will the gentleman yield?

Mr. BLACKBURN. I yield to the gentleman from California.

Mr. ROUSSELOT. Mr. Chairman, I appreciate the gentleman yielding to me.

Is it not true that most commercial establishments in this country today are paying quite a bit above the prime rate, so that the gentleman is talking about a substantially lower rate in most cases for our export business under the Eximbank, and it is still an extremely reasonable rate for all exports?

Mr. BLACKBURN. This is very much a concessional rate for our exporters.

Mr. HANNA. Mr. Chairman, will the gentleman yield?

Mr. BLACKBURN. I yield to the gentleman from California.

Mr. HANNA. Mr. Chairman, I think the gentleman is a very active member of the committee and is very well informed. He has always struck me with his brilliance and his understanding.

He certainly would concede that there is a difference between the interest rates for long term loans. It seems to me the gentleman also knows that most of the loans of the bank are long term loans. and what he is suggesting is that we ought to tie these loans into the prime rate, which is short turnover money rate. I do not think that will work.

AMENDMENT OFFERED BY MR. DERWINSKI AS A SUBSTITUTE FOR THE AMENDMENT OFFERED BY MR. BLACKBURN

Mr. DERWINSKI. Mr. Chairman, I offer an amendment as a substitute for the amendment.

The Clerk read as follows:

Amendment offered by Mr. DERWINSKI as a substitute for the amendment offered by Mr. BLACKBURN:

Line 17, Section 2 should be redesignated as "Section 2(a)".

Insert immediately after the end of Section 2(a) the following:

"(b) Section 2(b)(1) of such Act is further amended by inserting in the eighth sentence after the words 'It is further the policy of the United States that' the following: 'loans made by the Bank shall bear interest at rates determined by the Board of Directors of the Bank, taking into consideration the average cost of money to the Bank and the necessity of maintaining its earning power and reserves as well as the Bank's mandate to support United States exports at rates and on terms and conditions which are competitive with exports of other countries; that"

Mr. DERWINSKI. Mr. Chairman, I would like to offer an amendment in the nature of a substitute for the amendment of the gentleman from Georgia. My amendment would require Eximbank to take into account its average cost of borrowed money in setting interest rates on its loans as well as the need to meet the financial competition of its foreign counterparts.

We all recognize that the current high prime rate is a relatively recent development. But let me review the past. From 1965 to May 1973 the prime rate was mainly in the range of 5 to 6 percent with one or two periods between 7 and 8½ percent. From January 1964 to August 1966 Eximbank's lending rate was 5½ percent and then moved up to 6 percent which prevailed until February of this year. For 10 of the last 14 years and as recently as last year, Eximbank was charging as much or more than the prime rate. Since May 1973 the prime rate has risen to today's record level. Current rates are abnormally high and hopefully will not persist. It would seem to me to be most unwise for Eximbank to introduce into its own lending rate structure the uncertainty and volatility demonstrated by prime rate movements in the last year and a half.

While the record of the Bank over the years shows that it has adjusted its rates in the light of prevailing conditions it seems appropriate at this time to clearly set and legislate the policy guidance to the Board of Directors on the interest rates charged by the Bank. Until June 1973 the Bank's lending rate has been equal to or above its average cost of borrowed money. In response to an increase in its average cost above 6 percent it raised its rate from 6 to 7 percent in February 1974. Its cost of borrowed money remained below 7 percent until May. In July the Board of Directors of the Bank adopted a policy of charging rates on a case-by-case basis within a band ranging from 7 to 8½ percent per annum, most of which have been fixed at 8 percent. Eximbank must hold its interest rates as low as is reasonable and possible to keep American exporters competitive, particularly since it finances only 30 to 45 percent of the total U.S. cost of transaction. Under U.S. practice the balance comes from commercial sources at market rates which today may run as high as 13 percent. When this is blended with an Eximbank loan, the interest cost to the borrower ranges roughly between 9 and 11 percent per annum. Many foreign countries offer their exporters financing at rates as low as 6 and 7 percent per annum on 80 to 90 percent of the total cost of a transaction.

Over the years the Bank has been able to compete successfully with foreign competition and still pay an annual $50 million dividend to the Treasury. In setting its interest rate I believe the Board of Directors of the Bank should keep its eye on both its cost of money and the desirability of maintaining the Bank's earning power and accumulating appropriate reserves. Any rigid requirement that it tie its interest rate to the prime rate would deprive the Bank and our exporters of the ability to compete and this would spell disaster for our businessmen in the export sector of our economy—now in excess of $70 billion a year—create hardship for hundreds of thousands of American workers employed by them and sap the strength of our dollar.

In proposing this amendment it should be obvious that I do not want to detract from the Bank's obligation to endeavor to keep American exports competitive with exports of other countries. But I do want to settle that it is the clear policy of Congress that the Directors in setting the Bank's interest rate should consider and balance both its cost of money and the competitive financing offered by other countries. We do not want sound exports lost to foreign government-supported competition, but at the same time we want the Bank to avoid unnecessary low interest rates. My amendment will require the Board of Directors of the Bank to take into account all of the relevant factors in setting its interest rates and meeting the competition. The Bank has advised me that it does not object to this amendment.

Mr. ASHLEY. Mr. Chairman, will the gentleman yield?

Mr. DERWINSKI. I yield to the gentleman from Ohio.

Mr. ASHLEY. Mr. Chairman, I have had an opportunity to look over the amendment and discuss it with the gentleman. It would change and somewhat modify the language expressing a portion of the policy of the Eximbank. I think it does this in a constructive way. I think it is perhaps a clarification, and I would be pleased to support the gentleman's amendment.

Mr. ROUSSELOT. Mr. Chairman, will the gentleman yield?

Mr. DERWINSKI. I yield to the gentleman from California.

Mr. ROUSSELOT. Is not the basic language in the gentleman's amendment just to put the Bank where it is now?

Mr. DERWINSKI. Not really.

Mr. ROUSSELOT. Tell me how there is much difference.

Mr. DERWINSKI. At the present time the Bank is operating under a policy in which they use a case-by-case basis to adjust rates. What my amendment basically requires is that they take into account the present high rates, and also take into account the competitive problem.

Let me remind the gentleman that regardless of the liberal terms or rate or the funding under the Eximbank policies, remember that it is only 30 to 45 percent the total cost of the U.S. firm transaction.

So our exporter does have to deal with a commercial bank. He has to pay that higher prime rate. What we are allowing is that the Eximbank take into account the average so that they can be properly competitive on behalf of the American firms concerned with, let us say, their Japanese counterparts who have Japanese exports support.

Mr. ROUSSELOT. Do they not do that now?

Mr. DERWINSKI. They do it basically now by policy, but we are mandating that they do this, and we are mandating this average rate, which they need not follow.

Mr. ROUSSELOT. Therefore, the gentleman would change the Blackburn amendment back to the present policy?

Mr. DERWINSKI. No. What it does is to take away some of the stringency that the Blackburn amendment has.

Mr. J. WILLIAM STANTON. Mr. Chairman, will the gentleman yield?

Mr. DERWINSKI. Yes, I yield to the gentleman from Ohio.

Mr. J. WILLIAM STANTON. I appreciate the gentleman's yielding. I agree with the gentleman. This is a good amendment and is an improvement over the present policy.

Mr. BROWN of Michigan. Mr. Chairman, will the gentleman yield?

Mr. DERWINSKI. Yes, I yield to the gentleman from Michigan.

Mr. BROWN of Michigan. I would just like to clarify a point since the gentleman has talked about an average rate.

I do not think the gentleman intends, by his amendment, to tell the bank to not look at transactions from the standpoint of the desirability of those transactions to our economy. In other words, with respect to some transactions there may be high competition in the exports. Many nations desire to export the product. In that case it is clear that the bank

will have to charge a lower rate so as to be able to be competitive. At the same time, there are transactions where American exporters are the primary or possibly only exporters. In that case, we would expect the bank to charge a higher rate, reflecting the lack of competition insofar as that particular export is concerned; is that not correct?

Mr. DERWINSKI. That is correct, but the legitimate competitive interest rate in every case would be applicable, and of course, that would be so in the case of a higher rate where we are in a better position from the standpoint of the availability of that export, as compared with a lower rate where we do not have the availability of that export.

Mr. BLACKBURN. Mr. Chairman, I rise in opposition to the Derwinski substitute amendment.

I would like to address a question to the author of the amendment in the well. I would like to ask the gentleman who proposed the amendment.

Mr. DERWINSKI. The amendment was proposed by a Director of the Bank who consulted with me.

Mr. BLACKBURN. Therefore, the amendment that has been proposed was proposed by a Director of the Bank who does not want their policy being interfered with by the Congress?

Mr. DERWINSKI. Not at all.

I would think that if I was a Director of the Bank, the last thing I would want is to have my hands tied arbitrarily, any more than the President of the United States would want his hands completely tied by the Congress. Since we are in a honeymoon period, we are giving the new President more flexibility than his predecessor. Therefore, in keeping with this spirit, we do not want to cripple an agency in which our dear President has a great interest.

Mr. BLACKBURN. I think the gentleman knows and the members of the committee should be aware that the Eximbank of the United States really sets the level of interest for the borrowings of their counterparts around the world. We set the standard, and the rest of them follow. Capital is at a shortage now throughout the world. What my amendment will do, in the absence of the amendment of the gentleman in the well, will be to insure that the rate being charged by the Bank is a more realistic and more nearly a commercial rate on their lendings.

I think my amendment is a thoroughly reasonable one. It is still 1 percent less than the prime rate. I think that is all we can ask the public to accept.

Mr. FRENZEL. Mr. Chairman, I move to strike the requisite number of words.

I rise in support of the Derwinski amendment.

Mr. DERWINSKI. Mr. Chairman, will the gentleman yield?

Mr. FRENZEL. I yield to the gentleman from Illinois.

Mr. DERWINSKI. Mr. Chairman, I usually do not get anywhere near this kind of support in my own committee, and if this amendment is agreed to, I might just join the Committee on Banking and Currency.

Mr. FRENZEL. Mr. Chairman, I can tell the gentleman that we need him desperately on that committee.

Mr. Chairman, the Derwinski amendment provides a substantial difference from what is in the law now. The law says that the Bank will lend on rates and terms and conditions which are competitive with Government-supported rates and terms and other conditions available by our principal competitors in export markets.

Those rates range anywhere from 5½ percent on up.

If the Bank were to make its policy based on foreign competition, the rate would be very low. The Derwinski amendment would at least force the Bank to look at commercial rates, and thus escalate its own rates.

On the other hand, the Blackburn amendment would certainly prohibit the Bank from making useful loans because the rate of interest would be too high. The Bank's only alternative would be to raise its percentage of the total loan to make a competitive overall rate. Instead of lending its money on an average of 40 percent of the total deal, the Bank would have to lend up to 100 percent of the deal. It would use up the funds we are now making available, and the Bank would come back to us again for greater funding.

Mr. Chairman, it is absolutely essential that we vote up the Derwinski amendment and reject the Blackburn amendment.

Mr. HANNA. Mr. Chairman, will the gentleman yield?

Mr. FRENZEL. I yield to the gentleman from California.

Mr. HANNA. Mr. Chairman, I will ask the gentleman this:

Is it not true that if they make long-term loans on short-term conditions, they would not be making very many loans?

Mr. FRENZEL. There is no question about it.

Mr. HANNA. And if they would not make any of those loans, the bank would not be earning any money. That is the story of the Blackburn amendment.

Mr. FRENZEL. Mr. Chairman, I thank the gentleman for his remarks.

Ms. HOLTZMAN. Mr. Chairman, I move to strike the requisite number of words.

I would like to ask the gentleman from Ohio (Mr. ASHLEY), who is managing the bill, this question:

What portion of multinational corporate transactions is financed by the Export-Import Bank at reduced interest rates?

In other words, there was cited in the committee report an instance of a transaction in which there was a shipment of some materials from General Motors here in the United States to General Motors in Brazil which was financed by the Export-Import Bank. I understand that would have been at a lower interest rate.

I would like to know what percentage of the Export-Import Bank's operations involved the export of American equipment from an American corporation to its subsidiaries overseas, at low interest rates.

Mr. ASHLEY. Mr. Chairman, if the gentlewoman will yield, I will be pleased to respond.

During fiscal year 1973 Eximbank's loans to finance sales from a U.S. company to a wholly owned foreign subsidiary amounted to less than one-half of 1 percent of total loan authorizations. Eximbank's loans to finance sales from a U.S. company to an unrelated U.S. firm amounted to 1.8 percent of the total authorized loans.

Ms. HOLTZMAN. Mr. Chairman, can the gentleman tell me what the dollar amount is, rather than the percentage amount?

Mr. ASHLEY. Mr. Chairman, if the gentlewoman will yield, I can state that the overall coverage of the Bank was in the neighborhood, as I recollect, of $10.5 billion.

Ms. HOLTZMAN. Mr. Chairman, I thank the gentleman.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois (Mr. DERWINSKI) as a substitute for the amendment offered by the gentleman from Georgia (Mr. BLACKBURN).

The substitute amendment for the amendment was agreed to.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Georgia (Mr. BLACKBURN), as amended.

The amendment, as amended, was agreed to.

Mr. ASHLEY. Mr. Chairman, I ask unanimous consent that the bill be considered as read, printed in the RECORD, and open to amendment at any point, and Mr. Chairman, on the basis of that, I am going to move——

Mr. DINGELL. Mr. Chairman, I rise to make a point of order. There is a unanimous-consent request before the House.

The CHAIRMAN. Is there objection to the request of the gentleman from Ohio?

Mr. DINGELL. Mr. Chairman, reserving the right to object, I would like to hear the balance of what the gentleman has to say.

Mr. ASHLEY. Mr. Chairman, it is my understanding there are three amendments at the desk, and my motion would be that debate on those three amendments, and all amendments thereto, conclude at 10 minutes after 7.

Mr. Chairman, I am going to amend the motion that I am proposing to offer to read that all debate on the bill and all amendments thereto conclude at 10 minutes after 7.

The CHAIRMAN. The Chair would inquire of the gentleman from Ohio does the gentleman from Ohio make a unanimous-consent request that the bill be considered as read, printed in the RECORD, and open to amendment at any point?

Mr. ASHLEY. I do, Mr. Chairman. I ask unanimous consent that the remainder of the bill be considered as read, printed in the RECORD, and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Ohio?

Mr. HOWARD. Mr. Chairman, reserving the right to object—and I shall not object to this unanimous-consent re-

quest—but I take this method of gaining the time so as to indicate that in the motion the gentleman from Ohio is going to make giving 30 minutes to consider three amendments, that should there be a rollcall on any one of the amendments it would leave virtually no time to have any discussion on the other remaining amendments.

Mr. ASHLEY. I presume it would not include a rollcall.

Mr. HOWARD. Mr. Chairman, I withdraw my reservation of objection.

The CHAIRMAN. Is there objection to the request of the gentleman from Ohio?

There was no objection.

The remainder of the bill is as follows:

SEC. 3. (a) Section 2(b)(2) of such Act is amended by striking out "in the case of any transaction which the President determines would be in the national interest if he reports that determination to the Senate and House of Representatives within thirty days after making the same" and insert in lieu thereof the following: "in the case of transactions which the President determines would be in the national interest if he reports that determination with respect to a particular country to Congress within thirty days after final approval of the first such transaction".

(b) Section 2(b) of such Act is amended by adding at the end thereof the following new paragraph:

"(6) No loan, guarantee, or insurance or combination thereof made to a Communist country or agent or national thereof in an amount which equals or exceeds $50,000,000 shall be finally approved by the Board of Directors of the Bank unless the Bank has submitted to the Congress with respect to such loan, guarantee, or insurance or combination thereof, a statement explaining the transaction at least thirty legislative days prior to the date of final approval. Such statement shall contain the following:

"(A) A brief description of the purposes of the transaction, the identity of the party or parties requesting Bank financing, the nature of the goods or services to be exported, and the use for which the goods or services are to be exported; and

"(B) A full explanation of the necessity for Bank financing of the transaction, the amount of the financing to be provided by the Bank, the rate at which such financing will be made available, and the period over which such financing will be repaid."

(c) Section 2(b) of such Act is amended by adding at the end thereof the following new paragraph:

"(7) Pending consideration and action by the Senate upon the bill H.R. 10710, as introduced in the first session of this Congress, cited as the 'Trade Reform Act of 1973', and as amended and passed by the House, no loan, guarantee, insurance, or credit shall be extended by the Bank to the Union of Soviet Socialist Republics, and the Union of Soviet Socialist Republics shall not participate in any program of the Government of the United States which extends credits or credit guarantees or investment guarantees, directly or indirectly."

SEC. 4. Section 2(c)(1) of such Act is amended to read as follows:

"(1) The Bank is authorized and empowered to charge against the limitations imposed by section 7 of this Act, not less than 25 per centum of the related contractual liability which the Bank incurs for guarantees, insurance, coinsurance, and reinsurance against political and credit risks of loss. The aggregate amount of guarantees, insurance, coinsurance, and reinsurance which may be charged on this fractional basis pursuant to this section shall not exceed $20,000,000,000 outstanding at any one time. Fees and premiums shall be charged in connection with such contracts commensurate, in the judgment of the Bank, with risks covered."

SEC. 5. Section 7 of such Act is amended by striking out "$20,000,000,000" and inserting in lieu thereof "$25,000,000,000".

SEC. 6. Section 8 of such Act is amended by striking out "July 30, 1974" and inserting in lieu thereof "June 30, 1978".

SEC. 7. Section 5202 of the Revised Statutes (12 U.S.C. 82) is amended by adding at the end thereof the following:

"Twelfth. Liabilities incurred in borrowing from the Export-Import Bank of the United States.".

Mr. ASHLEY. Mr. Chairman, I now move that all debate on the bill and all amendments thereto close at 10 minutes after 7.

The motion was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Committee amendment: On page 3, beginning in line 9, strike out", guarantee, or insurance or combination thereof".

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Committee amendment: On page 3, beginning in line 14, strike out" guarantee, or insurance or combination thereof,".

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Committee amendment: On page 3, line 25, strike out "the rate at" and all that follows down through line 2 on page 4 and insert in lieu thereof the following: *and* the approximate rate and repayment terms at which such financing will be made available."

The committee amendment was agreed to.

The CHAIRMAN. The Clerk will report the last committee amendment.

The Clerk read as follows:

Committee amendment: On page 4, immediately following line 16, insert the following new subsection:

(d) Section 2(b) of such Act is further amended by adding at the end thereof the following new paragraph:

(8) The Bank shall not guarantee, insure or extend credit to Turkey or an agency or national thereof until the President reports to the Congress that Turkey is cooperating with the United States in the curtailment of heroin traffic."

The committee amendment was agreed to.

AMENDMENT OFFERED BY MR. REES

Mr. REES. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. REES: Page 4, line 7, after "(7), strike out "pending consideration and action by the Senate upon the bill H.R. 10710, as introduced in the first session of this Congress, cited as the "Trade Reform Act of 1973", and as amended and passed by the House" and insert "Until such time as the bill H.R. 10710, cited as the Trade Reform Act of 1973, is approved by the Congress and signed into law by the President".

(By unanimous consent, Messrs. BELL, WOLFF, VANIK, and YATES yielded their time to Mr. REES.)

Mr. REES. Mr. Chairman, this amendment is on page 4. In the committee we drafted an amendment which incorporated the Vanik-Jackson proposal that was approved by this House, dealing with Soviet policy in regard to Jewish citizens of that country who wished to emigrate to Israel and other countries. There was a drafting problem in the language, and all this amendment does is to clarify the language, stating that until such time as the bill, H.R. 10710, cited as the Trade Reform Act of 1973, is approved by the Congress and signed into law by the President, there shall be no loans or guarantees to the Soviet Union.

It is my understanding that now negotiations are going on between Members of Congress and the administration and the Soviet Union to work out this problem, so I think this language is good. It ties it into the trade bill.

Mr. VANIK. Mr. Chairman, will the gentleman yield?

Mr. REES. I yield to the gentleman from Ohio.

Mr. VANIK. I thank the gentleman for yielding.

Mr. Chairman, I rise in support of the gentleman's amendment. It is a considerable improvement over the language of the original bill, and it provides all of the protection that we thought was necessary in our amendment. I certainly hope the Members of the House will adopt this amendment.

Mr. ASHLEY. Mr. Chairman, will the gentleman yield?

Mr. REES. I yield to the gentleman from Ohio.

Mr. ASHLEY. I thank the gentleman for yielding.

Mr. Chairman, we will be happy to accept the amendment, and we commend the gentleman for offering it.

Mr. WIDNALL. Mr. Chairman, will the gentleman yield?

Mr. REES. I yield to the gentleman from New Jersey.

Mr. WIDNALL. I thank the gentleman for yielding.

Mr. Chairman, the minority has had an opportunity to examine this; we approve it; and we accept it.

Mr. FRENZEL. Mr. Chairman, will the gentleman yield?

Mr. REES. I yield to the gentleman from Minnesota.

Mr. FRENZEL. I thank the gentleman for yielding.

Mr. Chairman, I congratulate the gentleman here for working this out.

Mr. ROUSSELOT. Mr. Chairman, will the gentleman yield?

Mr. REES. I yield to the gentleman from California.

Mr. ROUSSELOT. I thank the gentleman for yielding.

The gentleman showed us this amendment. Many of us who were sympathetic with the position he offered were pleased when he, Mr. YATES, and Mr. BELL, came up with this suggestion. I think it is a

good compromise, and I support the gentleman's amendment.

Mr. REES. I thank the gentleman.

Mr. Chairman, I yield back the balance of my time.

Mr. VANIK. Mr. Chairman, I rise in support of the amendment offered by the gentleman from California (Mr. REES). It is a considerable improvement over the original language in the bill. It would bar credits to the Soviet Union unless the Trade Reform Act of 1973 is signed into law. As the Members will recall, the trade reform bill bars credits to nonmarket economy nations which have discriminatory immigration policies.

It concentrates the issue of emigration policy in the trade bill and prevents credits unless the issue of emigration discrimination is satisfactorily resolved.

The CHAIRMAN. The question is on the amendment offered by the gentleman from California (Mr. REES).

The amendment was agreed to.

AMENDMENT OFFERED BY MR. DINGELL

Mr. DINGELL. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. DINGELL: Page 2, line 17, insert "(a)" immediately after "Sec. 2.", and immediately after line 21, insert the following new subsection:

(b) Section 2(b)(1) of such Act is amended by inserting at the end of the second sentence thereof the following new sentence: "Guarantees, insurance, and credits made available to foreign air carriers for the acquisition of United States aircraft used in foreign air transportation shall be made available on no less favorable terms to United States air carriers for acquisition of such aircraft (including spare parts and equipment) used in competition with such foreign air carriers."

Mr. DINGELL. Mr. Chairman, I note for the benefit of the Chair this amendment was published in the RECORD last night, on August 20, 1974, at page 29449.

The CHAIRMAN. Is the gentleman requesting the whole 5 minutes?

Mr. DINGELL. I do request my full 5 minutes.

The CHAIRMAN. The gentleman from Michigan (Mr. DINGELL) is recognized.

Mr. DAVIS of South Carolina. Mr. Chairman, will the gentleman yield?

Mr. DINGELL. I yield to my good friend, the gentleman from South Carolina.

Mr. DAVIS of South Carolina. Mr. Chairman, I rise in support of this amendment. It is only fair and it is only equitable that we in America should be able to compete equitably all over this world in the air transportation field.

(By unanimous consent, Mr. DAVIS of South Carolina yielded his time to Mr. MOSS.)

Mr. DINGELL. Mr. Chairman, I have an amendment at the desk to the bill, H.R. 15977, as reported, to amend the Export-Import Bank Act of 1945.

The amendment states that—

Guarantees, insurance, and credits made available to foreign air carriers for the acquisition of United States aircraft used in foreign air transportation shall be made available on no less favorable terms to United States Air Carriers for acquisition of such aircraft (including spare parts and equipment) used in competition with such foreign air carriers.

This new and necessary lanugage to H.R. 15977 would be inserted on page 2 of the bill at line 21, creating a new subsection.

Mr. Chairman, our colleague, Congressman DALE MILFORD, of Texas, joins me in sponsoring this amendment. I welcome his support and that of several other House Members whom I know, based on their remarks during recent previous debates centering on the extension legislation for the Export-Import Bank, would also be ready to vote for our amendment.

The amendment corrects the serious inequity in the Export-Import Bank Act which currently allows foreign international air carriers to purchase U.S. aircraft at extremely favorable interest rates, as low as 6 and 7 percent, while U.S. international air carriers which compete on the same routes must buy the same aircraft at the going astronomical commercial prime interest rates ranging from 11 to 12 percent, and even higher in some instances.

I am in full support of competition among such air carriers but not when there is such favoritism shown to one group, in this case the foreign carriers. The Eximbank and the Congress, unfortunately, have allowed this policy to continue. Today, with excessive inflation hurting all concerns, our U.S. air carriers are being subjected to most unfair financing while their foreign competitors enjoy lucrative financial arrangements which I believe we must stop. The amendment would accomplish this goal as it provides for equal treatment of U.S. air carriers in purchasing U.S. aircraft.

I am in support of the Congress efforts to encourage the sale of U.S. aircraft to foreign air carriers, but not under the loan and guarantee conditions prevailing today at the Eximbank.

Mr. Chairman, I wish to point out to the attention of our colleagues the "Supplemental Views of Representative HENRY REUSS," on page 13 of the House Report 93-1261, to accompany the Eximbank bill, H.R. 15977, wherein Mr. REUSS states, in part:

In some sectors, the (Exim) Bank has provided credit where there is clear evidence that credit was unnecessary. Long-range jet aircraft, an American monopoly, provide the most flagrant abuse of this kind. Foreign air carriers, which have little competitive choice but to buy American 747's, L-1011's, and DC-10's, have been able to obtain credit from the Eximbank at rates which are unavailable to our domestic air carriers. A Treasury Staff Study over two years ago called for an end to this practice. There is no competition from foreign sources for our long range planes.

Mr. Chairman, we have the opportunity here today with our amendment to remedy the glaring, inequitable situation which is slowly strangling our U.S.-flag carriers and slowly—but surely—giving foreign flag carriers a dominant position in major U.S. cities.

The inequity is, and we must call it what it is, a direct subsidy provided by this Government's Eximbank, which last year provided almost 30 percent of its total financing to foreign-flag airlines—permitting them to finance as much as 45 percent of the purchase price of aircraft at 6 percent interest. While our Eximbank is "lending a helping hand" to such underdeveloped countries as Japan, Germany, Great Britain, our U.S.-flag airlines are trying to compete with the same aircraft and equipment over identical routes. Small wonder that KLM could afford to put 11 flights a week into Chicago, for example.

I do not know whether or not my Illinois colleagues are aware that because of Eximbank subsidies, foreign airlines now totally dominate the Chicago international air transportation market. Today they have a stranglehold on the air service to one of the most important U.S. cities—with over 82 percent of the air traffic being carried on foreign-flag airlines. Only one U.S. carrier now operates between Chicago and Europe—TWA.

You might say, "So what, what difference does it make as long as a city has plenty of service?"

I say it makes a world of difference. If the trend continues, our major U.S. cities could be totally dependent on foreign-flag airlines for service outside the United States. Foreign flags could dictate schedules, frequency, service, and rates.

The creeping danger of foreign airline domination would also result in the slow death of our international carriers. Right now one of our most prestigious international airlines, Pan Am, is being squeezed. This can be translated very simply into something very meaningful to all of us—jobs. Unemployment. Pan Am has over 30,000 employees, TWA has 37,000. Many of these people are located in our major cities. The loss of these jobs, the replacement of American employees with foreign employees may give our cities a cosmopolite atmosphere, but does little to help those individuals get replaced.

I certainly do not want my airline constituents writing to me—asking why their company is being driven to the wall, why the U.S. Government supports and subsidizes foreign airlines—and even excessive foreign employment in the United States.

This is not to say that foreign airlines are not welcome. They are—but we must maintain a balance between the U.S.-flag carriers and foreign flags—not giving preferential treatment to our foreign competitors. This is not equitable; yet this is the state of the present situation.

Let us now correct the creeping domination of foreign airlines into our U.S. air transportation system. Let us give our beleaguered international-flag carriers an opportunity to compete on an equitable footing with foreign flags—especially in our own backyard. Let us give our U.S. airlines and their employees an equal chance in the marketplace, whether it be Chicago, Detroit, New York, Dallas, or Los Angeles. An equal chance could mean a job. We should and we must protect our Nation's valued air transport industry and our interest in controlling our Nation's air transport destiny.

I hope you will vote with us to provide our U.S.-flag carriers the opportunity to acquire the same aircraft financing provided our foreign airline competitors. It is only right.

Mr. Chairman, I have further comments regarding the plight of U.S. inter-

national air carriers. The Civil Aeronautics Board has prepared a document entitled, "Restrictive Practices Used by Foreign Countries To Favor Their National Air Carriers." This document, of August 1973, remains pertinent today and was rather widely referred to during hearings and consideration this summer in the Subcommittee on Transportation and Aeronautics of the House Interstate and Foreign Commerce Committee on legislation dealing with discriminatory and unfair competitive practices in international air transportation. This bill, H.R. 14266, introduced by Mr. STAGGERS, chairman of the House Interstate and Foreign Commerce Committee, and related measures, remain on the committee calendar for action.

It was during the course of hearings that the CAB report and its findings pointed out severe problems being encountered by our U.S. international air carriers, problems of out and out discrimination against our air carriers foisted upon them by foreign countries and foreign-flag carriers which enjoy subsidies from their countries' government.

My colleagues should read the various points of the CAB report which show numerous cases of such foreign discriminations against U.S. international air carriers which must compete with foreign-flag air carriers, subsidized by both the U.S. Eximbank and by their own countries while our air carriers go it alone.

I am advocating equality in what is a unique industry.

Mr. JOHNSON of Colorado. Mr. Chairman, will the gentleman yield?

Mr. DINGELL. I yield to the gentleman from Colorado.

Mr. JOHNSON of Colorado. Mr. Chairman, where under the gentleman's amendment would the American carriers get their loans?

Mr. DINGELL. From the Export-Import Bank.

Mr. JOHNSON of Colorado. Is that a legal procedure?

Mr. DINGELL. Mr. Chairman, I cannot yield any further. The simple fact is that this amendment treats American-flag carriers fairly. It says they get their money at the same cost.

I suspect that my good friends on the Committee on Banking and Currency might say, well, there have never been loans made to American corporations. That is not true. Loans are regularly made by the Export-Import Bank to American corporations.

The CHAIRMAN. The Chair recognizes the gentleman from Ohio (Mr. ASHLEY).

Mr. ASHLEY. Mr. Chairman, I rise in opposition to the amendment.

The CHAIRMAN. Does the gentleman seek his 5 minutes under the rules? It would have to be taken without the time limitation.

Mr. ASHLEY. Mr. Chairman, I will not do that. I will take 50 seconds on this and urge the committee to vote this amendment down. This amendment is absolutely contrary to the charter of the Export-Import Bank. The purpose of this Bank is to facilitate exports, not to bail out the domestic carriers or other sectors of our domestic economy. If we mean to be true to our Export-Import Bank policy and its charter, this amendment must be voted down.

This is not to say there should not be a remedy for the TWA or for Pan American Airlines or whoever is in trouble domestically; but the remedy is not through the Export-Import Bank. This Bank must be maintained true to its purpose, as it has been for some 30 years, to facilitate American exports.

If it is necessary, as was the case with Lockheed and the Penn Central Railroad to direct attention to the problems of domestic carriers, then let us do it in separate legislation, because that is the rational way to do it.

PARLIAMENTARY INQUIRY

Mr. J. WILLIAM STANTON. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. J. WILLIAM STANTON. Mr. Chairman, is not somebody on the minority side entitled to 5 minutes in opposition to the amendment?

The CHAIRMAN. Any Member who rises in opposition and claims the 5 minutes at the time.

Mr. J. WILLIAM STANTON. At the time?

The CHAIRMAN. At the time.

Mr. J. WILLIAM STANTON. Then I will use my 1 minute in opposition to the amendment.

I think we should point out to the Membership that this amendment was brought up in the committee by our good friend, the gentleman from Pennsylvania (Mr. JOHNSON). He makes a little apology in that he got only one vote in the committee when this was brought up.

Mr. Chairman, it has been pointed out that we cannot finance domestic loans out of the Export-Import Bank. It would be the same thing for buses. It would be the same thing for automobiles. We decided within the committee this would be, indeed, opening up a Pandora's box. I urge defeat of the amendment.

The CHAIRMAN. The Chair recognizes the gentleman from California (Mr. Moss).

Mr. MOSS. Mr. Chairman, there is nothing in the Export-Import Bank that says that loans may not be made to domestic borrowers, not one word. There are instances where such loans have been approved. I will give one specific case, the Westgate California Corp. had such a loan approval.

I think we should recognize that the new status for the newest nation is its own airline, usually financed through the Export-Import Bank at rates one-half or better those required to be paid by our domestic carriers.

Make no mistake, American-flag carriers are in serious financial difficulties. They are being forced to compete under the most unequal of conditions. The rates they pay are 13 or 14 percent and that is not taking into consideration compensating balances. The gentlemen of the committee know that the compensating balance to raise the actual effective rate of interest must be considerably above that which is quoted. I think this amendment must be adopted.

Mr. STAGGERS. Mr. Chairman, I heard the words, this bill is, "Not to bail out anyone," but I do believe that the amendment brings equity to a troubled industry in our land. To me, it is like putting two prizefighters into a ring and tying the hands of one of them behind his back and saying, "You two fight," when we say we are going to help out industries in some other country and not to help those in our own land that are in trouble.

We have two airlines in America today which are in deep trouble, and to pass an act which does not do anything for them is wrong. Sooner or later, if they do not have some economic support, we are going to have to go in with millions and billions of dollars and bail them out.

Mr. REES. Mr. Chairman, will the gentleman yield?

Mr. STAGGERS. I yield to the gentleman from California.

Mr. REES. Mr. Chairman, if the committee which has been so ably chaired by the gentleman has jurisdiction over this field, I should think it might be looking at some permanent, long-term solution instead of opening up the Eximbank.

Mr. STAGGERS. We have held hearings on their problems, but we have an opportunity right now to solve those problems.

PREFERENTIAL MOTION OFFERED BY MR. MILFORD

Mr. MILFORD. Mr. Chairman, I offer a preferential motion.

The Clerk read as follows:

Mr. MILFORD moves that the Committee do now rise and report the bill back to the House with the recommendation that the enacting clause be stricken.

Mr. MILFORD. Mr. Chairman, my colleagues, I apologize for having to go to this procedure. I know others are waiting to speak, but the matter we have before us is important. It is vital, as a matter of fact, for two of our international carriers.

There have been some arguments brought against this that we need more time to discuss this problem, and I am sorry they placed a gag rule on us, but let me cover some things that I know the Members honestly have on their minds.

Mr. Chairman, some say that "If we allow the airlines access to Eximbank, many other industries will want the same treatment. There will be no end to it."

There is only one other industry that could even remotely be considered comparable to the international airlines, that is the maritime industry. Fortunately, the Congress had the foresight nearly 40 years ago to recognize the need to equalize the capital costs experienced by our ocean carriers versus the foreign-flag carriers. The Merchant Marine Act of 1935 provides U.S.-flag operators with a construction differential for ships built in the United States. The Congress knew that the U.S. operators would be unable to compete with foreign operators using substantially cheaper foreign built vessels unless some relief was given.

Of course, there are other capital goods being exported with financing provided by Eximbank. They however, will not be producers of services, but goods and products. If the cost of such machinery is lower, this may be taken into account through tariff mechanisms which will prevent the U.S. prices from being artificially undercut.

There is no tariff relief available for the airlines. Not only must they compete with government owned and controlled foreign airlines who have substantially lower wage scales than our airlines must pay, they must also contend with the lower costs their foreign competitors have as a result of very favorable Eximbank financing rates. I suggest that there is no American industry in a comparable position.

"Some say that, Eximbank is not the proper place for this kind of subsidy."

I say that this is not a subsidy. It is necessary to rectify a U.S. Government sponsored discrimination against a U.S. industry. To seek correction of this discrimination, by setting up another agency, when Eximbank is already equipped to hande it makes no sense. Why create a new bureaucracy to deal with a discrimination fostered by another bureaucracy? The way to deal with the problem is at its source. Modify Eximbank to allow for aircraft acquisition by U.S. international carriers through Eximbank at rates and terms offered to foreign carriers. This solves the problem, without impairing Eximbank's charter to promote export thus aiding U.S. manufacturers and our balance of payments.

Mr. Chairman, as you and my colleagues may remember, I have argued against subsidies for industries since I came to Congress.

That is a valid argument for me and my constituents.

However I believe it is time to probe the cause of one major industry seeking subsidies.

It seems that the Congress of the United States has been responsible for placing this one industry in such a position that leaves the industry no choice, other than to seek help.

That, my friends, is our American international air carriers operating their foreign routes.

According to the rules under which we chartered the Eximbank, we have seriously hampered the ability of our U.S. airlines to compete with foreign airlines on overseas routes.

First, everyone must recognize that competition is hampered because our flag carriers must compete with airline companies that are owned and operated by foreign governments. These foreign carriers are totally subsidized.

But the real crippling action comes when our Export-Import Bank finances the sale of commercial carriers to these same foreign nations at a lower interest rate than our competing American carriers can obtain.

My distinguished colleague from Michigan has presented a good case for this amendment.

This amendment can restore fair competition between U.S. and foreign carriers in the overseas air travel market.

The purpose of the low-interest loans to foreign carriers, from the Eximbank, is a good one. These help pave the way for increased trade—the sale of our IC-10's, 707's and 747's to other nations. These sales provide millions of jobs in all of our districts.

Obviously this helps us in our goal toward a balance of payments. More important, Exim loans protect and maintain our superior aerospace technology.

But while we are helping the aircraft manufacturing industry—we must not cripple our international airlines, owned and operated by private enterprise in the United States.

The difference in interest rates—6 or 7 percent for foreign countries; 11 to 12 percent, or even more, for our own carriers competing on the same routes—is hardly equitable.

The amendment offered today would make these interest rates the same.

In turn—the competing edge of foreign air travel would be restored.

Our carriers—owned by private enterprise, would be freed of their handicap.

They could purchase these fine planes at the same price as Japan, West Germany, the Netherlands, Belgium, and other foreign countries.

This amendment would bring down the cost-per-seat factors for our international carriers. This could help them meet the other demands such as higher labor prices.

Although I was well aware of the necessity to quit hamstringing American companies and favoring those overseas—I checked with other people involved.

Let me assure you that I received an overwhelming response to "go ahead" from domestic airlines in my district. Another affirmative response came from the labor unions—not just the unions who have personnel involved in air travel—but those with machinists—the people in the manufacturing end of the air travel business.

These people realize that if Pan Am, or TWA, or other overseas carriers collapse—then so do their jobs.

We have six of our foreign air carriers involved here—that means 138,975 people or jobs, and $2.7 billion income, much of it hanging on the vote we cast today.

I urge you to vote for the amendment giving the same interest rates to our foreign carriers as we do to KLM.

What we are simply saying is that this law sets up this discriminate practice, so why not correct it within this law? In this, we are asking for no special place for our own air carriers, just equality; nothing more. We are asking it only where they are competing directly with foreign owned carriers.

Mr. MILFORD. Mr. Chairman, I ask unanimous consent to withdraw by preferential motion.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

Mr. FRENZEL. Mr. Chairman, I object.

The CHAIRMAN. Objection is heard.

Mr. HANNA. Mr. Chairman, I rise in opposition to the preferential motion.

I feel very badly that this caper has come in to infringe upon anybody else's time. However, it does make very clear what it is we are trying to solve here in a way as to which there is no sensible solution.

The concerns that have been expressed here are really legitimate concerns, but they cannot be solved in the manner in which the gentlemen who are proposing these amendments seek to solve them.

Let me point out how dramatically this is expressed here. The basic, principal purpose of this act, the Eximbank, is to facilitate trade. Therefore, the loans that are made, although they are made many times to people who are citizens—in fact, most of the money is lent to our own citizens, but only if they are in the export trade—demonstrate that the gentleman from California gave us something that is absolutely irrelevant. The loans have to facilitate trade.

If there is a problem here, it should be addressed to the Committee on Interstate and Foreign Commerce, and we should ask the question and find out what the sense of the Congress is as to whether or not we should subsidize our airlines.

Mr. ANDERSON of Illinois. Mr. Chairman, will the gentleman yield?

Mr. HANNA. I yield to the gentleman from Illinois.

Mr. ANDERSON of Illinois. I thank the gentleman from California for yielding.

I join him in expressing opposition to the amendment offered by the gentleman from Michigan (Mr. DINGELL).

Granted, the hour is late; it is now past 7 in the evening, but we surely must not lose sight of the fact that this is a bill to extend the authorization for the Export-Import Bank. We are not trying to convert that institution into another Reconstruction Finance Corporation, and to say that is not to deny that Pan American and other airlines are in desperate financial trouble. However, to seek to use this legislation as a vehicle to solve their financial woes would totally distort the aim of the committee bill.

I have one concluding thought that I want to leave with the Members: Many Members of this body constantly receive letters from constituents at home complaining about the lack of efficiency of Government agencies. I have yet to receive a letter complaining about a lack of operating efficiency by the Export-Import Bank. Here we are dealing with the life or death of one Government agency that since 1934 has operated successfully. It is returning a profit. It is operating without appropriated funds, and yet at this hour of the evening we are trying to mangle that organization by adopting amendments of this kind.

Mr. Chairman, I hope that the House will join me and join the gentleman from California in rejecting that kind of amendment.

Mr. J. WILLIAM STANTON. Mr. Chairman, will the gentleman yield?

Mr. HANNA. I yield to the gentleman from Ohio.

Mr. J. WILLIAM STANTON. Mr. Chairman, I appreciate the gentleman's yielding. The fact is there was a point of order or talk about it in committee, specifically, section 2(a), paragraph 1, of the Bank charter reads:

There is hereby created a corporation with the name of the Export-Import Bank of the United States, which shall be an agency of the United States of America. The objects and purposes of the Bank shall be to aid in financing and to facilitate exports and imports and the exchange of commodities between the United States or any of its Territories or insular possessions and any foreign country or the agencies or nationals thereof.

Mr. FRENZEL. Mr. Chairman, will the gentleman yield?

Mr. HANNA. I yield to the gentleman from Minnesota.

Mr. FRENZEL. I thank the gentleman for yielding.

I want to point out that we have had good advice from the members of the Committee on Interstate and Foreign Commerce, including the chairman, on how to solve their problems through our Eximbank. The Export-Import Bank is not the place to handle the problems that they have set out to solve. We do agree that it is a problem. It is one which I hope the Committee on Interstate and Foreign Commerce will address itself to.

Another deficiency of the amendment is that it does not add any more authorization money. Therefore, if we pass the amendment, there is no way the Bank could discharge well either its real responsibilities, or those which the gentleman from Michigan (Mr. DINGELL) seeks to unload on it.

The amendment must be defeated.

Mr. BROWN of Michigan. Mr. Chairman, will the gentleman yield?

Mr. HANNA. I yield to the gentleman from Michigan.

Mr. BROWN of Michigan. I thank the gentleman for yielding.

I would like to also point out that the rate differential between what is paid on Eximbank financial transactions and that paid on loans from normal commercial sources has been grossly distorted. The Eximbank only finances 30 to 45 percent of the loan, the rest of the loan must be financed in the commercial market. The effect of that loan causes the effective rate of interest on the total transaction to be substantially above that on the Eximbank loan.

How many financial carriers want to borrow money on the terms applicable of the Eximbank loans? I suggest they prefer the more liberalized terms of usual commercial loans with a longer period for repayment thereby lessening their cash flow problem.

Exim financing of domestic carriers would be beneficial, but I do not think the deal would be half as good for these carriers as it might appear to be.

The CHAIRMAN. The question is on the preferential motion offered by the gentleman from Texas (Mr. MILFORD).

The preferential motion was rejected.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Michigan (Mr. DINGELL).

The question was taken; and the Chairman announced that the noes appeared to have it.

Mr. DINGELL. Mr. Chairman, on that I demand a recorded vote.

A recorded vote was refused.

So the amendment was rejected.

The CHAIRMAN. Are there further amendments to the bill?

The clock has now reached 7:10, the time set for the limitation of debate.

AMENDMENT OFFERED BY MR. ICHORD

Mr. ICHORD. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. ICHORD: On page 3, strike out lines 7 through 25, lines 1 through 4 on page 4, and insert in lieu thereof the following:

"(6) The Bank shall not extend credit, or participate in any extension of credit in connection with the purchase or lease of any product by a Communist country, or any national or agency thereof, or by a foreign country or any agency or national thereof if such product is, to the knowledge of the Bank, principally for use in, or sale or lease to such Communist country, unless and until the Bank has submitted to each House of Congress a statement in explanation of any such transaction and such transaction is not disapproved by a resolution of disapproval adopted by either House of Congress within thirty legislative days after the date on which the Bank has submitted such statement. Such statement shall contain the following:

"(A) A brief description of the purposes of the transaction, the identity of the party or parties requesting Bank financing, the nature of the goods or services to be exported, and the use for which the goods or services are to be exported; and

"(B) A full explanation of the necessity for Bank Financing of the transaction, the amount of the financing to be provided by the Bank, and the approximate rate and repayment terms at which such financing will be made available.

The procedure on introduction, reference, and disposition of any resolution of disapproval by either House of Congress shall, as adapted to the purposes hereof, be as provided in section 908 through 913 of title 5, United States Code."

Mr. ICHORD. Mr. Chairman, one of the major cries raised throughout the country is that the Congress of the United States has surrendered its responsibilities to the executive branch. There is a great deal of truth in this charge. It is time for the Congress to reassert its constitutional role of overseeing the programs we authorize and fund with the taxpayer's money. The bureaucracy has fallen into the comfortable position of paying little or no attention to the will and wishes of Congress except when they come to us for a new program, the extension of an old program or the appropriation of more money. The House has taken a major step toward reasserting its congressional responsibilities by reserving to either House of Congress the right to disapprove Presidential determinations in connection with the administration of the Trade Reform Act of 1973.

The Export-Import Bank has made it absolutely clear that it will pay no attention to the will of Congress unless we tie them down by law. They have approved loans of $350 million to the Soviet Union since the Mills-Vanik amendment was passed by the House by a vote of 318–80. A sense of the House resolution with 226 cosponsors instructing them to hold up any further loans to the Soviet Union pending Senate action on H.R. 10710 was ignored.

The amendment which I offer to section 3(b) will simply reserve the right to either House of the Congress to disapprove any proposed loan to a Communist country. The right of the President to make the "national interest" determination is preserved as in present law. The Bank would simply be required to report each proposed loan to Congress and if in 30 legislative days neither House of Congress has taken action to disapprove, then the Bank may consummate the transaction which it has proposed. The procedure for congressional disapproval would be that contained in the Executive Reorganization Act, sections 908 through 913 of title 5, United States Code. This procedure provides that once any committee has failed to act on a resolution of disapproval in 20 calendar days, any Member of Congress can call it up for a vote.

I respectfully ask for the adoption of the amendment.

Mr. Chairman, I ask unanimous consent that I may be allowed to proceed for 5 minutes to explain the amendment.

Mr. FRENZEL. Mr. Chairman, I object.

The CHAIRMAN. Objection is heard.

The question is on the amendment offered by the gentleman from Missouri (Mr. ICHORD).

The question was taken; and the chairman announced that the noes appeared to have it.

RECORDED VOTE

Mr. ICHORD. Mr. Chairman, on that I demand a recorded vote.

A recorded vote was ordered.

The vote was taken by electronic device, and there were—ayes 178, noes 215, not voting 41, as follows:

[Roll No. 515]

AYES—178

| | | |
|---|---|---|
| Addabbo | Cochran | Guyer |
| Andrews, N.C. | Collins, Tex. | Haley |
| Archer | Conlan | Hammer-schmidt |
| Armstrong | Crane | Hanrahan |
| Ashbrook | Daniel, Dan | Harsha |
| Bafalis | Daniel, Robert W., Jr. | Hastings |
| Bauman | Davis, S.C. | Hays |
| Beard | Denholm | Hechler, W. Va. |
| Bennett | Dent | Heckler, Mass. |
| Bevill | Derwinski | Henderson |
| Biaggi | Devine | Hillis |
| Blackburn | Dickinson | Hinshaw |
| Bray | Dingell | Holt |
| Breckinridge | Dorn | Howard |
| Brinkley | Downing | Huber |
| Broyhill, N.C. | Duncan | Hudnut |
| Broyhill, Va. | Fascell | Hungate |
| Buchanan | Fish | Hunt |
| Burgener | Flood | Hutchinson |
| Burke, Fla. | Flowers | Ichord |
| Burleson, Tex. | Flynt | Jarman |
| Burlison, Mo. | Fountain | Jones, N.C. |
| Butler | Frey | Jones, Okla. |
| Byron | Froehlich | Jones, Tenn. |
| Camp | Fuqua | Kazen |
| Carney, Ohio | Gaydos | Kemp |
| Casey, Tex. | Gilman | Ketchum |
| Chappell | Ginn | King |
| Clancy | Goldwater | Lagomarsino |
| Clausen, Don H. | Gonzalez | Landgrebe |
| Clawson, Del | Gross | Latta |
| Cleveland | Grover | Lehman |

| | | |
|---|---|---|
| Long, Md. | Parris | Steiger, Ariz. |
| Lott | Pepper | Stratton |
| Lujan | Pickle | Stubblefield |
| McDade | Pike | Symms |
| Macdonald | Poage | Taylor, Mo. |
| Madigan | Powell, Ohio | Taylor, N.C. |
| Mann | Price, Tex. | Thornton |
| Marazitl | Randall | Towell, Nev. |
| Martin, N.C. | Rinaldo | Traxler |
| Mathis, Ga. | Roberts | Treen |
| Mazzoli | Robinson, Va. | Waggonner |
| Michel | Roe | Walsh |
| Milford | Rogers | Wampler |
| Miller | Roncallo, N.Y. | White |
| Mills | Rose | Whitehurst |
| Minish | Roush | Whitten |
| Mitchell, N.Y. | Rousselot | Wilson, |
| Mizell | Runnels | Charles H., |
| Mollohan | Ruth | Calif. |
| Montgomery | Satterfield | Wolff |
| Moorhead, | Scherle | Wright |
| Calif. | Shipley | Wyman |
| Murphy, N.Y. | Shoup | Yatron |
| Murtha | Sikes | Young, Alaska |
| Myers | Sack | Young, Fla. |
| Natcher | Snyder | Young, S.C. |
| Nichols | Spence | Zion |
| O'Hara | Staggers | |
| Owens | Steelman | |

NOES—215

| | | |
|---|---|---|
| Abdnor | Frenzel | Railsback |
| Abzug | Fulton | Rangel |
| Adams | Gettys | Rees |
| Alexander | Giaimo | Regula |
| Anderson, | Gibbons | Reuss |
| Calif. | Goodling | Rhodes |
| Anderson, Ill. | Grasso | Riegle |
| Andrews, | Green, Pa. | Robison, N.Y. |
| N. Dak. | Gude | Rodino |
| Arends | Hamilton | Roncalio, Wyo. |
| Ashley | Hanley | Rooney, Pa. |
| Badillo | Hanna | Rosenthal |
| Barrett | Hansen, Idaho | Rostenkowski |
| Bell | Harrington | Roy |
| Bergland | Heinz | Roybal |
| Biester | Helstoski | Ruppe |
| Bingham | Hicks | Ryan |
| Blatnik | Holtzman | St Germain |
| Boggs | Horton | Sandman |
| Boland | Hosmer | Sarasin |
| Bolling | Johnson, Calif. | Sarbanes |
| Bowen | Johnson, Colo. | Schneebeli |
| Brademas | Johnson, Pa. | Schroeder |
| Breaux | Jordan | Sebelius |
| Brooks | Karth | Seiberling |
| Broomfield | Kastenmeier | Shriver |
| Brotzman | Kluczynski | Shuster |
| Brown, Calif. | Kyros | Sisk |
| Brown, Mich. | Lent | Skubitz |
| Brown, Ohio | Litton | Smith, Iowa |
| Burke, Calif. | Long, La. | Smith, N.Y. |
| Burke, Mass. | Luken | Stanton, |
| Burton, John | McClory | J. William |
| Burton, Phillip | McCloskey | Stanton, |
| Carter | McCollister | James V. |
| Cederberg | McCormack | Stark |
| Chamberlain | McEwen | Steed |
| Chisholm | McFall | Steiger, Wis. |
| Clark | McKay | Stokes |
| Clay | McKinney | Studds |
| Cohen | Madden | Sullivan |
| Collier | Mahon | Symington |
| Collins, Ill. | Mallary | Talcott |
| Conable | Martin, Nebr. | Thompson, N.J. |
| Conte | Mathias, Calif. | Thomson, Wis. |
| Corman | Matsunaga | Thone |
| Cotter | Mayne | Tiernan |
| Coughlin | Meeds | Udall |
| Cronin | Melcher | Ullman |
| Culver | Metcalfe | Vander Jagt |
| Daniels, | Mezvinsky | Vander Veen |
| Dominick V. | Mink | Vanik |
| Danielson | Minshall, Ohio | Veysey |
| Davis, Wis. | Mitchell, Md. | Vigorito |
| de la Garza | Moakley | Waldie |
| Delaney | Moorhead, Pa. | Ware |
| Dellenback | Morgan | Whalen |
| Dellums | Mosher | Widnall |
| Dennis | Moss | Wiggins |
| Drinan | Murphy, Ill. | Williams |
| Dulski | Nelsen | Wilson, Bob |
| du Pont | Nix | Wilson, |
| Eckhardt | Obey | Charles, Tex. |
| Edwards, Ala. | O'Brien | Winn |
| Edwards, Calif. | O'Neill | Wyatt |
| Erlenborn | Passman | Wydler |
| Esch | Patman | Wylie |
| Eshleman | Patten | Yates |
| Findley | Perkins | Young, Ga. |
| Foley | Pettis | Young, Ill. |
| Ford | Preyer | Young, Tex. |
| Forsythe | Price, Ill. | Zablocki |
| Fraser | Pritchard | Zwach |
| Frelinghuysen | Quie | |

NOT VOTING—41

| | | |
|---|---|---|
| Annunzio | Green, Oreg. | McSpadden |
| Aspin | Griffiths | Nedzi |
| Baker | Gubser | Peyser |
| Brasco | Gunter | Podell |
| Carey, N.Y. | Hansen, Wash. | Quillen |
| Conyers | Hawkins | Rarick |
| Davis, Ga. | Hébert | Reid |
| Diggs | Hogan | Rooney, N.Y. |
| Donohue | Holifield | Steele |
| Eilberg | Jones, Ala. | Stephens |
| Evans, Colo. | Koch | Stuckey |
| Evins, Tenn | Kuykendall | Teague |
| Fisher | Landrum | Van Deerlin |
| Gray | Leggett | |

So the amendment was rejected.

The result of the vote was announced as above recorded.

AMENDMENT OFFERED BY MR. HOWARD

Mr. HOWARD. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. HOWARD: On page 4, after line 22, insert the following:

"(9) The Bank shall not guarantee, insure, or extend credit to Yugoslavia or an agency or national thereof at any time while there has been established to the Bank that Yugoslavia or an agency or national thereof are in default of performance of a contract made with the United States or any agency or national or business organization thereof."

Mr. HOWARD. Mr. Chairman, our Nation is reeling from one economic blow after another, including a rate of inflation that, at last report, had reached 11.5 percent. Recently, my attention was called to the existence of a new, disagreeable commercial practice abroad that can only fuel the inflationary fires here. There may be a polite word for it, but in this country we call it reneging.

I am disturbed by evidence that some of our trading partners simply refuse to live up to their contracts because commodity prices rose in the interval between the sale and actual shipment. Everyone knows there are risks inherent in international commerce, but I, for one, do not think the blatant failure to perform on a contract made with heretofore reputable foreign mills and traders should be one of them.

In some instances, the failure to perform is by foreign suppliers who produce the commodities in facilities financed at least in part by the Export-Import Bank. In other words, when that seller reneges, he does so at the hands of the American businessman who has helped subsidize the factory in the first place.

Mr. Chairman, I think the time is now at hand when we must make it clear that the Congress will not tolerate such shoddy practices. One way to achieve this is to limit the generosity of the Eximbank. Why should a foreign client continue to be accorded "prime rate treatment" after becoming a poor commercial risk and refusing to live up to a bona fide contract?

There is no reason why the bank should continue to make loans to a foreign borrower who has reneged on commercial obligations. Cutting him off at the pocket, so to speak, is often the only remedy available to the United States.

I urge that the Export-Import Bank put defaulters on notice with respect to the subsidized loans they now enjoy, since that is obviously the most direct way to gain contractual compliance. After all, we have the words of the Bank's president himself, who recently warned in one of his speeches that loan applications exceed the funds available. And why not, at 7 percent, when U.S. business is being charged more than 11.5 percent? I think the time has come when the Bank can tell those who importune it that the loan window is closed to anyone who reneges.

Thank you.

The CHAIRMAN. The question is on the amendment offered by the gentleman from New Jersey (Mr. HOWARD).

The amendment was rejected.

The CHAIRMAN. Are there further amendments? If not, under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. PRICE of Illinois, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 15977) to amend the Export-Import Bank Act of 1945, and for other purposes, pursuant to House Resolution 1305, he reported the bill back to the House with sundry amendments adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment? If not, the Chair will put them en gros.

The amendments were agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

Mr. SCHERLE. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The vote was taken by electronic device, and there were—yeas 330, nays 67, not voting 37, as follows:

[Roll No. 516]

YEAS—330

| | | |
|---|---|---|
| Abdnor | Brown, Mich. | Daniels, |
| Abzug | Brown, Ohio | Dominick V. |
| Adams | Broyhill, N.C. | Danielson |
| Addabbo | Broyhill, Va. | Davis, S.C. |
| Alexander | Buchanan | Davis, Wis. |
| Anderson, | Burgener | de la Garza |
| Calif. | Burke, Calif. | Delaney |
| Anderson, Ill. | Burke, Mass. | Dellenback |
| Andrews, N.C. | Burleson, Tex. | Dellums |
| Andrews, | Burton, Phillip | Dennis |
| N. Dak. | Butler | Derwinski |
| Archer | Carter | Diggs |
| Arends | Casey, Tex. | Dorn |
| Armstrong | Cederberg | Downing |
| Ashley | Chamberlain | Drinan |
| Badillo | Chisholm | Dulski |
| Barrett | Clark | du Pont |
| Beard | Clausen, | Eckhardt |
| Bell | Don H. | Edwards, Ala. |
| Bergland | Clawson, Del | Edwards, Calif. |
| Biester | Clay | Erlenborn |
| Bingham | Cleveland | Esch |
| Blackburn | Cochran | Eshleman |
| Blatnik | Cohen | Fascell |
| Boggs | Collier | Findley |
| Boland | Collins, Ill. | Fish |
| Bolling | Collins, Tex. | Flood |
| Bowen | Conable | Flowers |
| Brademas | Conte | Flynt |
| Breaux | Corman | Foley |
| Breckinridge | Cotter | Ford |
| Brinkley | Coughlin | Forsythe |
| Brooks | Cronin | Fountain |
| Broomfield | Culver | Fraser |
| Brotzman | Daniel, Robert | Frelinghuysen |
| Brown, Calif. | W., Jr. | Frenzel |

| | | |
|---|---|---|
| Frey | Mayne | Sandman |
| Fulton | Mazzoli | Sarasin |
| Fuqua | Meeds | Sarbanes |
| Gaydos | Metcalfe | Schneebeli |
| Gettys | Mezvinsky | Sebelius |
| Giaimo | Michel | Seiberling |
| Gibbons | Milford | Shoup |
| Gilman | Miller | Shriver |
| Goldwater | Mills | Shuster |
| Gonzalez | Minish | Sikes |
| Goodling | Mink | Sisk |
| Grasso | Minshall, Ohio | Skubitz |
| Gray | Mitchell, Md. | Slack |
| Green, Pa. | Mitchell, N.Y. | Smith, Iowa |
| Grover | Mizell | Smith, N.Y. |
| Gubser | Moakley | Spence |
| Gude | Mollohan | Staggers |
| Guyer | Moorhead, Calif. | Stanton, J. William |
| Hamilton | Moorhead, Pa. | Stanton, James V. |
| Hanley | Morgan | Stark |
| Hanna | Mosher | Steed |
| Hansen, Idaho | Murphy, Ill. | Steelman |
| Harrington | Murphy, N.Y. | Steiger, Ariz. |
| Hastings | Murtha | Steiger, Wis. |
| Hays | Natcher | Stokes |
| Heckler, Mass. | Nelsen | Stratton |
| Heinz | Nichols | Stubblefield |
| Helstoski | Nix | Studds |
| Henderson | Obey | Sullivan |
| Hicks | O'Brien | Symington |
| Hillis | O'Hara | Talcott |
| Hinshaw | O'Neill | Taylor, N.C. |
| Holt | Owens | Thompson, N.J. |
| Horton | Parris | Thomson, Wis. |
| Hosmer | Passman | Thone |
| Hudnut | Patman | Thornton |
| Hutchinson | Patten | Tiernan |
| Johnson, Calif. | Pepper | Traxler |
| Johnson, Colo. | Perkins | Treen |
| Johnson, Pa. | Pettis | Udall |
| Jones, N.C. | Pickle | Ullman |
| Jones, Okla. | Pike | Vander Jagt |
| Jones, Tenn. | Poage | Vander Veen |
| Jordan | Preyer | Vanik |
| Karth | Price, Ill. | Veysey |
| Kastenmeier | Price, Tex. | Vigorito |
| Kazen | Pritchard | Waggonner |
| Kemp | Quie | Waldie |
| Ketchum | Railsback | Walsh |
| King | Rangel | Ware |
| Kluczynski | Rees | Whalen |
| Kyros | Regula | White |
| Lagomarsino | Reuss | Whitehurst |
| Latta | Rhodes | Whitten |
| Lehman | Riegle | Widnall |
| Lent | Rinaldo | Wiggins |
| Long, La. | Roberts | Williams |
| Lujan | Robison, N.Y. | Wilson, Bob |
| McClory | Rodino | Wilson, Charles, Tex. |
| McCloskey | Roe | Winn |
| McCollister | Rogers | Wolff |
| McCormack | Roncalio, Wyo. | Wright |
| McDade | Roncallo, N.Y. | Wyatt |
| McEwen | Rooney, Pa. | Wydler |
| McFall | Rose | Wylie |
| McKay | Rosenthal | Wyman |
| McKinney | Rostenkowski | Yates |
| Macdonald | Roush | Yatron |
| Madden | Rousselot | Young, Ga. |
| Madigan | Roy | Young, Ill. |
| Mahon | Roybal | Young, S.C. |
| Mallary | Runnels | Young, Tex. |
| Mann | Ruppe | Zablocki |
| Martin, Nebr. | Ruth | Zwach |
| Martin, N.C. | Ryan | |
| Mathias, Calif. | St Germain | |
| Matsunaga | | |

NAYS—67

| | | |
|---|---|---|
| Ashbrook | Froehlich | Melcher |
| Bafalis | Ginn | Montgomery |
| Bauman | Gross | Moss |
| Bennett | Haley | Myers |
| Bevill | Hammer-schmidt | Powell, Ohio |
| Blaggi | Hanrahan | Randall |
| Bray | Harsha | Robinson, Va. |
| Burke, Fla. | Hechler, W. Va. | Satterfield |
| Burlison, Mo. | Holtzman | Scherle |
| Burton, John | Howard | Schroeder |
| Byron | Huber | Shipley |
| Camp | Hungate | Snyder |
| Carney, Ohio | Hunt | Symms |
| Chappell | Ichord | Taylor, Mo. |
| Clancy | Jarman | Towell, Nev. |
| Conlan | Kuykendall | Wampler |
| Crane | Landgrebe | Wilson, Charles H., Calif. |
| Daniel, Dan | Litton | Young, Alaska |
| Denholm | Long, Md. | Young, Fla. |
| Dent | Lott | Zion |
| Devine | Luken | |
| Dickinson | Maraziti | |
| Dingell | Mathis, Ga. | |
| Duncan | | |

NOT VOTING—37

| | | |
|---|---|---|
| Annunzio | Griffiths | Peyser |
| Aspin | Gunter | Podell |
| Baker | Hansen, Wash. | Quillen |
| Brasco | Hawkins | Rarick |
| Carey, N.Y. | Hébert | Reid |
| Conyers | Hogan | Rooney, N.Y. |
| Davis, Ga. | Holifield | Steele |
| Donohue | Jones, Ala. | Stephens |
| Eilberg | Koch | Stuckey |
| Evans, Colo. | Landrum | Teague |
| Evins, Tenn. | Leggett | Van Deerlin |
| Fisher | McSpadden | |
| Green, Oreg. | Nedzi | |

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Annunzio for, with Mr. Conyers against.

Until further notice:

Mr. Hébert with Mr. Holifield.
Mr. Eilberg with Mr. Davis of Georgia.
Mr. Koch with Mr. Aspin.
Mr. Rooney of New York with Mr. Fisher.
Mr. Podell with Mr. Stuckey.
Mr. Donohue with Mr. Rarick.
Mr. Landrum with Mrs. Griffiths.
Mr. Nedzi with Mr. McSpadden.
Mr. Evins of Tennessee with Mrs. Green of Oregon.
Mr. Stephens with Mr. Baker.
Mr. Teague with Mr. Carey of New York.
Mr. Leggett with Mr. Hogan.
Mr. Van Deerlin with Mr. Peyser.
Mr. Evans of Colorado with Mr. Quillen.
Mr. Gunter with Mr. Steele.
Mr. Hawkins with Mr. Reid.
Mr. Jones of Alabama with Mrs. Hansen of Washington.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

## GENERAL LEAVE

Mr. ASHLEY. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks, and include extraneous material, on the bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There was no objection.

## APPOINTMENT OF CONFEREES ON S. 355

Mr. STAGGERS. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the Senate bill (S. 355) to amend the National Traffic and Motor Vehicle Safety Act of 1966 to promote safety by providing that defects and failures to comply with motor vehicle safety standards shall be remedied without charge to the owner, and for other purposes, with the House amendments thereto, insist on the House amendments, and agree to the conference asked by the Senate.

The SPEAKER. Is there objection to the request of the gentleman from West Virginia? The Chair hears none, and appoints the following conferees: Messrs. STAGGERS, MOSS, STUCKEY, DEVINE, and BROYHILL of North Carolina.

## PERMISSION FOR MANAGERS TO FILE A CONFERENCE REPORT ON H.R. 15572

Mr. BOLAND. Mr. Speaker, I ask unanimous consent that the managers may have until midnight tonight to file a conference report on the bill H.R. 15572, the Department of Housing and Urban Development, Space, Science, Veterans, and Certain Other Independent Agencies Appropriation Bill for 1975.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

CONFERENCE REPORT (H. REPT. NO. 93-1310)

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 15572) "making appropriations for the Department of Housing and Urban Development; for space, science, veterans, and certain other independent executive agencies, boards, commissions, corporations, and offices for the fiscal year ending June 30, 1975, and for other purposes," having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 5, 8, 10, 11, 20, 30, 34, 35, 38, 41, 60, and 61.

That the House recede from its disagreement to the amendments of the Senate numbered 3, 9, 14, 22, 26, 27, 42, 43, 46, 48, 49, 50, 55, and 57, and agree to the same.

Amendment numbered 1: That the House recede from its disagreement to the amendment of the Senate numbered 1, and agree to the same with an amendment, as follows: In lieu of the sum proposed by said amendment insert "$13,233,000"; and the Senate agree to the same.

Amendment numbered 6: That the House recede from its disagreement to the amendment of the Senate numbered 6, and agree to the same with an amendment, as follows: In lieu of the sum proposed by said amendment insert "$197,000,000"; and the Senate agree to the same.

Amendment numbered 7: That the House recede from its disagreement to the amendment of the Senate numbered 7, and agree to the same with an amendment, as follows: In lieu of the sum proposed by said amendment insert "$123,375,000"; and the Senate agree to the same.

Amendment numbered 12: That the House recede from its disagreement to the amendment of the Senate numbered 12, and agree to the same with an amendment, as follows: In lieu of the sum proposed by said amendment insert "$65,000,000"; and the Senate agree to the same.

Amendment numbered 13: That the House recede from its disagreement to the amendment of the Senate numbered 13, and agree to the same with an amendment, as follows: In lieu of the sum proposed by said amendment insert "$6,130,000"; and the Senate agree to the same.

Amendment numbered 15: That the House recede from its disagreement to the amendment of the Senate numbered 15, and agree to the same with an amendment, as follows: In lieu of the sum proposed by said amendment insert "$5,413,000"; and the Senate agree to the same.

Amendment numbered 16: That the House recede from its disagreement to the amendment of the Senate numbered 16, and agree to the same with an amendment, as follows: In lieu of the sum proposed by said amendment insert "$3,425,000"; and the Senate agree to the same.

Amendment numbered 17: That the House recede from its disagreement to the amendment of the Senate numbered 17, and agree to the same with an amendment, as follows: In lieu of the sum proposed by said amendment insert "$6,626,000"; and the Senate agree to the same.

Amendment numbered 18: That the House

recede from its disagreement to the amendment of the Senate numbered 18, and agree to the same with an amendment, as follows: In lieu of the sum proposed by said amendment insert "$18,928,000"; and the Senate agree to the same.

Amendment numbered 19: That the House recede from its disagreement to the amendment of the Senate numbered 19, and agree to the same with an amendment, as follows: In lieu of the sum proposed by said amendment insert "$28,563,000"; and the Senate agree to the same.

Amendment numbered 21: That the House recede from its disagreement to the amendment of the Senate numbered 21, and agree to the same with an amendment, as follows: In lieu of the sum proposed by said amendment insert "$258,000"; and the Senate agree to the same.

Amendment numbered 23: That the House recede from its disagreement to the amendment of the Senate numbered 23, and agree to the same with an amendment, as follows: In lieu of the sum proposed by said amendment insert "$140,155,000"; and the Senate agree to the same.

Amendment numbered 24: That the House recede from its disagreement to the amendment of the Senate numbered 24, and agree to the same with an amendment, as follows: In lieu of the sum proposed by said amendment insert "$77,020,000"; and the Senate agree to the same.

Amendment numbered 25: That the House recede from its disagreement to the amendment of the Senate numbered 25, and agree to the same with an amendment, as follows: In lieu of the sum named by said amendment insert "$1,940,000"; and the Senate agree to the same.

Amendment numbered 31: That the House recede from its disagreement to the amendment of the Senate numbered 31, and agree to the same with an amendment, as follows: In lieu of the sum proposed by said amendment insert "$661,500,000"; and the Senate agree to the same.

Amendment numbered 33: That the House recede from its disagreement to the amendment of the Senate numbered 33, and agree to the same with an amendment, as follows: In lieu of the matter stricken and inserted by said amendment insert "more nor less"; and the Senate agree to the same.

Amendment numbered 36: That the House recede from its disagreement to the amendment of the Senate numbered 36, and agree to the same with an amendment, as follows: In lieu of the matter stricken and inserted by said amendment insert: "more nor less"; and the Senate agree to the same.

Amendment numbered 37: That the House recede from its disagreement to the amendment of the Senate numbered 37, and agree to the same with an amendment, as follows: In lieu of the sum proposed by said amendment insert "$65,150,000"; and the Senate agree to the same.

Amendment numbered 39: That the House recede from its disagreement to the amendment of the Senate numbered 39, and agree to the same with an amendment, as follows: In lieu of the matter stricken and inserted by said amendment insert "more nor less"; and the Senate agree to the same.

Amendment numbered 40: That the House recede from its disagreement to the amendment of the Senate numbered 40, and agree to the same with an amendment, as follows: In lieu of the sum proposed by said amendment insert "$5,500,000"; and the Senate agree to the same.

Amendment numbered 45: That the House recede from its disagreement to the amendment of the Senate numbered 45, and agree to the same with an amendment, as follows: In lieu of the sum proposed by said amendment insert "$45,000,000"; and the Senate agree to the same.

Amendment numbered 52: That the House recede from its disagreement to the amendment of the Senate numbered 52, and agree to the same with an amendment, as follows: In lieu of the sum proposed by said amendment insert "$420,000,000"; and the Senate agree to the same.

Amendment numbered 53: That the House recede from its disagreement to the amendment of the Senate numbered 53, and agree to the same with an amendment, as follows: In lieu of the sum proposed by said amendment insert "$223,925,000"; and the Senate agree to the same.

Amendment numbered 54: That the House recede from its disagreement to the amendment of the Senate numbered 54, and agree to the same with an amendment, as follows: In lieu of the sum proposed by said amendment insert "$43,796,000"; and the Senate agree to the same.

Amendment numbered 56: That the House recede from its disagreement to the amendment of the Senate numbered 56, and agree to the same with an amendment, as follows: In lieu of the sum proposed by said amendment insert "$2,050,000"; and the Senate agree to the same.

The committee of conference report in disagreement amendments numbered 2, 4, 28, 29, 32, 44, 47, 51, 58, and 59.

EDWARD P. BOLAND,
JOE L. EVINS,
GEORGE E. SHIPLEY,
J. EDWARD ROUSH,
ROBERT O. TIERNAN,
BILL CHAPPELL (except as to No. 4),
ROBERT N. GIAIMO,
GEORGE H. MAHON,
BURT L. TALCOTT,
JOSEPH M. McDADE,
WILLIAM J. SCHERLE,
EARL B. RUTH,
ELFORD A. CEDERBERG,
*Managers on the Part of the House.*

WILLIAM PROXMIRE,
JOHN O. PASTORE,
JOHN C. STENNIS,
BIRCH BAYH,
LAWTON CHILES,
JOHN L. McCLELLAN,
FRANK E. MOSS,
CHARLES McC. MATHIAS, Jr.,
CLIFFORD P. CASE,
HIRAM L. FONG,
EDWARD W. BROOKE,
TED STEVENS,
MILTON R. YOUNG,
*Managers on the Part of the Senate.*

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 15572) making appropriations for the Department of Housing and Urban Development; for space, science, veterans, and certain other independent executive agencies, boards, commissions, corporations, and offices for the fiscal year ending June 30, 1975, and for other purposes, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying report:

TITLE I—DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Amendment No. 1: Appropriates $13,233,000 for salaries and expenses, housing production and mortgage credit programs, instead of $14,340,000 as proposed by the House and $12,125,000 as proposed by the Senate.

Amendment No. 2: Reported in technical disagreement. The managers on the part of the House will offer a motion to recede and concur in the amendment of the Senate with an amendment to provide that no administrative funds may be used for the administration of the section 23 leasing program, unless the unused balance of contract authority under the section 236 program, or any replacement program, is also made available for commitment concurrent with any contract authority under the section 23 program, instead of the language proposed by the Senate.

The committee of conference is agreed that the action of the conferees is not meant to impede the section 23 program. The intent is to permit the department to utilize available resources, at the earliest date, to fill the need for low income housing to the extent other programs will not meet those needs.

The Secretary is expected to approve commitments of such available funds for new projects for the purpose contemplated by the Congress in enacting the Housing and Community Development Act of 1974, as indicated in the joint explanatory statement of the committee of conference accompanying S. 3066.

The conferees are also agreed that the provisions relating to operating cost subsidies in the new section 236 program authorized by the Housing and Community Development Act of 1974 shall not apply to the unused balances of outstanding contract authority that may be committed for new projects pursuant to this act.

The managers on the part of the Senate will move to concur in the amendment of the House to the amendment of the Senate.

Amendment No. 3: Appropriates $2,300,000,000 for housing payments as proposed by the Senate, instead of $2,425,000,000 as proposed by the House.

Amendment No. 4: Reported in technical disagreement. The managers on the part of the House will offer a motion to recede and concur in the Senate amendment with an amendment to insert language earmarking not less than $450,000,000 for the payment of operating subsidies to local housing authorities. The managers on the part of the Senate will move to concur in the amendment of the House to the amendment of the Senate.

The committee of conference agrees with the language contained in the Senate report stating that the Housing Act of 1937 as amended by the Congress in 1970 allows payment of limited operating funds by housing authorities to support public housing tenant organizations. The committee of conference expects that operating subsidies appropriated in this act will be used to promote improved communication between tenants and management in public housing. Insofar as operating subsidies are used in this manner, the conferees expect the Secretary of HUD to exercise adequate budgetary and accountability safeguards to be imposed by local housing authorities or tenant organizations to insure that these funds will be used in a constructive manner.

Amendment No. 5: Appropriates $23,400,000 for salaries and expenses, housing management programs as proposed by the House, instead of $21,825,000 as proposed by the Senate.

Amendment No. 6: Appropriates $197,000,000 for urban renewal programs, instead of $200,000,000 as proposed by the House and $194,000,000 as proposed by the Senate.

Amendment No. 7: Appropriates $123,375,000 for model cities programs, instead of $125,000,000 as proposed by the House and $121,250,000 as proposed by the Senate.

Amendment No. 8: Restores language proposed by the House to earmark $1,000,000 for rehabilitation and redevelopment of the DeKalb County, Tennessee, model cities area devastated by recent tornado damage.

Amendment No. 9: Deletes language proposed by the House to appropriate $70,000,000 for the rehabilitation loan fund, as proposed by the Senate.

Amendment No. 10: Appropriates $100,000,000 for comprehensive planning grants as proposed by the House, instead of $106,700,000 as proposed by the Senate.

Amendment No. 11: Appropriates $39,000,000 for salaries and expenses, community planning and development programs as proposed by the House, instead of $37,830,000 as proposed by the Senate.

Amendment No. 12: Appropriates $65,000,000 for research and technology, instead of $60,000,000 as proposed by the House and $67,900,000 as proposed by the Senate.

Amendment No. 13: Appropriates $6,130,000 for salaries and expenses, policy development and research, instead of $5,000,000 as proposed by the House and $6,130,400 as proposed by the Senate.

Amendment No. 14: Appropriates $11,543,000 for fair housing and equal opportunity as proposed by the Senate, instead of $10,900,000 as proposed by the House.

Amendment No. 15: Appropriates $5,413,000 for general departmental management, instead of $5,580,000 as proposed by the House and $5,412,600 as proposed by the Senate.

Amendment No. 16: Appropriates $3,425,000 for salaries and expenses, Office of General Counsel, instead of $3,530,000 as proposed by the House and $3,424,100 as proposed by the Senate.

Amendment No. 17: Appropriates $6,626,000 for salaries and expenses, Office of Inspector General, instead of $6,830,000 as proposed by the House and $6,625,100 as proposed by the Senate.

Amendment No. 18: Appropriates $18,928,000 for administration and staff services, instead of $19,513,000 as proposed by the House and $18,927,610 as proposed by the Senate.

Amendment No. 19: Appropriates $28,563,000 for regional management and services, instead of $29,446,000 as proposed by the House and $28,562,620 as proposed by the Senate.

TITLE II—SPACE, SCIENCE, VETERANS, AND CERTAIN OTHER INDEPENDENT AGENCIES

*American Battle Monuments Commission*

Amendment No. 20: Appropriates $4,512,000 for salaries and expenses as proposed by the House instead of $4,376,640 as proposed by the Senate.

*Cemeterial Expenses, Army*

Amendment No. 21: Appropriates $258,000 for salaries and expenses, instead of $265,000 as proposed by the House and $257,050 as proposed by the Senate.

*National Aeronautics and Space Administration*

Amendment No. 22: Appropriates $2,326,580,000 for research and development as proposed by the Senate, instead of $2,327,380,000 as proposed by the House. The committee of conference is agreed that not to exceed $3,000,000 may be used for further planning for a Large Space Telescope, provided that consideration is given to substantial participation of other nations in a less expensive project to be launched at a later date. The committee of conference is also agreed that SEASAT may proceed within the funds made available under this appropriation.

Amendment No. 23: Appropriates $140,155,000 for construction of facilities, instead of $135,670,000 as proposed by the House and $140,155,300 as proposed by the Senate.

Amendment No. 24: Designates $77,020,000 for space shuttle facilities, instead of $75,080,000 as proposed by the House and $79,020,000 as proposed by the Senate.

Amendment No. 25: Inserts language proposed by the Senate, and earmarks $1,940,000 for initiating construction of an Orbiter Horizontal Flight Test Facility, instead of $3,940,000 as proposed by the Senate. The committee of conference is agreed that NASA is not to proceed with the hangar project until the Air Force and NASA agree on the total shuttle facilities plan required at Edwards.

Amendment Nos. 26 and 27: Retain language as proposed by the Senate earmarking $4,880,000 for an addition to the Systems Development Laboratory.

The committee of conference urges the National Aeronautics and Space Administration to realign its activities among various installations so that there may be greater utilization of existing space before any new construction is undertaken.

Amendment No. 28: Reported in technical disagreement. The managers on the part of the House will offer to recede and concur in the Senate amendment with an amendment transferring up to one-quarter of one percent of the funds between the research and development appropriation and the research and program management appropriation. The managers on the part of the Senate will move to concur in the amendment of the House to the amendment of the Senate.

*National Science Foundation*

Amendment No. 29: Reported in technical disagreement. The managers on the part of the House will offer a motion to recede and concur in the Senate amendment authorizing not to exceed $5,000 for official reception and representation expenses.

Amendment No. 30: Earmarks not to exceed $35,900,000 for program development and management as proposed by the House, instead of $36,500,000 as proposed by the Senate.

Amendment No. 31: Appropriates $661,500,000 for salaries and expenses, instead of $666,800,000 as proposed by the House and $654,750,000 as proposed by the Senate.

Amendment No. 32: Reported in technical disagreement. The managers on the part of the House will offer a motion to recede and concur in the amendment of the Senate with an amendment making funds available until June 30, 1976, instead of making funds available until expended as proposed by the Senate. The managers on the part of the Senate will move to concur in the amendment of the House to the amendment of the Senate.

Amendments Nos. 33, 34, and 35: Earmark not more nor less than $13,200,000 only for graduate student support, instead of not less than $13,200,000 as proposed by the House and not more than $12,700,000 as proposed by the Senate.

Amendments Nos. 36, 37, and 38: Earmark not more nor less than $65,150,000 only for science education improvement, instead of not less than $68,900,000 as proposed by the House and not more than $61,400,000 as proposed by the Senate.

Amendments Nos. 39, 40, and 41: Earmark not more nor less than $5,500,000 only for institutional improvement for science, instead of not less than $8,000,000 as proposed by the House and not more than $3,000,000 as proposed by the Senate.

Amendment No. 42: Earmarks not more than $50,000,000 for Research Applied to National Needs as proposed by the Senate, instead of $40,000,000 as proposed by the House.

Amendment No. 43: Appropriates $4,850,000 in foreign currencies for scientific activities as proposed by the Senate, instead of $5,000,000 as proposed by the House.

*Securities and Exchange Commission*

Amendment No. 44: Reported in technical disagreement. The managers on the part of the House will offer a motion to recede and concur in the amendment of the Senate limiting travel expenses to not to exceed $1,200,000.

*Selective Service System*

Amendment No. 45: Appropriates $45,000,000 for salaries and expenses, instead of $46,463,000 as proposed by the House and $37,345,000 as proposed by the Senate.

*Veterans Administration*

Amendment No. 46: Appropriates $7,283,000,000 for compensation and pensions as proposed by the Senate, instead of $6,716,200,000 as proposed by the House.

Amendment No. 47: Reported in technical disagreement. The managers on the part of the House will offer a motion to recede and concur in the amendment of the Senate to appropriate $8,750,000 for veterans insurance and indemnities.

Amendment No. 48: Appropriates $3,187,644,000 for medical care as proposed by the Senate, instead of $3,190,044,000 as proposed by the House.

Amendment No. 49: Appropriates $89,000,000 for medical and prosthetic research as proposed by the Senate, instead of $86,770,000 as proposed by the House.

Amendment No. 50: Deletes language proposed by the House to appropriate $30,000,000 for assistance for health manpower training institutions as proposed by the Senate.

Amendment No. 51: Reported in technical disagreement. The managers on the part of the House will offer a motion to recede and concur in the amendment of the Senate authorizing not to exceed $2,500 for official reception and representation expenses.

Amendment No. 52: Appropriates $420,000,000 for general operating expenses, instead of $388,130,000 as proposed by the House and $428,842,000 as proposed by the Senate.

Amendment No. 53: Appropriates $223,925,000 for construction, major projects, instead of $230,850,000 as proposed by the House and $223,924,500 as proposed by the Senate.

Amendment No. 54: Appropriates $43,796,000 for construction, minor projects, instead of $45,150,000 as proposed by the House and $43,795,500 as proposed by the Senate.

Amendment No. 55: Appropriates $9,700,000 for grants for construction of State extended care facilities as proposed by the Senate, instead of $10,000,000 as proposed by the House.

Amendment No. 56: Appropriates $2,050,000 for grants to the Republic of the Philippines, instead of $2,100,000 as proposed by the House and $2,037,000 as proposed by the Senate.

Amendment No. 57: Appropriates $97,000 for the vocational rehabilitation revolving fund as proposed by the Senate, instead of $100,000 as proposed by the House.

TITLE III—CORPORATIONS

*Federal Home Loan Bank Board*

Amendment No. 58: Reported in technical disagreement. The managers on the part of the House will offer a motion to recede and concur in the amendment of the Senate authorizing not to exceed $1,000 for official reception and representation expenses.

Amendment No. 59: Reported in technical disagreement. The managers on the part of the House will offer a motion to recede and concur in the amendment of the Senate to provide necessary authority for the Board to assess charges and receive advances from other agencies and expand the dollar limitation for its proposed new headquarters building.

TITLE IV—GENERAL PROVISIONS

Amendment No. 60: Deletes language proposed by the Senate relating to the use of passenger motor vehicles.

Amendment No. 61; Restores section number proposed by the House.

*Conference total—with comparisons*

The total new budget (obligational) authority for the fiscal year 1975 recommended by the committee of conference, with comparisons to the fiscal year 1974 amounts, to the 1975 budget estimate, and to the House and Senate bills for 1975 follows:

| | Amounts |
|---|---|
| New budget (obligational) authority, fiscal year 1974 | $20,813,036,000 |
| Budget estimates of new (obligational) authority (as amended), fiscal year 1975 | 21,436,813,000 |
| House bill, fiscal year 1975 | 20,846,332,000 |
| Senate bill, fiscal year 1975 | 21,210,718,420 |
| Conference agreement | 21,215,812,000 |
| Conference agreement compared with— | |
| New budget (obligational) authority, fiscal year 1974 | 402,776,000 |
| Budget estimates of new (obligational) authority (as amended), fiscal year 1975 | 221,001,000 |
| House bill, fiscal year 1975 | 369,480,000 |
| Senate bill, fiscal year 1975 | 5,093,580 |

EDWARD P. BOLAND,
JOE L. EVINS,
GEORGE E. SHIPLEY,
J. EDWARD ROUSH,
ROBERT O. TIERNAN,
BILL CHAPPELL (except as to No. 4),
ROBERT N. GIAIMO,
GEORGE H. MAHON,
BURT L. TALCOTT,
JOSEPH M. McDADE,
WILLIAM J. SCHERLE,
EARL B. RUTH,
ELFORD A. CEDERBERG,
*Managers on the Part of the House.*

WILLIAM PROXMIRE,
JOHN O. PASTORE,
JOHN C. STENNIS,
BIRCH BAYH,
LAWTON CHILES,
JOHN L. McCLELLAN,
FRANK E. MOSS,
CHARLES McC. MATHIAS, JR.,
CLIFFORD P. CASE,
HIRAM L. FONG,
EDWARD W. BROOKE,
TED STEVENS,
MILTON R. YOUNG,
*Managers on the Part of the Senate.*

## MAKING IN ORDER CONSIDERATION OF CONFERENCE REPORT ON H.R. 15572

Mr. BOLAND. Mr. Speaker, I ask unanimous consent that it shall be in order tomorrow to call up and consider a conference report on the bill H.R. 15572, the Department of Housing and Urban Development, space, science, veterans, and certain other independent agencies appropriation bill for 1975.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

## PERSONAL EXPLANATION

Mr. PRICE of Texas. Mr. Speaker, on Monday, August 19, the House passed H.R. 16102, legislation to amend the Emergency Daylight Saving Time Energy Conservation Act of 1973 to return to standard time for the months of November through February. I am recorded as not voting in the CONGRESSIONAL RECORD, however, I was present and did vote in favor of this legislation. It appears that my coded card did not register in the electronic voting system. I would like to formally record my "aye" vote at this time.

## FOREIGN INVESTMENT STUDY ACT OF 1974

Mr. CULVER. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 15487) to authorize the Secretary of Commerce and the Secretary of the Treasury to conduct a study of foreign direct and portfolio investment in the United States, and for other purposes.

The SPEAKER. The question is on the motion offered by the gentleman from Iowa (Mr. CULVER).

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 15487, with Mr. ECKHARDT in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from Iowa (Mr. CULVER) will be recognized for 30 minutes, and the gentleman from Florida (Mr. BURKE) will be recognized for 30 minutes.

The Chair recognizes the gentleman from Iowa (Mr. CULVER).

Mr. CULVER. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, today we are presenting H.R. 15487, the Foreign Investment Study Act, to authorize a thorough survey of foreign investment activity in this country. The purpose of this bill is to develop a firm and reliable data base from which both the Congress and the Executive can derive responsive and responsible policy recommendations.

The bill is the product of unanimous judgment and deliberation by the members of my Subcommittee on Foreign Economic Policy. Our investigative hearings earlier this year disclosed both that there is considerable alarm about present and potential foreign investment in the United States, and that the available information against which to gage this concern is seriously deficient.

The last benchmark survey of direct foreign investment in this country was conducted in 1959, and the last one on portfolio investment took place in 1949. The bill directs the Departments of Commerce and of the Treasury to conduct an up-to-date survey of both direct and portfolio investment. All aspects of such investment are to be investigated, including: its nature and magnitude; the mechanism of investment, particularly the implication of takeovers of existing firms; balance of payments consequences; the impact on employment, national security, and natural resources; geographical and sectoral distribution; and the necessity and appropriateness of periodic reporting or disclosure requirements.

Two and a half years are authorized for a full study and a final report, with an interim report due in 18 months.

Mr. Chairman, this is a responsible first step toward dealing with a phenomenon that is of increasing concern to many Americans. Unlike many other countries, we have no screening process or exchange controls to limit the inward flow of foreign investment. We have not felt the need for them, and indeed our posture has been one of encouraging greater freedom of international investment activity, as befits a major exporter of capital. The question is whether this posture should be maintained or modified to some degree in the light of recent and reasonably foreseeable events.

The figures are nowhere near precise, but the data we have indicate that new foreign direct investment in 1973—investment that aims at control of American enterprises—shot up to $3 billion, more than triple the level of preceding years. Analysts pointed to successive devaluations of the dollar, and the steep decline in stock market values, as factors enhancing the attractiveness of U.S. investment to European and Japanese investors. Wide publicity was given to industrial takeovers such as the acquisition of Texas Gulf by the Canadian Development Corp. Rumors grew of Japanese and other foreign interest in farmland and natural resources—rumors that were fueled by the very unavailability of accurate information that this bill seeks to correct.

Of course 1973 ended with the Arab oil boycott and, much more significantly, the quadrupling of international oil prices. This is likely to have a substantial dampening effect on foreign investment activity by the more developed countries such as England and Holland and Japan who have historically or in the recent past been most active in this country. But their balance-of-payment loss is the exporting countries' gain, and we must not gear ourselves to deal with the investment needs and interests of these newly affluent nations.

The oil exporting countries will have some $60 billion in excess currency reserves at the end of 1974, as compared with a $5 billion surplus in 1970. It has been calculated that at presently prevailing world prices the cumulative surplus oil revenues—those that the exporting countries cannot expend for internal purposes—may reach as much as $400 billion by 1980. At present much of the excess is going into short-term bank deposits and various forms of portfolio investment. But this will clearly not suffice for the long run, and Iran's recent purchase of a one-third interest in Krupp is a harbinger of things to come.

Mr. Chairman, the interests of the United States in this situation do not all run in one direction. Clearly there is danger in leaving these huge oil surpluses, over-hanging and disturbing international currency markets. Properly guided, these funds can make a positive contribution to our own balance of payments, to employment, and to the circulation of capital within our economy. That is why, although I share the genuine concern that has prompted various members to introduce restrictive legislation, I believe on balance it is premature to settle on a definite policy course at this time.

The one thing we do owe the Amer-

ican people is accurate and reliable information. Rumor and reaction are not satisfactory implements for the development of sound public policy. We must draw the necessary distinctions between helpful and potentially damaging foreign investment in this country, and we must do so on the basis of solidly grounded knowledge about what is happening. This bill is a building block in that process, and I recommend its approval to the House.

I include the following:

SUMMARY AND BACKGROUND TO THE FOREIGN INVESTMENT STUDY ACT OF 1974

Hearings: In January and February of 1974 the Subcommittee on Foreign Economic Policy held hearings on foreign investment in the United States. It was the near unanimous conclusion of both witnesses and members of the Subcommittee that existing data on foreign investment in the United States is incomplete and inadequate, particularly for the purposes of setting a rational policy.

H.R. 15487: introduced with the sponsorship of all the members of the Subcommittee on Foreign Economic Policy and reported favorably, without objection, by the Committee on Foreign Affairs.

Directs the Departments of Commerce and Treasury to undertake a benchmark survey of foreign investment in the United States. Commerce will conduct the survey of direct foreign investment (the last benchmark was in 1959) and Treasury the survey of portfolio investment (the last benchmark was in 1949).

The study goes beyond the collection of balance of payments statistics and concentrates on the implications for the domestic economy; it includes: extent for foreign investment, reasons for such investment; mechanisms of financing; scope and significance of take-overs; geographical and industrial distribution; effects on U.S. security, energy, natural resources, agriculture, etc.; effect on employment opportunities and labor practices; effect of current laws and regulations; need for regular reporting requirements.

Report accompanying the bill directs that established procedures for confidentiality are to be followed.

Bill authorizes the expenditure of not more than $3 million.

Interim report to congress due 18 months after date of enactment and final report not later than 2½ years after enactment.

A companion bill has already passed the Senate.

The bill has the support of the executive departments.

Mr. DU PONT. Mr. Chairman, will the gentleman yield?

Mr. CULVER. I yield to the gentleman from Delaware.

Mr. DU PONT. I thank the gentleman for yielding.

The gentleman just stated that the usual rule of confidentiality would apply, but I assume that when the report is completed, it will be publicly available, and the statistical tables will be publicly available?

Mr. CULVER. That is correct. They will be in an aggregate form.

Mr. DU PONT. I thank the gentleman.

Mr. REES. Mr. Chairman, will the gentleman yield?

Mr. CULVER. I yield to the gentleman from California.

Mr. REES. I thank the gentleman for yielding.

Mr. Chairman, I should like to congratulate the gentleman for taking the initiative on this study. As a member of the Committee on Banking and Currency, I have been working in the field of foreign banks doing business in the United States. I know there are problems in that foreign banks have more rights than U.S. banks in doing business here. I do not mind banks doing business in the United States and competing, but I have to see them have a competitive advantage over the local banks.

I wish to thank the gentleman.

In order to save time, I should like to insert in the RECORD some material about some of the problems we have been facing in the Committee on Banking and Currency.

An illustration of the need to know how financing is arranged for foreign investment is provided in the case of the purchase of First Western Bank of California by Lloyds of London. A U.S. bank interested in acquiring First Western was prevented from doing so because the acquisition would violate the antitrust laws. It was argued that a foreign takeover would get around the antitrust problem; would promote competition by permitting the 23d largest bank in the free world, Lloyds, to operate in the home market of the largest bank, Bank of America; and would add to the banking resources of the State and introduce additional needed bank capital.

Lloyd's did not bring in new capital, however. As reported in the Wall Street Journal July 25, it borrowed $135 million in New York to finance the $115 million purchase from World Airways—$95 million of that amount was provided by U.S. banks and $40 million by U.S. insurance companies. It is not clear that in approving the purchase the Federal Reserve Board was aware of how the acquisition was to be financed. There is some question as to whether the same standards of disclosure apply to foreign banks as to U.S. banks in holding company acquisitions or whether the same standards of capital adequacy apply. There is also some question as to whether a major U.S. bank—First Western is the 76th largest bank in the United States, the 8th largest in California—should be capitalized solely with credit obtained from U.S. financial institutions at a 9-percent interest rate, regardless of the amount of resources of the foreign-based parent bank.

I think this example illustrates the need to obtain information on the financing of foreign investment as a foundation for developing a national policy.

In the area of portfolio investment, the need for information is equally significant. Several large U.S. banks which are active overseas have sold stock in the bank or its holding company to foreign banks with whom they are partners in joint ventures. The joint ventures are outside the United States but frequently the foreign bank partner has a subsidiary, branch or agency in the United States—often in the same city in which the U.S. bank is located.

For instance, First National City Bank and Fuji Bank Ltd., Tokyo are equal partners in a management consulting firm and a leasing firm in Tokyo. Fuji Bank owns fifteen hundredths of 1 percent of Citicorp's outstanding shares and has agency operations in both Los Angeles and New York. First National City Bank in turn has extensive banking operations in Tokyo and other Japanese cities.

Other large U.S. multinational banks are also reported to have reciprocal stock holdings with foreign bank partners in joint ventures. Information on foreign portfolio investment in U.S. banks would help indicate the extent and importance of this trend and whether or not it subverts the intent of letter of U.S. law.

Mr. GILMAN. Mr. Chairman, will the gentleman yield?

Mr. CULVER. I yield to the gentleman from New York.

Mr. GILMAN. I thank the gentleman for yielding.

Mr. Chairman, I thank the gentleman for yielding and want to take this opportunity for complimenting the gentleman from Iowa for bringing this legislation to the floor of the House. There is an obvious need for this measure.

Mr. Chairman, over a year ago in response to the growing concern of my own constituents and news headlines augering threats to U.S. business and industry from rapidly increasing foreign investments in the United States, I request my distinguished colleague from Iowa (Mr. CULVER), the chairman of the Subcommittee on Foreign Economic Policy, to hold hearings on the issue of foreign investment in our Nation.

Recognizing the need for fully investigating this topic, our Subcommittee on Foreign Economic Policy commenced hearings on the issue, taking testimony from witnesses from all segments of the American economy and from our Federal agencies.

As a result of these extensive hearings, one important conclusion was underscored . . . that our data on foreign investments was wholly inadequate.

While some of the witnesses expressed the opinion that foreign investment in the United States was beneficial to our economy, others forecasted severe problems in years to come unless we adopted strict regulations governing foreign investment.

While the course for future control of foreign investment was not a matter of agreement among committee members, our committee did recognize a compelling need for additional data and information concerning foreign investments so that our future policies could be founded upon sound economic reasoning.

Accordingly, Mr. Chairman, I am pleased to support H.R. 15487, a bill I am cosponsoring which will provide us with a comprehensive collection analysis of data on foreign investments, the necessary information to make intelligent and reasonable decisions for U.S. foreign investment policy.

Only with the information which is authorized under the provisions of the

bill before us, can we be fully prepared for all of the possible implications of these investments.

Accordingly, I urge my colleagues to adopt this measure so that we can take a hard look at where we are heading before we make any major decisions concerning the investments of foreign nations in our own United States.

Mr. WOLFF. Mr. Chairman, will the gentleman yield?

Mr. CULVER. I yield to the gentleman from New York.

Mr. WOLFF. I thank the gentleman for yielding.

Mr. Chairman, H.R. 15487, the Foreign Investment Study Act of 1974, will serve to fill a need for accurate and complete information on the question of the nature and extent of foreign investments in the United States, which has grown by leaps and bounds in the last several years. This bill, which was reported favorably and without objection by the Committee on Foreign Affairs, directs the Departments of Commerce and Treasury to undertake a benchmark survey of foreign investment in the United States, with Commerce conducting the survey of direct foreign investment—the first since 1959—and Treasury looking into portfolio investment—the first since 1949.

Furthermore, the study goes beyond the collection of balance of payments statistics and concentrates on the implications for the domestic economy, including: the extent of foreign investment, reasons for such investment, mechanisms of financing, scope and significance of takeovers, geographical and industrial distribution, effects on U.S. security, energy, natural resources, agriculture, and so forth, effect on employment opportunities and labor practices, effect of current laws and regulations, and the need for regular reporting requirements.

The bill authorizes the expenditure of not more than $3 million, and an interim report to Congress is due 18 months after the date of enactment, and a final report not later than 2½ years after enactment. The bill has the support of the executive departments, and as you know, a companion bill has already passed the Senate.

I would like to focus for one moment on sections 7 and 8 of the bill, which provides an authorization for the collection of data and enforcement powers of this study. The current authorization for the Departments of Commerce and Treasury to collect information of foreign firms is insufficient to cover the information sought in this study.

Section 8 of the Bretton Woods agreements of 1945 authorized the collection of balance-of-payments information. Section 5b of the Emergency Banking Act of 1933 was the statutory basis for the foreign direct investment program and currently provides the statutory foundation for the foreign assets control program. It provides for the collection of balance-of-payments information only in times of declared national emergency, and although two national emergencies are presently in effect, Congress may well act to terminate them.

In any case, even if the above statutes were sufficient to conduct the study, they authorize collection of balance-of-payments information only, whereas this study must be much broader in scope, and seeks information as well on various facets of the domestic economy.

In addition, this authorization is necessary, because in the past, neither the Department of Commerce nor academic surveys have had success in obtaining information through voluntary surveys in this area. But now we need hard accurate data in order to decide whether foreign investment should be encouraged or discouraged in certain areas, restricted in certain areas, and to make related determinations of national policy.

Mr. CULVER. Mr. Chairman, I reserve the balance of my time.

Mr. BURKE of Florida. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, I rise in favor of H.R. 15487, the Foreign Investment Study Act of 1974 which I cosponsored.

In January and February of this year the Subcommittee on Foreign Economic Policy, of which I am a member, held hearings on direct foreign investment in the United States. Those hearings were prompted by citizen concern over the sudden rise in foreign investor activity in the country—over the numerous rumors of foreign purchase of large agricultural tracts, and the alleged attempted and completed take-over of well-known American corporations such as Texasgulf, Airco, Gimbels, Ronson, Signal Oil and Stouffers.

The hearings brought the conclusion that we lack sufficient information to determine whether or not we should be concerned over foreign investment. We received testimony from representatives of business and farm organizations, State development agencies, financial institutions, the academic community, and the executive branch. The unanimous opinion was that current data on foreign investment is wholly inadequate for the purposes of establishing national policy.

The historic policy of granting national treatment to foreign capital goes back to the founding of the Nation, with Alexander Hamilton's urging in 1791 that foreign investment not be "viewed as rival" but treated as domestic capital. In fact, foreign capital played a crucial role in the industrial development of this country. It is reported that at the beginning of the nineteenth century 53 percent of the national debt was held by foreigners, as was 63 percent of the stock of the national bank and one-quarter of the total capitalized worth of American corporations.

In contrast, today foreign direct investment accounts for less than 1 percent of total corporate assets. Many foreign companies have been operating in the United States for decades and, in essence, have become naturalized citizens. How many Americans are aware that Nestles chocolate is Swiss, Shell is British and Dutch, Lipton is British, Bayer is German, Carling is Canadian, and Kiwi is Australian?

Not only is foreign investment neither a new nor a very large aspect of American business life, over 99 percent of those employed by foreign firms, including a large portion of management, are U.S. citizens, so the companies are manned and run by American, not foreign, nationals. Foreign investment brings the benefits to be derived from increased competition, additional domestic production that can replace imports and/or increased exports, and strengthened local and national tax bases.

The foregoing does not mean that legitimate questions have not been raised concerning foreign investment inflows into the United States. For example, is it equitable that foreign banks do not fall under the jurisdiction of the Federal Reserve System and are permitted to establish operations in more than one State, a privilege denied to U.S. banks? Is it possible that foreign investment in agricultural facilities and national resources, such as coal and timber, might exacerbate domestic commodity scarcities, through exportation of their products? Similarly, does the potential of foreign investment in any way jeopardize our national security—are current laws sufficient to protect our defense-related industries from foreign intrusion?

It was the inability to answer questions such as these, and the general lack of information, that led the Subcommittee on Foreign Economic Policy to unanimously endorse the Foreign Investment Study Act of 1974. This bill directs the Departments of Commerce and Treasury to conduct a 2½-year survey of foreign investment in the United States. The last such undertakings were benchmark surveys of direct foreign investment in 1959 and of portfolio investment in 1949. Even the Department of Commerce admits that its statistics on foreign investment in this country are unreliable. The extent of the divergence from reality probable of current data or foreign investment, is indicated by the fact that, for foreign direct investment in manufacturing, mining, and petroleum as of the end of 1972, Commerce Department statistics show a figure of $10.47 billion whereas an academic survey places the figure at approximately $38 billion. It is the intent of this bill to correct these discrepancies.

The larger purpose to be served by this proposed study is to provide answers to some of the questions that need to be answered in order that the Executive and the Congress be in a position to establish a responsible policy toward foreign investment. We need hard data on the extent and nature of foreign investment, the implications of takeovers and of purchase of natural resources, and the impact on the economy. We need a picture of the prospects of foreign investment—what are the likely investment paths to be followed by the Arab oil producers with their new-found riches and what are the implications for the United States? Do we need any controls or reporting requirements to guard against

the unwarranted influx of foreign capitals?

Foreign investment has played a major role in the development of this country, and today is probably the most important area of international economic activity. There is evidence that it can bring benefits—on the international level, through the efficient allocation of resources, on a local basis through increased competition and employment. However, there may also be disadvantages, such as loss of national control over our own exploitation of our natural resources and threats to national security. Whatever the situation, I am hopeful that we will pass this bill which will provide many of the answers we in government need in order to set policy on this crucial issue.

Mr. FRELINGHUYSEN. Mr. Chairman, will the gentleman yield?

Mr. BURKE of Florida. I yield to the gentleman from New Jersey (Mr. FRELINGHUYSEN).

Mr. FRELINGHUYSEN. Mr. Chairman, I support passage of H.R. 15487, the Foreign Investment Study Act of 1974.

This bill recognizes the dramatic increase in foreign investment in the United States during 1973 and would direct the Secretaries of Commerce and Treasury to carry out a study of foreign direct and portfolio investment in the United States. It is hoped that the results of this study will help us to have a better understanding of the implications of such investments as we consider what our national policy should be concerning foreign investments in this country.

In my opinion, this legislation will help to produce the factual information we all need by directing the Secretaries of Commerce and Treasury to conduct a comprehensive survey and analysis of foreign investment in the United States.

As pointed out in a letter from Commerce Secretary Dent to our committee chairman, Dr. MORGAN, the last benchmark survey of foreign direct investment in the United States was conducted in 1959.

Mr. Chairman, this legislation is needed and I urge its approval.

Mr. WHALEN. Mr. Chairman, will the gentleman yield?

Mr. BURKE of Florida. I yield to the gentleman from Ohio.

Mr. WHALEN. Mr. Chairman, a subject of increasing concern among many Americans has been the growth of foreign investment in the United States. Several events fueled this anxiety. Last January 28, Burmah Oil, a British firm, acquired control of the Signal Oil and Gas Co. Also, last winter rumors—and, indeed, factual reports—of substantial Arab and Japanese investment in agriculture and real estate were rampant. Even my children's favorite ice cream parlor was acquired by a British firm.

Prompted by citizen reaction, the Senate Banking, Housing and Urban Affairs Subcommittee on International Finance and the Foreign Affairs Subcommittee on Foreign Economic Policy, of which I am a member, held hearings earlier this year on this subject. The primary conclusion reached by each of these subcommittees is the need to secure more and better information. It is to this end that H.R. 15487, the Foreign Investment Study Act of 1974, of which I am a cosponsor, was introduced.

Let me begin by reviewing the available information. According to the Department of Commerce, the total book value of the long-term private investment in the United States at the end of calendar year 1972 is $59.817 billion—$45.454 billion in portfolio investments and $14.363 billion in direct investments.

Four points are worth noting about portfolio investment:

First. The largest percentage is in corporate stocks;

Second. Foreign portfolio investment in the United States has increased fourfold from 1960 to 1972;

Third. The Western European countries alone account for more than 72 percent of total portfolio investment; and

Fourth. The liabilities of the U.S. banks to foreign nationals have increased at an unprecedented rate.

The Department of Commerce estimates that foreign direct investment in this country nearly doubled between 1962–72. The country with the largest direct investment in the United States is the United Kingdom, which in 1972 had slightly over 32 percent of the total. Canada, with approximately 25 percent of the total, is the next largest investor. The six original European Economic Community countries—France, Germany, Italy, Belgium, the Netherlands, and Luxemburg—together account for another quarter of the 1972 figure.

Japan, too, has been a major investor. Although in 1972 net liabilities within the United States exceeded assets by $132 million, Japanese capital recently has been flowing into our country at an unprecedented rate. In 1971, there was a net outflow of $512 million from the United States to Japan. In 1972, however, there was a net inflow of $58 million, a $570 million turnabout.

During the 10-year period—1962–72—there have been significant shifts in the focus of foreign investment. In 1962, manufacturing accounted for 38 percent of the total; a decade later, the figure had increased to 50 percent. The petroleum industry attracted 19 percent of the total in 1962, and 22 percent 10 years later. Most of the remainder of the investment from abroad flowed into the insurance market.

It is primarily on the basis of these Department of Commerce figures that Peter Flanigan, Assistant to the President for International Economic Affairs, concluded:

> Aside from national security, there is no reason supported by economic analysis or *existing data* for introducing new restrictions on foreign investment." (Emphasis added.)

These "existing data," however, suffer from certain deficiencies. February's "Survey of Current Business," the Department of Commerce's monthly publication from which all the preceding statistics have been taken, states:

> The data . . . are based on a sample of approximately 400 of the larger foreign-owned U.S. firms . . . The sample has been matched against the 1959 benchmark universe of foreign direct investment in the United States . . . Since the benchmark is out of date, the universe estimates are subject to a significant margin of error . . .

Also, the Commerce Department's projections do not provide any specific information about foreign investments in such other sectors of the economy as agriculture and real estate. Nor are there any reliable figures from any other source on the present amount of foreign investments in these sectors despite widespread reports of Japanese agricultural and Arab real estate investments.

Prof. Jeffery A. Arpan, of Georgia State University, and David A. Ricks, of Ohio State University, in testimony before the Foreign Economic Policy Subcommittee, noted that the most difficult and time-consuming part of their survey of foreign investors was to identify and locate the firms. According to Messrs. Arpan and Ricks, there is no accurate or complete list of these companies. They indicated:

> Some lists contain no addresses; others do not indicate type of operation (manufacturing or mining). Furthermore, no two lists agree and there is remarkable lack of overlap. The two largest lists, one by the Department of Commerce (*Foreign Direct Investors in the U.S.* which lists over 800 manufacturing firms) and one by Simon and Schuster (*Directory of Foreign Firms Operating in the U.S.* which lists over 1400 manufacturing firms) have less than 50 percent duplications.

On the basis of replies received from 100 firms out of a total of 1,900 to which their questionnaire was mailed, Professors Arpan and Ricks conclude that there is about $38 billion worth of foreign direct investment in mining, manufacturing, and petroleum. In other words, this is nearly four times the Department of Commerce estimate. Explaining this information gap, Arpan and Ricks said that to be included in the Department figures a foreign firm "must first be identified by the Department of Commerce, be sent a questionnaire by the Bureau of Economic Analysis, make an investment of $2 million, and return the completed questionnaire. A potentially large number of small investors are left out by this procedure."

The growth of foreign investment in the United States is estimated to have reached an all time high in 1973. But just how "high" is subject to dispute. The Conference Board, a private research organization, has reported that the announced foreign direct investment during the period from March to November 1973, was $1.9 billion. The Commerce Department initially determined that direct investment for the entire year was approximately $2 billion. This disparity between the Conference Board's and the Department's figures clearly reveals the difficulties confronting those decision-makers who must measure the impact of foreign investment in this country.

It is just this lack of information that H.R. 15487 seeks to correct. This measure

authorizes the most complete survey of foreign investment ever undertaken in this country. On the basis of the information gathered from this study, the legislative and executive branches will be able to assess the problems, if any, created by foreign investment and develop programs to ameliorate them. The Foreign Investment Study Act was favorably reported by the Foreign Economic Policy Subcommittee and unanimously adopted by the full Committee on Foreign Affairs. A similar bill has already passed the Senate. Mr. Chairman, I urge the passage of H.R. 15487.

Mr. YOUNG of Florida. Mr. Chairman, will the gentleman yield?

Mr. BURKE of Florida. I yield to the gentleman from Florida (Mr. YOUNG).

Mr. YOUNG of Florida. Mr. Chairman, I rise in support of H.R. 15487, the Foreign Investment Study Act of 1974. This bill directs the Secretaries of Commerce and Treasury to collect and analyze data on foreign direct and portfolio investment in the United States, so that we can use this data to set a national policy controlling foreign investments in our country.

For some time now, reports have been coming in which indicate that foreign investors are buying heavily into our domestic economy as well as our national debt. At the end of 1972, according to Commerce Department statistics, a total of $14.4 billion in foreign investment was found in the following areas: $7.2 billion in manufacturing; $3.2 billion in petroleum; $2.4 billion in insurance and other financial firms; $523 million in trade firms; and $958 million in other industries.

In addition, foreign interests held portfolio investments in U.S. corporate stocks worth a staggering $88.9 billion.

During 1973 and 1974, as we all know, the Arab members of the Organization of Petroleum Exporting Countries—OPEC—doubled and tripled the price of crude oil on the world market, and began to amass profits numbering in the billions of dollars. The Arabs are now seeking to invest those billions of dollars where they will earn the best return, and since the U.S economy is the least inflation-ridden and the soundest in the world today, the United States is the logical place for those oil profits. Thus we find the Shah of Iran, after purchasing a quarter interest in the largest weapons and munitions and steel manufacturing firm in Germany, offering his resources to assist financially troubled Grumman Aerospace, one of our chief defense contractors. We find our leading financial institutions operating special departments to speed the flow of Arab funds into American real estate projects, American investment projects, American stocks and bonds, and U.S. Treasury notes.

We have no up-to-date figures today on foreign investment in the United States, but if even a fraction of those oil profits have been invested in our economy, it numbers in the billions.

The Foreign Investment Study Act is imperative legislation, because it will tell us exactly what is going on and enable us to make a decision as to how much of America has been sold to foreign interests. We must have this information, and fast, if we are to protect the independence and security of our economy. We must not allow America to be sold to foreign investors, and we must not allow a controlling interest to pass into foreign hands. I only wish we had the necessary information today, so that we could take more direct action now against such heavy foreign investment.

Mr. Chairman, I support the Foreign Investment Study Act and I urge my colleagues to support it, for the sake of our economic health and our national security.

Mr. BURKE of Florida. Mr. Chairman, I have no further request for time.

Mr. CULVER. Mr. Chairman, I yield myself such time as I may consume.

Mr. LONG of Louisiana. Mr. Chairman, will the gentleman yield?

Mr. CULVER. I yield to the gentleman from Louisiana (Mr. LONG).

Mr. LONG of Louisiana. Mr. Chairman, I rise in strong support of the proposed study and congratulate the subcommittee and full committee. The time to get it underway is immediate. I would like to raise several issues which I believe should be addressed by the Subcommittee on Foreign Economic Policy even before this study is begun and then in depthed in the course of the study or through consideration of other legislation already on the books or presently under consideration by the Congress.

My principal interest in the question of foreign investment centers on the military-economic security of our Nation and its relationship to the ownership and operation of our soon-to-be-built deepwater oil ports. As the chairman of the task force that developed plans for Louisiana's so-called superport and later as president of the Louisiana Deep Draft Harbor and Terminal Authority, I studied this question in some depth, and I helped draft the act which will control Louisiana's participation in the deepwater port now planned for construction off her coast.

When the original House deepwater port bills were brought before the Rules Committee last year I joined other members of the committee, especially Representative JOHN YOUNG of Texas, in pointing out that none of the bills addressed the serious problem of foreign control of our superports. As a result of our work with the respective committees the bill passed by the House contains some protections against foreign control.

My work to develop superport legislation in Louisiana and in Washington has convinced me that the ports will soon have critical importance to our national economy and national defense. From my years as a financial lawyer and investment banker I know how easy it would be, given the present financial structure of American industry and the new global monetary situation, for hostile elements to gain control of our superports.

The importance of the ports stems from two simple facts: the United States' growing dependence on foreign sources of petroleum—we will import 50 percent of our supply by 1985—and economic factors which not only will dictate shipment of the oil in supertankers but of equal importance this will also limit us to unloading the tankers at very few ports, probably no more than five for the whole country.

These few ports will soon become pressure points of our military security and our entire economy. Oil shipped from the Mideast, as well as from South America, Africa, Indonesia, and even Alaska will have to flow through them. The recent Arab embargo showed that when part of the supply of a resource is controlled by an unfriendly cartel the price can be artificially increased and the supply arbitrarily reduced. What would happen if the Arab nations, instead of controlling merely their own oil supply, also controlled the operations of one or even all of our deepwater ports? They then would have the power to terminate our supply of all petroleum shipments through those ports. Increasing reliance upon imports will exacerbate this already intolerable situation.

Perhaps this course of events is unlikely. However, when such a vulnerable point of our national defense is involved, the question should not be "Is it probable?" but rather "Is it possible?" and "What can we do about it?"

Is it possible? The answer is unequivocally "yes." The Arab nations imposed the oil embargo for political reasons. Despite normalization of relations between the United States and the Arab States, our policies in the Mideast have not changed significantly, nor have the Arabs dropped their demands for support in their campaign against Israel. As long as the political questions are unanswered the embargo threat remains alive.

A greater threat would arise if only a relatively small portion of the huge Arab oil revenues was invested in the stock of corporations controlling American superports. By 1980, according to the Library of Congress estimates, the oil-exporting nations of the Mideast will have amassed up to $300 billion from oil sales, more than four times the 1972 net worth of every single American oil company, and more than enough to purchase effective control of hundreds of publicly traded American corporations including the 68 largest oil companies. As is well known by sophisticated financial people, a single shareholder or group of shareholders owning 2 to 5 percent of the stock of a corporation with millions of outstanding shares may well be the largest shareholder and often will directly influence or even direct corporate policy.

More importantly, this control can be exercised both secretly and indirectly through the use of nominees bearing innocuous street names to purchase, hold, and vote stock. The recent report by several subcommittees of the Senate Government Operations Committee entitled "Disclosure of Corporate Ownership" revealed the widespread use of this technique.

Another possible danger—indirect but

still very real—would exist if the same companies which produce oil abroad had an interest in owning or operating one or more U.S. superports. I refer to the recent actions of the Arabian American Oil Co.—Aramco—a consortium of Exxon, Mobil, Texaco, and Standard Oil of California. The Arab embargo was made possible because Aramco was forced to obey Arab demands to cut shipments to the United States under threat of losing their properties or their oil supply. Should those companies also have an interest in owning or operating U.S. oil ports, it is conceivable that they would suffer the same pressures to close one or more of them at some time. Whether they obeyed and closed their ports, or refused and lost their properties or supply, the United States would for at least some time be at their absolute mercy.

Given the existence of the danger of foreign control over our energy supply, what can be done about it?

First, we can pass H.R. 15487 as quickly as possible and begin the study at once.

Second, as to the study itself, I believe the degree of foreign investment in certain U.S. corporations should be recognized as significant at a very low level of participation.

Third, the study should investigate the use of nominees to control corporations for undisclosed principals.

Fourth, in the case of superports, there should be a special effort to identify the threat of foreign control, whether it be direct or indirect, and the work should be undertaken as soon as possible. Because we will see construction begin on the first superport in the next few months it is crucial that we resolve at least this part of the overall foreign investment problem before permits are granted, precedents set, and procedures established.

Finally, a study of foreign investment in the United States would, I believe, necessarily investigate the need for Federal or State participation in the ownership and management of our deepwater oil facilities. As I mentioned above, the High Seas Oil Port Act passed recently by the House contains some protections against foreign control, but in my opinion the danger is neither fully recognized, nor sufficiently avoided by that act. I understand that the deepwater port bill now under consideration in the Senate suffers from the same deficiencies in this regard.

I urge support of this legislation as a beginning and urge the Subcommittee on Foreign Economic Policy to begin an immediate investigation into this aspect of this very important matter.

Mr. MANN. Mr. Chairman, will the gentleman yield?

Mr. CULVER. I yield to the gentleman from South Carolina (Mr. MANN).

Mr. MANN. Mr. Chairman, I rise in support of this legislation.

I do not want to minimize the concerns that have been expressed over growing foreign investments in this country and their possible effect on national security and the utilization of our natural resources, and that foreign ownership might dominate particular industries or sectors of our economy. Our present information does not provide a basis for concluding that such investments are having adverse effects in these respects, and I am convinced that we need to know much more than we do about their magnitude, character, and effect before we seriously contemplate some of the measures that have been proposed to restrain them. The proposed legislation contemplates a comprehensive effort in this direction that would go a long way in helping us reach the necessary judgments. In the meantime I should like briefly to note some of the benefits we are deriving from foreign investments in this country.

Measurement of the economic impact on our economy of foreign direct investments is extremely difficult since it involves many offsetting factors and because we can only speculate on what would have happened if alternative courses of action had been pursued. On the whole I believe the United States has enjoyed a substantial net benefit. The economy has acquired new capital, new and improved technology, and often new management and products as well. These foreign direct investments have contributed to overall U.S. productivity, production, and domestic economic growth, and have increased the stream of income and employment in the U.S. economy.

Foreign competition is already well established in the U.S. marketplace, as evidenced by over $65 billion of U.S. imports in 1973. However, goods produced by foreign-owned U.S. companies do not ordinarily provide the same type of competition that imports do. The principal reason is that merchandise produced here is generally made with and utilizes U.S. materials, labor, packaging, parts, transportation, advertising media, involves the payment of U.S. taxes and, in general, becomes thoroughly Americanized.

Because foreign direct investments—currently estimated at over $17 billion at book value—represent such a small proportion of total U.S. investments in comparable fields, their overall effect on the total domestic economy probably is minor. But the significance at the local level can be quite great, and this is reflected in the energetic involvement of virtually all the State development agencies and many of the State Governors in promotional efforts to attract foreign investments to provide employment and economic growth. Unfortunately, composite data on jobs and income generated by these foreign-owned plants are quite sketchy.

The impact that such plants can have at the local level, however, is illustrated by the experience of Spartanburg, S.C., a city of 45,000, which since 1960 has attracted 24 firms representing 7 different countries and employing 4,000 local workers. Average income in Spartanburg has more than doubled in the past decade, and unemployment reduced by more than half. Foreign firms were a major contributor to these developments.

This is an especially dramatic case, which happens to exist in my congressional district, but many other areas could testify to the benefits gained from foreign-owned enterprises.

The Department of Commerce has played an important role in assisting the States in cultivating foreign interest in these developmental efforts by helping to organize seminars and missions. However, no special incentives are offered foreigners, and the emphasis is in new plant and equipment investments that will contribute to local economic growth.

In closing, I would also like to note that our open door policy toward foreign investments here is an important factor in preserving a favorable climate for our investments abroad, roughly six times larger than the investments here.

Mr. VANDER JAGT. Mr. Chairman, I rise in support of H.R. 15487, which authorizes the Secretary of Commerce and the Secretary of the Treasury to undertake a comprehensive collection and analysis of data on foreign direct and portfolio investment in the United States.

To increase the understanding of the implication of these investments both within the U.S. Government and among the public, thus helping to lay the foundation for a national policy concerning foreign investments in the United States such a study should be undertaken.

There was a drastic increase in the United States during 1973, resulting in expressed citizen concern. This concern related both to foreign takeover of American corporations and to rumored large foreign purchases of agricultural lands and natural resources in the United States. The sharp rise over the $708 million in direct foreign investment in 1972, ranging from $2 to $3 billion in 1973, warrants an investigation provided in this legislation.

From testimony received from representatives of business, farm organizations, State development agencies, the administration, and others, the main theme was that existing data on foreign investment in the United States is grossly inadequate.

Information provided the Subcommittee on Foreign Economy Policy noted that the last full scale, or benchmark, survey of foreign direct investment was in 1959. In view of the lapse of time since this survey, the recent surge of investment flows into the country, the prospects of further activity, and the interest of the Congress in this subject, it is clear that a new survey is required.

Also, the American people should be adequately informed about such investments in order to know the economic, political, and social effects of foreign investments in the United States.

I strongly support the passage of H.R. 15487.

Mr. FOUNTAIN. Mr. Chairman, I rise in strong support of H.R. 15487, and I would like to associate myself with the remarks of the distinguished gentleman from Iowa (Mr. CULVER) as to the need for this legislation and the kind of study it will authorize.

We just must have much more information than is now available on foreign direct and portfolio investments in the United States.

For the time being, I do not think we should fear being bought up or out by foreign investors. However, we must eventually have a more positive national policy concerning foreign investments in the United States. The comprehensive collection and analysis of the data and other information called for by H.R. 15487 will go a long way to help in developing a national policy, and toward a determination of the form such a policy should take. The information now available is wholly inadequate. Even with this legislation, the task of getting accurate information will not be easy, because of the many ways in which foreign investments are and can be made. But through this Foreign Investment Study Act and the suggestions and recommendations which I feel sure will result therefrom, we will be moving in the right and a very essential direction.

Mr. FRENZEL. Mr. Chairman, I strongly support H.R. 15487 which authorizes the Departments of Commerce and Treasury to conduct an extensive study of foreign investment in the United States. The Senate has already passed a similar bill, and we should follow suit.

The purpose of this study is to collect more accurate data on foreign investment. There is common agreement between the Congress and the administration that we do not have adequate data. I think this bill spells out quite clearly those areas where more information is needed.

In recent months, there have been disturbing rumors and reports, most of them apparently from alarmists, about the Arab or Japanese investment "invasion" of the United States. We have no concrete proof of such investment, but this study will certainly substantiate investment of that magnitude, if in fact it exists. I do not believe that it does. And I do not agree with those who say that we must clamp severe restrictions on investment. The whole world, including the United States, is suffering from shortages of capital. No matter how much we may dislike the concentration of capital in the hands of the Arabian oil ministers, we should not be talking about erecting barriers to capital. We are beginning to find ourselves in a desperate competition for capital, with hundreds of thousands of jobs, and the strength of our economy at stake.

The present U.S. policy with respect to foreign investment is to welcome it. It is important that Congress continue its leadership role in encouraging the free flow of capital. We offer no special incentives to foreign investment that domestic investment does not also have. We ought to be proud that we have been an attractive capital market.

I believe that this is the best policy. But I also believe that we need to know more about foreign investment so that our policy will have a firmer foundation, will contain flexibility, and have the ability to control investments, where necessary. This legislation directs a study which will give us the necessary facts. I commend the Foreign Affairs Committee for reporting out a good bill. And I urge my colleagues to support it.

Mr. CULVER. Mr. Chairman, I have no further request for time.

The CHAIRMAN. The Clerk will read.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as the "Foreign Investment Study Act of 1974".

SEC. 2. The Secretary of the Treasury and the Secretary of Commerce are hereby authorized and directed to conduct a comprehensive, overall study of foreign direct and portfolio investments in the United States.

SEC. 3. The Departments of Commerce and Treasury, in consultation with appropriate agencies, shall determine the definitions and limitations of direct and portfolio investments for the purposes of the study authorized in section 2 of this Act.

SEC. 4. In carrying out the study described in section 2 of this Act, the Secretary of Commerce and the Secretary of the Treasury shall, respectively and jointly as may be appropriate—

(1) identify and collect such information as may be required to carry out the study authorized in section 2 of this Act;

(2) consult with and secure information from (and where appropriate the views of) representatives of industry, the financial community, labor, agriculture, science and technology, academic institutions, public interest organizations, and such other groups as the Secretaries deem suitable; and

(3) consult and cooperate with other government agencies, Federal, State, and local, and, to the extent appropriate, with foreign governments and international organizations.

SEC. 5. The Secretary of Commerce shall carry out that part of the study authorized in section 2 of this Act relating to foreign direct investment, and shall, among other things, to the extent he determines feasible, specifically—

(1) investigate and review the nature, scope, magnitude, and rate of foreign direct investment activities in the United States;

(2) survey the reasons foreign firms are undertaking direct investment in the United States;

(3) identify the processes and mechanisms through which foreign direct investment flows into the United States, the financing methods used by foreign direct investors, and the effects of such financing on American financial markets;

(4) analyze the scope and significance of foreign direct investment in acquisitions and takeovers of existing American enterprises, the significance of such investments in the form of new facilities or joint ventures with American firms, and the effects thereof on domestic business competition;

(5) analyze the concentration and distribution of foreign direct investment in specific geographic areas and economic sectors;

(6) analyze the effects of foreign direct investment on United States national security, energy, natural resources, agriculture, environment, real property, holdings, balance of payments, balance of trade, the United States international economic position, and various significant American product markets;

(7) analyze the effect of foreign direct investment in terms of employment opportunities and practices and the activities and influence of foreign and American management executives employed by foreign firms;

(8) analyze the effect of Federal, regional, State, and local laws, rules, regulations, controls, and policies on foreign direct investment activities in the United States;

(9) compare the purpose and effect of United States, State, and local laws, rules, regulations, programs, and policies on foreign direct investment in the United States with laws, rules, regulations, programs, and policies of selected nations and areas where such comparison may be informative;

(10) compare and contrast the foreign direct investment activities in the United States with the investment activities of American investors abroad and appraise the impact of such American activities abroad on the investment activities and policies of foreign firms in the United States;

(11) study the adequacy of information, disclosure, and reporting requirements and procedures;

(12) determine the effects of variations between accounting, financial reporting, and other business practices of American and foreign investors on foreign investment activities in the United States; and

(13) study and recommend means whereby information and statistics on foreign direct investment activities can be kept current.

SEC. 6. The Secretary of the Treasury shall carry out that part of the study authorized in section 2 of this Act relating to foreign portfolio investment, and shall, to the extent he determines feasible, specifically—

(1) investigate and review the nature, scope, and magnitude of foreign portfolio investment activities in the United States;

(2) survey the reasons for foreign portfolio investment in the United States;

(3) identify the processes and mechanisms through which foreign portfolio investment is made in the United States, the financing methods used, and the effects of foreign portfolio investment on American financial markets;

(4) analyze the effects of foreign portfolio investment on the United States balance of payments and the United States international investment position;

(5) study and analyze the concentration and distribution of foreign portfolio investment in specific United States economic sectors;

(6) study the effect of Federal securities laws, rules, regulations, and policies on foreign portfolio investment activities in the United States;

(7) compare the purpose and effect of United States, State, and local laws, rules, regulations, programs, and policies on foreign portfolio investment in the United States with laws, rules, regulations, programs, and policies of selected nations and areas where such comparison may be informative;

(8) compare the foreign portfolio investment activities in the United States with information available on the portfolio investment activities of American investors abroad;

(9) study adequacy of information, disclosures, and reporting requirements and procedures; and

(10) study and recommend means whereby information and statistics on foreign portfolio investment activities can be kept current.

POWERS

SEC. 7. (a) The Secretaries of Commerce and Treasury may establish such rules, regulations, orders, instructions, reports, and forms as they deem necessary to carry out the purposes of this Act and may take such other measures as may be necessary and proper to carry out their responsibilities under this Act.

(b) Such Secretaries may each require any person subject to the jurisdiction of the United States to maintain a full and accurate record of any information (including journals or other books of original entry, minute books, stock transfer records, lists of shareholders, or financial statements) germane to the foreign direct investment and

foreign portfolio investment studies to be conducted pursuant to this Act, and to furnish under oath, in the form of a report or otherwise, such information as the Secretaries determine may be necessary to enable them to carry out their respective responsibilities under this Act. The information which may be required to be maintained or furnished by any person pursuant to this section shall not be limited to holdings or transactions by such persons as principal or agent but shall include any information necessary to conducting this study in the possession of such person, from whatever source derived, concerning foreign direct investment or foreign portfolio investment by any person whatsoever.

ENFORCEMENT

SEC. 8. (a) Whoever fails to furnish any information required pursuant to the authority of this Act, whether required to be furnished in the form of a report or otherwise, or to comply with any rule, regulation, order, or instruction promulgated pursuant to the authority of this Act may be assessed a civil penalty not exceeding $10,000 in a proceeding brought under subsection (b) of this section.

(b) Whenever it appears to either the Secretary of the Treasury or the Secretary of Commerce that any person has failed to furnish any information required pursuant to the provisions of this Act, whether required to be furnished in the form of a report or otherwise, or has failed to comply with any rule, regulation, order, or instruction promulgated pursuant to the authority of this Act, such Secretary may in his discretion bring an action, in the proper district court of the United States or the proper United States court of any territory or other place subject to the jurisdiction of the United States, seeking a mandatory injunction commanding such person to comply with such rule, regulation, order, or instruction, and upon a proper showing a permanent or temporary injunction or restraining order shall be granted without bond, and such person shall also be subject to the civil penalty provided in subsection (a) of this section.

(c) Whoever willfully fails to submit any information required pursuant to this Act, whether required to be furnished in the form of a report or otherwise, or willfully violates any rule, regulation, order, or instruction promulgated pursuant to the authority of this Act shall, upon conviction, be fined not more than $10,000 or, if a natural person, may be imprisoned for not more than one year or both, and any officer, director, or agent of any corporation who knowingly participates in such violation may be punished by a like fine, imprisonment, or both.

SEC. 9. (a) The Secretary of Commerce and the Secretary of the Treasury may procure the temporary or intermittent services of experts and consultants in accordance with the provisions of section 3109 of title 5, United States Code. Persons so employed receive compensation at a rate to be fixed by the Secretaries concerned but not in excess of the maximum amount payable under such section. While away from his home or regular place of business and engaged in the performance of services for the Department of Commerce or the Department of the Treasury in conjunction with the provisions of this Act, any such person may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703(b) of title 5, United States Code, for persons in the Government service employed intermittently.

(b) The Secretary of Commerce and the Secretary of the Treasury are authorized, on a reimbursable basis when appropriate, to use the available services, equipment, personnel, and facilities of any agency or instrumentality of the Federal Government in conjunction with the study authorized in this Act.

SEC. 10. The Secretary of Commerce and the Secretary of the Treasury shall submit to the Congress an interim report eighteen months after the date of enactment of this Act, and not later than two and one-half years after enactment of this Act, a full and complete report of the findings made under the study authorized by this Act, together with such recommendations as they consider appropriate.

SEC. 11. There is authorized to be appropriated a sum not to exceed $3,000,000 to carry out on the purposes of this Act. Any funds so appropriated shall remain available until expended.

Mr. CULVER (during the reading). Mr. Chairman, I ask unanimous consent that further reading of the bill be dispensed with and that it be printed in the RECORD and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Iowa?

There was no objection.

Mr. GROSS. Mr. Chairman. I move to strike the next to the last word.

Mr. Chairman, it is difficult for me to understand why, with the millions and billions that we have spent and are spending on computers, with the Department of the Treasury and the Department of Commerce in place and equipped to do this job, we must spend $3 million on this study. As for the committee and those who looked into this situation, I wonder where and when they obtained the justification for $3 million. I would be glad to hear someone explain the necessity for such an expenditure.

Mr. CULVER. Mr. Chairman, will the gentleman yield?

Mr. GROSS. I yield to the gentleman from Iowa (Mr. CULVER).

Mr. CULVER. Mr. Chairman, I am delighted to respond to the gentleman.

The question asked by the gentleman from Iowa (Mr. GROSS) came to us in our hearings. The gentleman from Florida (Mr. BURKE) asked the staff to raise that question specifically with the Department of the Treasury and the Department of Commerce, and their estimates of preliminary costs were subsequently provided to the committee to justify the study requested in the legislation. They themselves feel this is an absolute minimum required to conduct the study.

Contrary to the gentleman's suggestion, they feel they are not currently equipped to carry out the study. They have estimates which are itemized and which I will be glad to provide the gentleman or put these figures in the RECORD.

Mr. GROSS. Are there not enough computers and personnel already in place to handle the job?

Mr. CULVER. There are great numbers of computers, but computer time, however, does cost a great deal of money.

Mr. GROSS. I could understand it if it was proposed to purchase computers, but certainly there are computers already in operation all over this Government. Is there nothing Congress can do by way of a study of anything around here that does not get from $1 million to $10 million thrown at it? With the bureaucracy already on the payroll, it seems to me we ought to be able to do some of these things without all this additional expenditure.

Mr. CULVER. I would say to the gentleman from Iowa (Mr. GROSS) that I would hope that would be the case. In this situation we are talking about an expenditure of $3 million where we have some preliminary cost justification and estimates.

Computer time is only one factor involved in the costs. We are also talking about a $3 million study of a subject that involves multibillions of dollars and we have inadequate information or data. We have no updated information, in one case, since 1949 for portfolio investment. These figures are really based on what this administration and the relevant agencies believe is needed to carry out the study and they have provided us with the data to substantiate that budget request.

Mr. GROSS. I do not think the answer of the gentleman is entirely responsive. I do not think it is responsive in justification for the expenditure of $3 million on this subject.

I do not think it is any secret to anyone in this Chamber that foreigners now own approximately $60 billion of the securities that represent our national debt. I do not think there is any mystery about why they own $60 billion worth of our debt. It is because they can get 8 and 9 percent on their money, and they think it is safer here than anywhere else in the world.

I still do not understand why it takes $3 million to compile the information that is sought by this legislation.

For that reason, I oppose the bill.

AMENDMENT OFFERED BY MR. ZABLOCKI

Mr. ZABLOCKI. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. ZABLOCKI: Page 6, strike out line 18 down through line 17 on page 7, and insert in lieu thereof the following:

POWERS

SEC. 7. (a) The Secretary of Commerce and the Secretary of the Treasury may each by regulation establish whatever rules each deems necessary to carry out each of his functions under this Act.

(b) Each such Secretary may require any person subject to the jurisdiction of the United States—

(1) to maintain a complete record of any information (including journals or other books of original entry, minute books, stock transfer records, lists of shareholders, or financial statements) which such Secretary determines is germane to his functions in the foreign direct investment and foreign portfolio investment studies to be conducted pursuant to this Act; and

(2) to furnish under oath any report containing whatever information such Secretary determines is necessary to carry out his functions in such studies.

The authority of each Secretary under this subsection shall expire on the date provided under section 10 of this Act for the Secretary of Commerce and the Secretary of the Treasury to submit a full and complete report to the Congress.

(c) In addition to the Secretary of Commerce and the Secretary of the Treasury, the only individuals who may have access to information furnished under subsection (b) (2) are those sworn employees, including consultants of the Department of Commerce

or Department of the Treasury designated by the Secretary of either such Department. Neither such Secretary nor any such employee may—

(1) use any information furnished under subsection (b)(2) except for analytical or statistical purposes within the United States Government; or

(2) publish, or make available to any other person in any manner, any such information in a manner that the information furnished under subsection (b)(2) by any person can be specifically identified.

Such Secretaries may exchange any such information furnished under subsection (b)(2) in order to prevent any duplication or omission in the studies conducted by each such Secretary pursuant to this Act.

(d) Except for the requirement under subsection (b)(2), no agency of the United States or employee thereof may compel (1) the Secretary of Commerce or the Secretary of the Treasury, (2) any individual designated by either such Secretary under the first sentence of subsection (c), or (3) any person which maintained or furnished any report under subsection (b), to submit any such report or constituent part thereof to that agency or any other agency of the United States. Without the prior written consent of the person which maintained or furnished any report under subsection (b), such report or any such constituent part may not be produced for any Federal judicial or administrative proceeding, except for a proceeding under section 8(b) of this Act.

Mr. ZABLOCKI (during the reading). Mr. Chairman, I ask unanimous consent that the amendment be considered as read and printed in the RECORD, as I intend to explain it.

The CHAIRMAN. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

Mr. ZABLOCKI. Mr. Chairman, section 7 of the Foreign Investment Study Act sets forth the authority for the Departments of Commerce and Treasury to collect the data necessary to the study. Current authority to collect information on foreign investment in the United States is totally inadequate for the purposes of this study. The Bretton Woods Agreements Act of 1945 provides for the collection of data on foreign investment, but only balance-of-payments statistics and only upon the request of the International Monetary Fund. Similarly, the Emergency Banking Act of 1933—known as the Trading with the Enemy Act—only authorizes the collection of balance-of-payments information and only upon the declaration of a national emergency.

Like section 7 in the committee bill, the substitute section 7 which I am proposing has the purpose of providing the two departments with the authority necessary to collect a broad range of data regarding the implications of foreign investment for the national economy and security. The difference is that the substitute language is more specific as to what that authority is and provides that the confidentiality of the raw data be maintained. Experience has shown that, in surveys in which the data is covered by rules regarding confidentiality, the response to the questions is much more valid than when confidentiality is not assured.

Accurate and truthful responses are essential if this legislation is to serve its intended purposes. Sweeping charges are made as to both the benefits and disadvantages of foreign investment to this country. On the one hand it is argued that it increases employment and competition, and on the other hand the fear is expressed that foreign investment may result in a loss of control over our economy. Only an accurate picture can give us the answers to these questions, and, if foreign investment does bring advantages, then we want to be careful that any restriction actually is in the national interest.

The language in section 7(a) is formulated so that the establishment of rules by the Departments of Commerce and Treasury fall under the Administrative Procedures Act, whereby the public is allowed a hearing before the rules are promulgated.

Mr. Chairman, this amendment strengthens the Foreign Investment Study Act, and I urge the adoption of the amendment.

Mr. CULVER. Mr. Chairman, will the gentleman yield?

Mr. ZABLOCKI. Mr. Chairman, I am delighted to yield to the gentleman from Iowa.

Mr. CULVER. Mr. Chairman, the committee has reviewed the amendment. It has been discussed with the appropriate agencies. We think it is an excellent amendment, and I urge the committee to support its adoption.

I think it adds a great deal to the specifics of the authority granted to both the Commerce and Treasury Departments.

Mr. BURKE of Florida. Mr. Chairman will the gentleman yield?

Mr. ZABLOCKI. I yield to the gentleman from Florida.

Mr. BURKE of Florida. Mr. Chairman, I am glad to support the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wisconsin (Mr. ZABLOCKI).

The amendment was agreed to.

AMENDMENT OFFERED BY MR. DENT

Mr. DENT. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. DENT: Page 10, line 3, strike out "eighteen months" and insert "twelve months" in lieu thereof.

Page 10, line 4, strike out "two and one-half years" and insert "one and one-half years" in lieu thereof.

Mr. DENT. Mr. Chairman, I will not take the 5 minutes; I know the mood of the House, but I would like to say to the members of the committee that the first proposal made in this Congress on the question of foreign investments was made by my colleague, the gentleman from Pennsylvania (Mr. GAYDOS) and myself. That particular piece of legislation has been languishing in the Committee on Banking and Currency.

Mr. Chairman, first I want to compliment the gentlemen who introduced this bill. I think it is such an important study. I am only asking that the time be cut down.

The reason I am asking that the time be cut down is because the Department of Commerce of the United States of America is spending millions of dollars enticing foreigners to come in and invest in the United States. Perhaps all the Members have not paid attention to what is going on, but I have foreigners traveling all over my coal fields, buying up all the coal that they can get. Some of it is down below Pittsburgh and way down in the fifth of our limits in veins of coal. This is coal we anticipated that we would not seek or need for at least 1,500 years.

We have now, at this time, foreign ownership of all of the sawmills and the greater amount of our last virgin lumber and timber in Alaska. We are now in the position where the banking industry in the United States is being attacked for ownership by the Arabic moneys from oil.

This study is so essential and important that unless we cut the time down, by the time this report comes in we will have lost the greater portion of whatever amount of minerals and mineral lands that can be bought by foreign countries.

No other nation—no other single nation on the face of the earth allows the purchase, in fee simple or any other way, of their minerals—no matter what country. We are so anxious and so imbued with the idea that we must balance the trade balance in this country, or the balance of payments, that we are willing to sell, for the moment, those things that do not belong to us, but belong to the oncoming generations of Americans.

Before we are through in the rush to do something that need not be done at this moment, we will dispose of the mineral wealth of whatever is left of this country of ours. If the Members do not believe me, please take the time and look into it and study it. Perhaps I have a little different reason for worrying than most of the Members. My reason is simple. If I was 35 or 40 years of age, I would not worry any more than most of the Members do, but having passed the age of 67, I am convinced that somewhere along the line I did something wrong. I allowed myself to be trapped into a situation where I am disposing of things that do not belong to me.

That was an inheritance that was given to us by the Founding Fathers of this country of ours, and here today we are adding another, but not cutting. At least, go along with this bill. Go along with it, but cut the time down to where we may be able to save a few pieces of our land for ourselves.

With respect to whole real estate operations, there is one operation in Illinois where a whole town has been sold, a whole town with 75,000 people, complete, lock, stock, and barrel. That has been sold to foreign owners.

Let me say to all of the Members now at this point, believe me, I welcome this opportunity to join in this legislation. I am sorry that we have not had hearings on what we started out to do, the gentleman from Pennsylvania (Mr. GAYDOS) and myself, almost 2 years ago. However, our system being what it is, we could not do it.

Believe me, we will not have an opportunity to correct this mistake at any other time. Join us in the passage, but pass this amendment. Cut it down.

If they cannot do it in 12 months on

the preliminary report, if they cannot do it in 18 months on the final report, they can come back and we will give them more time, but let us set a goal that might save us some of our natural wealth in this country.

Mr. Chairman, I appreciate the opportunity to speak to the issue of foreign investment in the United States. I commend the committee for its work in this very new field and can well appreciate the problems it may have encountered as a consequence of the paucity of information relevant to foreign investment in the United States.

It is obvious that this bill seeks to overcome the most serious information deficiencies, as well as establish a permanent system of reporting foreign moneys and investment. These are crucial areas of concern. Any cursory review reveals the tendency to rumor, the virtual nonexistence of real estate and agricultural investment data, and subsequent inability to document flows of foreign capital. On occasion, this information is zealously guarded, and I, for one, am pleased to see the sanction for failure to comply with the respective agency's request for information. I trust that the Secretaries of Commerce and Treasury will instruct their respective agencies to solicit and procure as much information as necessary, and I am hopeful that a fair and accurate report to Congress will ensue, to enable this body to reasonably assess the situation relative to foreign investment and further, the nature of legislation, if any, that may be necessary. In spite of earlier pronouncements from the executive branch that foreign investment is good for this country, I would hope that the approach to the problem be done with a view toward seriously and thoroughly reviewing both advantages and disadvantages, and without pre-disposition toward any one position.

I am, of course, concerned that the study will take 2½ years to complete. If the past year's activity by foreigners is any indication of what to expect in the future, then I am convinced that, by waiting 30 months for recommendations from Treasury and Commerce, we will be closing the proverbial barn door after the horse has escaped. At my request, the SEC has provided a preliminary list of foreign tender offers. Jerold Siegan, an attorney with the Branch of Small Issues, Division of Corporate Finance, compiled the list and emphasized the preliminary nature of the compilation. It represents only tender offers, and does not include aquisitions, direct investment, other portfolio investments, real estate or agricultural purchases, the amount and extent of which all have agreed is scarce. In 1972–73, there were eight foreign tender offers, in 1973–74, that number has presently increased to 25. Considering this increase, I find it unsatisfactory that there still exists no mechanism or recourse for companies to protect themselves from foreign bidders and purchasers. Moreover, there is every reason to believe that the rate of tender offers and other investments will increase. A recent study by the Boston Consulting Group for the Japanese Government found that direct Japanese investment here will reach $6 to $7 billion by 1980. Another estimate shows that the Arab oil producing countries will amass an amazing sum of $800 billion, a large part of which will find its way to the United States. I hope, by that time, this country will be able to efficiently and wisely capitalize on those foreign moneys, and not advocate more studies as a means of dealing with the situation.

Virtually every other country in the world has adopted explicit limitations on incoming foreign investment. Virtually every nation weighs the benefits of foreign investments—jobs, capital, learning, export earnings—and attempts to minimize the costs to the country—national security, repatriated earnings, inconsistency in social and economic goals. The new Canadian legislation declares that it will be the policy of that country to accept only foreign direct investment that is helpful to the Canadian economy, which is quite different than rejecting only that foreign direct investment that hurts the economy.

It is against such a background that I am introducing the following amendment to this bill.

Section 10 of the bill H.R. 15487 is amended on page 10, line 3, by striking "eighteen months" and inserting "one year" in lieu thereof; and on page 10, line 4, by striking "two" and inserting "one" in lieu thereof.

The amendment requires that the Departments of Treasury and Commerce complete an interim report to the Congress in 1 year, and a final report to the Congress in 18 months.

Pertinent articles follow:

JAPAN EYES MONTANA'S COAL

(By George C. Wilson)

Japanese business—which boldly took on General Motors and General Electric in the world marketplace—now is looking over an old Strategic Air Command bomber base with an eye to buying it.

Democratic Gov. Thomas L. Judge of Montana said in a recent interview that a delegation of Japanese businessmen he met with expressed interest in converting the deactivated Glasgow Air Force Base in the northeast corner of the state to an industrial site.

"With its living quarters and rec hall and all," said Judge of the base, "it would be ideal."

Glasgow—if the deal did go through—would go to the Japanese without the B–52 bombers, of course, which used to roar in and out of the SAC base when the Cold War was colder.

The Air Force deactivated the base in 1967.

SAC base sale or not, the fact that the Japanese flew to Montana in quest of facilities and resources—especially the state's largely untapped coal—dramatizes the fresh appeal the West holds for developed nations competing for the limited supply of minerals, food and fuel in the world.

With its reserves of coal lying near the surface—as in Montana—and deep underground, the United States is considered the Saudi Arabia of coal and thus is expected to export it as production increases.

Critics of building the Alaskan Oil Pipeline and stripping the western prairies for coal have argued that a good portion of those American resources are destined for Japan—not American markets—and therefore the environmental damage would be inflicted to keep foreign economies humming.

Judge stressed that no commitments of Montana coal have been made to Japan. He added none will be, either, unless such exports conformed to the energy policies of the federal government.

"It's no secret that the Japanese are interested in our coal," Judge said. "Nations must share their resources." He said exports of Montana coal are several years off, however.

At present, Judge said, Montana is producing about 10 million tons of coal a year. He said that production is expected to increase to 40 million tons a year by 1985. He did not rule out exports of coal once production climbed.

"We are very much of an extractive state," Judge said in discussing his hopes of broadening Montana's industrial base. He said rather than just dig out minerals and sell them for processing elsewhere Montana, under his administration will try to locate some of the finishing processes within the state. This would provide more jobs.

He said the Japanese businessmen he met with represented the Mitsui and Co. Trading House.

For years now, Judge said, Montana has been selling Japan a good part of its wheat crop. As chief executive of the state, the governor said he has an obligation to develop "good strong markets" to hedge against some future day when there could be high surpluses of agricultural products in the United States and low prices.

Besides coal and wheat Judge noted that Japan's appetite for beef, veal and pork is increasing—further widening the overseas market for western ranchers and farmers.

Also, Judge said Montana has recently started offering package tours to Japanese tourists. The first Japanese tourists came last year and more are expected in Montana this year "because after seeing all those western movies they go wild over our cowboys and Indians."

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ARAB INVESTORS—AS OIL MONEY POURS IN, MIDEAST LANDS SEARCH FOR PLACES TO PUT IT

(By Priscilla S. Meyer)

The flow of oil money into Arab lands is becoming a flood as the oil-producing nations collect their windfall profits from the most recent doubling, on Jan. 1, of the price they charge for oil.

Last year, Middle East oil revenues ran about $22 billion. Much of the profit was invested domestically. This year, with revenues running anywhere between $85 billion and $110 billion, an estimated $40 billion to $50 billion should spill into the international money markets. Over the longer term by 1980, according to an estimate by Chase Manhattan Bank—Arab foreign reserves should swell to more than $400 billion from a meager $5 billion, as estimated by the World Bank, in 1970. That compares with total foreign investment of U.S. corporations of $145 billion at the end of 1972.

The big question is how the Arabs will invest all this money. For the immediate future, it appears, most of it will continue to go into bank deposits and in government securities like U.S. Treasury bills. But the potential demand for such funds is limited. And already there are solid indications that the Arabs are starting to change their traditionally ultraconservative investment policy to take the plunge into more profitable ventures. Arab institutions are buying real estate in the U.S. and elsewhere—hotels, apartments and office buildings. Arab institutions and private investors are buying and attempting to buy interests in U.S. banks. And negotiations are starting for joint ventures, mainly in oil, petrochemical and other energy-related projects, in the U.S.

AN ARAB LANDLORD ON FIFTH AVENUE

Partly for political reasons, and also because they haven't yet developed a big force of investment professionals and business

managers, the Arab nations are unlikely to make a run on the U.S. stock market or acquire big publicly held companies anytime soon. Iran, it is true, has indicated that it plans eventually to invest heavily in "blue chip" U.S. securities, and it already has agreed to a joint venture with Ashland Oil in the U.S. Individuals in the Middle East too, may be buying U.S. securities. "Don't be surprised if Arab interests already have a significant participation in American companies," * * * said during a recent visit to New York.

But these kinds of developments now seem more typical:

Shah Mohammed Riza Pahlevi of Iran has bought, through his Pahlevi Foundation, a large office building, which he's remodeling at 642 Fifth Avenue in New York.

A group of Kuwaitis recently paid about $27 million for property along the Champs Elysees in Paris for a luxury office and bank building to be called the House of Kuwait.

A group of Arab banks is setting up First Arabian Bank and First Arabian Corp. as vehicles for pumping funds—including money to buy ownership interests in U.S. banks—into the U.S.

SUDANESE IN CALIFORNIA

Adnan M. Khashoggi, a Beirut-based Saudi Arabian * * * who has purchased two California banks, also has acquired about $1 million in raw land for development in California. He plans to bring some 10 young business trainees from the Sudan to California to learn how to use Western capital and develop real estate.

The Saudi Arabian government has talked to Chase Manhattan bank about the possibility of Chase managing a pool of $200 million in Saudi government funds for investment in Saudi business and in joint ventures with foreign partners whom Chase would find.

Libya has established an investment bank in Buenos Aires. Abu Dhabi and Saudi Arabia are discussing building a large oil refinery, in partnership with a New York-based firm, in Puerto Rico. And the Saudi Arabians are investigating the possibility of a refinery and petrochemical complex in the Philippines.

Kuwait, a small nation with inordinately large oil revenues and relatively solid experience in investment, also is buying U.S. real estate. The Kuwait Investment Co., one of several owned jointly by the Kuwait government and individual Kuwait investors, this month bought Kiawah Island off Charleston, S.C., for $17.4 million in cash. The company plans to spend more than $100 million developing it as a residential resort over the next 15 years. The same company put up $10 million, or half the equity funds, for a project in downtown Atlanta that includes the new Atlanta Hilton hotel.

ONCE STUNG, DOUBLY CAUTIOUS

An executive with a major U.S. bank estimates that in the past few months up to $400 million has been lent directly to U.S. borrowers by Arab investors. Enck, Hollingsworth & Reveau, a Louisville real estate firm, says it has agreed in principle to borrow $150 million from Persian Gulf investors for the purchase of U.S. real estate. Wooten & Associates, a Dallas builder and developer, says it has got about $200 million in Middle East financing for an apartment development in St. Louis.

Najeeb Halaby, former chairman of Pan American World Airways, has assembled $100 million in real estate he hopes to sell to private Saudia Arabian investors.

Arabs like real estate because it's "tangible," Mr. Halaby says. "They've seen prices of their own real estate rise faster than other investments," he adds. David Toufic Mizahi, editor of a New York-based newsletter called the MidEast Report, says some land in the Hara district of Beirut has doubled in six months.

Even so, some bankers say, the Arabs appear to have rejected most of the deals offered them by the flocks of investment men who have been giving them pitches in recent months. This may partly reflect some unhappy past experiences. Arab investors were hurt by the collapse of Bernard Cornfeld's I.O.S. Ltd., which sold many mutual-fund shares in the Middle East. Some Arab investors still haven't received full repayment from the collapse of a major Mideast bank, Intra-Bank, eight years ago.

That kind of experience explains the Arab desire to enter joint ventures with experienced, reputable partners, says Benjamin V. Lambert, president of Easdil Realty Inc., an affiliate of Blyth Eastman Dillon & Co. that is planning a mixed pool of Arab and other investors' funds. The Arabs, he says, have been "stung and double stung."

Mr. Lambert thinks the Middle East oil nations will invest around $1 billion in U.S. real estate in the next two years. Other observers think it might amount to five or 10 times that. Mr. Lambert is conservative because, he thinks, investment may be limited by the supply of "good" investment property and by political considerations. The Saudi Arabians, for example, apparently fear that a worsening in relations with the U.S. might persuade the U.S. to freeze Arab funds in U.S. banks. The Arabs are aware that Congress has been making fretful noises over the prospect of massive Arab investment in the U.S., and they are aware of the controversy in Hawaii over Japanese investment in the tourist industry.

Some bankers, however, see a massive flow of Arab money into foreign real estate and industrial development as a near-inevitable development over the long term. Derick Richardson, Chase Manhattan's group executive for the Middle East and Africa, doubts that money markets alone can absorb all the new Arab wealth. "Looking at the capacity of markets to cope with the accumulating dollars," he says, "unless there are structural changes in the nature of institutional markets there will be severe difficulties two years out." Specifically, he says, the market for Eurodollars, or dollar deposits held outside the U.S., will become "saturated."

ALTERNATIVE ENERGY SOURCES

Other big U.S. banks have discussed alternatives to money-market investment at considerable length with Arab financial officials. Chase seems more willing to talk about these discussions than its competitors. Chase says for example, that Chairman David Rockefeller and Mr. Richardson have encouraged Saudi Arabian officials to establish a large pool of Arab money for investment in energy research and development—partly because Arab oil eventually will run out.

Many international banks and brokerage houses are buying into Arab institutions and forming new ones in the Middle East to influence and exploit the Arab desire for new investment. Most of these efforts are thinly veiled attempts to import surplus Arab dollars and shore up financial markets here and in Europe, though the financial men usually describe their efforts as "harnessing Arab funds for Arab investment."

Though internal investment has top priority in most Arab countries, even ambitious projects, given the relatively small populations and capital needs, aren't likely to drain off much of the cash flowing into Arab treasuries. Not even the $3 billion fund for loans to underdeveloped countries proposed by the shah of Iran amounts to more than a tiny fraction of Arab funds that will become available for investment over the next six years or so.

A PLACE IN FINANCIAL FOLKLORE

Their vastly increased wealth has earned Arab investors a certain notoriety in some financial markets—and the Arabs are displeased. "'Arab sheikhs' have now replaced in financial folklore the notorious 'gnomes of Zurich' of the '60s," Abdlatif Y. Al-Hamad, director general of the Kuwait Fund for Arab Economic Development, complained recently at a meeting in Luxembourg. Arabs, he says, have "played virtually no role" in recent foreign-exchange and commodities-market gyrations, he says.

Some international bankers say that although Arab governments may not be very active in those markets, private Arab institutions and investors are. The oil-generated profits of Arab contractors, business consultants, private banks and others on the fringes of the oil business are financing foreign-exchange and commodities speculation, they say.

At the same time, some Western "money brokers" are trying to exploit awareness of the Arabs' new riches by collecting fees from U.S. firms for arranging loans from Arab investors, and then disappearing. Offers to arrange such loans have proliferated since last fall. Mr. Halaby, proprietor of his own investment company, says he has checked out many of these brokers and found them to be "phonies."

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[From the Wall Street Journal, Jan. 21, 1974]

JAPANESE STAKE GROWS IN UNITED STATES AS COSTS EQUALIZE; BRAZILIAN FIRMS WOO MANAGERS

(By James Carberry)

A narrowing of the gap between U.S. and Japanese labor costs spurs Japanese spending for factories in the U.S.

While U.S. labor costs remain higher than Japan's, they rose only 1% in the 1973 first half from the first six months of 1972. During the same period, Japan's labor costs jumped 11.6%, measured in U.S. dollars. From 1960 to 1972, U.S. labor costs climbed an average 1.8% annually. In the same span, Japan's labor costs rose at an annual rate of 4.1%, according to a U.S. Bureau of Labor Statistics study.

That has made the American labor market more attractive to the Japanese. In addition, successive dollar devaluations—even with the recent devaluation of the yen—have enabled them to acquire or build U.S. manufacturing plants at less cost. Also, Japanese companies believe that in setting up shop in the U.S. they hedge against the possible enactment of U.S. trade legislation directed against their products, position themselves better to exploit U.S. markets, and can study U.S. marketing and management techniques at close hand. And they cultivate favorable public opinion in the U.S. by contributing to the American economy.

Concern over the strength of the yen prompted Japan's Finance Ministry last week to limit investments in foreign securities by Japanese nationals. Analysts doubt, however, that Japanese officials have much desire to curb longer-term investments in overseas facilities, such as Japanese-owned factories in the U.S. and elsewhere.

In any event, Japanese companies have already plowed more than $1.5 billion into U.S. facilities. That represents about 10% of overall foreign direct investment in the U.S. If recent trends continue, Japan by 1980 could be one of Uncle Sam's largest foreign investors, predicts Richard C. King, executive director of the Center for International Business, a Los Angeles-based research group affiliated with Pepperdine University. (Britain, Canada and the Netherlands currently run one, two and three among foreign investors in the U.S.)

Sony Corp. of America, subsidiary of Sony Corp. of Japan, in 1972 opened a plant in San Diego County to assemble its television sets and stereos. In 1974, the company plans to add a color-television manufacturing unit, doubling the plant's employment from its current 300. "We can manufacture almost as cheaply in the U.S.; the differential in labor costs isn't that great and it's closing rapidly," says Harvey Schein, president of Sony of America. "And we want to be able

to tell people that they're buying an American-made product," Mr. Schein says, adding that 42% of the shareholders in the parent company are Americans.

The Japanese also have taken a keen interest in U.S. real estate. In Los Angeles they have acquired several major hotels, including the opulent Beverly Wilshire in Beverly Hills, and a number of golf courses, apartment buildings and expensive homes. A Newport Beach, Calif., real-estate man who has done business with the Japanese remarks that U.S. real estate, though expensive, costs "peanuts" in comparison with land in crowded Japan. Property around the Atlantic Richfield Plaza in downtown Los Angeles, for example, sells at $50 a square foot; in downtown Tokyo, comparable real estate sells at $900 a square foot and up. "The Japanese also find the U.S. real estate market better organized and more sophisticated; it's easier to do business," the realty man says.

Nevertheless, the U.S. ranks a distant fourth after Central and South America, Asia, and Western Europe as the place Japanese corporations want to invest, according to a 1973 survey by a Tokyo newspaper. "Obviously, we're going to have to make a more determined marketing effort," says Mr. King of the Center for International Business

Some U.S. states are doing just that by setting up trade offices overseas and offering special investment incentives to Japanese and other foreigners.

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ALASKAN INVESTMENT

NOME.—Japanese investments in Alaska total about $300 million, mostly in lumber, fisheries, and petro-chemicals.

Mr. CULVER. Mr. Chairman, I rise in opposition to the amendment.

Originally, the agencies requested 3 years as the necessary time to complete this study.

The subcommittee and those in the other body managed to reduce this overall request to 2½ years to complete the study.

We are insisting on an 18-month interim report, which, in my judgment, would support the type of concern and recommendation that the gentleman from Pennsylvania has just made. It is necessary to take the time because in this instance, under the legislation, to draft the appropriate rules, to draft the questionnaires, it is necessary, under the Administrative Procedure Act, to have open public hearings, to have the corporations asked to participate and cooperate in the hearings, and to participate in those proceedings. That will take until this fall.

The questionnaire will then be drafted and written by all the appropriate agencies, and the companies have indicated that during the months of January, February, and March their computer capabilities are, for the most part, caught up in preparation of tax filings. They require certain lead times in order to prepare the great diversity of data requested of these various corporations.

It is then estimated that there will be about 3 months in terms of the distribution and return of the questionnaire, 6 months in terms of analyzing the data, and this will take us to the 18-month interim report. We will have that information available at the end of that time and will then have the additional year necessary to do more sophisticated analysis followup questionnaires, and collation of this information.

I think it is essential, in order to properly deal with this problem, to have the time to insure reliable data and thus make informed and enlightened public decisions on this important matter of national interest.

Mr. HAYS. Mr. Chairman, I move to strike the necessary number of words.

Mr. Chairman, I support the Dent amendment. I do not buy the argument that these corporations and other people who are going to have to produce this data need any 18 months or anything like that. I think they can produce the report a lot quicker than that.

I am not going to take 5 minutes. I am just going to leave you with one thought: It took General Motors 2 weeks to decide to raise the price of their cars about $500, and they can get the data together whenever they think it is necessary.

I agree with the gentleman from Pennsylvania that this is an urgent matter.

He has talked about coal. Surely, they are in a high bind as to coal. However, the Arabs have learned a lot from us, including from the Harvard Business School. If I am still around, I will learn a lot from them. There is such a thing as expropriation, I think, however, that we ought to get on with this and not take the 18 months.

Mr. GAYDOS. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in opposition to this legislation and in strong support of the amendment offered by Mr. DENT.

I do so because, in my opinion, this bill, if enacted would be a "copout" by the Congress on a developing problem that holds serious prospects for the American economy.

I do not think Congress should create another of those favorite Washington monsters, namely a study commission to analyze in depth such a serious problem. We all know how useless these studies can be, merely compiling voluminous reports which defy rational evaluation.

I am convinced that the Department of Commerce is the most eminently unqualified agency to conduct an objective study of the impact of foreign investment in the United States. Does anyone here expect the Department of Commerce to come up with any other conclusion than that foreign investment in the United States is all to the good? For my part, I do not expect any other conclusion. Otherwise, the Commerce Department would have to admit that the "invest in America" program that it has so aggressively promoted for the past few years to attract foreign investment in America has been a mistake.

Instead, it is the job of Congress, through committee hearings, to seek the input of all segments of the economy and society and for the Congress to draw its conclusions and make the necessary legislative changes, rather than to rely on the Commerce and Treasury Departments to collect such information. Congress should consult with representatives of industry, labor, agriculture, et cetera, and with other government agencies, as may be appropriate. The Congress through its specialized committees should make the determination as to what and who are the appropriate sources to be sought out and asked to submit testimony to the committee. Congress should not abdicate its responsibility and give a carte blanche to Government agencies to determine the appropriate sources of information upon which Congress can legislate. Congress can only legislate properly when the views of those outside the agencies of the Federal Government as well as Federal agencies can directly present their views to the elected representatives of the people.

Some individuals, including the administration witnesses who testified at both the Senate and House hearings on foreign investments, raise the specter of retaliation by foreign countries, in the event the United States should enact restrictions on foreign investment in the United States. From my analysis of the problem, it would appear that if there is any retaliation, it would be by the United States in enacting such restrictions.

For example, Australia, Canada, and Mexico have in very recent years enacted legislation on foreign investments. The Prime Minister of Australia has made it abundantly clear that he intends Australia to be master of its household, and accordingly will discourage takeovers of Australian firms and only allow foreign investment: first, which provides a net overall gain; and second, where Australians enjoy a substantial participation in the ownership and control of the firm.

Any doubt as to the intentions of the Australian Government was resolved in March of this year when Reynolds Metals Co. of Richmond, Va., was prevented from building a $300 million alumina refinery in western Australia because only 30 percent of the operation was to be Australian. The Australian Government required that Australians have at least 51 percent interest.

Canada passed legislation last fall which provides a screening process on foreign investment and allows the Government to have veto power over those proposed foreign investments which will not benefit Canada.

Mexico, in March of last year, passed a law which: First, reserves certain fields of activity for state ownership and control; second, reserves other fields exclusively for Mexicans, and Mexican enterprises; and third, provides that in all other fields, foreigners may not participate with more than 25 percent in stock ownership and 49 percent ownership of fixed assets. The law clearly establishes the principle that foreign investment must not replace Mexican investment. Accordingly, takeovers are clearly frowned upon.

An interesting development of this law occurred in July 1973, when the Mexican foreign investment commission announced that most border industries would be exempt from the foreign investment law, except textile plants whose production affects Mexican export quotas to the United States.

Needless to say, such concession is of no solace to the American worker who is displaced by the border industries. Instead, it represents a substantial benefit

to the economy of Mexico as it is in furtherance of the objective of contributing to the employment of Mexican workers and increasing Mexico's exports. The exports, of course, go to the United States and displace American workers.

We are all aware of the very strict Japanese restrictions against foreign investments. Supposedly, since 1967, Japan has been on a "liberalization" kick with respect to foreign investments. I am sure many Americans will not exactly agree that such "liberalization" program has allowed much penetration of the Japanese economy. As recently as August 5, 1974, the Wall Street Journal quoted an attache at an embassy in Tokyo that:

It is still difficult for Mideast money managers or any other foreigners to purchase real estate in Japan or to buy a controlling interest in Japanese companies.

Compare this with the reports of recent date of substantial Japanese purchases of real estate in various areas of the United States: particularly in Hawaii. On July 30 of this year, the Honolulu Star-Bulletin reported that State Senator Anderson had requested the Federal Trade Commission to check into possible antitrust violations in the sale of three hotels, including the historic Royal Hawaiian, to a Japanese financier. The sale involving 2,500 rooms, would nearly double the room holdings of this gentleman. In all, this individual alone accounts for one-fifth to one-fourth of all hotel rooms in Waikiki.

Senator Anderson makes a strong point when he warns:

Unless some one does something immediately to generate some dialogue on this issue, we are going to sit by and witness the selling of hotel after hotel, golf course after gold course, and acre after acre, be it Japanese today or Arabian oil interests tomorrow.

The August 1 issue of the Honolulu Advertiser carried a front page banner story headlined, "State Order Halts Japan-Only Sales." The article stated that Tokai Land Corp. had been ordered to stop sales of apartments in a Waikiki Park Heights condominium. Why? Because it reportedly was selling apartments only to Japanese citizens, declining to sell to Americans.

The Wall Street Journal of last Friday reported on the nationalization proposals of Britain's Labor Party government. The following quote is from the article:

Other companies would be nationalized if there were "unforseeable developments of compelling urgency," such as "imminent failure or loss to unacceptable foreign control of an important company in a key sector of manufacturing industry." (Industry Minister) Benn said, "key and prize firms" in the defense or major export industries couldn't be just available on the international market without any consideration of the national interest."

I merely point out these specific countries and incidents as examples of what American investors face when they endeavor to invest in foreign countries. With the prospect of a worldwide scarcity of raw materials, the restrictions against foreign investments undoubtedly will become the law in many other countries. The recent actions of Jamaica and the Mideast oil-producing countries in taking over control of American company operations within their borders is evidence of such a movement.

The problem of foreign investments is most acute in the case of foreign takeovers of American companies by the tender-offer method. In the past 3 years, we have witnessed a rash of activity by foreign investors with their cheap American dollars buying up American firms at bargain basement prices.

The recent case involving the Ronson Corp. of New Jersey clearly establishes the potential dangers of such takeovers. Were it not for the vigilance and persistence of the management of Ronson, along with the good sense exhibited by its stockholders, Ronson would now be foreign owned and controlled. What is more significant is the fact that one Michelle Sindona had a substantial interest in the Liechtenstein Corp. which attempted the takeover. This is the same Michelle Sindona whose Franklin National Bank has experienced recent financial problems. Stockholders of Franklin's parent company have recently filed suit charging Sindona with causing the bank to enter transactions that were "unfair, improvident, or have the purpose or effect of benefiting Sindona."

Additionally, Mr. Sindona's major Italian bank, Banca Unione, has been in trouble and Mr. Sindona has had to make a deal with Italy's state-controlled bank, Banca de Roma, to allow that bank to manage the Banca Unione.

On top of that, the SEC has recently ordered an investigation into possible violations of Federal securities laws by the group seeking to acquire Ronson, and an administrative law judge of the CAB has directed that group to dispose of its shares in Ronson because of the prohibition against foreign ownership of American air carriers.

The situation involving Ronson could well be repeated, although with a different result; namely, that foreign investors would acquire control of American corporations. This could result in protracted and expensive legal proceedings on the part of American management and stockholders.

The critical problem in the case of takeovers is that ownership of American corporations can pass from American investors to foreign investors literally overnight. The whole purpose of using the tender-offer method is to approach the stockholders directly before current management has the opportunity to properly evaluate the situation and educate its stockholders as to the possible disadvantages. When the foreign tender-offer is at a price higher than the current depressed market price, it is attractive bait for stockholders to bail out and invest in securities that currently carry a higher rate of return.

In conclusion, I would like to make an urgent plea to my colleagues to vote against this bill and instead allow the proper committees of Congress to hold hearings on the many bills that have been introduced on the question on foreign investment in the United States. Passage of this bill will merely delay congressional inquiry into this serious problem for at least 2½ years. Such a delay would be regrettable.

Mr. HECHLER of West Virginia. Mr. Chairman, will the gentleman yield?

Mr. GAYDOS. I yield to the gentleman from West Virginia.

Mr. HECHLER of West Virginia. Mr. Chairman, I strongly support the Dent amendment.

If the study is worth anything, it certainly ought to be completed in less than 2½ years. If it is so urgent to get this material together, we ought to have material ready in order to act in this Congress before the 2½ years have elapsed.

Mr. Chairman, I, therefore, urge a vote for the Dent amendment.

Mr. LONG of Louisiana. Mr. Chairman, will the gentleman yield?

Mr. GAYDOS. I yield to the gentleman from Louisiana.

Mr. LONG of Louisiana. Mr. Chairman, I thank the gentleman for yielding.

I point out that with the outflow of money going to the Arab countries from the United States, if we gave the bureaucracy the amount of time they want us to give them to conduct this study which they originally asked for or which was even asked for in this resolution, the way the cash is flowing, they could have bought control with cash, without even using any credit at all, many of the natural resources and many of the vital industries of this country before we would ever have completed the study.

Mr. Chairman, I strongly support the amendment offered by the gentleman from Pennsylvania (Mr. DENT).

Mr. FASCELL. Mr. Chairman, I move to strike the requisite number of words, and I rise in opposition to the amendment.

Mr. Chairman, we can try to squeeze this information out of these companies today, if we can, and I suppose we can get some kind of information. The question is whether or not it will be reliable.

Speaking from experience, and referring to surveys which are not anywhere near as complicated as the one contemplated by this bill, I know how much time it takes to develop reliable information. Some years ago, we went to 600 institutions with a relatively simple questionnaire. It took us a year and a half to get back the information we wanted, to compile it and to analyze it. And we had full cooperation.

I do not see anything wrong with getting the information which this bill seeks in the period of a year and a half.

But I want to stress again that we want to get reliable information from these companies on which to base sound policy. This is going to take time for these companies to give us that reliable information.

If we try to push this thing and we try to squeeze the egg out of the chicken, we may not be sure about the validity of the information we obtain.

Mr. Chairman, what we must be sure of is getting reliable information the first time. It seems to me that the time period called for in the bill is not unreasonable.

Mr. HAYS. Mr. Chairman, will the gentleman yield?

Mr. FASCELL. I yield to the gentleman from Ohio.

Mr. HAYS. Mr. Chairman, the only fault I find with the argument the gentleman is making is that if we tell these corporations they have 2½ years, they will start getting their data together in 2 years; if we tell them they have a year and a half to get this data together, they will start getting it together after a year.

People have a tendency to procrastinate. I think it is better to set a shorter time period and say, "We want the information."

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania (Mr. DENT).

The amendment was agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. ECKHARDT, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 15487) to authorize the Secretary of Commerce and the Secretary of the Treasury to conduct a study of foreign direct and portfolio investment in the United States, and for other purposes, pursuant to House Resolution 1296, he reported the bill back to the House with sundry amendments adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment? If not, the Chair will put them en gros.

The amendments were agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

Mr. ROUSSELOT. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The vote was taken by electronic device; and there were—yeas 324, nays 29, not voting 81, as follows:

[Roll No. 517]

YEAS—324

| | | |
|---|---|---|
| Abdnor | Brooks | Cochran |
| Adams | Broomfield | Cohen |
| Addabbo | Brotzman | Collier |
| Anderson, Calif. | Brown, Mich. | Collins, Ill. |
| | Brown, Ohio | Conlan |
| Anderson, Ill. | Broyhill, N.C. | Conte |
| Andrews, N.C. | Broyhill, Va. | Conyers |
| Andrews, N. Dak. | Buchanan | Corman |
| | Burgener | Cotter |
| Archer | Burke, Calif. | Coughlin |
| Armstrong | Burke, Fla. | Cronin |
| Ashbrook | Burke, Mass. | Culver |
| Ashley | Burleson, Tex. | Daniel, Dan |
| Bafalis | Burlison, Mo. | Daniel, Robert W., Jr. |
| Barrett | Burton, John | |
| Bell | Burton, Phillip | Daniels, Dominick V. |
| Bennett | Butler | |
| Bergland | Byron | Danielson |
| Bevill | Camp | Davis, S.C. |
| Biester | Carter | Davis, Wis. |
| Blatnik | Casey, Tex. | de la Garza |
| Boggs | Cederberg | Delaney |
| Boland | Chappell | Dellenback |
| Bolling | Chisholm | Dellums |
| Bowen | Clark | Denholm |
| Brademas | Clausen, Don H. | Dennis |
| Bray | | Dent |
| Breaux | Clawson, Del | Derwinski |
| Breckinridge | Clay | Dickinson |
| Brinkley | Cleveland | Diggs |
| Dingell | Lehman | Roncallo, N.Y. |
| Dorn | Lent | Rooney, Pa. |
| Downing | Litton | Rose |
| Drinan | Long, La. | Rostenkowski |
| Dulski | Long, Md. | Roush |
| du Pont | Lujan | Roy |
| Eckhardt | Luken | Roybal |
| Edwards, Ala. | McClory | Runnels |
| Erlenborn | McCloskey | Ruppe |
| Eshleman | McCollister | Ruth |
| Fascell | McCormack | St Germain |
| Findley | McDade | Sandman |
| Fish | McEwen | Sarasin |
| Flood | McFall | Sarbanes |
| Flowers | McKay | Schneebeli |
| Foley | McKinney | Schroeder |
| Ford | Madden | Shoup |
| Forsythe | Mahon | Shriver |
| Fountain | Mallary | Shuster |
| Fraser | Mann | Sikes |
| Frelinghuysen | Martin, Nebr. | Sisk |
| Frenzel | Martin, N.C. | Skubitz |
| Frey | Mathias, Calif. | Slack |
| Froehlich | Matsunaga | Smith, Iowa |
| Fulton | Mayne | Smith, N.Y. |
| Fuqua | Mazzoli | Spence |
| Giaimo | Meeds | Staggers |
| Gibbons | Melcher | Stanton, J. William |
| Gilman | Metcalfe | |
| Ginn | Mezvinsky | Stanton, James V. |
| Gonzalez | Milford | |
| Grasso | Miller | Stark |
| Gray | Minish | Steelman |
| Green, Pa. | Mink | Steiger, Ariz. |
| Grover | Mitchell, Md. | Steiger, Wis. |
| Gubser | Mitchell, N.Y. | Stokes |
| Gude | Mizell | Stratton |
| Guyer | Moakley | Studds |
| Haley | Mollohan | Symington |
| Hamilton | Montgomery | Talcott |
| Hammer-schmidt | Moorhead, Calif. | Taylor, N.C. |
| | | Thompson, N.J. |
| Hanley | Moorhead, Pa. | Thomson, Wis. |
| Hanrahan | Morgan | Thone |
| Hansen, Idaho | Murphy, Ill. | Thornton |
| Harsha | Murtha | Tiernan |
| Hastings | Myers | Traxler |
| Hawkins | Natcher | Treen |
| Hays | Nix | Ullman |
| Hechler, W. Va. | Obey | Vander Jagt |
| Heckler, Mass. | O'Brien | Vander Veen |
| Heinz | O'Hara | Vanik |
| Helstoski | O'Neill | Veysey |
| Henderson | Owens | Vigorito |
| Hillis | Parris | Waggonner |
| Hinshaw | Passman | Walsh |
| Holtzman | Patten | Wampler |
| Horton | Pepper | Ware |
| Hosmer | Perkins | Whalen |
| Howard | Pettis | White |
| Huber | Pickle | Whitehurst |
| Hudnut | Pike | Widnall |
| Hungate | Powell, Ohio | Wiggins |
| Hunt | Preyer | Wilson, Charles H., Calif. |
| Hutchinson | Price, Ill. | |
| Ichord | Price, Tex. | |
| Johnson, Calif. | Pritchard | Wilson, Charles, Tex. |
| Johnson, Colo. | Quie | |
| Johnson, Pa. | Railsback | Winn |
| Jones, N.C. | Randall | Wolff |
| Jones, Okla. | Rangel | Wright |
| Jones, Tenn. | Regula | Wyatt |
| Jordan | Reuss | Yates |
| Kastenmeier | Rhodes | Yatron |
| Kazen | Riegle | Young, Alaska |
| Kemp | Rinaldo | Young, Fla. |
| Ketchum | Roberts | Young, Ga. |
| King | Robinson, Va. | Young, Ill. |
| Kluczynski | Rodino | Young, S.C. |
| Kuykendall | Roe | Young, Tex. |
| Kyros | Rogers | Zablocki |
| Latta | Roncalio, Wyo. | Zion |

NAYS—29

| | | |
|---|---|---|
| Bauman | Goodling | Rousselot |
| Beard | Gross | Satterfield |
| Clancy | Holt | Scherle |
| Collins, Tex. | Jarman | Shipley |
| Conable | Lagomarsino | Snyder |
| Crane | Landgrebe | Symms |
| Devine | Lott | Taylor, Mo. |
| Duncan | Marazziti | Wydler |
| Gaydos | Mathis, Ga. | Wylie |
| Goldwater | Poage | |

NOT VOTING—81

| | | |
|---|---|---|
| Abzug | Brasco | Evans, Colo. |
| Alexander | Brown, Calif. | Evins, Tenn. |
| Annunzio | Carey, N.Y. | Fisher |
| Arends | Carney, Ohio | Flynt |
| Aspin | Chamberlain | Gettys |
| Badillo | Davis, Ga. | Green, Oreg. |
| Baker | Donohue | Griffiths |
| Biaggi | Edwards, Calif. | Gunter |
| Bingham | Eilberg | Hanna |
| Blackburn | Esch | Hansen, Wash. |
| Harrington | Moss | Seiberling |
| Hébert | Murphy, N.Y. | Steed |
| Hicks | Nedzi | Steele |
| Hogan | Nelsen | Stephens |
| Holifield | Nichols | Stubblefield |
| Jones, Ala. | Patman | Stuckey |
| Karth | Peyser | Sullivan |
| Koch | Podell | Teague |
| Landrum | Quillen | Towell, Nev. |
| Leggett | Rarick | Udall |
| McSpadden | Rees | Van Deerlin |
| Macdonald | Reid | Waldie |
| Madigan | Robison, N.Y. | Whitten |
| Michel | Rooney, N.Y. | Williams |
| Mills | Rosenthal | Wilson, Bob |
| Minshall, Ohio | Ryan | Wyman |
| Mosher | Sebelius | Zwach |

So the bill was passed.

The Clerk announced the following pairs:

Mr. Eilberg with Mr. Ryan.
Mr. Hébert with Mr. Davis of Georgia.
Mr. Annunzio with Mr. Steed.
Mr. Rooney of New York with Mr. Stubblefield.
Mr. Koch with Mr. Aspin.
Mr. Teague with Mr. Udall.
Mr. Van Deerlin with Mr. Rarick.
Mr. Gunter with Mr. Waldie.
Mr. Biaggi with Mrs. Hansen of Washington.
Mr. Nedzi with Mr. Reid.
Mr. Landrum with Mr. Quillen.
Mr. Evins of Tennessee with Mrs. Green of Oregon.
Mr. Podell with Mr. Whitten.
Ms. Abzug with Mr. Brown of California.
Mr. Donohue with Mr. Hogan.
Mr. Leggett with Mr. Carney of Ohio.
Mr. Jones of Alabama with Mr. Baker.
Mr. McSpadden with Mr. Chamberlain.
Mr. Stuckey with Mr. Arends.
Mr. Macdonald with Mr. Esch.
Mr. Carey of New York with Mr. Blackburn.
Mr. Rees with Mr. Fisher.
Mr. Rosenthal with Mrs. Green of Oregon.
Mr. Stephens with Mrs. Griffiths.
Mrs. Sullivan with Mr. Hanna.
Mr. Murphy of New York with Mr. Sebelius.
Mr. Edwards of California with Mr. Robison of New York.
Mr. Bingham with Mr. Williams.
Mr. Alexander with Mr. Towell of Nevada.
Mr. Badillo with Mr. Harrington.
Mr. Hicks with Mr. Bob Wilson.
Mr. Moss with Mr. Zwach.
Mr. Nichols with Mr. Wyman.
Mr. Flynt with Mr. Holifield.
Mr. Gettys with Mr. Karth.
Mr. Evans of Colorado with Mr. Madigan.
Mr. Mills with Mr. Michel.
Mr. Minshall of Ohio with Mr. Patman.
Mr. Mosher with Mr. Peyser.
Mr. Seiberling with Mr. Steele.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

The SPEAKER. Pursuant to the provisions of House Resolution 1296, the Committee on Foreign Affairs is discharged from the further consideration of the Senate bill (S. 2840) to authorize the Secretary of Commerce and the Secretary of the Treasury to conduct a study of foreign direct and portfolio investment in the United States, and for other purposes.

The Clerk read the title of the Senate bill.

MOTION OFFERED BY MR. CULVER

Mr. CULVER. Mr. Speaker, I offer a motion.

The Clerk read as follows:

Mr. CULVER moves to strike out all after the enacting clause of the bill S. 2840 and to insert in lieu thereof the provisions of H.R. 15487 as passed, as follows:

That this Act may be cited as the "Foreign Investment Study Act of 1974".

SEC. 2. The Secretary of the Treasury and the Secretary of Commerce are hereby authorized and directed to conduct a comprehensive, overall study of foreign direct and portfolio investments in the United States.

SEC. 3. The Departments of Commerce and Treasury, in consultation with appropriate agencies, shall determine the definitions and limitations of direct and portfolio investments for the purposes of the study authorized in section 2 of this Act.

SEC. 4. In carrying out the study described in section 2 of this Act, the Secretary of Commerce and the Secretary of the Treasury shall, respectively and jointly as may be appropriate—

(1) identify and collect such information as may be required to carry out the study authorized in section 2 of this Act;

(2) consult with and secure information from (and where appropriate the views of) representatives of industry, the financial community, labor, agriculture, science and technology, academic institutions, public interest organizations, and such other groups as the Secretaries deem suitable; and

(3) consult and cooperate with other government agencies, Federal, State, and local, and, to the extent appropriate, with foreign governments and international organizations.

SEC. 5. The Secretary of Commerce shall carry out that part of the study authorized in section 2 of this Act relating to foreign direct investment, and shall, among other things, to the extent he determines feasible, specifically—

(1) investigate and review the nature, scope, magnitude, and rate of foreign direct investment activities in the United States;

(2) survey the reasons foreign firms are undertaking direct investment in the United States;

(3) identify the processes and mechanisms through which foreign direct investment flows into the United States, the financing methods used by foreign direct investors, and the effects of such financing on American financial markets;

(4) analyze the scope and significance of foreign direct investment in acquisitions and takeovers of existing American enterprises, the significance of such investments in the form of new facilities or joint ventures with American firms, and the effects thereof on domestic business competition;

(5) analyze the concentration and distribution of foreign direct investment in specific geographic areas and economic sectors;

(6) analyze the effects of foreign direct investment on United States national security, energy, natural resources, agriculture, environment, real property holdings, balance of payments, balance of trade, the United States international economic position, and various significant American product markets;

(7) analyze the effect of foreign direct investment in terms of employment opportunities and practices and the activities and influence of foreign and American management executives employed by foreign firms;

(8) analyze the effect of Federal, regional, State, and local laws, rules, regulations, controls, and policies on foreign direct investment activities in the United States;

(9) compare the purpose and effect of United States, State, and local laws, rules, regulations, programs, and policies on foreign direct investment in the United States with laws, rules, regulations, programs, and policies of selected nations and areas where such comparison may be informative;

(10) compare and contrast the foreign direct investment activities in the United States with the investment activities of American investors abroad and appraise the impact of such American activities abroad on the investment activities and policies of foreign firms in the United States;

(11) study the adequacy of information, disclosure, and reporting requirements and procedures;

(12) determine the effects of variations between accounting, financial reporting, and other business practices of American and foreign investors on foreign investment activities in the United States; and

(13) study and recommend means whereby information and statistics on foreign direct investment activities can be kept current.

SEC. 6. The Secretary of the Treasury shall carry out that part of the study authorized in section 2 of this Act relating to foreign portfolio investment, and shall, to the extent he determines feasible, specifically—

(1) investigate and review the nature, scope, and magnitude of foreign portfolio investment activities in the United States;

(2) survey the reasons for foreign portfolio investment in the United States;

(3) identify the processes and mechanisms through which foreign portfolio investment is made in the United States, the financing methods used, and the effects of foreign portfolio investment on American financial markets;

(4) analyze the effects of foreign portfolio investment on the United States balance of payments and the United States international investment position;

(5) study and analyze the concentration and distribution of foreign portfolio investment in specific United States economic sectors;

(6) study the effect of Federal securities laws, rules, regulations, and policies on foreign portfolio investment activities in the United States;

(7) compare the purpose and effect of United States, State, and local laws, rules, regulations, programs, and policies on foreign portfolio investment in the United States with laws, rules, regulations, programs, and policies of selected nations and areas where such comparison may be informative;

(8) compare the foreign portfolio investment activities in the United States with information available on the portfolio investment activities of American investors aboard;

(9) study adequacy of information, disclosures, and reporting requirements and procedures; and

(10) study and recommend means whereby information and statistics on foreign portfolio investment activities can be kept current.

POWERS

SEC. 7. (a) The Secretary of Commerce and the Secretary of the Treasury may each by regulation establish whatever rules each deems necessary to carry out his functions under this Act.

(b) Each such Secretary may require any person subject to the jurisdiction of the United States—

(1) to maintain a complete record of any information (including journals or other books of original entry, minute books, stock transfer records, lists of shareholders, or financial statements) which such Secretary determines is germane to his functions in the foreign direct investment and foreign portfolio investment studies to be conducted pursuant to this Act; and

(2) to furnish under oath any report containing whatever information such Secretary determines is necessary to carry out his functions in such studies.

The authority of each Secretary under this subsection shall expire on the date provided under section 10 of this Act for the Secretary of the Treasury to submit a full and complete report to the Congress.

(c) In addition to the Secretary of Commerce and the Secretary of the Treasury, the only individuals who may have access to information furnished under subsection (b)(2) are those sworn employees, including consultants, of the Department of Commerce or Department of the Treasury designated by the Secretary of either such Department. Neither such Secretary nor any such employee may—

(1) use any information furnished under subsection (b)(2) except for analytical or statistical purposes within the United States Government; or

(2) publish, or make available to any other person in any manner, any such information in a manner that the information furnished under subsection (b)(2) by any person can be specifically identified.

Such Secretaries may exchange any such information furnished under subsection (b)(2) in order to prevent any duplication or omission in the studies conducted by each such Secretary pursuant to this Act.

(d) Except for the requirement under subsection (b)(2), no agency of the United States or employee thereof may compel (1) the Secretary of Commerce or the Secretary of the Treasury, (2) any individual designated by either such Secretary under the first sentence of subsection (c), or (3) any person which maintained or furnished any report under subsection (b), to submit any such report or constituent part thereof to that agency or any other agency of the United States. Without the prior written consent of the person which maintained or furnished any report under subsection (b), such report or any such constituent part may not be produced for any Federal judicial or administrative proceeding, except for a proceeding under section 8(b) of this Act.

ENFORCEMENT

SEC. 8. (a) Whoever fails to furnish any information required pursuant to the authority of this Act, whether required to be furnished in the form of a report or otherwise, or to comply with any rule, regulation, order, or instruction promulgated pursuant to the authority of this Act may be assessed a civil penalty not exceeding $10,000 in a proceeding brought under subsection (b) of this section.

(b) Whenever it appears to either the Secretary of the Treasury or the Secretary of Commerce that any person has failed to furnish any information required pursuant to the provisions of this Act, whether required to be furnished in the form of a report or otherwise, or has failed to comply with any rule, regulation, order, or instruction promulgated pursuant to the authority of this Act, such Secretary may in his discretion bring an action, in the proper district court of the United States or the proper United States court of any territory or other place subject to the jurisdiction of the United States, seeking a mandatory injunction commanding such person to comply with such rule, regulation, order, or instruction, and upon a proper showing a permanent or temporary injunction or restraining order shall be granted without bond, and such person shall also be subject to the civil penalty provided in subsection (a) of this section.

(c) Whoever willfully fails to submit any information required pursuant to this Act, whether required to be furnished in the form of a report or otherwise, or willfully violates any rule, regulation, order, or instruction promulgated pursuant to the authority of this Act shall, upon conviction, be fined not more than $10,000 or, if a natural person, may be imprisoned for not more than one year or both; and any officer, director, or agent of any corporation who knowingly participates in such violation may be punished by a like fine, imprisonment, or both.

SEC. 9. (a) The Secretary of Commerce and the Secretary of the Treasury may procure the temporary or intermittent services of experts and consultants in accordance with the provisions of section 3109 of title 5,

United States Code. Persons so employed shall receive compensation at a rate to be fixed by the Secretaries concerned but not in excess of the maximum amount payable under such section. While away from his home or regular place of business and engaged in the performance of services for the Department of Commerce or the Department of the Treasury in conjunction with the provisions of this Act, any such person may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703(b) of title 5, United States Code, for persons in the Government service employed intermittently.

(b) The Secretary of Commerce and the Secretary of the Treasury are authorized, on a reimbursable basis when appropriate, to use the available services, equipment, personnel, and facilities of any agency or instrumentality of the Federal Government in conjunction with the study authorized in this Act.

SEC. 10. The Secretary of Commerce and the Secretary of the Treasury shall submit to the Congress an interim report twelve months after the date of enactment of this Act, and not later than one and one-half years after enactment of this Act, a full and complete report of the findings made under the study authorized by this Act, together with such recommendations as they consider appropriate.

SEC. 11. There is authorized to be appropriated a sum not to exceed $3,000,000 to carry out the purposes of this Act. Any funds so appropriated shall remain available until expended.

The motion was agreed to.

The Senate bill was ordered to be read a third time, was read the third time and passed.

A motion to reconsider was laid on the table.

A similar House bill (H.R. 15487) was laid on the table.

## GENERAL LEAVE

Mr. CULVER. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from Iowa?

There was no objection.

## SECRETARY OF AGRICULTURE BUTZ SHOULD RESIGN

(Mr. VIGORITO asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. VIGORITO. Mr. Speaker, in his first speech to a joint session of Congress President Gerald Ford emphasized that he wants a spirit of cooperation with the Congress. I would like to suggest that the President could take a very positive action in the early days of his administration by requesting the resignation of Secretary of Agriculture Earl Butz.

In my opinion the farm policy of Secretary Butz and the Nixon administration has been disastrous. For the past 5 years, the Nixon-Butz farm policy goals of increased food production and lower prices have not transpired.

Developments since April 1 have created one of the most severe economic crises ever faced by the American dairy industry. Wholesale prices for manufactured dairy products such as nonfat dry milk, butter and Cheddar cheese have fallen by as much as 20 percent. The Minnesota-Wisconsin priced series for manufacturing milk has declined by 23 percent—at $1.84 per hundredweight. Since this is the basic price determinant under Federal milk market orders, this price decline is being reflected directly in prices farmers received for milk across the Nation.

Faced with this rapid fall in milk prices and the continuing rise in all costs of production, more and more dairymen are either reducing their operation or going out of business. Notably, the index of prices paid by farmers, interest, taxes, and wage rates stood at 433 for July 1972. July 1973 saw it at 499, while last month it reached 573. The milk-feed price ratio in 1972 stood at 1.72. In July 1973, it was 1.35 and last month it was 1.28. A ratio of 1.7 to 1.8 is generally considered necessary to profitable milk production. Consequently, an increase in the price support levels for milk must be raised to 90 percent of parity, but Secretary Butz refuses to even consider it. Requests by many Congressmen for action to increase price support levels for milk have fallen upon deaf ears during the Butz years.

Many Members of Congress also asked, in vain, for the halting of extra-quota importations of dairy products in an effort to assure the reestablishment of domestic milk production to adequate levels. In 1973, import quotas for nonfat dry milk were expanded by 265 million pounds, cheese quotas for nonfat dry milk were raised by 64 million pounds, and the equivalent of 84 million pounds of butter was authorized entry. So far in 1974, the import quota on cheddar cheese has been expanded by 100 million pounds, and the nonfat dry milk quota has been lifted by 150 million pounds.

These import actions have had the inevitable effect of preventing domestic dairy farmers from receiving an adequate return to permit them to remain in business.

Now let us examine the overall agriculture picture. Secretary Butz, in trying to paint a rosy picture for total farm production for 1974, has significantly misread the outcome of this summer's drought on farm production. Now the American consumer is told that farm production will be down in most areas, meaning even higher food prices to flame the fires of inflation for the coming year.

It is a fact that the Nation's farmers, rural residents and consumers are concerned and angry over the unfair treatment they have received by an uncooperative Agriculture Department under Mr. Butz.

American farmers and the American public need a farm program that will maintain a balance between supply and demand and a program which will provide both price stability and a good net return for the farmers. If farmers never had it so good, why, if we use 1967 dollars as a basis, did farmers in 1944 have a net purchase power of $22,435, and only $18,946 in 1973. Neither price stability nor good income has come about due to the policies and goals of Secretary Butz. That is why Butz must go. President Ford will begin his farm policy on the right foot by bringing in a fresh, new face to head the U.S. Department of Agriculture.

## BETTER PROTECTION FOR OUR LAW ENFORCEMENT PERSONNEL

(Mr. BIAGGI asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. BIAGGI. Mr. Speaker, it is my tragic duty to report to my colleagues of still another brutal murder of a policeman while in the performance of his duties.

The latest tragedy occurred on Monday night in Queens, N.Y. Patrolman Thomas Pequez, a member of the tactical patrol unit of the New York City Police Department, was shot and killed while making an arrest of an individual for a motor vehicle violation. According to accounts, Patrolman Pequez, in the course of a routine search of a car with two occupants discovered that the license of the driver had been suspended. And a quantity of marihuana was also found. Once this was established, Pequez attempted to arrest the two occupants when suddenly four shots were fired by one of the occupants and Patrolman Pequez fell mortally wounded, and died on the way to a local hospital.

Patrolman Pequez represented the third police officer slain in New York City alone this year. The National total has climbed to over 75, and at this pace the old record of 128 law enforcement personnel killed in action will be eclipsed.

I have been calling upon my colleagues in both the House and Senate to enact legislation which seek to better protect our law enforcement personnel. The tragic thing is that the legislation is there, only there has been a general reluctance to act on it.

One prime example is legislation which I introduced to restore capital punishment on a mandatory basis for the committing of certain crimes including the killing of law enforcement officers. This legislation shows no signs of being considered despite the overriding need for its enactment. Perhaps if this law were on the books, Patrolman Pequez might still be alive today. It seems incomprehensible to me that the Congress does not consider the safety of our Nation's law enforcement personnel important enough to pass legislation to help insure it.

In addition, the need to provide security for the widows and survivors of slain law enforcement personnel should also be a paramount concern to this Congress. It has been over 3 months since the House and Senate passed legislation to provide a $50,000 death benefit for widows and survivors of law enforcement personnel killed in action. Yet today, this crucial legislation remains stalled in the Senate which is expected to defeat the House version and then send the bill to an uncertain future in conference. I urge that this legislation be given top

priority consideration by the leaderships in both the House and Senate.

Another gallant law enforcement officer has fallen victim to an untimely death. Patrolman Pequez' death etches still another black mark on this Nation which has already been seriously weakened in its law enforcement capabilities by the deaths of hundreds of its law enforcement personnel. Let us not close ourselves out from these tragedies, but instead, take all necessary steps to prevent their recurrence. The need is there. I call upon my colleagues to respond to it and come to the rescue of our law enforcement personnel across the Nation.

## BILL TO AMEND NATIONAL FLOOD INSURANCE ACT OF 1968

(Mr. CASEY of Texas asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. CASEY of Texas. Mr. Speaker, I am today introducing a bill to amend the National Flood Insurance Act of 1968.

This legislation, passed by the 90th Congress, was amended last year following the most severe losses in the history of the Nation due to flooding. Yet, I think that events of those days made us draft legislation which was too broad. With the passage of time, we often see that what appeared to have been a practical proposal is unsuited to actual circumstances.

In general, the amendments enacted into law in 1973 were an effort to make the flood insurance program as broad as possible, and also to discourage movement into flood-prone areas by restriction of credit in these areas.

Federal mortgage money, for example, may not be lent on real estate in flood prone areas unless such property is covered by Federal flood insurance. In turn, such insurance is not available where Federal officials believe land is likely to be flooded.

Such a law forbidding settlement in flood prone areas appears sound at first glance: it discourages movement into areas where life may be endangered by flooding, limits property losses in these areas and safeguards Federal mortgage funds.

In practice, the result varies from region to region, however.

The arrangement is very satisfactory in hilly or mountainous States, because the rule is simple: build on high ground. But what do you do, Mr. Speaker, when you have no high ground?

This is precisely the situation in many parts of coastal Texas, and in other parts of the Nation as well. When the land is flat, Mr. Speaker, what is a flood prone area and what is not? The simple fact is that in Brazoria County, Tex., and in other parts of my district, the land is flat and most of the area which could be flooded is limited only by the amount of floodwater. Some areas are, of course, much more flood prone than others, and the people who live and work there know the difference. As an increasing number of people have seen the advantages of living and working on the gulf coast of Texas, my district has grown rapidly. The Federal flood program now threatens to virtually halt that growth, however, because it limits the mortgage money available in almost this entire area.

Some of the Members of the House may ask how this could be. Did not the act apply to Federal secondary mortgage funds only? No, under sections 102(b), every "Federal instrumentality responsible for the supervision, approval, regulation or insuring of banks—shall by regulation—direct such institutions—not to make—any loan—secured by real estate, not covered, by flood insurance."

The result of this legislation is that no bank may make loans on property without flood insurance even with non-Government funds. In the event that an official of the U.S. Government decides property should not be covered by flood insurance, believing the realty is overly flood prone, then over 90 percent of the banks in the State of Texas are forbidden by law from lending on such property.

Mr. Speaker, I do not believe that the intention of the House at the time this act was debated was to discriminate against some parts of the Nation on the basis of topography. As ridiculous as this sounds, this is precisely what is happening.

I do not ask that the U.S. Government risk its own mortgage funds by passage of this bill.

I only ask that mortgage lenders be given the opportunity of deciding for themselves what the risks are on each and every parcel of land they mortgage, and that they be allowed to determine where the risks justify an investment.

I urge my colleagues to give this measure a sympathetic hearing. A careful investigation will reveal the harm which this legislation is doing, and also that this bill is the vehicle to rectify it.

Under my bill, the Federal Insurance Administration would still issue flood insurance only within the areas it designates as eligible. Communities would still participate in the program in order to qualify for flood insurance.

Homes and businesses constructed under Federal mortgage programs, the FHA, the VA, the SBA and so on, would remain under mandatory controls of the Federal Insurance Administration.

The only change in the law would be that our banks and lending institutions would be free to make their own determination of the local flood hazards, and so long as public money or public insurance was not involved, would be free to make loans in areas they choose without intervention from Federal authorities.

I am confident that the changes in the law I propose are in keeping with the intent of the Congress in enacting the National Flood Insurance Act of 1968 and that the public would best be served by the passage of the bill I introduce today.

## THE BLACK LUNG BENEFITS ACT OF 1974

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Pennsylvania (Mr. MURTHA) is recognized for 30 minutes.

Mr. MURTHA. Mr. Speaker, we are presently in the middle of a 5-day work shutdown of the Nation's bituminous coal mines as a memorial to victims of mine disasters, black lung disease, and coal company violence.

Although I began working on the legislation I am about to introduce many months ago, I can imagine no more appropriate time to discuss the Black Lung Benefits Act of 1974 than during this memorial period.

Mr. Speaker, any legislator from a coal mining area who has seen first hand the various stages of black lung disease as it perceptively moves to rob a man of his breath and eventually of his life, knows how important the black lung benefit legislation enacted by Congress has been. But as a Congressman who must deal daily with the benefit claims of miners from my area, I realize that this important law must be strengthened and improved.

Before I discuss the specifics of this legislation, I would remind the Members that Congress enacted the original black lung benefits legislation as recognition of the national debt we owe the men who for years have gone, and continue going, into the mines of our Nation to produce this most precious and valuable resource. I hope the time has passed when any question remains about the rightness of this benefit program.

Coal miners deserve financial security and health benefits for their contribution to the energy needs of this Nation. Despite advanced technology we again recognize our need for coal, and just as the miner must still go underground to mine it, the coal dust is still there to greet him. Mining remains the most dangerous profession in our Nation.

The debate must continue over how best to help past, present, and future miners. My amendments are designed to fill gaps in the present law, and I would briefly like to outline them for the Members.

Most important, and deserving the most attention, is an amendment known as the 15-year rule. This amendment states that any miner or his widow would automatically qualify for benefits if the miner had worked 15 years in the underground mines.

I would like to mention some reasons why this amendment is essential, Mr. Speaker. First, the present law is unfair. It allows some miners with 15 years and the illness to receive benefits, while others with 15 years' service and the illness do not receive aid. Presently no automatic, definite way exists to prove the presence of black lung, or to prove its severity. We are left with a system of medical and lay judgment that inevitably discriminates against many valid claims. The decision becomes a subjective one, with different doctors forming different conclusions from the same evidence.

Black lung disease may not show itself until a man has left the mines for some time; it is unlikely he will accumulate medical evidence while working and feeling no effects of the disease in its early stages. Thus the miner reaches a state of

total disability but without early medical evidence. A law assuring benefits after a set number of years will eliminate unfairness and insure all affected miners they will receive their deserved benefits.

Second, since the miner now does not know whether he will qualify for aid or not, he continues working in the mines past when he should stop, daily aggravating and stimulating his condition. Once eligibility becomes based on years of service, a miner will know he will receive benefits and will leave the mines earlier. In this way, we will be prolonging the health and lives of thousands of miners. We are in my opinion paying entirely too many benefits to miner's widows, instead of to the miner himself.

There is no doubt a direct correlation exists between the number of years in the mine and the increasing disability caused by black lung. At some point you have to make a determination that black lung in its entirety is present. There exists substantial medical evidence to support 15 years as the key medical year. There is no doubt the longer a miner works the more he aggravates his disease; stopping at 15 years will give some the hope of living many years with their disease.

Third, we have the problem of administration that we find in many programs. Estimates show the Government now spend millions a year in administering the program. We estimate that $75 million could be saved with an automatic presumption of black lung because the need for much medical diagnosis and legal representation will end. This figure alone will help greatly to offset additional costs. More important, we will be giving the money to the miner it was intended for rather than doctors, lawyers, and bureaucrats.

While the 15-year rule easily represents the most important of the amendments in this bill, Mr. Speaker, a number of others are also important. I would like to outline them briefly.

First, extending for 2 more years, through June 30, 1977, the authorization for $10 million a year for black lung clinics. This program has been slow to get off the ground, because funds have not been appropriated. Now work is underway in the Western States developing clinics to engage in diagnosis; therapy; programs teaching people how to live with their disease—how to make the most of their breathing, what medicines could shorten their breath, and so forth—and an outreach program to let people know what benefits are available and how to qualify for them. These clinics represent our hope of making thousands of men less of an invalid, although their respiratory system is crippled. To be effective, this program needs to have long-range funding available.

Second, adding coal miner expertise to the Coal Mine Health Research Advisory Council. This group is organized under the Secretary and approves research grants. Presently there are 14 members—the number is not set in the statute—and all are physicians but one. As knowledgeable as these men may be, they lack the input of on-the-job individuals who know the actual experience of the mines, and can make recommendations based on that background. This amendment would require that at least five members of the committee be working or retired miners.

Third, make it easier for a widow to receive benefits based on lay evidence. We have a situation, Mr. Speaker, where many widows lose claims and benefits they deserve because they have lay evidence but not medical evidence. Lay evidence includes such things as statements of widows, coworkers, neighbors, a nurse, a doctor, a coroner, or other individual who remembers the deceased and his breathing difficulties. Autopsies are of little benefit in proving the disease, and many working miners never stopped to obtain X-rays or breathing tests while working.

This amendment would make clear the congressional intent that in making the final decision on eligibility, a lack of formal medical evidence, alone, would not be sufficient to deny the claim.

Fourth, for reasons no one can seem to explain, the Federal black lung law says payments are to stop 12 years after the law went into effect, or in 1981. This bill removes that provision and makes the program permanent.

Fifth, we extend the interim standards. In 1972 social security wrote two sets of medical standards. The so-called interim standards applied until July 1, 1973. Persons applying before that date with 15 years in the mine qualified by presenting confirmed X-ray proof of pneumoconiosis at any stage of its development. Even without the X-rays, a miner could qualify by a breathing test. But the post-1973 standards—are much called permanent standards—are much stricter. A miner must now have more detailed X-rays and also fail the breathing test, and fail it at a lower level. These permanent standards practically return us to the dark days before the 1972 amendments were passed. This is obviously unfair.

Sixth, we clear up the language to make certain that widows will qualify for aid under benefits for the totally disabled if her husband worked 15 years in the mines, regardless of whether he was working at the time of his death.

Presently, social security and the Department of Labor throw out claims if the miner was working at the time of his death. Before the modernization of black lung benefits men had no chance but to work up to their death, and the widow should not be penalized because her husband could not take time and did not have the money to travel many miles to an X-ray machine.

I do not believe any of us desire to prevent the widows of these brave men from receiving needed benefits.

Let me also speak for just a moment about numbers. The 15-year rule would open the plan to approximately 75,000 new claims—55,000 living miners and 20,000 widows. These are deserving men and women. It is time the Nation paid our debt to them.

Mr. Speaker, 2 years ago the late Congressman John P. Saylor, who I was honored to replace in Congress following his death, asked a House committee—

Have you ever tried to spend 12 and 14 hours a day in a coal mine, where you were mining 22 and 24 inch seam of coal?—the men who came out of those mines also walked home to the company houses in which they lived. They would cough, be short of breath, and have a difficult time, some of them, actually walking home.

What the miners had was described as miner's consumption—then they began to give it a new name, and they called it miner's asthma. They then decided it was not asthma, and they called it silicosis. They go to the next stage, and called it anthracosilicosis, and now the doctors have come along and given it the final and fancy name of pneumoconiosis.

But whatever name it is called, it is a disabling disease.

And it is still disabling miners. It is still causing sickness. It is still making too many women widows.

Miners are proud men. They only want the support the Congress has said it will provide them. I only want to see our country's debt fully paid and these brave men and their families recognized. Our present black lung program helps. I believe these amendments in the Black Lung Benefits Act of 1974 would help complete our debt to these men and their families.

I will later be reintroducing the bill and I invite all interested Members to contact my office to cosponsor this bill.

## THE COMMITMENT OF THE CONGRESS TO CLEAN UP THE GREAT LAKES MUST BE MAINTAINED IN THE NEW AGRICULTURE, ENVIRONMENTAL, AND CONSUMER PROTECTION APPROPRIATIONS BILL

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New York (Mr. KEMP) is recognized for 15 minutes.

Mr. KEMP. Mr. Speaker, as one of his last official acts, former President Nixon vetoed the proposed Agriculture, Environmental and Consumer Protection Appropriations Act for fiscal year 1975.

Among the reasons cited by the President for disapproving the bill was the inclusion of $175 million in additional funds to clean up the Great Lakes. I think the President was poorly advised in this regard, for the United States is not only obligated through an agreement with Canada to clean up the Great Lakes by 1978, but the preponderance of evidence also shows that unless these—and additional—funds are provided now, the United States will not meet that deadline.

I am for fiscal restraint. I am for cutting excessive expenditures from the Federal budget. Only by cutting spending—and by cutting back on the production of new money supply used to cover the deficits arising from excessive spending—can we curb and control inflation. I think, however, that both the Executive and the Congress would be ill-advised to start making mammoth cuts in funds essential to a restoration of our environment.

August 22 was originally set aside as a day on which the House would vote to either override or sustain the former President's veto of this bill. In other words, there was to be a yes-or-no, up-

or-down vote on this matter, a standoff between the Executive and the Congress.

But, there is a new spirit in Washington—a spirit, as outlined by President Ford in his address to the joint session of Congress, of cooperation and compromise.

It is in that spirit that the distinguished chairman of the Subcommittee on Agriculture, Environmental and Consumer Protection of the House Committee on Appropriations, Mr. WHITTEN of Mississippi, made a motion in this Chamber yesterday—which was unanimously adopted—to pass over a vote on the veto and move immediately instead to a reconsideration of the bill in his subcommittee. I applaud his leadership on this matter. The Government and the country will be better for it.

Let me, for a moment. discuss some of the issues associated with this matter.

HOW TO CUT FEDERAL SPENDING

There are two fundamental ways in which we can cut overall Federal spending.

We can eliminate some programs altogether, leaving those which remain to continue at the present—or even at expanded—funding levels.

Or, we can cut some off the top of all programs, a practice of greater equity and less disruption to the continuity of Government services.

Since I have served in this Chamber, I have voted for both. But, it is apparent to me that we can be more effective in attaining our desired goal of reduced spending by cutting percentages off the top of all programs, more or less uniformly.

NEED TO HONOR GREAT LAKES CLEANUP COMMITMENT

Let me speak, for a moment. of one of those sections which ought to be preserved.

NEED TO HONOR GREAT LAKES CLEANUP COMMITMENT

I regard the honoring of our international treaty commitments with Canada to clean up the Great Lakes to be crucial. It is a commitment which had been dodged by the prior administration, in that repeated attempts by the Congress to provide necessary funds with which to abate pollution of the Lakes were thwarted by the administration.

What is the legislative history and administrative action associated with this commitment to clean up the Great Lakes?

On April 15, 1972, after several years of negotiation, President Nixon signed an historic agreement in Ottawa with the Canadian Prime Minister. That agreement provided for greatly increased American-Canadian cooperation in improving the water quality of the Great Lakes.

How has this obligation been honored by the two countries?

As of now, Canada is projected to serve 98 percent of its population along the Great Lakes with adequate water treatment by 1975. The United States, on the other hand, will only be able to serve 58 percent of its population along the Lakes with adequate treatment by that date. The United States is far behind its commitment, while Canada has almost totally attained its.

In 1972 I testified before the Committee on Appropriations, strongly urging the appropriation of $100 million to adequately fund the new, cooperative program. A number of colleagues joined with me in this appeal. Those funds were provided by the Congress—specifically authorizing the U.S. Environmental Protection Agency—EPA—to fund 9 or 10 selected storm and combined sewer projects along the lakes in order to study the cost-benefits of the various systems.

Inasmuch as EPA did not at that time yet have the specific statutory authority to fund the construction of storm and combined sewers of this nature, the Congress directed that $100 million in water and sewer funds which had been previously appropriated to the U.S. Department of Housing and Urban Development and arbitrarily frozen by the Office of Management and Budget—OMB—be used to fund the program.

The Congress then followed up that action by passing the Federal Water Pollution Control Act Amendment of 1972, providing authority in section 211 for EPA to fund the 9 to 10 special projects.

Yet, despite this overwhelming intent on the part of Congress—not to mention the letter of the law itself—funds were still not released by OMB.

On April 10, 1973, therefore, I again took the case for the construction of these projects to the Agriculture-Environmental-Consumer Protection Subcommittee of the Committee on Appropriations. In that testimony I stated:

I would like to reiterate my support of this vital Great Lakes cleanup program and strongly urge the Committee recommend appropriations for these programs at at least the level requested by EPA. To many, the Great Lakes stand as a symbol of man's degradation of the environment. We in the Congress have the opportunity to make them an outstanding example of our Nation's determination to restore and preserve our priceless natural resources.

Again, many colleagues made similar appeals.

The committee made that recommendation, and the Congress passed it. Still nothing happened—the funds remained frozen.

At the urging of myself and a number of my colleagues in the House, the committee again directed this $100 million be spent. But, the committee has been advised that no use will be made of these funds during fiscal year 1974, despite a recent release of $120 million by OMB and the Department of Agriculture for use by rural communities on waste and water facility construction. The charge which I made in addressing the Association of Towns of the State of New York on February 4 of this year—that the prior administration was waffling on this matter—was proved by these actions—perhaps, better put as inactions—of the administration.

In late June of this year the House again insisted that these funds be expended. They were included—at the level of $175 million, in the bill now before us—the vetoed bill.

In his veto message of August 8 on this bill, President Nixon stated:

I also oppose a provision in this bill transferring from the Department of Housing and Urban Development to EPA a $175 million program to clean up the Great Lakes. The feasibility of this cleanup program has not yet been proven. Further study is essential if we are to avoid ineffective Federal spending for these purposes.

Mr. Speaker, that statement—"the feasibility of this cleanup program has not yet been proven"—not only runs counter to the treaty commitment entered into by the President but also counter to the position taken by his administration at the Great Lakes Agreement Assessment Meeting of Representatives of the United States and Canada held in Washington on May 22.

At that meeting, the U.S. delegation informed the Canadians—who had expressed deep reservations about the apparently waining U.S. commitment—that "approximately 60 percent of the population on the U.S. side of the Great Lakes Basin would be provided with adequate waste treatment by December 31, 1975," and that this figure "would rise with the completion of additional projects to 95 percent by 1977–1978."

That assurance lacked a certain amount of credibility in light of the fact that the International Joint Commission's Water Quality Board—responsible for monitoring compliance by both governments with the commitment—had just issued an extensive, factual study showing the U.S. could not meet its commitment for years and years if present impoundment policies continued.

CALL FOR INCLUSION OF GREAT LAKES CLEANUP FUNDS IN A NEW BILL

Mr. Speaker, the evidence is convincing to me that the funds provided for this program ought to be contained in a revised bill.

I would prefer that the full amount be provided, but if the decision is made to cut some of these funds, let us ascertain from the Environmental Protection Agency how much can be spent realistically during the fiscal year, which may be less than what the original bill provided, and lets require those funds be spent.

The vetoed bill called for an expenditure of $ 175 million for the Great Lakes cleanup. Even if that has to be trimmed, that cut would be preferable to not funding the projects at all. And, unless we in the Congress are willing to accept that reality, we may be faced with no funding at all. That would be an abandonment, in part, of our own commitment to clean up the Great Lakes. I, for one, will have nothing to do with such action. I want to clean up the Great Lakes.

## COONSKIN LIBRARY TRADITION CONTINUES IN OHIO

**The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Ohio (Mr. MILLER) is recognized for 5 minutes.**

Mr. MILLER. Mr. Speaker, 170 years ago today, families in Ames, Ohio took an important step by purchasing books for what became one of the most interesting libraries in the history of our country. Clearing and cultivating the wilderness was demanding work, but these pioneers also cultivated a respect for knowledge and ideas. The Coonskin Library in Ames Township, Athens County, Ohio—now Amesville, which is the congressional district I am privileged to represent—exemplifies this love of learning, and while its first books were purchased on August 15, 1804, discussion of a library dated from the earliest days of settlement.

The Coonskin Library, officially named the Western Library Association, was formally organized 1 year after Ohio came into the Union. It was difficult to obtain books; money was scarce and the area was remote from the bookstores of Boston and Philadelphia. But the people of Ames recognized their need for books. They soon found a unique way to finance their library—it was purchased from funds raised primarily by the sale of animal skins to the Ohio company. One member took the skins East, sold them, and used the funds to buy a collection of 51 books.

The library reflected the way of life of these pioneers: it was comprised of serious rather than light reading, and books on religion, philosophy, and history predominated. The library developed and was used heavily during the next 35 years. Although sold to an individual in 1861, the collection remained a source of pride for the community and was exhibited at Philadelphia's centennial celebration of 1876. Today some of the books are available for use at the Ohio Historical Society in Columbus.

The Coonskin Library was not the first library in Ohio since it was preceded by collections at Belpre and Cincinnati. Such libraries had a tremendous influence on the lives of isolated pioneers. The Coonskin books made a great impression on young Thomas Ewing who became the first graduate of Ohio University, and later a U.S. Senator, Secretary of the Treasury, and Secretary of the Interior. He recalled:

> It was well selected; the library of the Vatican was nothing to it, and there never was a library better read.

Now, 170 years later, Ohio's libraries are still pioneering, and her people remain committed to obtaining information for their work, their studies—including continuing and extended education—and their self-development. Modern frontiers of library service include serving those who for some reason have been bypassed by traditional library services; insuring wider access to library services; applying advances in computer technology and automation to benefit readers and cope with the information explosion; and developing networks for interlibrary cooperation.

Ohio is designing innovative programs to extend specialized services to people who could not use libraries effectively in the past—the socially, economically, and educationally deprived, the homebound, the handicapped, the aging and the institutionalized. In the statewide books/jobs program, many librarians worked for the first time with State and local agencies to aid the unemployed and underemployed. They put information in the hands of people who needed "job know-how," and public libraries added job training materials useful to job seekers and to such organizations as the Urban League, National Alliance of Businessmen, and job training centers. In Project Libros the Cleveland and Lorain Public Libraries now employ a Spanish-speaking staff to contact potential users with Spanish and bilingual books, films and records.

Target/Read of the East Cleveland Public Library provides individualized tutoring in an informal atmosphere for adults, respecting their emotional needs and recognizing their educational demands, while Cleveland's Project Include is a concentrated effort to make the library a vital part of the lives of all inner-city residents. Storefront mini-libraries bring referral to other agencies, self-development opportunities, and employment and consumer programs to the community. But creative approaches are not limited to the largest cities. The Washington County District Library in Marietta is one example of the libraries conscious of their communities' information needs.

Other libraries insure that the visually or physically handicapped can get the information, entertainment, and inspiration they need by providing large-print books, Braille, talking books, page turners and other devices, as well as specialized services for the institutionalized. Youngstown's Yo-Mah-Co-Co places collections of paperbacks in hospitals, nursing homes, jails, and senior citizen centers. Some libraries regularly visit such institutions, while others have run successful volunteer programs for the homebound. In State institutions, library services link residents to the outside world and provide rehabilitation activities.

Extending effective service in all areas is another challenge to our libraries, and bookmobiles have proven to be one answer. In rural areas, "books on wheels" are funded entirely by the county or jointly with the State Library at Pomeroy, Ironton, Caldwell and other regional centers. Staffs have a keen sense of identification with the people they serve. They know most borrowers by name and become fast friends. Staff members become involved in school, PTA, and community efforts. Sometimes they deliver library materials to shut-ins or handicapped readers.

The bookmobiles also become an integral part of community events; most are assigned reserved areas at county fairs and parades. The materials and scenery might be very different in urban areas, but these people await their bookmobile's scheduled stop just as eagerly. In 1973, Ohio's 82 bookmobiles circulated over 6 million books!

Wider access also means insuring that library materials and services are available where readers are. As students, Ohio's young people, from elementary school through college, are among the most avid library customers. Of course all public libraries serve students and teachers, but each year more of the State's public and parochial schools are developing their own library media centers, right where the pupils are. These reading, information and fact-finding centers for students and teachers reinforce and enrich the teaching curriculum. Some even remain open during summer vacation months.

Books are still important tools in these school centers but effective nonbook materials are joining them in increasing numbers. Films, filmstrips, recordings, tapes, magazines, pamphlets, mounted pictures, microfilms, museum objects, giant models—anything that will help the learning process might be found in a school library. Special teaching aids also are utilized—for the slow and the quick learners, or for those with hearing, sight, speech or other problems. The happy schoolboy seen carrying home a giant model of an ear, about half his own size, to share with his family is not unusual. "Anything that can be carried may be borrowed" is often the rule in the State's library media centers.

University libraries are essential parts of Ohio's famed institutions of learning. As a leader in education and science, Ohio ranks eighth in the country in the number of accredited colleges and universities, and the libraries on each campus are integral parts of this education. Ohio's college and university libraries now have more than 18,348,525 volumes, in addition to 142,973 bound volume periodicals. These collections are growing at a rate of more than a million volumes a year.

Over 150 special libraries in the State serve special groups such as the rubber, steel, paper, or aluminum industries, the medical and law professions or the State's scientific and research interests. Many professional scientists, engineers, lawyers, doctors, market researchers, business leaders, and others depend on these special libraries to obtain and organize needed information for them or to let them know what is important and new in their field. These libraries put knowledge to work and so save their users time, effort, and money. Almost like members of one vast research team, the special libraries share information and materials through an interlibrary loan network which includes Ohio's university and urban libraries.

Ohio's libraries are also pioneering the application of technology to the information explosion. Perhaps the most striking example is the Ohio College Library Center. This center provides a data communications link among more than 60 academic and public libraries throughout the State and connects these Ohio libraries with other regional systems in an emerging national network.

On still another frontier, Ohio's librarians are working with the State library to create network for interlibrary cooperation under the Ohio Library Development Plan. Enacted by the Ohio General Assembly, the library-

development plan will assure that every Ohio citizen, whether living in an urban center or on an isolated farm, will not be limited to material in his own library and will have easy access to complete library service. Information and reference networks will link all metropolitan, special, and university libraries which have major research collections with other Ohio libraries, making resources available on a statewide basis.

It also provides for new ways of sharing and enlarging library resources. Libraries in two or more counties may form area library service organizations—ALSO's—and qualify for State assistance in providing services essential to the educational, vocational, economic, and cultural growth of the State. The first ALSO, the Ohio Valley Area Libraries, was organized in 1973 to provide 11 southern counties—including Athens County—with financial and advisory support to improve their services and then inform the people of their availability.

On all these library frontiers, in the 10th Congressional District and throughout the State, Ohioans have been using Library Services and Construction Act funds in conjunction with local resources. LSCA appropriations have enabled construction on 58 buildings in Belpre, Beverly, Hillsboro, Jackson, Elyria, Kenton, and many other communities of all sizes. They have assisted in service programs in every county of Ohio. They—and larger sums of State matching funds—provide special materials to over 11,000 blind and handicapped readers. Similarly, Federal grants have been vital in the improvement of library services in institutions.

The emphasis in Ohio libraries must be, as it was in the Coonskin Library 170 years ago, on the people they serve so that future Thomas Ewings may develop themselves and serve their country and fellowman.

## WELFARE SYSTEM NEEDS REFORM

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Virginia (Mr. ROBERT W. DANIEL, JR.) is recognized for 5 minutes.

Mr. ROBERT W. DANIEL, JR. Mr. Speaker, the Subcommittee on Fiscal Policy of the Joint Economic Committee has recently released a congressional study analyzing our Nation's welfare system. The subcommittee report is based on a study of the welfare benefits available in counties selected from across the country.

The results of the congressional study are deeply disturbing. It shows that the current welfare system encourages low-income and unemployed fathers to avoid work and desert their families. It also encourages single women and married couples to have children by awarding large financial bonuses for the first child, with lesser inducements for additional children.

The congressional study concludes that the welfare system is so structured in the United States that it financially encourages unemployment, higher birth rates and separation of families.

In the District of Columbia, according to the study, a family consisting of an unemployed mother and her two children could get annual public assistance benefits equivalent to a taxable income of $5,160 a year. The report gives the median salary for women workers in the District as $5,144 a year.

The financial appeal to a working mother to go on welfare is even greater when one considers that the median salary is the average salary of the group surveyed. Thus, half the working women earn less than the median salary which in itself is less than what they could make on welfare.

Work disincentives are high for the working father as well, according to the study, because the net gain from working often is quite small, if any. A man with a wife and three children who finds a full-time job at $1.60 an hour has an after-tax income of $3,034, but loses AFDC benefits—aid to families with dependent children—of $3,840 a year in San Francisco, of $3,588 in Portland, Oreg. It certainly eliminates a major reason for getting a job if by working a man and his family are no better off financially than before.

Although financial incentive to get a job may be lacking, the study shows that there is a financial incentive for fathers to desert their families. If an unemployed father deserts, the average gain in cash and food stamps varies from $1,004 for one-child families to $1,318 for families of three children. This constitutes a one-third gain in family income.

As the subcommittee contends:

> The study data leave little doubt that welfare does establish large incentives for low-income families to break up, or to never form in the first place. If a woman with children on AFDC does marry, the incentive is for the stepfather to refuse any obligation to support her children thereby keeping them on AFDC.

There also is a large financial incentive for either a single woman or a married couple to have the first child. An unemployed childless woman, for example, can almost double her benefits—with an additional $1,159 in cash and food benefits—by having her first child.

It is ridiculous to have a welfare system that encourages single and married women to have children and fathers not to work and to abandon their families.

In light of the subcommittee's report, I urge that the Congress give its full support to a complete reevaluation of the welfare system, as it is desperately needed.

## NATO—A FATAL BLOW

The SPEAKER. pro tempore. Under a previous order of the House, the gentleman from Illinois (Mr. FINDLEY) is recognized for 5 minutes.

Mr. FINDLEY. Mr. Speaker, I am gravely disturbed, as I am sure you are, over the possible harm NATO may suffer as a consequence of the crisis over Cyprus.

A scenario of events in the Eastern Mediterranean more to the advantage of the Soviet Union would be difficult to contemplate. The Soviets have long wanted Turkey and Greece separated from NATO and scrapping with each other. This would enhance opportunities for Soviet ascendancy throughout the Mediterranean, the Mideast and South Asia.

With Turkey unhappy over U.S. pressure on the opium issue, as well as Turkish military operations on Cyprus, and with Greece now withdrawn from the integrated NATO military command and blaming the United States for its reverses on Cyprus, the cohesion of NATO's southern flank may be harmed beyond repair.

The fatal blow will occur if Turkey and Greece interpret recent statements by prominent U.S. officials as putting in doubt our basic defense obligations to those countries under the NATO treaty. These officials have said that our Government may have to review its military assistance programs to those countries. Perhaps this was meant to be restricted to the provision of military equipment and had nothing to do with our basic commitment to protect from attack all member states of NATO, including Greece and Turkey.

Yet the statements have been so general that misinterpretation is possible. And Turkey has a vivid memory of 1964 when President Johnson threatened to cancel the U.S. defense commitment to Turkey under the NATO treaty if Turkey invaded Cyprus. This statement, in contravention of the NATO treaty, was most unfortunate and the Turks have never forgotten it.

Our Government must not repeat that mistake. It must make clear that our basic commitment to the member states of NATO is sound and valid and does not change with the vicissitudes of external events like those on Cyprus.

I strongly urge the administration to make a public statement, which will reassure Turkey and Greece, as well as other member states, that our Government holds inviolate and solemn the mutual security obligations in the NATO treaty.

## MORATORIUM ON NEW SPENDING PROGRAMS TO CURB INFLATION

The SPEAKER pro tempore. Under a previous order of the House the gentleman from Michigan (Mr. HUBER) is recognized for 10 minutes.

Mr. HUBER. Mr. Speaker, virtually every current public and private poll and sounding made in this country indicates that rampant inflation is indeed, in the words of President Ford, "our domestic public enemy No. 1."

Experts in all fields agree on the immediacy and seriousness of today's double-figure inflation.

The president of the Bank of America, A. W. Clausen, cautioned:

> We must either stop inflation, or reconcile ourselves to living within its consequences, which include the ever-present threat of a serious recession.

Equally sobering is the appraisal of AFL–CIO President George Meany and

manufacturers Hanover Chairman Gabriel Hauge. Mr. Meany said:

The raging inflation that started in the second half of 1972 continues with devastating impact on workers' buying power and living standards.

Mr. Hauge pointed out:

We see the best of our citizens, those who have saved and whose savings have built our country, suffering substantial losses in those savings. And we see those least able to fend for themselves, the poor and the elderly, forced to suffer disproportionately more than anyone else through the regressive taxation that inflation actually is.

To move immediately to slow down inflation while providing Congress and the new administration an opportunity to develop an orderly and comprehensive policy toward reducing this problem, I am today introducing a House concurrent resolution to indicate the sense of Congress that "no new previously unfunded spending programs, except in the instance of a national emergency, will be authorized during a period of 90 days from the date of enactment."

I will address a letter to my colleagues later today urging them to cointroduce this measure with me, and I would urge that the leadership promptly begin hearings so that consideration of the resolution can be expedited in the emergency situation that now exists.

## INTERNATIONAL PETRODOLLAR CRISIS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas (Mr. GONZALEZ) is recognized for 5 minutes.

Mr. GONZALEZ. Mr. Speaker, the Subcommittee On International Finance, of which I am chairman is conducting a series of hearings on a subject we have chosen to call "International Petrodollar Crisis." The reasons for these hearings are quite simple—the international price of oil has increased fourfold in the last year and the member countries of OPEC—the Organization of Petroleum Exporting Countries—are beginning to accumulate massive amounts of excess capital.

In these hearings we are covering the following topics:

First, what oil-producing countries will do with their new found wealth;

Second, the potential damage to the international monetary system and to the world economy as a result of the petrodollar glut;

Third, the viability of the proposals for recycling petrodollars;

Fourth, the oil-deficit problems of the developing world; and

Fifth, what the United States should be doing about the petrodollar problem and its detrimental effects.

To date, we have had as witnesses: The Honorable William E. Simon, Secretary of the Treasury; The Honorable Jack F. Bennett, Under Secretary of the Treasury; The Honorable Henry C. Wallich, Governor of the Federal Reserve System; and Mr. James Grant, President of the Overseas Development Council.

After the recess, we plan to have as witnesses Secretary Dent of the Department of Commerce, and representatives of the private banking sector.

Mr. Speaker, based upon the testimony received to date, we have not exaggerated in using the term "crisis" in naming our series of hearings. I do not want to appear to be an alarmist or to be joining the ranks of the professional prophets of doom, who make a lot of money by scaring people. But a sufficient number of experts are sounding the alarm, so I wonder if the United States is not taking this petro dollar-oil price situation too lightly.

I think that the findings of our hearings so far can best be summed up by quoting the noted oil expert Walter J. Levy, writing in the July 1974 Foreign Affairs:

Today, governments are watching an erosion of the world's oil supply and financial systems, comparable in its potential for economic and political disaster to the Great Depression of the 1930's, as if they were hypnotized into inaction. The time is late, the need for action overwhelming.

In sum, the short-to-medium term implications of the present situation are simply not bearable, either for the oil-importing countries—especially the nations already needy—or for the world economy as a whole. The fact is that the world economy—for the sake of everyone—cannot survive in a healthy or remotely healthy condition if cartel pricing and actual or threatened supply restraints of oil continue on the trends marked out by the new situation.

Mr. Speaker, I think that my colleagues will be interested in the following letters from Secretary of Commerce Dent, Under Secretary of Treasury Bennett, and Assistant Secretary of State Holton, regarding: The impact of OPEC-inspired price increases on the U.S. balance of payments; portfolio investment in the United States by OPEC members; OPEC members' oil revenues, monetary reserves and military expenditures; aid efforts by OPEC; outstanding debts owed by OPEC members to the United States; and a summary of major bilateral oil deals.

THE SECRETARY OF COMMERCE,
*Washington, D.C., July 10, 1974.*

HON. HENRY B. GONZALEZ,
*Chairman, Subcommittee on International Finance, House of Representatives, Washington, D.C.*

DEAR MR. GONZALEZ: This is in answer to your letter of May 29, 1974, which has been previously acknowledged by Mr. George J. Pantos. Your letter concerned the impact of OPEC-inspired price increases on the U.S. balance of payments.

Oil is now entering the world market at such a variety of different prices that it is impossible to predict accurately the cost of imports to consuming countries, including the United States, in 1974. The major uncertainty is the percentage share of equity ownership which the host governments take in the renegotiation of previous "participation" agreements. The greater the share the host governments take, the greater the proportion of their total crude supply that the companies will have to purchase from the governments at the higher "buy-back" price. The amount of crude oil available to the operating companies under buy-back arrangements and the level of prices for buy-back crude will have a significant bearing on world market prices. (Moreover, the terms of the renegotiated participation agreements will probably be retroactive—thus adding a further note of uncertainty to crude oil pricing on the world market.)

We have neverthless attempted to make some rough estimates of the impact of the recently instituted price regime on the U.S. trade balance in 1974. At an average price of $10 per barrel delivered, petroleum imports at the rate immediately preceding the embargo, approximately 6.5 million barrels per day, would represent an outflow in the trade account of about $24 billion. The estimate assumes that the lower rate of imports during the first four months of 1974 will be balanced off to a large extent by imports at a rate higher than the 6.5 mbd during the second half of the year and also that the higher price of the imported petroleum products, about one-third of the total, will make up for any remaining quantitative differences.

To put the matter in perspective, the $24 billion compares with delivered costs of $5.5–$6.0 billion in 1972 and $8.5–$9.0 billion in 1973. The anticipated petroleum import cost increase in 1974 is roughly equal to two months of total U.S. exports at the February-March 1974 rate, the last period for which overall data are available, or 20 per cent of total U.S. exports in 1973.

As a result of this massive transfer of funds, the U.S. trade balance is expected to show a net deficit for 1974, in spite of solid export gains. In the capital account, the compensatory inflows from investment on the part of oil-producing countries have not so far materialized to the anticipated extent. This situation may, however, change during the latter part of the year. In the interim, continued high interest rate levels in the U.S. domestic market will aid in maintaining a capital inflow rate which may be sufficient to offset the net trade account outflow.

The many uncertainties in the world petroleum market and the still pending resolution of the revenue recycling problem combine to make it extremely difficult to forecast the U.S. balance of payments over the medium term. Any estimates we could make during the present stage of institutional flux would have very low reliability and we would therefore prefer to await the emergence of more definite trends and patterns.

I hope the information we have been able to provide will be of help in your Subcommittee's deliberations. As you have pointed out, the present world monetary situation gives cause for great concern.

Sincerely,

FREDERICK B. DENT,
*Secretary of Commerce.*

THE UNDER SECRETARY OF THE
TREASURY FOR MONETARY AFFAIRS,
*Washington, D.C.*

HON. HENRY B. GONZALEZ,
*Chairman, Subcommittee on International Finance, U.S. House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: You wrote me on July 22 requesting information on the OPEC countries for the Subcommittee's hearings on the "International Petrodollar Crisis." Unfortunately, data on the OPEC countries is scarce and that which is available is often out-dated. Your first two requests have been particularly difficult to fulfill, so I hope you will understand the partial nature of my response.

In regard to part 1 of your letter, portfolio investment statistics are considered confidential by commercial banks, and are not released to the government except in an aggregated form. The Department of Commerce does publish annually a survey of the net U.S. investment position vis-a-vis foreign countries with data broken down by area

rather than by country. Totals are adjusted yearly to reflect new transactions and changes in the market value of securities. Data for the OPEC countries are included in two places. Venezuela and Ecuador are classified with "Latin American Republics and other Western Hemisphere". (Total portfolio investments from this area in the United States at the end of 1972 were $3.287 million.) The remaining OPEC countries are grouped with "Other foreign countries." (Net portfolio holdings of this latter group were $878 million.)

Even if a bilateral breakdown were available, however, it would not provide a broad and accurate picture of OPEC transactions. Foreign investors frequently transact through intermediaries who may be located in other countries. Since available statistics measure data based on the country of transaction, not the country of the ultimate holder, a misleading pattern may emerge. For example, if a Swiss Bank places an investment in the U.S. on behalf of an OPEC client, our statistics will show only "Switzerland" as the country of transaction.

The latest set of data covering the investment position of area groups in the U.S. as of year end 1972 was published in the August 1973 issue of the Survey of Current Business.

A copy of the article is enclosed as attachment A for your inspection and use. (Attachment A omitted).

Treasury may undertake a benchmark survey of foreign portfolio investments in the United States in response to pending legislation. If such legislation is enacted, preliminary results would become available about 18 months after enactment. At that time, better detail on areas and countries of ultimate investors should be forthcoming.

Providing specific and reliable answers for the second question has also been difficult. Table 1 (included as attachment B) shows data on oil revenues and foreign reserves for 1972, and some highly tentative estimates for 1974. It should be remembered that any estimates of 1974 OPEC government revenues are extremely tenuous at this time, since developments in the latter half of the year could render them obsolete. The current account balances listed in table 1 give a general idea of the amount of surplus revenues the OPEC countries will be accumulating and investing in 1974, but again should be considered highly tentative. The range of uncertainties regarding 1980 estimates—which would depend on developments in oil prices, world demand for oil, and trends in OPEC absorption—is so enormous that any figures we might provide would be virtually meaningless and could be highly misleading.

Included in attachment B is a table of 1972 military expenditures for the OPEC countries. The fragmentary nature of current reports on military expenditures prevents any forecast for 1974, though the level of expenditures will be higher than 1972.

With regard to your request for additional information on OPEC aid, recycling, and lending efforts, there follows a summary of the information received since I last wrote to you on this subject.

The IMF has received formal proposals from OPEC members for loans to the Oil Facility totaling $3.1 billion, including Abu Dhabi, Iran, Kuwait, Oman, Saudi Arabia, and Venezuela. Discussions are underway with other OPEC members, and the Fund hopes that the loans noted above can be expanded in the future as the need arises. The IMF will pay seven percent interest for the use of these funds.

In July 1974, the Kuwaiti Parliament formally approved a $3 billion increase in the paid-in capital of its Economic Development Fund (from $340 million to $3.38 billion).

According to Iran's Chief OPEC Delegate, Iran has now concluded bilateral agreements involving soft loans of some $1.5 billion over the next three to five years. This assistance is divided between project aid and financing for oil purchases by several developing countries, including India, Pakistan, Afghanistan, Morocco, Senegal, and Jordan.

The charter of the Islamic Development Bank, to which I referred in my June 6 letter, has been formally approved. It is expected to begin operations in late 1974 with capital of $3 billion. Loans will be extended free of interest.

An Arab Fund for Africa has received pledges of $200 million. Paid-in capital as of mid-July amounted to $130 million. It will be a revolving fund used to finance the oil purchases of the poorest African countries.

The United Arab Emirates tripled the capital of the Abu Dhabi Development Loan Fund from $169 million to $500 million in late May of this year. The UAE government also responded to an appeal by UN Secretary General Kurt Waldheim for emergency assistance to the hardest-hit less developed countries. Foreign Affairs Minister Ghobash pledged that his country will strive to extend bilateral and multilateral grants totalling $400 million during 1974.

OPEC country purchases of international development bank bonds stood at approximately $700 million during the year ending June 30, 1974. Approximately $675 million of this amount involved purchases of World Bank bonds. Generally, the OPEC countries receive near-commercial rates of interest (8¼) on these loans.

In my view, while these represent hopeful signs of greater OPEC aid efforts, it would be wise to adopt a cautious attitude regarding the impact of these commitments. In the first place, the OPEC loans to the IMF and to the International Development Banks, totalling $4.3 billion, bear relatively high interest rates (7–8¼). Secondly, much of the remaining amounts committed will only be disbursed over a period of many years, often in the form of project loans, whose proceeds will not be available to meet urgent and immediate reserve shortages in the developing world. It would be desirable if the OPEC countries were to provide larger amounts of quick-disbursing grants and general purpose balance of payments loans. These represent the most effective means to help the lower-income oil importing countries maintain vitally needed imports during the next two to three years when adjustment problems are expected to be greatest.

Attachment C provides the information you requested about OPEC borrowing from international financial institutions. Also included are tables of outstanding debts of OPEC members to the U.S. government and preliminary figures of U.S. foreign aid in FY 1974.

I hope the above information on the financial position of the OPEC countries will be of assistance for your Subcommittee's hearings.

Sincerely yours,

JACK F. BENNETT.

ATTACHMENT B

TABLE 1. SELECTED OPEC COUNTRY DATA FOR 1972 AND 1974

[Preliminary estimate; in billions of dollars]

| Country | Oil revenues 1972 | Oil revenues 1974 (estimate) | Foreign reserves 1972 | Foreign reserves 1974 (estimate) | Current account 1972 | Current account 1974 (estimate) |
|---|---|---|---|---|---|---|
| Saudi Arabia | 3.1 | 23-28 | 2.5 | 20-25 | 1.4 | 20 22.0 |
| Kuwait | 1.7 | 7-9 | [1] 2.5 | 8-10 | [2] 2.0 | 5- 6.0 |
| Libya | 1.6 | 6.8 | 2.9 | 6-8 | .9 | 4- 6.0 |
| Iraq | .6 | 6-7 | .8 | 6-8 | .2 | 3- 4.0 |
| United Arab Emirates | .5 | 4 6 | (3) | 4-5 | (3) | 3- 4.0 |
| Algeria | .7 | 3-4 | .5 | 1-2 | —.1 | 0- .5 |
| Qatar | .2 | 1 2 | (3) | 1 2 | (3) | 1- 2.0 |
| Iran | 2.4 | 18-21 | 1.0 | 9-11 | —.4 | 8-10.0 |
| Venezuela | 1.9 | 9-10 | 1.7 | 6-8 | —.1 | 4- 6.0 |
| Nigeria | 1.2 | 7-9 | .4 | 5-7 | —.5 | 5- 6.0 |
| Indonesia | .7 | 3 4 | .6 | 1 2 | [4] —.4 | 0- 1.0 |
| OPEC total | 14.6 | 95 105 | (3) | 80-90 | (3) | 55 65.0 |

[1] Estimate.
[2] Trade balance.
[3] Not available.
[4] 1971 figure.

Note: Columns will not add to totals due to rounding.

ATTACHMENT B

TABLE 2.—Estimated OPEC Defense Budgets, 1972 (billions of dollars)

| Country | 1972 |
|---|---|
| Saudi Arabia | [1] .7 |
| United Arab Emirates | n.a. |
| Kuwait | [2] .1 |
| Qatar | n.a. |
| Iraq | [2] .6 |
| Iran | 1.8 |
| Libya | [2] .1 |
| Algeria | [3] .1 |
| Nigeria | [2] .6 |
| Venezuela | .3 |
| Indonesia | [2] .5 |
| Total OPEC | 4.9 |

[1] Fiscal year ending September 1973.
[2] Fiscal year ending March 1973.
[3] 1973 figure.
N/A indicates not available.

ATTACHMENT C

Five OPEC countries, (Kuwait, Libya, Qatar, Saudi Arabia and the United Arab Emirates) have no outstanding loans from any international financial institution. The remaining seven OPEC members have outstanding loans from international financial institutions totalling $2.7 billion, of which $0.9 billion was commited in FY 1974. (See Table 3 for country breakdown).

Iran is the largest OPEC debtor, with a

total of $853 million outstanding from the IBRD as of May 31, 1974. In FY 1974, the IBRD lent to Iran and Venezuela, but both countries have agreed to provide financial resources to the Bank equal to or in excess of the loan received.

In FY 1974, both Indonesia and Ecuador received IDA credits. Ecuador will no longer be eligible for IDA credits inasmuch as oil revenues are expected to increase the per capita income level about the $375 IDA limit. In FY 1975, Indonesia will be transferred to IBRD borrowing status in view of its strengthened foreign exchange position, though per capita income will still be far below the IDA limit.

In evaluating loans to OPEC members by international financial institutions, it should be remembered that the OPEC countries lack the technical skills, which can be provided by institutions such as the IBRD, to promote their development. It should also be kept in mind that OPEC countries purchased about $700 million in international financial institutions bonds during the year ending June 31, 1974. Negotiations for additional purchases in 1975 are in progress.

Nine members of OPEC have a total outstanding long-term debt to the U.S. government of $2.6 billion as of December 1973. (See Table 4) Three OPEC countries, Libya, Qatar and the United Arab Emirates have no long-term indebtedness to the United States. $1 billion of the long-term outstanding debt is accounted for by credits under the Export Import Bank Act and loans under the Foreign Assistance Act account for slightly over $800 million, Indonesia and Iran account for about $2.1 billion of the total long-term debt owed to the United States by OPEC member countries.

Total U.S. aid in FY 1974 is $160 million, of which almost $120 million is for economic assistance, and $40 million is for military aid. (See Table 5 for country breakdown) Indonesia will receive the largest share of aid, for a total of about $117 million.

TABLE 3.—OUTSTANDING LOANS OF INTERNATIONAL FINANCIAL INSTITUTIONS TO OPEC MEMBERS AS OF MAY 1974[1]

[Millions of dollars]

| Country | IDA | IBRD | IDB | ADB | Country total |
|---|---|---|---|---|---|
| Algeria | | 186.3 | | | 186.3 |
| Ecuador | 39.0 | 58.6 | 14.3 | | 111.9 |
| Indonesia | 551.0 | | | 110.8 | 661.8 |
| Iran | | 853.8 | | | 853.8 |
| Iraq | | 136.1 | | | 136.1 |
| Nigeria | 39.8 | 454.9 | | | 494.7 |
| Venezuela | | 229.1 | 83.5 | | 312.6 |
| Total | 629.8 | 1,918.8 | 97.8 | 110.8 | 2,757.2 |

[1] Includes loans approved but not signed.

TABLE 4.—OUTSTANDING LONG-TERM INDEBTEDNESS OF OPEC COUNTRIES ON U.S. GOVERNMENT CREDITS AS OF DEC. 31, 1973, BY MAJOR PROGRAM[1]

[Millions of dollars]

| Country | Under Export-Import Bank Act | Under Foreign Assistance (and related) Acts | Under Agricultural Trade Development and Assistance Act, loans of foreign currencies to foreign governments | Long-term dollar credits | Land-lease, surplus property, and other war accounts[2] | Commodity Credit Corporation export credits | Other credits | Total |
|---|---|---|---|---|---|---|---|---|
| Algeria | 64.6 | | | 7.0 | | 1.0 | | 72.5 |
| Ecuador | 12.7 | 86.8 | 0.7 | 16.5 | | .3 | 0.1 | 117.1 |
| Indonesia | 98.3 | 302.5 | .1 | 638.8 | 35.8 | | .9 | 1,074.6 |
| Iran | 649.9 | 212.5 | 29.6 | 47.7 | 23.3 | 54.2 | | 1,014.2 |
| Iraq | 5.5 | | | 6.0 | | | | 11.5 |
| Kuwait | 15.0 | | | | | | | 15.0 |
| Nigeria | 22.7 | 76.8 | | | | | | 99.6 |
| Saudi Arabia | 15.5 | 34.2 | | | | | | 49.7 |
| Venezuela | 116.7 | 112.6 | | | | | | 229.3 |
| Totals | 1,001.0 | 825.4 | 30.4 | 716.3 | 59.1 | 55.5 | 1.0 | 2,683.5 |

[1] Source: U.S. Government accounting records.
[2] Data exclude outstanding interest deferred by formal agreement or in arrears, but include capitalized interest.

TABLE 5.—AMOUNTS OF U.S. AID IN FISCAL YEAR 1974 FOR OPEC COUNTRIES

[In millions of dollars]

| Country | Foreign assistance | | | | | Military assistance programs | | | | Total economic and military assistance and credit sales |
|---|---|---|---|---|---|---|---|---|---|---|
| | AID | Peace Corps | Public Law 480 | International narcotics control | Total economic assistance | Military assistance grants (MAPS) | Foreign military credit sales | Excess defense articles | Total military assistance | |
| Algeria | | | 1.5 | | 1.5 | | | | | 1.5 |
| Ecuador | 2.6 | 1.5 | 4.5 | 0.2 | 8.8 | | | | | 8.8 |
| Indonesia | 74.4 | | 18.0 | .1 | 92.5 | 17.6 | | 7.0 | 24.6 | 117.1 |
| Iran | | 1.3 | 7.9 | | 9.2 | | | | | 9.2 |
| Nigeria | 4.1 | .1 | 1.8 | | 6.0 | | | | | 6.0 |
| Saudi Arabia | | | | | | .2 | | | .2 | .2 |
| Venezuela | .2 | 1.3 | | .1 | 1.6 | .9 | 15.0 | | 15.9 | 17.5 |
| Total | 81.3 | 4.1 | 33.7 | .35 | 119.6 | 18.7 | 15.0 | 7.0 | 40.7 | 160.3 |

DEPARTMENT OF STATE,
*Washington, D.C., August 8, 1974.*

Hon. HENRY B. GONZALEZ,
*Chairman, Subcommittee on International Finance, Committee on Banking and Currency, House of Representatives.*

DEAR MR. CHAIRMAN: Thank you for your letter of July 18 requesting a summary of all major bilateral oil arrangements concluded between petroleum producers and consumers.

Enclosed is a listing of major bilateral deals that have been concluded as of this date. I hope that it will be useful and helpful to you and your Committee, and please call on me if you believe we can be of further assistance.

Cordially,

LINWOOD HOLTON,
*Assistant Secretary for Congressional Relations.*

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MAJOR BILATERAL OIL DEALS CONCLUDED

CONSUMER, PRODUCER AND DETAILS

United Kingdom; Iran; Deal confirmed in January. The United Kingdom is to get 100,000 B/D of crude in the coming year in return for textile fibers, steel, paper, petrochemical, and other industrial product.

France; Saudi Arabia; Agreement signed in January for about 200,000 B/D of oil for 3 years. France is to build a 50,000 B/D refinery with Saudi ownership.

France; Iran; Agreement in principle signed in February for $5 billion in industrial projects. Major parts of the deal have been finalized involving nuclear reactors and a steel complex. France is to get natural gas and oil exploration rights in return.

Japan; Peru; Agreement signed in June. Japan will provide Peru with $330 million credit to help finance a 500 mile pipeline in return for crude oil and products beginning in 1978—60,000 B/D for the first 5 years and

80,000 for the remaining 5 years of the agreement.

Japan: Saudi Arabia: Economic cooperation agreement signed in April. Involves no oil supply arrangement.

Italy: Iraq: Final agreement reached in July on a 10-year economic and technical cooperation pact. Italy will supply Iraq with industrial plants and technologic assistance in return for increase of supplies—quantity yet to be decided.

Italy: Iran: Agreement signed in June. Italy will supply industrial projects to Iran in exchange for oil. Details remain to be worked out.

## SAVE THE WHALES WITHOUT RACIAL DISCRIMINATION

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Hawaii (Mr. MATSUNAGA) is recognized for 15 minutes.

Mr. MATSUNAGA. Mr. Speaker, at a time when the scars of the 1942 evacuation of 110,000 Americans of Japanese ancestry—AJA—have all but healed, although not forgotten, a new campaign—altruistic and commendable in purpose and intent—threatens to reopen those once painful wounds which visited so much suffering on an innocent segment of our society.

The "Save the Whales" campaign, a nationwide effort by many of our most active and responsible conservation organizations, is currently encouraging the boycott of goods imported from Japan. Its objective is praiseworthy, and one in which I fully concur: To avoid the extinction of the world's dwindling whale population at the hands of two efficient whaling companies, primarily from Japan and the Soviet Union.

While this laudable endeavor deserves the support and cooperation of the world, the inherent dangers of singling out a race of people, without regard to citizenship, are obvious. Thus in the process of saving the endangered whales, the specter of racial suspicion, if not hatred, has been raised against all Japanese, and there is no greater danger than imbedding in the minds of a sizable number of impressionable schoolchildren hatred and anger against a particular race of people. Such may be the case with the current campaign.

It is not surprising that Americans of Japanese ancestry are sensitive to organized movements which are directed against Japan. The AJA experience during World War II, when American citizens and Japanese aliens alike were removed wholesale from the west coast into American style concentration camps is still vivid in their memory. Today, in the eyes of these citizens, history seems to be repeating itself. Because the AJA are a visible people, they have become the target of the current campaign. American-owned stores are picketted, because their owners have Japanese surnames. American schoolchildren are taught to think of the Japanese, on the whole, as merciless slaughterers of the magnificent whale, and classmates who happen to bear Japanese names are made the subject of abuse and taunts.

The Japanese-American Citizens League, which during its recent convention expressed unanimous support for a worldwide moratorium against whaling, has, through its National Executive Director David Ushio, expressed its concern about the Save the Whale campaign. In the hope of making all Americans aware of the real dangers involved, I am inserting Mr. Ushio's statement before the JACL 23d Biennial National Convention in July 1974. I urge my colleagues to study his remarks:

The statement follows:

In September of 1971 President Nixon stopped in our host city of Portland prior to his historic meeting with the Emperor of Japan in Anchorage, Alaska. On that occasion President Nixon signed into law the legislation that repealed Title II of the Internal Security Act of 1950 culminating many months of hard work by this organization to convince the nation and Congress that a concentration camp law that allows for preventive detention has no place in this nation. During this campaign the nation was reminded about our history as Japanese Americans, our contributions, and the injustices that were perpetrated against us on the basis of race.

At the 1972 National JACL Convention in Washington, D.C. eight months after Title II was repealed, much was said to celebrate the repeal of Title II law by both JACL and many enlightened legislators who guided the bill through Congress. A JACL Congressional Dinner drew many of the most influential leaders in our nation. The basic theme of the dinner was that guilt by association, evacuation, preventive detention must never happen again in this nation. Much was reaffirmed that evening: the worth of the individual, the dignity of Constitutional rights, and the guarantees that the liberties and rights of Japanese Americans must never be questioned solely on the basis that we have Japanese faces.

The next day as Congressman Spark Matsunaga led the JACL delegates on a tour of Capitol Hill, we encountered a demonstration of union members urging Congress to boycott foreign products. As the JACL group passed by, unkind and ugly remarks such as "go home to Japan," "stop taking our jobs from us," "remember Pearl Harbor," were thrown at us by these individuals who may well represent a good portion of grass-roots America.

As we view society today, many of the same hostile issues that have faced Japanese Americans are still with us. The issues of being the scapegoat for animosities aimed at Japan policies because we are visible are still with us today as they were thirty years ago during the dark days of World War II.

When Japanese Americans are asked, however innocently, such questions as "Where did you learn to speak English so well?" or "How do you like our country?" or when Congressmen of the United States say to JACL representatives as one did me "When your country quits bombing Pearl Harbor, I'll consider voting for your legislation," or when Nisei politicians return home late at night to find vandals have spray-painted the word "Jap" on their homes, we realize that our standard of living, our hard-earned education, and our good citizenship have not yet eliminated the vistages of racism that have plagued Japanese Americans throughout our history.

Recently, Japanese Americans have been faced with another issue that is reminiscent of this same type of attitude. Many conservation groups have called for a nationwide boycott of Japanese products in protest to Japan's whaling industry continually killing and harvesting whales. These groups claim that certain species of whales face extinction unless there is a ten year moratorium on the killing of these animals. Japan has refused to respond to this plea for the moratorium as has Russia, certain Scandinavian nations, Peru, Iceland, and other nations. However, the boycott campaign is presently aimed only at Japanese products, Japan as a nation, and the Japanese people are being targeted as the culprits in the fight to save the innocent whales.

In San Francisco two weeks ago, many of us received a firsthand view as to the effects of this type of campaign against Americans of Japanese ancestry. We had just concluded groundbreaking ceremonies for our National Headquarters Building and were entering a local restaurant for a luncheon. Nearly eighty picketers urging the boycott of Japanese products were marching up and down the streets. Many of the shops that were being picketed were Japanese American enterprises. As the JACL group who attended the ceremonies filed through the mass of pickets many of the well-meaning picketers made remarks such as "go home to Japan" and yelled at us to quit killing whales.

Many JACL leaders such as Harry Hatasaka, Chuck Kubokawa, and Steve Doi stopped to explain to the group why their tactics actually hurt Japanese Americans and why the effects of the selective boycott breeds racism. They were met by statements of derision, and in some cases, such statements as "in any noble campaign some sacrifices have to be made."

On the other hand, many of the more rational members of the campaign could see the validity of the Japanese American position and admitted that it had never crossed their minds when the boycott action began. Unfortunately decisions to embark on such an action are not made by the picket carrying do-gooders for they are the manpower representing a cross section of the American conservation movement who sincerely care about the preservation of whales but who take their lead from decision makers elsewhere. Supporters of this campaign number in the millions.

The most frightening aspect of this whole anti-Japanese campaign is the children's crusade to save the gentle whales. Grade school children are being mobilized throughout the nation to participate in the save the whale campaign. The whales are described, and rightfully so, as being gentle, innocent, almost human-like in their communication skills and instincts, including the caring for their young, and their will to live. And these descriptions are accurate and make a strong case for a very altruistic cause for the children of America to be concerned about.

However, when this sympathy for the innocent whale is coupled with the description of a calloused Japanese people who brutally slaughter, eat, and disregard a plea by the world to stop the killing of whales, the effects upon these impressionable children are frightening. Intentionally or not, these children are being taught that a whole race of people are cruel, unjust, barbaric, and hold a disrespect for law. Cartoons and drawings created by these children depict the whale as being innocent with tears dripping from their eyes as a slant-eyed, buck-toothed barbaric Japanese whaler harpoons the whale to a bloody and violent death.

It is no wonder that there are reports coming more frequently from parents of Japanese American Sansei (third generation) and Yonsei (fourth generation) school children stating that their children are the recipients of angry taunts and in some cases physical abuse by their peer groups: third and fourth grade children who associate a Japanese face with the slaughter of innocent whales. In their zeal to save the whales their impressionable children turn their energy toward the only visible symbol of Japan, in many cases the truly innocent Sensei or Yonsei child: American citizen yet vulnerable. What does such treatment do to the self-image, self-respect and physical well-

being of our children? This is where the danger lies.

The issues remain the same. We are visible and unique. We have again become the targets of hostility even when the most altruistic endeavor is being pursued.

Our task as a JACL organization is not to defend the Japanese whaling interests for we too support the moratorium on the killing of whales. It is not to be a spokesmen for the Japanese government; but to speak out forcefully against the racist effects of such a campaign, to educate the public regarding this strange type of tyranny that breeds racist attitudes that have plagued all people who may appear to be different, and to point out alternatives that are just and do justice to the noble goal of preserving endangered species.

Such a campaign is not without risks. As Japanese Americans we may be painted as being a dupe or front for the Japanese whaling industry of the Japanese government. We may be accused of being anti-conservation even though our position may well be that of pro moratorium. Or we may simply be written off as one demonstrator told us in San Francisco as being "victims or the sacrifice that any noble campaign must encounter to achieve the desired end."

Two evenings ago I had the pleasure of being seated next to Ambassador U. Alexis Johnson during dinner. Our conversation was led to the discussion of the Save the Whale campaign. He indicated that the campaign to boycott Japanese products based on this Save the Whale campaign appeared to be well-financed and had hundreds of thousands of supporters. He was, of course, shocked to hear about the type of experiences that I have described to you today, but after contemplating about them agreed that it was racist and that a national organization such as JACL needed to take very positive steps to combat the perpetuation of this type of misguided but altruistic endeavor. He urged me to speak on this subject today and to reiterate what he mentioned in his remarks on Thursday that we as Americans of Japanese ancestry should not be put in a position as being spokesmen for Japan but that we certainly had to speak out forcefully to defend our position. In fact we should, if our membership agrees, actually condemn the position taken by the Japanese whaling industry in regards to Japanese government's preservation of the endangered species of whales.

In agreeing with the Ambassador I would urge that our JACL organization take a very positive stand on this issue. We must educate the public, our national leaders, the conservation movement, and the many entities in the nation of Japan who are connected with this issue that unintentional racism for altruistic reasons has no place in this nation or in this world. To save innocent whales at the expense of teaching a whole generation of children to hate an ethnic group is very shortsighted, and while we agree in the preservation of endangered species, we must speak out against tactics that foster ill will and racism toward truly innocent people.

## AMENDMENT TO H.R. 13565

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Mr. CORMAN) is recognized for 5 minutes.

Mr. CORMAN. Mr. Speaker, on Thursday, August 22, during the consideration of H.R. 13565, the Non-Nuclear Energy Sources Research and Development Act, I will offer the following amendment:

Page 47, immediately after line 11, insert the following new section:

SEC. 4A. (a) The Administrator, in addition to his other duties under this Act, shall take such steps as he deems necessary to insure the development, within four years of the date of enactment of this Act or of the date upon which the Energy Research and Development Administration (as provided for in the Energy Reorganization Act of 1974) is created, whichever is later, of at least one prototype automobile which—

(1) without further technological research or demonstration, could be adapted by the private sector for mass production and sale at retail in quantities exceeding 10,000 vehicles per year;

(2) would present the least practicable total amount of energy consumption and environmental degradation taking into account—

(A) the type and quantity of energy resources necessary to operate and maintain each such vehicle under typical conditions of operations; and

(B) the type and quantity of energy resources required for the commercial production and for the disposal of each such vehicle;

(C) its energy consumption requirements;

(D) its exhaust emissions;

(E) the noise characteristics associated with its operation;

(F) the environmental consequences associated with its production and disposal; and,

(G) such other environmental costs as the Administrator identifies;

(3) would represent a substantial improvement over automobiles having internal combustion engines with respect to the factors listed in paragraph (2);

(4) would have operating characteristics at least comparable to those of automobiles having internal combustion enignes with respect to—

(A) acceleration;

(B) cold weather starting;

(C) cruising speed; and

(D) other performance factors;

(5) would not, because of the energy source of technology utilized, create any unusual or significant health or safety risks;

(6) could be produced and operated in compliance with all Federal requirements pertaining to—

(A) exhaust emissions;

(B) noise pollution;

(C) occupant safety;

(D) damage resistance; and

(E) any other federally-regulated matters; and

(7) could be mass produced, operated, and maintained at the lowest practicable economic cost given the other requirements of this subsection.

(b) On January 1 of each calendar year, the Administrator shall submit a report to the Congress on the progress made toward meeting the requirements described in subsection (a) of this section. In the event the Administrator determines that these requirements cannot be met, such report shall specify the reasons therefore and shall recommend a revised schedule for the attainment of such requirements.

## NO MORE MILITARY AID TO TURKEY

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Utah (Mr. OWENS) is recognized for 5 minutes.

Mr. OWENS. Mr. Speaker, the death on Monday of American Ambassador to Cyprus, Roger Davies, is yet another crisis in the agony being suffered in Cyprus. Rooted in a long history of communal conflict, the Cyprus problem has haunted the international community for decades, and taken many innocent lives.

But this latest violence has been especially bloody and senseless, and U.S. policy has had a share in the tragedy.

American weapons—part of our enormous $148.6 million granted in military aid to Turkey in 1973—armed the Turkey forces that invaded Cyprus. American silence encouraged the aggressive attacks of the last week that have left half of Cyprus under Turkey guns and bitter anti-American feelings in Greece, Cyprus, and among Greek communities everywhere.

Secretary Kissinger has defended this policy as necessary to preserve the so-called balance of power in the region. But in all our concern for balances and for power, we have lost sight of people, their hopes and dignity and very lives.

For many reasons, Turkey does not deserve American aid. They are allowing poppies to grow again, which will provide a greatly increased flow of heroin into this country. And use of American dollars to sustain autocratic governments should be cut off on that principle alone.

I do not believe that the United States should be the world's policeman. Perhaps the anguish of Cyprus is ultimately beyond outside help. But I do not believe either that America should be a silent partner in naked aggression and the destruction of a small country for great power interests.

That is why I am today urging an immediate cutoff of U.S. military aid to Turkey. I have cosponsored House Resolution 1314 which calls for a cutoff of all military and economic assistance and all military sales to Turkey until all of Turkey's Armed Forces have been withdrawn from Cyprus. I am asking President Ford to put the prestige of his new Presidency behind an evenhanded diplomacy that would work to expell all foreign troops from Cyprus and restore the sovereignty of that country to its own people.

This is a time for new beginnings in Washington. There is no better start than to help restore a just and humane foreign policy in Cyprus.

## THE TRUMAN MEMORIAL SCHOLARSHIP BILL SHOULD BE PASSED BEFORE SINE DIE OF THE 93D CONGRESS

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Missouri (Mr. RANDALL) is recognized for 5 minutes.

Mr. RANDALL. Mr. Speaker, this morning's Washington Post carried an article entitled "Truman's Bipartisan Revival." It reported that President Ford has rescued the Tad Styka portrait of President Truman from the White House archives and hung it in the Cabinet Room along with a portrait of Mr. Ford's other "all-time favorite President", Abraham Lincoln. Congressional leaders of both parties looked on as President Ford performed this action.

Mr. Speaker, as one who has been privileged for several years to represent Independence, Mo., Mr. Truman's hometown and the present residence of his widow, I take this time to express my appreciation to President Ford for his

tribute to the late President. The people of Independence and of all Missouri have long shared Mr. Ford's admiration of Harry Truman's courage and straightforwardness.

I feel sure Mrs. Truman will likewise be grateful that President Ford has honored her late husband by hanging his portrait in the Cabinet Room of the White House. In the tradition of the Truman family, Bess Truman has never asked the American people for any special favors, preferring to spend her years humbly and without fanfare among her old friends and neighbors in Independence.

Although Mrs. Truman would never ask for any special recognition or privileges, she has expressed great enthusiasm for the Harry S. Truman Memorial Scholarship proposal which the entire Missouri congressional delegation introduced on May 30 of this year. This bill would establish a program whereby 51 undergraduate students—1 from each State and 1 from the District of Columbia—would be chosen as Truman scholars each year and provided with a stipend to cover the costs of their education for careers in public service.

I am grateful that 108 Members of this body have already joined me in cosponsoring the Truman Memorial Scholarship bill. In the other body, 67 Senators were listed as cosponsors when the bill was passed on August 7. The only significant barrier now holding up enactment of the Truman Memorial bill is favorable House action.

This very worthwhile legislation is not resting in the House Subcommittee on Higher Education chaired by the very able and competent gentleman from Michigan (Mr. O'HARA). I and the other members of the Missouri congressional delegation hope the bill may be enacted before adjournment of the 93d Congress.

Mrs. Truman is in the autumn of her lifetime. I feel strongly that we should not delay authorizing the official memorial to her late husband until a time when she may not be with us to appreciate our recognition for our former President. She has never asked for much. Even now, she has not asked Congress for favorable action on the Truman scholar program. The most she has said is that the concept is a "particularly appropriate memorial" to her late husband. Nevertheless, in private conversations with friends and relatives, she has expressed great enthusiasm for the bill. The House should not deprive Mrs. Truman of the pleasure enactment of this program would bring her.

From the beginning, the Truman Scholarship bill has been a bipartisan effort. In view of President Ford's great admiration for Harry S. Truman, I intend to draft a letter urging him to put the prestige of the Presidency behind speedy enactment of the Truman Memorial Scholarship bill. I would also hope that those Members who have not already cosponsored the measure would see fit to do so at the present time in the light of President Ford's tribute to one of our greatest and most courageous Americans, Harry S. Truman.

At this point let me read for the RECORD the content of an article from the Washington Post of August 21, 1974:

TRUMAN'S BIPARTISAN REVIVAL

President Ford crossed party lines yesterday when he put up a portrait in the Cabinet room of one of his favorite Presidents. Harry S. Truman. The portrait was resurrected from the White House archives at Mr. Ford's direction and put up along with his other all-time favorite President Abraham Lincoln.

A White House aide said that Mr. Ford has always admired President Truman "because he had guts" and was "straightforward." Congressional leaders of both parties were in the room as the President placed the portrait, done in 1948 by Tad Styka, on the wall.

## JOHN McMAHON, WOODSMAN AND POET

(Mr. SIKES asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. SIKES. Mr. Speaker, I have previously commented on the contributions of John McMahon of Crestview, Fla. For years he has served ably as Okaloosa County Forester. In my opinion he is one of the most effective men in his profession. He is one of those rare individuals whose interests are broad and whose talents are adequate for all his interests.

John McMahon's activities were well described in an article which appeared in the Pensacola News Journal earlier this year. It is entitled "Nature Inspires Okaloosa Poet," and it contains one of his poems. I am glad indeed to submit the article and the poem for reprinting in the RECORD:

NATURE INSPIRES OKALOOSA POET

(By Bill Shepherd)

John McMahon takes simple words and lets them speak of his love of nature.

Tourists, nature lovers and travelers to Florida and South Carolina can read the Okaloosa County Forester's poem entitled, "A Woodsman's Prayer" in the state's Welcome Stations.

The poem will also be distributed at the South Carolina Visitor's Center located on Interstate 20 near Augusta, Ga., to call travelers' attention to the national champion sand hickory tree growing near the center.

"Have You Thanked a Tree Today," another of McMahon's poems was distributed by the Florida Forestry Association at the organization's annual meeting. The Texas Forestry Association also published the poem.

A third poem, "To a Sand Pine," was distributed by the U.S. Forest Service in a newsletter to state agencies and forestry employes. McMahon has also had three of his poems published in the magazine, "American Forests."

McMahon takes his inspiration from nature.

"I just try to crystalize a thought then express it as simply as possible," he says.

In addition to poems and short technical articles on tree farming and forest management, the forester has had two songs recorded. One, titled "Keep the Forest Green," has been used by Smokey Bear in the big bear's fire prevention campaign.

A WOODSMAN'S PRAYER

(By John McMahon)

Lord, let me be as a tall green tree
Upright and pleasing unto thee
Thankful for my humble birth
And for my time upon the earth.

Lord, as I reach to touch the sky
Keep me in your watchful eye
And if I grow too tall and wide
Prune away my foolish pride.

Be with me Lord, as the seasons pass
And my dreams fade like the grass
The years will help me understand
That my life is in your hands.

I know time's axe will cut me down
And lay my bones upon the ground
Then Lord, I pray, remember me
In gardens of your memory.

## WHERE WERE WE WHEN GREECE NEEDED HELP?

(Mr. SIKES asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. SIKES. Mr. Speaker, America has had no stronger supporter than Greece. Year in and year out we could depend on the friendship of the Greek people. They backed their friendship with NATO participation where they provided a principal bulwark of the exposed southern flank. They provided bases for U.S. forces when other nations were cooling toward our country and the free world.

Now Greece needs a helping hand which can best come from the United States. The Greek island of Cyprus, which is largely populated by Greeks, has been invaded by Turkish forces. These forces have seized and sealed off large portions of the island. This act of war against a neutral area and upon Greek citizens provoked only mild remonstrance from the United States. This is in strong contrast to the stand our Nation took previously when the independence of Cyprus was threatened.

There is another reason for concern over the Turkish action. It has driven a wedge between Greece and Turkey which can be very dangerous to the solidarity of the NATO alliance.

We have not handled the Cyprus problem or the split between our allies in an effective way. We have been indecisive when a strong stand was needed. Mr. Kissinger, usually everywhere at once, stayed home. It is late, but even now we should be making a stronger effort to restore the status quo on Cyprus and in the NATO alliance. And to demonstrate our friendship for the Greek people.

## THE CONSTRUCTION AND LUMBER INDUSTRIES HAVE SERIOUS PROBLEMS

(Mr. SIKES asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. SIKES. Mr. Speaker, we have heard much about the plight of the construction industry particularly the homebuilders. Their problem is real. Housing starts have slumped almost half in the past year. Now starts are fewer and fewer. All construction is suffering from high-interest rates and from the actual unavailability of money and from constantly increasing prices of labor and material. The plight of this industry is real, not imagined.

Now we are hearing from individuals associated with the timber industry. Orders to lumber mills are dropping at a precipitous rate. Lack of activity in the construction industry has resulted in a loss of lumber sales. Prices of lumber have been falling because of lack of mar-

ket. Price of production in contrast is increasing. Many mills have been forced to lay off workers and to operate at reduced capacity.

All of this is the result of tight money policies which have been followed as a panacea for inflation. Instead of improving, conditions have worsened. President Ford has recognized the essentiality of action. The important thing is to obtain action quickly. It is conceivable there are few people in Government who truly recognize the gravity of the present situation and the serious threat to the American economy. They are not close enough to the problem. The Nation wants action before the economy is hurt to the point that a real crisis is precipitated.

I have in my files, a letter from Mr. J. M. Tolleson, Jr., the president of the Southern Forest Products Association. It tells in a clear and decisive way of the problems of the timber industry and it recommends a program of action which offers real merit. I submit it for reprinting in the RECORD:

SOUTHERN FOREST PRODUCTS ASSOCIATION,
*New Orleans, La., August 6, 1974.*

Hon. ROBERT F. L. SIKES,
*House of Representatives,*
*Washington, D.C.*

DEAR MR. SIKES: We urgently seek your assistance on a rapidly worsening crisis in the timber economy of the South as a result of the sharp downturn in home building.

Member companies of the Southern Forest Products Association account for nearly one half of the total Southern Pine lumber production. Since more than four-fifths of the output of these companies is normally utilized for residential framing, the housing decline has sharply curtailed the market for their products.

A recent survey of our member mills disclosed that their orders declined by an average of 32 percent during the three-month period, ending July 15. Some companies reported decreases of as much as 75 percent. Reports by Random Lengths, a statistical service, have revealed that prices received for various Southern Pine lumber products declined by up to $30 per thousand board feet between March and July.

Cutbacks in production ranging from 10 to 30 percent were reported by mills responding to our survey. One fourth of the respondents reported layoffs of personnel ranging from four to 36 percent of total employment.

A number of lumber companies are considering a complete shutdown of operations if the crisis continues much longer. The extent and ominous implications of such a disaster are evident from the fact that the Southern lumber industry provides jobs for 200,000 people and supplies one-third of the nation's total output of softwood lumber.

In sharp contrast to the present situation, home building reached an all time high two years ago and at that time a lumber price-supply crisis occurred because demand far exceeded supply. Consequently, our Association and our industry pledged every effort to increase productive capacity in order to minimize such problems in the future. In carrying out that pledge, the capacity to produce Southern Pine lumber has been increased by 23 percent since 1972.

This has involved a substantial investment in new plant and equipment by our member companies. But due to the recent prolonged decline in housing starts and lumber orders, many companies cannot amortize their investments, are deeply in debt and are faced with the prospect of bankruptcy and shutdowns.

The Forest Service has predicted that the South will ultimately become the main source of lumber and wood products for the nation as a whole because of the region's immense potential for timber growth. But obviously it will be difficult if not impossible to meet these projected responsibilities if our industry continues to be crippled by the housing crisis.

Our Association is pledged and dedicated to support all constructive measures in the war on inflation. But we are also convinced that an inordinate share of the burden and cost has befallen the housing industry and its suppliers. It has been estimated that the nation's actual housing needs could average between 2.5 million and 8 million units a year from now until 1985. But housing experts predict that unless savings institutions are made more competitive with other types of investments and the mortgage market is protected from invasion in other ways, the annual rate of home building could drop toward one million units in 1974.

Since the gravity of our situation is increasing, our government affairs and marketing committees held an emergency meeting August 1 to develop information for the Congress, the Administration and various agencies of the Federal government on present and potential impacts of the crisis, as they affect our industry.

Ten recommendations were adopted at the meeting, as listed on the attachment. We will greatly appreciate whatever you can do to implement these recommendations, alleviate the present crisis and assure a lasting solution to the central problem. In view of the rapidly deteriorating situation, we urge prompt action.

Thank you very much.

Sincerely,

J. M. TOLLESON, Jr.,
*President.*

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RECOMMENDATIONS OF GOVERNMENT AFFAIRS COMMITTEE AND HOUSING TASK FORCE OF MARKETING COMMITTEE, SOUTHERN FOREST PRODUCTS ASSOCIATION—AUGUST 1, 1974

1. Support President Nixon's policy of combating inflation.

2. Support enactment of an omnibus housing bill, including Congressional approval of mortgage finance amendments to assist housing sales and production and to support passage of an Emergency Mortgage Credit Bill in the event the omnibus housing bill fails.

3. Support Congressional efforts to make savings institutions more competitive with other forms of investment, and to protect these institutions from disintermediation resulting from competition for deposits by securities offerings.

4. Urge greater efforts by the Administration to maintain a viable level of housing production at an annual rate of at least 1.8 to 2.0 million units a year. This should include further funds for savings institutions through the Federal Home Loan Mortgage Corporation. Such a level would assure greater stability in homebuilding, the availability of construction materials and pricing.

5. A prolonged downturn in homebuilding will in itself be inflationary. The industry, therefore, should warn the public and the Congress of higher costs resulting from housing and material shortages.

6. Housing experts predict that unless savings institutions are made more competitive with other investments, housing starts are likely to drop toward the one million a year mark. Therefore, we recommend that up to $750 of interest accruing to savings institution depositors should be excluded from federal taxation. We also recommend that the industry support tax incentives for finance institutions to encourage them to invest in home mortgages.

7. Support use of a more flexible mortgage instrument to make it easier for home buyers to pay the present high interest rate mortgage loans.

8. Support actions by Congress and the Administration to encourage pension funds, in return for their present tax exempt status, to invest a substantial percentage of their assets in mortgage finance and housing.

9. Since prompt action should be taken in the South and the Nation to alleviate the housing crisis, an alliance should be formed with all other affected groups and organizations in an effort to gain relief. This should include support and participation in the national "Housing Crisis Conference," proposed by the National Forest Products Association.

10. Support efforts aimed at a lasting solution to the cyclical problems and instabilities of home financing and production as well as short-term relief from the present crisis.

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## JOHN McCASKILL'S STATEMENT

(Mr. SIKES asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. SIKES. Mr. Speaker, John E. McCaskill, my good friend of many years, is president of Florida Trucking Association, Inc. This is only one of many important responsibilities which Mr. McCaskill has accepted and performed in an outstanding way. A resident of DeFuniak Springs, his office is at Crestview. Both are in Florida's first district.

Mr. McCaskill wrote for the Florida Truck News for July 1974 an article which pinpoints what America is all about. It is thought provoking and well worth reading. I submit it for reprinting in the RECORD:

FROM THE PRESIDENT'S DESK

One hundred ninety-eight years ago this month a group of men formed in this country a new system of self rule.

Thus began the great experiment of American democracy.

Today, as we approach the bicentennial celebration of the founding of our nation, the wisdom and forethought of that group of men should be a shining light for the world.

Although it often appears our nation is in a constant state of turmoil, what we fail to see is that from the beginning America has seldom relaxed in a state of complacency.

Crisis after crisis has appeared on the American scene and time-after-time-after-time Americans have endured, fought and lived to fight again.

There has hardly ever been a time in our nation's history when somewhere, somehow, someone didn't see something as a governmental and/or a national crisis.

This, however, is how we have become strong as a people and is more than ample justification for why we will remain so.

America has been built on disagreements, compromises, varying opinions, vindication, stubbornness, innovation and level-headed thinking—all at the same time.

If this is hard to comprehend, think of what America has been—what it means to its people and what it has meant to others—over the past two centuries.

America is diverse, extreme contrasts in opinions and events—this is so at the present, was true of the past and, God willing, will continue to be so in the future.

America is war—Valley Forge, Bunker Hill, Gettysburg, New Orleans, the Rough Riders, doughboys, Pearl Harbor, Pork Chop Hill and My Lai.

America is peace—Appomatox, George McArthur, Henry Kissinger and "The Roarin' 20's."

America is wealth—the Rockefellers, the Fords, the Kennedys, the Hughes and the Hursts.

America is being destitute—Black Friday, the Appalachians, the Mississippi Delta and the ghettos.

America is sports—Honus Wagner, Ty Cobb, Babe Ruth, Choo Choo Justice, Red Grange, Wilt Chamberlain, Broadway Joe and Mohammed Ali.

America is politicians—Honest Abe, FDR, JFK, Woodrow Wilson, Harry Truman, Thomas Jefferson, George Wallace, Sam Yorty and Huey P. Long.

America is the movies and their stars—Oklahoma, John Wayne, Gone With the Wind, Abbott and Costello, the Marx brothers, Rock Hudson, Doris Day, Rita Hayworth, Marilyn Monroe, Greta Garbo, Betty Davis, The Sound of Music, Jean Harlow, Elizabeth Taylor, Judy Garland and Deep Throat.

America is children on a playground and oldsters in a park.

America is—a Texas rodeo, a one-armed bandit in Los Vegas, a Hollywood party and Leonard Bernstein conducting the New York Philharmonic.

America is—the Model T, Kittyhawk and Apollo 11.

America is music—Francis Scott Key, The Battle Hymn of the Republic, Dixie, John Phillip Sousa, Gene Autry, the Charleston, the Twist, Hank Williams, Louie Armstrong, Irving Berlin, Elvis, Alice's Restaurant, burlesque, Mack the Knife, the Beatles, Glenn Campbell, Deep Purple, Benny Goodman and Tommy Dorsey.

America is television—Ed Sullivan, Jackie Gleason, Secret Storm, Wednesday Night Fights, This is Your Life, Sonny and Cher, Midnight Special, the $64,000 Question, Name That Tune, Kojak, Ben Casey, the Fugitive, Gunsmoke, Sesame Street and the Ten O'Clock News.

America is comedy—Jack Benny, Bob Hope, Will Rogers, W. C. Fields, Jack Paar, Bill Cosby, Johnny Carson, Dick Cavett, Groucho Marx, Buster Keaton, Amos and Andy, George Carlan and Lenny Bruce.

America is news—"Dewey Defeats Truman," "Kennedy Wins Squeaker," "Martin Luther King Assassinated," The Saturday Evening Post, LIFE, TIME, The Washington Post, The New York Times, Chet Huntley, David Brinkley, Walter Cronkite, Edward R. Murrow, The Birch Log, The Los Angeles Free Press, The Music City News and the Rolling Stone.

The lists of contracts which make up this great nation could go on forever, but the important thing to remember is that we have lived with differences of opinion and varying points of view for nearly two hundred years and we must continue to do so if we are to survive and continue to mature as a nation.

Regardless of how depressing opposing viewpoints may appear on the surface and despite how bleakly we may view present events, there are three thoughts which must remain foremost in the minds of all Americans.

First, things seldom are as bad as they first appear and our nation has lived through some of the toughest of times already.

Secondly, while opposing points of view may indeed be very upsetting at times, it is the very principle of free speech for which our nation has fought so long and so hard. It is only when people fear or refuse to speak their minds that we should begin to worry about our nation's condition.

And, thirdly, as has been shown herein, America is many, many things—some good and some not so good—but primarily America is what you as an individual make it.

## HOUSING NEEDS EMERGENCY HELP NOW

(Mr. SIKES asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. SIKES. Mr. Speaker, nearly every major segment of the American economy is feeling the problems of inflation. I think it is obvious that inflation which includes high prices, tight money, and high interest rates is America's No. 1 problem. Everybody is affected.

The American economy is suffering more and more from the ill effects of inflation. High prices and high interest rates are hurting everyone. Individuals, businesses, and industries all are feeling the pinch. A genuine effort to find a solution is needed now. The country needs renewed confidence and this effort requires the cooperation of both the administration and Congress. It must involve a unified effort in the part of both national parties along with leadership from labor, industry, and agriculture as well as consultation from other important elements of the economy. Congress can do much more; so can the administration.

In particular, we have heard about the plight of the construction industry, especially the homebuilders. Their problem is critical. Housing starts have slumped almost half in the past year. New starts are fewer and fewer. All construction is suffering from high interest rates and from the actual unavailability of money and from constantly increasing prices of labor and material. The plight of this industry is very real, not imagined.

The important thing is to obtain action quickly. It is conceivable there are few people in Government who truly recognize the gravity of the present situation and the serious threat to the American economy. They are not close enough to the problem. This industry needs action before it is hurt to the point that a real crisis in housing is precipitated.

I have asked the National Association of Home Builders to give me the benefit of their advice on steps which are needed by the housing industry. This highly respected nationwide organization has more than 80,000 members. They represent all segments of the homebuilding industry. Their leadership is fully cognizant of the problems of the industry. I submit from the National Association of Home Builders a series of suggestions which I feel should have the considered attention of Congress. I submit their analyses and their proposals for printing in the RECORD.

EMERGENCY ECONOMIC POLICY FOR HOUSING

THE SITUATION

The consequences of the nation's present economic policy for combatting inflation are falling heaviest on the housing aspirations of thousands of American families, the nation's private home builders, and their employees.

More than 60 percent of the families in this country cannot now afford to purchase a home. They cannot because of inflation—induced high costs, the lack of mortgage funds, and because of exorbitantly high interest rates, if money is available.

Consequently, the private home building industry has had to face high interest costs in carrying its high inventory, coming out of record production years, and correspondingly has decreased production. It is not uncommon to builders to have to pay two, three, or even four percent above "prime" for construction funds—to maintain inventory.

Production is trending downward to a one million unit housing level—and is now about 50 percent below the 2.6 million unit average annual level determined by Congress as necessary to meet the nation's minimum housing needs.

With the lack of sales and with production down, builders have been forced to lay off employees. Unemployment in the construction industry is now on the order of 10.5 percent and moving upwards at an accelerated rate. This economic impact is rippling through other industries and affecting the livelihoods of more and more families.

The gradualism being pursued in the nation's present economic policy makes no allowance for the harsh inequities being imposed now, not only on the private home building industry, but on the countless numbers of families seeking a decent place to live. These inequities must be removed. We are fearful that before the present policies have run their course, the uniquely American private home building industry, which has made the American family the best housed of any in any nation in any period of history, will be destroyed.

The nation's priorities are awry, victims of an economic plan of almost total reliance on "tight money." These policies have not deterred the big, short term borrowers who circumvent their purpose, but rather have propelled interest rates to frightening, ruinous levels, and thus created a shortage of mortgage money.

We support a reasonable degree of monetary restraint and a sound fiscal policy but restraint in today's economy has fallen to an unwarranted and unnecessary degree almost solely on the housing industry and its customers.

Equitable relief for this industry and its customers is needed immediately. In order to alleviate the distortions and inequities in the present economic policy, we respectfully submit the following recommendations which can be taken immediately by the Congress and the Administration:

HOUSING ACTION PROGRAM

*Legislative*

Special assistance measures to remedy the economic policy inequities borne by the housing industry and its customers, such as:

Expansion of the FHLMC conventional commitment program for new homes at an interest rate of 8¾% through Congressional approval of additional funding.

Creation for FNMA of a program, with Treasury back-up and to be similar to the successful FHLMC program, to commit funds to the conventional market at rates no higher than 9%.

Enactment of new methods to provide the means for middle income Americans to obtain homes. Examples of these are contained in legislation introduced by Senators Cranston (S. 3456) and Brooke (S. 3436) that would provide government commitments to purchase government-backed mortgages.

Senate approval of the Veterans Housing Act of 1974 which already has been approved by the House and which restores veterans housing entitlements and raises the maximum VA guarantee. It does not involve any budget input.

Enactment of legislation which would exempt from income tax interest earned by savers in thrift institutions, on deposits up to the maximum amounts of accounts insured by agencies of the Federal government, thereby encouraging and helping small savers and increasing mortgage lending capabilities of thrift institutions.

Provide a mortgage tax credit for investors in residential mortgages without any change in the present treatment of bad debt reserves of thrift institutions.

Encourage larger pension funds to invest more of their funds in residential mortgages or residential mortgage backed securities by all means possible, including the retention

of tax benefits—depending upon such investments.

*Administrative*

Speedy implementation by the Department of Housing and Urban Development of provisions of the Housing and Community Development Act of 1974, and revitalization of FHA mortgage insurance programs as viable instruments.

Implementation of provisions of the Credit Control Act of 1969. The Act has never been exercised to dampen inflation.

Reactivation immediately by FHA of the Operative Builder Commitment which would lessen the impact of very high rates of construction financing.

Use by the Federal Reserve System of the full range of its powers to support the residential mortgage market.

The Federal Reserve Board and the Federal regulatory agencies should utilize their authority and supervisory role over financial institutions to encourage continuing liquidity for construction and development loans and discourage discriminatory treatment by financial institutions of the entire category of real estate loans.

Establishment by FNMA and GNMA, within limits of their respective authorities, of a construction loan lending program for conventional and FHA–VA single family units.

FNMA and GNMA to make construction and permanent loans on conventionally produced multifamily housing.

The Administration, to the extent possible, guide Federal funding in such a way so as to avoid disintermediation from thrift institutions.

Reactivation of the government-assisted programs for low and moderate income families authorized by Congress.

Restoration of the traditional ½ percent differential between thrift institutions and commercial banks on the interest paid to savings depositors.

## TRIBUTE TO CHESTERFIELD SMITH

(Mr. FASCELL asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. FASCELL. Mr. Speaker, on August 17, an editorial appeared in the Miami Herald commending the outgoing president of the American Bar Association.

The editorial comments on the departure of Chesterfied Smith of Florida as president of the American Bar Associations and his zealous efforts for and his calls on the legal profession, to rid itself of those unworthy of public trust and confidence.

Mr. Smith has brought radical change to the fraternity in that, under his leadership, the legal profession began to assert its responsibility to enforce the ethical standards which the profession must maintain. Within weeks of being installed as president of the American Bar Association, Mr. Smith told a group of reporters:

I want to kick all the scoundrels out of the legal profession. I don't like crooks no matter where they crook.

A few weeks later he said:

We want to purge from our profession any crooks who are unworthy of our high profession.

Adamant and forceful, Mr. Smith has succeeded in calling attention to the moral and ethical commitment and special responsibility of each and every lawyer by virtue of the education he has received.

Through the leadership of Chesterfield Smith, the legal profession has experienced a metamorphosis. It is awake and responsive to the constantly changing times of today. Because of his deliberateness and strong commitment, Mr. Smith has brought to the American Bar Association the aura and virtue of honesty, uprightness, and fair dealing. As a model, Mr. Smith exemplifies these traits; as a lawyer, he reflects the capacity with which one can work to affect vital change.

The lawyers in this country need all the Chesterfield Smiths we can get.

I would like to call to the attention of our colleagues the Miami Herald editorial.

The editorial follows:

HAIL TO THE CHIEF—OF THE ABA

A Floridian leaves the presidency of the American Bar Association with honor this month. Chesterfield Smith of Lakeland took over the lawyer fraternity last year determined to shake it up. He was not defeated in his mission. There is a new awareness among lawyers of their responsibility to the nation. They are taking seriously Mr. Smith's warning that it is time for the legal profession to weed out its crooks and incompetents.

Watergate certainly helped deliver this message. Here in Mr. Smith's home state, the Bar pushed successfully for reform of the grievance process by which suspected shystering is handled. Stronger disciplinary action is now the rule. More important, the public now has a better chance of finding out that a lawyer has been hauled before a grievance committee and what the verdict is.

With so many lawyers offering themselves for public office, this new sunshine procedure will be of great assistance to the voter. In the past, the legal profession generally knew which of its members were in trouble over loose handling of clients' money, manipulation of trusts or ambulance chasing. But the Bar code prohibited release of such information.

When the national Bar convention ended in Hawaii the other day, the delegates were careful in saying Richard M. Nixon deserves no special immunity from prosecution for the admitted crime of obstructing justice. In the old days of the American Bar, there would have been a cut-and-dried absolution granted to any lawyer of high position who get in a legal jam.

But with Chesterfield Smith at the helm, the Bar came to grips with the issue of morality. When Mr. Nixon fired Archibald Cox last October for trying to get the tapes that the President knew were political dynamite powerful enough to blast him out of the White House, Mr. Smith denounced the firing as "defiant flouting of the law."

Elders within the profession were shaken. A Texan called it "intemperate catering to popular passions" and asked his fellow attorneys to avoid "such shabby and rotten business."

Time and tape proved Chesterfield Smith correct.

Another lawyer acknowledged Mr. Smith's presidency this way: "It was traumatic at the time but it made sense."

## LATE JUSTICE HUGO L. BLACK

(Mr. PEPPER asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. PEPPER. Mr. Speaker, on April 19, 1974, at the law school of the University of Alabama in Tuscaloosa, the Sigma Delta Chi journalistic fraternity unveiled a beautiful plaque in honor of the late Justice Hugo L. Black, a graduate of the law school of the University of Alabama. Preceding the unveiling ceremony there was a luncheon provided by the Sigma Delta Chi fraternity at which I had the honor to speak in memory of my devoted friend, the great jurist, the great American, the noble man, Hugo L. Black.

At the unveiling ceremony following the luncheon, a very able and moving address in tribute to Justice Black was delivered by one of his former able law clerks, now a senior partner in a prominent Washington law firm, Honorable Louis F. Oberdorfer. Following Mr. Oberdorfer's address, an eloquent and able address entitled "Justice Black and a Free Press" was delivered by the Honorable Robert S. McCord, secretary of the Society of Professional Journalists, Sigma Delta Chi, and executive editor of the Arkansas Democrat of Little Rock, Ark.

After his address, Mr. McCord, in the presence of Mrs. Hugo L. Black, widow of the late Justice, Hugo L. Black, Jr., son of the late Justice, and his wife, and other members of Mr. Justice Black's family, the Dean and members of the faculty and students of the University of Alabama Law School and many members of the public being present, unveiled the plaque honoring Justice Black. The plaque reads "Associate Justice Hugo Lafayette Black, for 34 years on the highest court in the land an outspoken and eloquent champion for man's right to speak, to be heard, and to know, consistently and vigorously spoke for the principle—the vital necessity—of a free and untrammeled press in this democracy. For his role as uncompromising defender of press freedom, journalists express their recognition and appreciation. Marked this 19th day of April 1974, by the Society of Professional Journalists, Sigma Delta Chi."

Mr. Speaker, in view of the distinguished judicial record of Justice Black and his immeasurable contribution to the administration of justice and to the rule of law, I insert the addresses to which I have referred in the RECORD following my remarks:

REMARKS OF CONGRESSMAN CLAUDE PEPPER

Congressman PEPPER: Thank you very much. Dean Christopher, Mr. Christopher, Dean Stern, other members of the faculty of the University, officers and representatives of Sigma Delta Chi, Mrs. Hugo Black, Mr. and Mrs. Hugo Black, Jr., Mrs. Faucett, Judge Huey, Members of Sigma Delta Chi, who are at school today and many of whom are from Florida, I am proud to say are here today, ladies and gentlemen:

I could hardly have enjoyed a more satisfactory experience than when the invitation to be here was extended to me by Dean Christopher and those who are associated in the sponsorship of this delightful occasion. For to come back to this campus which I left as a student 53 years ago and to see the realization of the dream that many of us cherished for this great University so long ago as that, is a very gratifying and inspiring experience.

As I said, I am particularly happy to see here today so many students from Florida. I am advised that there are students here from Florida Technical University, near

Orlando, University of South Florida at Tampa, and University of Florida, at Gainesville. Just to have all these other people see what fine people we have down here in Florida, I wish all you Floridians would stand up here today. (applause) By the way, I neglected to add to that group students from the Valencia Junior College at Orlando, so do stand up if you didn't stand up before.

I have so many happy memories that crowd upon me when I come here to this campus, so many places and so many personalities, and so many incidents, that it is hard to get them all in focus. But there is one thought I might share with you that I enjoyed very much—that was about Dr. Denny. He was like a father to me, as he was to the rest of the students, when I was here. He was our great President.

When I was in the Senate, Dr. Denny would often call me up and say, "Claude, I want you to arrange an appointment for me to see the President. I want you to go with me." He would tell me about what the subject was and I would arrange the appointment for him. On one occasion, Dr. Denny told me that the University was making an application for a PWA grant and loan to build a Library here on the University campus and that the University had been turned down at all levels, and that its only possible recourse was to the President.

I made the appointment and Dr. Denny and I went down to see the President. We passed a few pleasantries and finally Dr. Denny said, "Mr. President, I have come to talk to you about our application for funds to build a library, we need a library very badly; we have just got to have help and you're the only one who can help us—I want you to help us, Mr. President, to get our library." The President said, "Dr. Denny I'm terribly sorry that you have come as late as you have in this program because, he said, some time ago I issued an Executive Order that we were not going to approve any more PWA applications, unless some special circumstance (and there were only two of those) prevailed.

One was that the building was so constructed that it constituted a fire hazard and the other one was that the building had burned down and they were trying to replace the building that had burned down." Immediately Dr. Denny said, "Ah, ah, that's my case, that's my case." The President looked startled and said, "Doctor, I've tried to read these applications very carefully, and I don't recall anything in your application about your old library burning down." "Oh yes, he said, the Yankees burned it down in the Civil War." The President just threw his head back and hollered laughing. Finally when he quit laughing he said, "Well, Dr. Denny, just last week I vetoed a Bill passed by Congress to authorize the re-building of a school building in the north at Federal expense which was burned down by a Confederate Cavalry raider, I guess if I vetoed that one, I can't give your Library back." The President told that story one time over a national radio hook-up.

We are very proud of Alabama. As a matter of fact, we down in Miami look upon the Dolphins as the Alabama of professional football, and of course we are very proud to be thinking of ourselves in that great company. We are very happy today and very much honored that Mrs. Hugo Black and Mr. and Mrs. Hugo Black, Jr., and Mr. Justice Black's niece, Mrs. Faucett, have honored this occasion by their attendance here.

If I could come back to this campus on any subject which would be satisfying to me none would be more gratifying than to have the opportunity to speak about a dear friend, one of the greatest men who ever sat on the Supreme Court, one of the greatest friends of man, one of the greatest and the most zealous advocates that humanity ever had; a graduate of this Law School in 1906, a proud son of Alabama, Mr. Justice Hugo Black. Dean Christopher, I want to congratulate you and the Law School and Sigma Delta Chi that you have made possible this occasion when Justice Hugo Black will be so signally honored as he will be this day, not only by this occasion, but by the dedication of a plaque by Sigma Delta Chi which will come after this luncheon has adjourned.

I came to know Justice Hugo Black personally for the first time in the summer of 1923, when I was a clerk in a law office in Dadeville, Alabama. I lived in Camp Hill and, of course, Dadeville was our county seat. I heard one day that a lawyer from Birmingham was coming down there to make a speech. As I recall it, it was some fraternal occasion. At the court house I had the privilege to hear this handsome, virile, keenly intellectual legal scholar and great advocate from Birmingham, Hugo Black.

I was very much impressed by his speech. I went up and shook his hands thereafter. I didn't know that the years ahead would give me an opportunity to be his colleague in the United States Senate and I would have the honor to be a member of the Education and Labor Committee, of which he was the distinguished Chairman.

But I felt an early association with Justice Black because his people came from Clay County as did my father's family. Justice Black and I used to talk about our Clay County relatives. He was smiling when he'd tell me a good many times, that on Saturday afternoons the word would go around on the streets of Ashland that the Peppers were in town, and it was pretty generally understood that there would be some fighting there before very long. Well, if there ever was a fighter, not on the streets, but in the forum of the law, it was Mr. Justice Hugo Black.

Well you know, of course the thumb sketch of his great history. He was born on a small farm, in Clay County, Alabama; moved as a lad to Ashland where his father became a storekeeper; he graduated from the Ashland College, as they then called it, but it probably was not quite the equivalent of a modern day high school. He didn't have quite the qualifications which would admit him to the Sophomore Class here at the University, so he found it easier at that time to enter the Law School.

Difficult as his role was due to the lack of preparation that he had here at this Law School as he characteristically did in any event in which he participated, he excelled and we are told that he graduated with honors.

He went back to Ashland again to practice law for awhile but only a year. Ambitious, he moved to Birmingham in 1907, and began to practice law. He paid $7.00 a month for a desk in a lawyer's office. He finally got up to where he earned an income of $50.00 a month; he became a Police Court Judge, part-time; then he began to make the great record that went with him for the remainder of his life because he applied to that position that discernment between individuals and the law, the public and the private interest, which characterized his great Judicial career.

Later he found the task that was very close to his heart and to his temperament, the task of prosecuting attorney. Justice Hugo Black however nobly he discharged his judicial duties, was always an advocate in his heart. He was always a jealous propounder of some principle or purpose. All men don't have that aptitude.

In early 1960, I called up on the telephone an old friend, Adlai Stevenson. I said, "Adlai, if you'll come out now forthrightly for the Democratic nomination for the Presidency and if you will become an advocate instead of a philosopher, I think you can get the Democratic nomination." There was a pause on the other end of the line and then Adlai Stevenson said, "Claude, the role of an advocate is a very difficult one for me." And so men differ in their temperament and their aptitude and their capacity. But Hugh Black, the able advocate, made a great record as a prosecuting attorney, and he revealed his passion for justice for all the people when he especially prosecuted before a special Grand Jury police in Bessemer, Alabama, who were perpetrating brutality and torture upon prisoners within their custody in order to try to wring confessions from them. He wrote the Grand Jury Presentment and many observers said it might have been taken from an Opinion of Mr. Justice Hugo Black in later years upon the Supreme Court of the United States.

Then he went to War, came back at the end of two years to private practice in Birmingham and where his practice was soon very successful. He knew how to talk to a jury and he knew how to talk to people because he was of the people, he knew their language and could speak to them. But in spite of his successful law practice in 1925 the fires of political ambition flared in his heart and he announced and began his candidacy for the United States Senate. Out of a field of four, he won as the people's candidate, as a man who stood for something, who would represent the people in the United States Senate. So he was elected in 1926 and was sworn into the Senate at the beginning of 1927.

And then he did one of the most extraordinary things that I've ever heard of a Senator doing—but it showed the acumen that he possessed, his consciousness of some of the limitations in his own educational background, his fixity of purpose and the discipline he applied to his own life: he haunted the Library of Congress; he had stacks of books sent over to his office by the Library; he began to educate himself toward becoming one of the best informed men in America.

He could sit beside a Frankfurter or a Harlan or anybody else, and whether it be the classics or the history of ancient days, philosophy, biography or any other phase of knowledge of which they might speak, Hugo Black knew what they were talking about; was equally if not better informed than they.

Having seen those stacks of books on his desk, having served on the Education and Labor Committee with him, you can imagine how I felt when I heard a man on the train when I was going down to Florida one day shortly after Justice Black was appointed to the Supreme Court, turn to me and say "Senator, does that fellow Black know anything?" I said, "My friend, you don't know Mr. Justice Black, you haven't talked to him as I have as a colleague in the Senate; you haven't see those piles of books that only a learned man would be devouring upon his desk as I have; you just wait a little while and you will know what a great man the country has in Justice Black. I know of no man to whom it is more applicable to say as Oliver Goldsmith said about the village preacher in The Deserted Village, those who came to scorn, remained to pray.

So with Justice Black. Those who scoffed upon his appointment to the Supreme Court later had the honesty to pray for forgiveness for their scoffing, and that the United States Supreme Court would have another Hugo Black some time in the years ahead.

In the United States Senate, in his first term the Justice applied himself, as I said, primarily to his own self education, although he was active in many areas and zealously served his state. But in his second term he began to take a leading part in important legislation. Two instances of that appeared: first was that he worked with one of the great men of the country, in the Senate, Senator George Norris of Nebraska, in the innovative legislation that made possible

your great T.V.A. project which has meant so much to America; and secondly, his other great contribution was to become the author and the architect, under the stimulus of and in cooperation with President Roosevelt of the Fair Labor Standards Act, which came to fruition a while later.

If I may say so, I had an opportunity to play a small part in that act becoming law in 1938 because it was an issue in my campaign in 1938, and when it appeared that a Southern Senator could get elected and forthrightly support a Minimum Wage Bill, although as Dean Christopher said, it was only 25c an hour, it gave encouragement to the Congress to enact the law and to the President to believe that public opinion in this country wanted him to go ahead in trying to serve the masses of the people of this country.

In addition to that then Senator Black conducted three very significant investigations: one having to do with Merchant Marine subsidies, another one having to do with airplane subsidies, and another having to do with utility lobbying, to prevent the enactment of legislation in the Congress recommended by the President and so much needed by the country. So he established himself as a vigorous investigator and, in addition to that, he began to disclose that predilection for fairness toward the people that later came to characterize his career on the United States Supreme Court.

In 1937 upon the resignation of Justice Vanderventer, the President appointed Hugo Black, a Senator from Alabama, to the United States Supreme Court. There were many people shocked at that time, they didn't think he had judicial temperament, some of them, others didn't think he had preparations for so high a judicial office.

Those who knew him, knew that he would vindicate the confidence of the President in appointing him. I have a letter from Tom Corcoran here who tells why he thinks it was that the President appointed Justice Black to the Court.

One was because of his advocacy of the Minimum Wage Bill; second, because of the fact that Justice Black stood forthrightly behind the President in trying to put personnel on the Supreme Court that would reflect the will of the people of this country and protect their interests. Senator Black never faltered in his advocacy of that measure under the difficult circumstances of that time. Furthermore, I think, President Roosevelt loved the South which was then called the Nation's economic problem number one and he wanted a son of the South who understood the South to have the opportunity to serve in that exalted office. Justice Black assumed his seat amidst controversy. I'll not expend emphasis upon the Klu Klux Klan episode but there again Justice Black faced that crisis with the same fortitude with which he faced every other crisis of his life, courageously, unfaltering and with faith that the decision of the people would vindicate what he had done. He got on the radio and spoke to 50 million people. He told the facts, explained how he was temporarily a member, how shortly thereafter he got out of the organization, how he didn't subscribe to the principles of that organization, how he had Jewish law clerks, what his attitude was for people of the Black race.

Hugo Black always felt that if he could just talk to the people and tell them the truth they would understand and support him. And they did. And that episode passed.

And then he began to sit on the Court. He hadn't been there very long before he startled his brethren with a dissenting opinion saying that the 14th Amendment did not make a corporation a person. There were many others in the country shocked by such a position. But he went on to other positions that were also controversial in character.

He was the leading exponent of the decision that 25 years later came to be the law of the court and of the country, that every man charged with crime in a state or federal court is entitled to be represented by a lawyer for only by such defense can he have a fair trial and justice be done to him. He was also the early advocate of the principle that later came to be the law of the court and the land of one man, one vote. He thus got rid of the rotten political boroughs behind our State Legislatures and the Congress of the United States, every man's vote counted like every other man's and woman's vote in the country. He was a leading advocate and finally the one who made it the law of the court and the land of fairness in trial. You couldn't wring a confession from a defendant, you couldn't make him incriminate himself, you couldn't deprive him of his fair and just rights. Those too were among the great contributions that Justice Black made.

I want to give you two quotations from long-time and beloved friends and associates of Mr. Justice Black. The first one is from his dearest colleague on the United States Supreme Court, Mr. Justice Douglas. Speaking at this law school recently, Justice Douglas said of Justice Black, "We were together nearly 34 years on the Court, I admired the man greatly and loved him deeply. It is a mighty lonesome place at court these days without him. One knows a man by the people and places he loved; Hugo loved Alabama, the common field hand as well as an erudite scholar. He loved the things for which Alabama is pre-eminent, the rugged individual, the individual mind, the spirit that overcomes all obstacles, the heart that is pure, the life that is not given over to dirty tricks. I never heard Hugo Black say an ill word about anyone, whoever he was, wherever he lived, whatever his position. Hugo Black was fierce and tenacious in his views and positions when it came to ideas. He was charitable and kind in all personal and professional relations.

He greatly honored Alabama. I recall that he turned to me with pride in his eyes as he left the Bench after an argument to tell me about the magnificent specimen of Alabamian manhood that had just argued a case. The man was not only brilliant he was dignified, and every word he uttered had the ring of sincerity to it. Speaking of this Law School, Dean Christopher, which you have led so ably and with such distinction, your Law School which graduated Hugo Black in 1906 was a particular joy to him.

He foresaw its great future; he wanted it to serve dispassionately, all interests, corporate, labor, the press, free speech for the poor as well as the mighty. And there was another dear friend of Justice Black, Tom Corcoran, one of his intimate associates dating back to 1935. I told Tom I was down here, and what the occasion was. He said: "Dear Claude, I wish I could be with you and our friends at the University of Alabama Law School today to join in paying tribute to Hugo Black. Please know that I am with you in spirit.

Hugo once said, 'Show me the kind of steps a man made in the sand five years ago, and I'll show you the kind of steps he is likely to make in the same sand five years hence.' In epilogue, this is the story of Hugo Black."

But the greatest concern of Justice Black's life, as a Justice, as many observe, was in the Bill of Rights; and of all that great family of principles, the first child was closest to his heart,—the First Amendment, that said in the English language, written by some of the greatest and most eloquent artisans of that language known to American history, Congress shall make no law abridging freedom of speech or of the press or petition or assembly.

Justice Black thought that the Founding Fathers understood the English language, he thought they carefully chose the words that they used in the Constitution, and that they meant what those words mean to anybody who understands the English language. And so early in his career on the Court, he became the principal exponent of the literal application of the principles of the Bill of Rights and particularly the First Amendment, I remember the Pentagon papers case when the Solicitor General was arguing that case, he said, "Mr. Justice Black, I know you think that when the Constitution said Congress shall make no law, it meant it shall make no law, and that was obvious." Then he added that he with equal sincerity thought that "make no law" did not mean, "make no law."

Let me read to you a statement that Mr. Justice Black wrote in his Pentagon Papers case opinion. And by the way I want to commend you, you young students here, in our Universities in the South, who have committed yourselves to careers in journalism—I said a while ago to one of my distinguished friends here at the head table, "I greet you as a fellow professional.

I was a member of the editorial board of the Crimson and White of the University of Alabama in the long ago. Listen to what Mr. Justice Black said about your profession:

"The Bill of Rights changed the original Constitution into a new Charter under which no branch of government could abridge the people's freedom of press, speech, religion and assembly. Yet the Solicitor General argues, and some members of the Court appear to agree, that the general powers of the government adopted in the original Constitution should be interpreted to limit and restrict the specific and emphatic utterances of the Bill of Rights adopted later. I can imagine no greater perversion of history." By the way, Justice Hugo Black's distinguished son told me only last evening that when Justice Black went on the Court he wanted to be sure that his grammar was perfect and that the language he wrote was simple and plain and understandable to the American people; so for two years that learned man went through every exercise in the best grammar and book on rhetorical composition that he could put his hands on. That was the kind of self discipline Justice Black imposed in preparation for the tasks he faced on the court. I continue to quote Mr. Justice Black:

"I can imagine no greater perversion of history."

Madison and the other framers of the First Amendment, able men that they were, wrote in a language they honestly believed could never be misunderstood, "Congress shall make no law abridging the freedom of the press." Both the history and the language of the First Amendment support the view that the press must be left free to publish news whatever the source without censorship, injunctions or prior restraints.

In the First Amendment, the Founding Fathers gave the free press the protection it must have to fulfill its essential role in our Democracy.

The press was to serve the governed not the government. Government's power to censor the press was abolished so that the press would remain forever free to censor the government. The press was protected so that it could bare the secrets of government and inform the people.

Only a free and unrestrained press can effectively expose deception in government and paramount among the responsibilities of a free press is the duty to prevent any part of the government from deceiving the people and sending them off to distant lands to die of foreign fevers and shot and shells.

Justice Black believed that you could not entrust to any body of men the uncontrolled authority to interpret general language like the due process law. That is the

reason why he wanted the language of the Founding Fathers to be the guide to the decision of the Court.

Let me read the last words that Mr. Justice Black delivered to the Fifth Circuit Court of Appeals, an honorable and able member of which, Judge Houghlan (sp?) is here today, in 1970. Mr. Justice Black passed away in 1971. "I have been coming to see you for 30 years a Circuit Justice (he annually met with the conference of the Fifth Circuit), how many more I cannot know. I, too, like many of the Judges I've seen here have passed over the crest, over the brow of the hill. I hope I have learned more tolerance, more friendship, more about the love of human kindness, during those 30 years.

"Now, I am far beyond the crest. I look over into the glowing rays that come from the sunset; the years have been happy for me; the people have been good to me; I have no complaint about my life and I look at those rays, they do not frighten me.

"I know that life is change and the greatest change of all is who is to be here at any certain period. All that I can say and hope for is that my career has been such that people of integrity of thought when they think about me will picture a person who tried his dead-level best to serve his people and his country with every ounce of energy, love and devotion that he could muster in his life.

"And that when those rays cease to be in my vision, each of you and every member of this Conference will remember me as one who did his best."

Here is an encomium on Justice Black given by a learned Professor. Professor Rodell and this is how he epitomized and summarized Mr. Justice Black's career. "This man is meant for the ages. No future Supreme Court Justice a hundred years hence or a thousand will ignore with inner immunity the myriad, brilliant insights, learned analyses, yes, and fervent faith that mark; in majority or dissent, his judicial record. The pity is only that Hugo Black, in person, he of the warm wisdom and the quiet courage and gentle strength cannot, as will his opinions, live forever."

I know of no man to whom the words Shakespeare had Anthony utter over the body of the fallen Brutus in his tent on the fields of Philippi as he came upon him there, are more applicable than to Justice Hugo Black, when he said: "His life was gentle and the elements so mixed in him that nature might stand up and say to all the world, this was a man."

Dean Christopher, Thank you Congressman Pepper, no program in this Law School could have a better prologue. We will now go to the second half of the program, the unveiling ceremonies for the historical marker presented to this University by Sigma Delta Chi. It will be on the second floor of this building (the floor below this one), it's called the browsing room, if you have any difficulty finding it, follow one of our very pretty crimson girls, if you have any difficulty following one of our crimson girls, there is no hope for you. Thank you for coming, see you downstairs.

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REMARKS BY LOUIS F. OBERDORFER

I want to confess to you a day dream I had about a title for a talk to newsmen honoring Justice Black at The University of Alabama Law School. I began thinking about Justice Black as a writer, and a good one he was, and as a scholar, which he also was. I thought about connection between his job of writing Supreme Court opinions—he wrote about 1000 over his 34 terms—53 in his last term—and your job of writing on a daily basis under pressure. So, I "ginned up" the title of "Justice Black: Man of Letters."

Then I caught myself asking myself how the Judge would have regarded such a title. In my mind's eye, I could hear (or see) him say: "That sounds too pompous." So then I tried: "Justice Black: Man of Words."

I knew immediately that wouldn't work. I was almost sorry I had thought of it. I could picture him in my day dream screwing up his face as if he were trying to hold his nose without having to use his hands and begin to laugh a little apologetically and say, "You don't think I've gotten garrulous, do you?"

Then I imagined working over draft after draft to get three little words right and I finally came out with "Justice Black: Master of Words." I know Justice Black would have accepted that only to be polite. So this talk has no title.

But he was a *master* of words. His careful method of writing is reflected in my day dream. He wrote most things long hand, on yellow legal pads, long before the idea was recently plagiarized and over-publicized, and he worked and worked them over to get them "right," so they would be understood by as many readers as possible.

His scholarship was built upon some observable reading habits. He read purposefully and energetically. When he came to the Senate in 1926, he respected the tradition that freshman Senators are to be neither seen nor heard very much. He spent his first term reading, reading, reading—all kinds of books that he had wanted to read before but never had the time. You know he went to law school here; but he never went to college.

He bought many more books than some do because when he read he used to underline passages, write comments in the margin, and then pencil a personal index in the back of the book—so he could find the things he liked when he needed them again.

He read and marked up what the young would call heavy stuff—Livy, Herodotus, Artistotle, original papers of Jefferson and Madison.

I noticed often that when the Judge referred to someone like Jefferson or Madison, he spoke about them almost literally, as if he knew them personally and had had frequent intimate face-to-face conversations with them.

He would sometimes say with a grin and a chuckle that I can still hear: "I know what those fellows were trying to do: They didn't want anybody with the power of government to tell a newspaper what it could print—or couldn't print."

Then, years later, looking through some of his books I realized that I was not just imagining that he had, in effect, had conversations with them. He knew them intimately from reading their papers and thinking while he read.

In the margin of the books were not just lines and marks. He would write comments like—"I disagree"—or "This isn't what you said on page 241."

One of the last books he read was written by one of his former law clerks. It was "The Greening of America" by Charles Reich. It was published in 1970. The law clerks had a dinner for the Judge's 85th birthday in February, 1971. The dinner was on a Saturday night and some of us went out to his house the next day. Sunday. On his desk was Charlie's book. We started asking how he liked it; we knew he didn't. He opened it and showed us some of the comments that he had written in the margins.

Charlie had written pessimistically about how the original American dream had gone to pot: "Less than 200 years later, almost every aspect of the dream has been lost. In this chapter we shall be concerned with the forces that destroyed the American dream."

The Judge had written shakily but firmly in the margin:

"I do not agree; it is not yet destroyed."

At another point, Charlie had disparaged his elders with the statement:

"Our earliest generation known as Consciousness I believe that the American dream is still possible, and that success is determined by character, morality, hard work and self-denial."

In the margin there was an even heavier longhand note:

"I still do."

So, I am greatly honored to speak to this distinguished group of newsmen at The University of Alabama Law School about the School's most distinguished graduate, Mr. Justice Black.

Justice Black was a champion of a free press. In the brief time since his death in 1971, the full appreciation of his contribution to constitutional government as it was designed by the Founding Fathers and refined in the Bill of Rights is gaining greater and greater appreciation. Your memorial to him today is dramatic evidence of this process.

Justice Black was a passionate advocate of our written Constitution. His role in preserving it in his time may some day be perceived in the perspective of history in the same dimension of importance as the roles of Jefferson, Madison, Franklin and the others who created the Constitution in the first place.

With the possible exception of the period of secession and Civil War in the 1860's, our written Constitution is now enduring the severest test in all its history.

It is withstanding that test.

The engines of checks and balances (including the check of a free and robust press) are functioning with marvelously smooth precision and force.

I suggest to you that those engines are functioning so precisely, so smoothly, so forcefully because of Justice Black. During his long service to the written Constitution as Alabama lawyer, Alabama Senator and Supreme Court Justice, he almost literally dusted off that ancient document, shined, polished and oiled it so that in this second supreme test it has and is doing the job intended for it by its draftsmen.

Justice Black's commitment to dusting off the written Constitution and putting it to work was nailed down in his landmark concurring opinion in *Adamson* v. *United States*. In that 1947 opinion he urged that the provisions of the Bill of Rights, including free speech, be applied to the States as well as the federal government. Some judges then argued that the Bill of Rights was an outdated anachronism and that government ought to be allowed to experiment and do various things without too much concern about the language of the Bill of Rights so long as what government did was "reasonable."

Justice Black replied prophetically: "I cannot consider the Bill of Rights to be an outworn Eighteenth Century 'straitjacket' . . . Its provisions may be thought outdated abstractions by some. And it is true that they were designed to meet ancient evils. But they are the same kind of human evils that have emerged from century to century wherever excessive power is sought by the few at the expense of the many. In my judgment the people of no nation can lose their liberty so long as a Bill of Rights like ours survives and its basic purposes are conscientiously interpreted, enforced, and respected so as to afford continuous protection against old, as well as new, devices and practices which might thwart those purposes."

We can be grateful, you of the press particularly, that the Supreme Court, led by Justice Black, has come on so strongly in conscientiously interpreting, enforcing and respecting the Bill of Rights and particularly the First Amendment.

For we have recently been "treated," if that is the word, to a modern replay of the centuries old drama—human evil which

emerges when excessive power is sought by the few at the expense of the many.

That modern replay was, of course, the effort—however well meaning—by the Executive Branch to prevent publication of documents which revealed, among other things, how the Executive Branch had concealed from the public many facts about the Vietnam War—not it would seem always to defeat the enemy—but to deceive or lull into acquiescence potential domestic opponents of the War. And the effort to prevent the publication was apparently not so much to keep the facts so published from an enemy. The purpose seems to have been originally to reassure our enemies that this country was, like theirs, a country in which the press was not as free as it, the press, thought it was and should be.

The unfolding of the Pentagon Papers' drama is too familiar to repeat.

I point on this occasion to the vignette of history which is Justice Black's role in that drama.

One of your brethren, Joseph Kraft, commenting on the Ervin Committee disclosures of how close the Executive Branch came to scoring decisively over the Constitution, observed:

We stopped them on our 5-year line."

We did, indeed.

I suggest to you that we were able to "stop them on our 5-year line" in 1973 because of Justice Black's work of a lifetime, and most importantly his final work in 1971—his last opinion—his concurring opinion in *United States* v. *The New York Times*—the Pentagon Papers case. That opinion galvanized the Supreme Court to lift the lower court's injunctions which had stopped temporarily publication of the Pentagon Papers.

Equally important, I suggest that the clarion call alerted the press and inspired it. He said:

"In the First Amendment the Founding Fathers gave the free press the protection it must have to fulfill its essential role in our democracy. The press was to serve the governed, not the governors. The Government's power to censor the press was abolished so that the press would remain forever free to censure the Government. The press was protected so that it could forever bare the secrets of government and inform the people. Only a free and unrestrained press can effectively expose deception in government."

That decision held the line. The Supreme Court stopped the first assault on the Constitution. Justice Black's opinion was like a punt that pushed those who would silence the press back onto their own territory. They had to start all over. After the Pentagon Papers case they could no longer use lawyers and invoke the power of the courts. In desperation they resorted to burglars, character assassinations, and worse.

They tried to "jimmy" the system pursuant to law. That wouldn't work. The Court, led by Justice Black, stopped them cold.

Then they tried burglars and deception. This was beyond the power of the Court to control. But with the press alerted, and still free, it was not beyond the power of the press to expose, and once the press exposed the "deception in government" in the manner contemplated by the Constitution and the First Amendment as Justice Black interpreted them, the processes of the law began to grind again.

Because of Justice Black's faith and his brilliant expression of it, we have confidence that another old machine of the Constitution can be dusted off, greased and oiled, to grind on those facts—smoothly, firmly, *justly*. I refer, of course, to the Constitutional process of impeachment.

Justice Black used to like to refer to himself as a "simple country fellow." He was devoted to the written Constitution. All or most of you must have seen him on television display the little pocket paperback edition of the Constitution which he always carried in his pocket. He had it with him when he was interviewed on television a few years ago.

It may well be that when the history of this era is critically appraised, it will be discovered that that simple country fellow born in Clay County, Alabama, educated at The University Law School of Alabama (he never went to college) was, as much as any man, the effective, triumphant defender of a free press who renewed its freedom and stirred its soul just in time to stop the deceivers and save constitutional government as it was contemplated by the Founding Fathers and as we have known and enjoyed it down through the years.

You perceptively honor a great man who appreciated your profession more than most and may well have served it as well or better than any.

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JUSTICE BLACK AND A FREE PRESS

(By Robert S. McCord)

One of the functions of the Society of Professional Journalists that sets it apart from the many trade organizations found in our business is the recognizing of those persons who have helped in making American journalism the best and the freest in the world. We do this annually through the naming of fellows in the society, and the presentation of awards—to professional journalists as well as to student journalists, several of whom incidentally, will be honored tonight as an important part of this meeting on the University of Alabama campus.

But the most important program of its kind is the marking of historic sites in journalism. This gives us an opportunity to recognize events, organizations—even buildings—as well as people. And the people can be contemporary figures or they can be those from the early days of our country. Unlike flattering speeches and framed citations, these plaques, hopefully, will be permanent—displayed prominently so that they will be remembered not only by the people who received them but by generations to come.

The program began in 1942, and with only one or two skips, some sites have been marked every year. The plaque we gather here today to unveil is the 50th presented by the national society, although several other sites important to journalism within individual states have been marked by local chapters. Each year a special committee is appointed by the President to make recommendations, which are submitted to the national convention for approval. The list is interesting and varied. Markers have been placed at the home of the inventor of the linotype, Ottmar Mergenthaler; the college that first began formal training in journalism, Washington and Lee University; and a radio station in Pittsburgh, Pa., which was the first one to report a presidential election.

Among the men who have been honored with historic plaques are: Alabama's own Grover Cleveland Hall of the Montgomery Advertiser; Ernie Pyle; H. L. Mencken; Edward R. Murrow; Samuel Clemens and Benjamin Franklin. Last year, for example, the society put historic plaques on the wall of the Augusta, Ga., Chronicle, the South's oldest newspaper of continuous publication. I know that Hugo Black who was forever a Southerner, would approve of that. Then the society also marked the home of Will Rogers in Oologah, Okla., and, as a fellow populist, I'm sure Justice Black would have liked that. The last plaque was affixed to the building that houses the Chicago Tribune. Frankly, I'm not so sure that being the Democrat that he was, Justice Black would have approved of that one. Two out of three. a better record than Justice Black was used to.

I think that the plaque we place here today is especially important. I have gone through the list of the others, and, frankly, I find only three that I think designate contributions to American journalism that were as large as Justice Black's—Gunston Hall in Virginia, the home of George Mason, who first gave written expression to the idea of a free press in the Virginia Declaration of Rights; the site of the trial of John Peter Zenger, who was victimized by laws enacted in opposition to the principle of the first amendment, and Charlottesville, Va., the home of Thomas Jefferson, who turned Mason's dream of a free press into a reality by opposing and bringing about the repeal of such laws as the alien and sedition acts.

Justice Black's contribution to a free press has been almost as great as theirs. For if ever a man believed in a free press, it was he.

Just four years after he took his seat on the Supreme Court, Justice Black was putting sentences like these into the literature of the law: "Freedom to speak and write about public questions is as important to the life of our government as is the heart of the human body. In fact, this privilege is the heart of our government. If that heart be weakened, the result is debilitation; if it be stilled, the result is death."

Hugo Black believed that the Bill of Rights—and especially the first amendment—was an absolute right, subject to no compromise. He believed this so strongly that he thought that insofar as public affairs was concerned there should be no libel laws at all—a position, as far as I know, never taken by any other Supreme Court justice. "This nation, I suspect, can live in peace without libel suits based on public discussions of public affairs and public officials," he once wrote in that concise and vivid style of his. "But I doubt that a country can live in freedom where its people can be made to suffer physically or financially for criticizing their government, its actions or its officials."

Only two other men ever served longer on the court than Justice Black. And I should hasten to say that his long record does not stand on just his decisions in the area of press freedom. Justice Black, after all, is the man who told Harry Truman that he couldn't seize the steel mills during the Korean War, the man who barred the use of official prayers in public schools, who declared that an indigent in a state criminal court had to have a lawyer and that Congress could give 18 year olds the right to vote. The point is that his major concern was always individual liberty. And he was the right man in the right place at the right time because it was during his tenure—especially the 40s, 50s and 60s—when, out of fear of change that was coming so fast, totalitarian concepts were sometimes offered as easy solutions to complicated problems. Hugo Black would have none of this. Because so many of our freedoms are wrapped up in that first amendment, he naturally used it frequently as a shield to protect individual liberty. Justice Black said that the First Amendment gave Americans the right to believe in any governmental system they wanted to and to argue for change and criticize the existing system without limitation.

Toward that end, he wrote the decision that said that the services of the Associated Press were so vital that no single newspaper in a city had a right to use them exclusively.

That gave the newspapers of Alabama—and all newspapers in the country—the right to call for the election of certain candidates on election day if they wanted to . . .

That said that libel suits, such as the famous Sullivan vs New York Times, stifled frank and free reporting of public affairs and were unconstitutional. No court decision in history has done more to broaden the journalists ability to comment on public affairs.

Justice Black felt so strongly about press

freedom that his opinions were often in the minority. But, as Anthony Lewis has pointed out, Black lived to see more of his dissents become law than any other man who ever served on the Supreme Court. His dissents were like thunderbolts. They kept at bay those men who would like to put controls on the press. May I add a wistful note, which is that we need him today as badly as ever in our history . . . President Nixon has ordered his lawyers to write a law giving politicians more protection from criticism, in effect calling for a rewrite of the Sullivan decision . . . Congress is now considering an official secrets act . . . and before the Supreme Court this week is a case from Florida that would give people the right to force newspapers to print their statements.

In my lifetime I can think of no majority Supreme Court decision that interfered with a free press that did not find Justice Black in dissent: The Billie Sol Estes case, which held that televised trials were unconstitutional, Justice Black, dissenting . . . The Sam Shepherd case, where vigorous reporting of a badly-handled murder case was judged to have interfered with a fair trial. Justice Black, dissenting . . . The Ralph Ginzburg case, where a publisher was sent to jail for printing what some people considered obscenities, Justice Black, dissenting . . .

I hope that I have been able to indicate to you why an organization of 26,000 journalists has decided to honor this son of Alabama. Although before this distinguished audience of lawyers and in this particular building I may be foolhardy for doing so, I cannot help but point out that in its 65-year history, Hugo Black is the first judge the society has ever paid tribute to. This has to mean something. What I think it means is that every American journalist, past and future, from copyboy to editor, is in his debt for so frequently and clearly stating the function of a free press in the place—the Supreme Court of the United States—where it counted the most. What is this purpose? Justice Black—nor anyone else—ever said it with more clarity or brevity than he did in his Pentagon Papers decision, which was the last one he wrote before his retirement, "The press," he wrote, "was to serve the governed, not the governors."

The plaque reads: "Associate Justice Hugo Lafayette Black, for 34 years on the highest court in the land an outspoken and eloquent champion for man's right to speak, to be heard, and to know, consistently and vigorously spoke for the principle—the vital necessity—of a free and untrammeled press in this democracy. For his role as uncompromising defender of press freedom, journalists express their recognition and appreciation. Marked this 19th day of April 1974, by the Society of Professional Journalists, Sigma Delta Chi."

## PRESIDENT FORD HAS SELECTED A DESIRABLE AND WELL-QUALIFIED WHITE HOUSE PARTNER

(Mr. PATMAN asked and was given permission to extend his remarks at this point in the RECORD.)

Mr. PATMAN. Mr. Speaker, President Ford made a good selection in nominating Gov. Nelson A. Rockefeller for the second highest position in the land—Vice President of the United States. Governor Rockefeller is a patriotic, public-spirited citizen, knowledgeable and intelligent; he is most highly regarded and has an excellent reputation, not only here in the United States, but throughout the world. Certainly, I wish for President Ford and for the Vice-Presidential nominee Nelson Rockefeller complete success as they seek to provide for the general welfare and protection of our people.

## CONGRESSMAN STRATTON'S BILL, H.R. 15935, WILL PERMIT RETIREES TO KEEP STEP WITH INFLATION RATHER THAN SLIPPING STEADILY BEHIND

(Mr. STRATTON asked and was given permission to extend his remarks at this point in the RECORD and to include extraneous matter.)

Mr. STRATTON. Mr. Speaker, the other day I introduced legislation, H.R. 15935, which I believe is of great interest to all our senior citizens. I urge my colleagues to take a look at this bill because I believe it meets a serious problem which we are likely to hear a lot more about during the upcoming recess.

In fact I am hopeful that when we come back in September after the Labor Day recess we may take up this bill and pass it into law so as to do something positive to help our retired citizens to survive in the midst of galloping double digit inflation.

My bill would do this: it would exclude any increases in social security benefits, occurring in calendar year 1974 and thereafter, from being counted as income in determining the eligibility of senior citizens for such benefits as food stamps, SSI payments, senior citizen housing, medicaid, and veterans pensions. I believe, Mr. Speaker, that this bill carries out the basic and original intent of Congress whenever we have legislated increases, as we did some 8 months ago, in social security benefits, namely, to allow the recipients of social security to keep up with inflation.

Yet, Mr. Speaker, as we are well aware, things have actually worked out in such a way that whenever these benefits have gone up these retirees are regarded as having become more affluent and as having moved into a higher income bracket; and so they suddenly find that their eligibility for these other benefits has ended, or has been sharply reduced.

Yet the plain fact is that these periodic increases in social security benefits have not made the recipients more affluent at all. At best they have only enabled them to stay even with inflation, and in most cases they have not even done that: they have only slowed down somewhat the rate of slipping behind.

So it seems to me, Mr. Speaker, manifestly unfair for us to continue to penalize these people by depriving them of necessary benefits every time we think all we are doing is helping them just to keep up with our bruising inflation.

It would of course be possible for us to deal with each of these separate programs with separate legislation, as we have done on several occasions with veterans' pensions, and as we recently did with SSI payments. But such legislation often never gets passed, or at best takes months to accomplish. But with my bill, Mr. Speaker, we can provide for all of these adjustments automatically. I believe this should be done, and if Members will take time to listen to their senior citizens when they are home for the recess, I believe they will find a great need for doing just what this legislation of mine will do.

Mr. Speaker, so that Members may be informed of the provisions of this bill before they leave for the recess, I include the text of H.R. 15935.

The bill follows:

H.R. 15935

A bill to amend the Social Security Act to make certain that recipients of supplemental security income benefits, recipients of aid or assistance under the various Federal-State public assistance and medicaid programs, and recipients of assistance or benefits under the veterans' pension and compensation programs and certain other Federal and federally assisted programs will not have the amount of such benefits, aid, or assistance reduced because of post-1973 increases in monthly social security benefits

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 1612 of the Social Security Act (relating to supplemental security income benefits) is amended by adding at the end thereof the following new subsection:

"Special Rule for Social Security Benefit Increases

"(c) In determining the income of any individual (or his eligible spouse) who is entitled for any month to a monthly benefit under the insurance program established by title II of this Act, there shall be excluded any part of such benefit which results from (and would not be payable but for) the general increase in benefits under such program provided by section 1 or 2 of Public Law 93-233, a cost-of-living increase in benefits under such program occurring pursuant to section 215(i) of this Act, or any other increase in benefits under such program, enacted after 1973, which constitutes a general benefit increase within the meaning of section 215(i)(3) of this Act.".

SEC. 2. (a) Section 402(a)(8)(A) of the Social Security Act is amended by striking out "and" at the end of clause (i), by striking out "; and" at the end of clause (ii) and inserting in lieu thereof ", and", and by adding after clause (ii) the following new clause:

"(iii) in the case of any individual who is entitled to monthly benefits under the insurance program established under title II, any part of such benefits which results from (and would not be payable but for) the general increase in benefits under such program provided by section 1 or 2 of Public Law 93-233, a cost-of-living increase in benefits under such program occurring pursuant to section 215(i) of this Act, or any other increase in benefits under such program, enacted after 1973, which constitutes a general benefit increase within the meaning of section 215(i)(3) of this Act; and".

(b)(1) Section 2(a)(10)(A) of such Act is amended by inserting "(I)" immediately after "(i)", by striking out "(ii)" and inserting in lieu thereof "(II)", and by inserting immediately before the semicolon at the end thereof the following: ", and (ii) the State agency shall, in the case of any individual who is entitled to monthly benefits under the insurance program established under title II, disregard any part of such benefits which results from (and would not be payable but for) the general increase in benefits under such program provided by section 1 or 2 of Public Law 93-233, a cost-of-living increase in benefits under such program occurring pursuant to section 215(i) of this Act, or any other increase in benefits under such program, enacted after 1973, which constitutes a general benefit increase

within the meaning of section 215(i)(3) of this Act".

(2) Section 1002(a)(8) of such Act is amended by striking out "and" at the end of clause (B), and by inserting immediately before the semicolon at the end thereof the following: ", and (D) shall, in the case of any individual who is entitled to monthly benefits under the insurance program established under title II, disregard any part of such benefits which results from (and would not be payable but for) the general increase in benefits under such program provided by section 1 or 2 of Public Law 93-233, a cost-of-living increase in benefits under such program occurring purstitutes a general benefit increase within the meaning of benefits which constitutes a general benefit increase with the meaning of section 215(i)(3) of this Act".

(3) Section 1402(a)(8) of such Act is amended by striking out "and" at the end of clause (B), and by inserting immediately before the semicolon at the end thereof the following: ", and (D) the State agency shall, in the case of any individual who is entitled to monthly benefits under the insurance program established under title II, disregard any part of such benefits which results from (and would not be payable but for) the general increase in benefits under such program provided by section 1 or 2 of Public Law 93-233, a cost-of-living increase in benefits under such program occurring pursuant to section 215(i) of this Act, or any other increase in benefits under such program, enacted after 1973, which constitutes a general benefit increase within the meaning of section 215(i)(3) of this Act".

(4) Section 1602(a)(14) of such Act (relating to State plan assistance to the aged, blind, and disabled) is amended by striking out "and" at the end of subparagraph (C), by striking out the semicolon at the end of subparagraph (D) and inserting in lieu thereof ", and", and by adding at the end thereof the following new subparagraph:

"(E) the State agency shall, in the case of any individual who is entitled to monthly benefits under the insurance program established under title II, disregard any part of such benefits which results from (and would not be payable but for) the general increase in benefits under such program provided by section 1 or 2 of Public Law 93-233, a cost-of-living increase in benefits under such program occurring pursuant to section 215 (i) of this Act, or any other increase in benefits under such program, enacted after 1973, which constitutes a general benefit increase within the meaning of section 215(i)(3) of this Act;".

SEC. 3. (a) Subsection (g) of section 415 of title 38, United States Code, is amended by adding at the end thereof the following new paragraph:

"(4) In determining the annual income of any individual who is entitled to monthly benefits under the insurance program established under title II of the Social Security Act, the Administrator, before applying paragraph (1)(G) of this subsection, shall disregard any part of such benefits which results from (and would not be payable but for) the general increase in benefits under such program provided by section 1 or 2 of Public Law 93-233, a cost-of-living increase in benefits under such program occurring pursuant to section 215(i) of the Social Security Act, or any other increase in benefits under such program, enacted after 1973, which constitutes a general benefit increase within the meaning of section 215(i)(3) of such Act.".

(b) Section 503 of title 38, United States Code, is amended by adding at the end thereof the following new subsection:

"(d) In determining the annual income of any individual who is entitled to monthly benefits under the insurance program established under title II of the Social Security Act, the Administrator, before applying subsection (a)(6) of this section, shall disregard any part of such benefits which results from (and would not be payable but for) the general increase in benefits under such program provided by section 1 or 2 of Public Law 93-233, a cost-of-living increase in benefits under such program occurring pursuant to section 215(i) of the Social Security Act, or any other increase in benefits under such program, enacted after 1973, which constitutes a general benefit increase within the meaning of section 215(i)(3) of such Act.".

(c) In determining the animal income of any person for purposes of determining the continued eligibility of that person for, and the amount of, pension payable under the first sentence of section 9(b) of the Veterans' Affairs shall disregard, if that person is entitled to monthly benefits under the insurance program established under title II of the Social Security Act, any part of such benefits which results from (and would not be payable but for) the general increase in benefits under such program provided by section 1 or 2 of Public Law 93-233, a cost-of-living increase in benefits under such program occurring pursuant to section 215(i) of the Social Security Act, or any other increase in benefits under such program, enacted after 1973, which constitutes a general benefit increase within the meaning of section 215(i)(3) of such Act.

SEC. 4. (a) Notwithstanding any other provision of law, in the case of any individual who is entitled for any month to a monthly benefit under the insurance program established by title II of the Social Security Act, any part of such benefit which results from (and would not be payable but for) the general increase in benefits under such program provided by section 1 or 2 of Public Law 93-233, a cost-of-living increase in benefits under such program occurring pursuant to section 215(i) of the Social Security Act, or any other increase in benefits under such program, enacted after 1973, which constitutes a general benefit increase within the meaning of section 215(i)(3) of such Act, shall not be considered as income or resources or otherwise taken into account for purposes of determining the eligibility of such individual or his or her family or the household in which he or she lives—

(1) for participation in the food stamp program under the Food Stamp Act of 1964, or for surplus agricultural commodities under any Federal progam providing for the donation or distribution of such commodities to low-income persons,

(2) for admission to or occupancy of low-rent public housing under the United States Housing Act of 1937, or

(3) for any other aid or assistance in any form under a Federal program, or a State or local program financed in whole or in part with Federal funds, which conditions such eligibility to any extent upon the income or resources of such individual, family, or household,

or for purposes of determining the amount or extent of such participation or such aid, assistance, or benefits.

SEC. 5. The amendments made by the first section of this Act shall apply with respect to benefits for months after the month in which this Act is enacted. The amendments made by section 2 of this Act shall be effective with respect to calendar quarters beginning after December 31, 1974. The amendments made by section 3 of this Act shall apply with respect to annual income determinations made pursuant to sections 415(g) and 503 (as in effect both on and after June 30, 1960) of title 38, United States Code, for calendar years after 1973. Section 4 of this Act shall be effective with respect to benefits, aid, or assistance furnished after the month in which this Act is enacted.



## LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows to:

Mr. BAKER (at the request of Mr. RHODES), from after 4 p.m. today and tomorrow, on account of attending a funeral.

Mr. RANDALL (at the request of Mr. MCFALL), for Thursday, August 22, 1974, on account of official business.

## SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. MITCHELL of New York) to revise and extend their remarks and include extraneous matter:)

Mr. KEMP, for 15 minutes, today.

Mr. MILLER, for 5 minutes, today.

Mr. ROBERT W. DANIEL, JR., for 5 minutes, today.

Mr. FINDLEY, for 5 minutes, today.

Mr. RAILSBACK, for 5 minutes, today.

Mr. HUBER, for 10 minutes, today.

(The following Members (at the request of Mr. GINN) to revise and extend their remarks and include extraneous material:)

Mr. GAYDOS, for 5 minutes, today.

Mr. GONZALEZ, for 5 minutes, today.

Mr. MATSUNAGA, for 15 minutes, today.

Mr. CORMAN, for 5 minutes, today.

Mr. OWENS, for 5 minutes, today.

Mr. RANDALL, for 5 minutes, today.

## EXTENSION OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

Mr. VIGORITO.

Mr. HOWARD, his remarks immediately following the reading of his amendment on the Export-Import Bank bill today in the Committee of the Whole.

Mr. ICHORD to revise and extend his remarks immediately before the vote on the amendment that he offered to H.R. 15977.

(The following Members (at the request of Mr. MITCHELL of New York), and to include extraneous matter:)

Mr. MINSHALL of Ohio in two instances

Mr. ABDNOR.

Mr. HINSHAW.

Mr. HORTON.

Mr. ARCHER.

Mr. O'BRIEN.

Mr. DU PONT.

Mr. WYMAN in two instances.

Mr. COHEN.

Mr. HUDNUT.

Mr. DERWINSKI in three instances.

Mr. ANDERSON of Illinois in five instances.

Mr. MATHIAS of California in two instances.

Mr. PRITCHARD.

Mr. BROWN of Ohio.

Mr. SHRIVER.

Mr. LENT.

Mr. ASHBROOK in four instances.

Mr. MIZELL in eight instances.

Mr. CRANE.

Mr. HOSMER.

Mr. FROEHLICH.
Mr. SNYDER.
Mr. DON H. CLAUSEN.
Mr. KEMP.
Mr. MICHEL in three instances.
Mr. HUBER.
Mr. ROUSSELOT.
Mr. GILMAN.
(The following Members (at the request of Mr. GINN) and to include extraneous matter:)
Mrs. GRIFFITHS.
Mr. ICHORD.
Mr. BOLLING.
Mr. GAYDOS in two instances.
Mr. GONZALEZ in three instances.
Mr. RARICK in three instances.
Mr. ANDERSON of California in two instances.
Mr. FLOOD.
Mr. WOLFF in two instances.
Mr. HARRINGTON in three instances.
Mr. BYRON in 10 instances.
Mr. LEHMAN in two instances.
Mr. ROSENTHAL.
Mr. BINGHAM in five instances.
Mr. MAHON.
Mr. ROUSH in two instances.
Mr. ALEXANDER.
Mrs. GRASSO.
Mr. CARNEY of Ohio.
Mr. CAREY of New York.
Mrs. COLLINS of Illinois in five instances.
Mr. WALDIE in three instances.
Mr. STARK.
Mr. MOORHEAD of Pennsylvania in two instances.
Mr. MATSUNAGA in two instances.
Mr. MITCHELL of Maryland.
Mr. LITTON.
Mr. CONYERS.
Ms. ABZUG in two instances.

## ENROLLED BILLS AND JOINT RESOLUTION SIGNED

Mr. HAYS, from the Committee on House Administration, reported that that committee had examined and found truly enrolled bills and a joint resolution of the House of the following titles, which were thereupon signed by the Speaker:

H.R. 3620. An act to establish the Great Dismal Swamp National Wildlife Refuge;

H.R. 11864. An act to provide for the early development and commercial demonstration of the technology of solar heating and combined solar heating and cooling systems;

H.R. 14402. An act to amend section 8202 (a) of title 10, United States Code, to extend for 2 years the period during which the authorized number for the grades of lieutenant colonel and colonel in the Air Force are increased;

H.R. 14920. An act to further the conduct of research, development, and demonstrations in geothermal energy technologies, to establish a Geothermal Energy Coordination and Management Project, to provide for the carrying out of research and development in geothermal energy technology, to carry out a program of demonstrations in technologies for the utilization of geothermal resources, to establish a loan guaranty program for the financing of geothermal energy development, and for other purposes;

H.R. 15581. An act making appropriations for the government of the District of Columbia and other activities chargeable in whole or in part against the revenues of said District for the fiscal year ending June 30, 1975, and for other purposes;

H.R. 15842. An act to increase compensation for District of Columbia policemen, firemen, and teachers; to increase annuities payable to retired teachers in the District of Columbia; to establish an equitable tax on real property in the District of Columbia; to provide for additional revenue for the District of Columbia; and for other purposes;

H.R. 16027. An act making appropriations for the Department of the Interior and related agencies for the fiscal year ending June 30, 1975, and for other purposes; and

H.J. Res. 1105. Joint resolution designating August 26, 1974, as "Woman's Equality Day."

## SENATE ENROLLED BILLS AND JOINT RESOLUTIONS SIGNED

The SPEAKER announced his signature to an enrolled bill and joint resolutions of the Senate of the following titles:

S. 3919. An act to authorize the establishment of a Council on Wage and Price Stability;

S.J. Res. 66. A joint resolution to authorize the erection of a monument to the dead of the 1st Infantry Division, U.S. Forces in Vietnam;

S.J. Res. 220. A joint resolution to provide for the reappointment of Dr. William A. M. Burden as citizen regent of the Board of Regents of the Smithsonian Institution;

S.J. Res. 221. A joint resolution to provide for the reappointment of Dr. Caryl P. Haskins as citizen regent of the Board of Regents of the Smithsonian Institution; and

S.J. Res. 222. A joint resolution to provide for the appointment of Dr. Murray Gell-Mann as citizen regent of the Board of Regents of the Smithsonian Institution.

## ADJOURNMENT

Mr. GINN. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 8 o'clock and 47 minutes p.m.) the House adjourned until tomorrow, Thursday, August 22, 1974, at 12 o'clock noon.

## EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

2676. A letter from the Commissioner of the District of Columbia, transmitting a report on a study prepared for the D.C. Public Service Commission on the adequacy of service and regulation of the taxicab industry in Washington, pursuant to section 27(b) of Public Law 93-140; to the Committee on the District of Columbia.

2677. A letter from the General Manager, Washington Metropolitan Area Transit Authority, transmitting the second quarterly report of the WMATA's Office of Program Control; to the Committe on the District of Columbia.

2678. A letter from the Assistant Secretary of State for Congressional Relations, transmitting notice of the intention of the Department of State to consent to a request by the Government of Saudi Arabia for permission to transfer certain aircraft and spare parts to a friendly government in the Middle East, pursuant to section 3(a) of the Foreign Military Sales Act, as amended, and section 505(e) of the Foreign Assistance Act of 1961, as amended [22 U.S.C. 2753(a)(2); 22 U.S.C. 2314(e)]; to the Committee on Foreign Affairs.

2679. A letter from the Secretary of Transportation, transmitting the annual report on the financial condition of the Central Railroad Co. of New Jersey, pursuant to section 10 of the Emergency Rail Services Act of 1970 (Public Law 91-663); to the Committee on Interstate and Foreign Commerce.

## REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. POAGE: Committee on Agriculture. H.R. 15263. A bill to establish improved programs for the benefit of producers and consumers of rice; with amendment (Rept. No. 93-1309). Referred to the Committee of the Whole House on the State of the Union.

Mr. BOLAND: Committee of conference. Conference report on H.R. 15572 (Rept. No. 93-1310). Ordered to be printed.

## PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. ASHBROOK:

H.R. 16502. A bill to direct every agency of the Federal Government to include an economic impact statement in every recommendation or report on proposals for legislation and other Federal actions which have a significant impact on the national economy; to the Committee on Government Operations.

By Mr. BAKER (for himself, Mr. OBEY, Mr. ANDREWS of North Carolina, Mr. DELLUMS, Mr. DULSKI, Mr. FULTON, Mr. GILMAN, Mr. HILLIS, Mr. MANN, Mr. MCKINNEY, Mr. PARRIS, Mr. SARASIN, Mr. STEELE, Mr. WON PAT, and Mr. YOUNG of Illinois):

H.R. 16503. A bill to further the purposes of the Wilderness Act by designating certain lands for inclusion in the National Wilderness Preservation System, to provide for study of certain additional lands for such inclusion, and for other purposes; to the Committee on Interior and Insular Affairs.

By Mr. CASEY of Texas:

H.R. 16504. A bill to amend the Flood Disaster Protection Act of 1973 to permit banks, savings and loan associations, and similar institutions to lend funds secured by real estate not insured under the provisions of the National Flood Insurance Act of 1968; to the Committee on Banking and Currency.

By Mr. CLEVELAND (for himself, Mr. WRIGHT, Mr. ABDNOR, Mr. FORSYTHE, Mr. GUNTER, Mr. HOSMER, Mr. MCKAY, Mr. QUIE, Mr. REGULA, Mr. RIEGLE, Mr. ST GERMAIN, Mr. SHRIVER, Mr. SNYDER, Mr. WALSH, Mr. WYMAN, and Mr. ZION):

H.R. 16505. A bill to amend title II of the Federal Water Pollution Control Act to provide for State certification; to the Committee on Public Works.

By Mr. GROVER:

H.R. 16506. A bill to amend the act entitled "An Act to establish the Fire Island National Seashore, and for other purposes," approved September 11, 1964 (73 Stat. 928); to the Committee on Interior and Insular Affairs.

By Mr. HALEY (for himself and Mr. WOLFF):

H.R. 16507. A bill to further the purposes of the Wilderness Act by designating certain lands for inclusion in the National Wilderness Preservation System, to provide for study of certain additional lands for such inclusion, and for other purposes; to the Committee on Interior and Insular Affairs.

By Mr. HUDNUT:

H.R. 16508. A bill to amend title 18 of the United States Code to increase the penalties for persons convicted of committing a felony with or while unlawfully carrying a firearm; to the Committee on the Judiciary.

By Mr. KOCH:

H.R. 16509. A bill to amend the National Housing Act to provide Federal insured financing on resale of cooperative dwellings; to the Committee on Banking and Currency.

By Mr. MACDONALD:

H.R. 16510. A bill to provide for the protection of franchised dealers of petroleum products; to the Committee on Interstate and Foreign Commerce.

By Mr. MURTHA:

H.R. 16511. A bill to amend the Federal Coal Mine Health and Safety Act of 1969; to the Committee on Education and Labor.

By Mr. REES:

H.R. 16512. A bill to amend the National Labor Relations Act to provide that the duty to bargain collectively includes bargaining with respect to retirement benefits for retired employers; to the Committee on Education and Labor.

By Mr. SEBELIUS:

H.R. 16513. A bill to amend the Internal Revenue Code of 1954 to provide income tax simplification, reform, and relief for small business; to the Committee on Ways and Means.

H.R. 16514. A bill to amend title II of the Social Security Act to increase to $7,500 the amount of outside earnings which (subject to further increases under the automatic adjustment provisions) is permitted each year without any deductions from benefits thereunder; to the Committee on Ways and Means.

By Mr. SHIPLEY:

H.R. 16515. A bill to amend the Internal Revenue Code of 1954 to increase the exemption for purposes of the Federal estate tax, to increase the estate tax marital deduction, and to provide an alternate method of valuing certain real property for estate tax purposes; to the Committee on Ways and Means.

By Mr. TIERNAN (for himself, Mr. REUSS, Mr. GIBBONS, Mr. ADDABBO, Mr. BADILLO, Mr. BENITEZ, Mr. BINGHAM, Mr. BROWN of California, Mr. CLEVELAND, Mr. CONYERS, Mr. DINGELL, Mr. DRINAN, Mr. EILBERG, Mr. ESCH, Mr. FASCELL, Mr. FORD, Mr. FRASER, Mr. HELSTOSKI, Mr. HICKS, and Mr. ICHORD):

H.R. 16516. A bill to establish an independent commission to administer the Internal Revenue laws; to the Committee on Ways and Means.

By Mr. TIERNAN (for himself, Mr. REUSS, Mr. GIBBONS, Mr. KARTH, Mr. LUKEN, Mr. NEDZI, Mr. NIX, Mr. O'HARA, Mr. PEPPER, Mr. RIEGLE, Mr. ROE, Mr. ROSENTHAL, Mr. ROYBAL, Mr. ST GERMAIN, Mrs. SCHROEDER, Mr. SEIBERLING, Mr. STARK, Mr. SYMINGTON, Mr. CHARLES WILSON of Texas, and Mr. YATES):

H.R. 16517. A bill to establish an independent commission to administer the Internal Revenue laws; to the Committee on Ways and Means.

By Mr. VEYSEY:

H.R. 16518. A bill to authorize the Secretary of Agriculture to review as to its suitability for preservation as wilderness the area commonly known as the Sheep Mountain Area in the State of California; to the Committee on Interior and Insular Affairs.

By Mr. BOB WILSON (for himself, Mr. TAYLOR of North Carolina, Mr. SCHERLE, and Mr. TOWELL of Nevada):

H.R. 16519. A bill to authorize recomputation at age 60 of the retired pay of members and former members of the uniformed services whose retired pay is computed on the basis of pay scales in effect prior to January 1, 1972, and for other purposes; to the Committee on Armed Services.

By Mr. BOB WILSON (for himself and Mr. BENNETT):

H.R. 16520. A bill to prohibit any change in the status of any member of the uniformed services who is in a missing status under chapter 10 of title 37, United States Code, until the provisions of the Paris Peace Accord of January 27, 1973, have been fully complied with, and for other purposes; to the Committee on Armed Services.

By Mr. DU PONT (for himself and Mr. HEINZ):

H.R. 16521. A bill to insure that each admission to the service academies shall be made without regard to a candidate's sex, race, color, or religious beliefs; to the Committee on Armed Services.

By Mr. HARRINGTON (for himself, Mr. ASPIN, Mr. TIERNAN, Mr. BOLAND, Mr. MOAKLEY, Mr. FRASER, Ms. ABZUG, Mr. CULVER, Mr. BURKE of Massachusetts, and Mr. HOGAN):

H.R. 16522. A bill to amend the Internal Revenue Code of 1954 to provide for a tax on the transportation of property by rail, motor vehicle, or water; to the Committee on Ways and Means.

H.R. 16523. A bill to designate a national network of essential rail lines; to create a nonprofit corporation to acquire and maintain rail lines; to require minimum standards of maintenance for rail lines; to provide financial assistance to such corporation and to the States for rehabilitation of rail lines; and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. LEHMAN:

H.R. 16524. A bill to amend subchapter IV of chapter 5 of title 13, United States Code, to provide for the development of certain estimates of population in 1975 and every intercensal year thereafter, and for other purposes; to the Committee on Post Office and Civil Service.

By Mr. LITTON (for himself, Mr. HUNGATE, Mr. SANDMAN, Mr. SARASIN, Mr. MCSPADDEN, Mr. MOAKLEY, Mr. MCFALL, Mr. DINGELL, Mr. O'HARA, Mr. BROOMFIELD, Mr. REID, Mr. MAZZOLI, Mr. HALEY, Mr. HAYS, Mr. WHITEHURST, Mr. FORD, Mr. MOLLOHAN, Mr. DOMINICK V. DANIELS, Mr. MATSUNAGA, Mr. SMITH of Iowa, Mr. CAREY of New York, Mr. MEEDS, Mr. MURPHY of New York, Mr. TRAXLER, and Mr. STOKES):

H.R. 16525. A bill to provide for protection of franchised dealers in petroleum products; to the Committee on Interstate and Foreign Commerce.

By Mr. LITTON (for himself, Mr. BUTLER, Mr. MURPHY of Illinois, Mr. STUDDS, Mr. SARBANES, Mr. ROBISON of New York, Mr. ROONEY of Pennsylvania, Mr. HANNA, Mr. WOLFF, Mr. YOUNG of Georgia, Mr. BRECKINRIDGE, and Mr. PIKE):

H.R. 16526. A bill to provide for protection of franchised dealers in petroleum products; to the Committee on Interstate and Foreign Commerce.

By Mr. LITTON (for himself, Mr. PETTIS, Mr. TREEN, Mr. SYMINGTON, Mr. MCKINNEY, Mr. RONCALLO of New York, Mr. HINSHAW, and Ms. SCHROEDER):

H.R. 16527. A bill to amend the Internal Revenue Code of 1954 to restrict the authority for inspection of tax returns and the disclosure of information contained therein, and for other purposes; to the Committee on Ways and Means.

By Mr. RANDALL (for himself, Mrs. BURKE of California, Mr. CARNEY of Ohio, and Miss HOLTZMAN):

H.R. 16528. A bill to establish the Harry S. Truman memorial scholarships, and for other purposes; to the Committee on Education and Labor.

By Mr. SHIPLEY:

H.R. 16529. A bill to amend the Controlled Substances Act to provide a penalty for the robbery of a controlled substance from a pharmacy; to the Committee on Interstate and Foreign Commerce.

By Mr. STRATTON:

H.R. 16530. A bill to amend title 5, United States Code, to provide for additional creditable service, for purposes of retirement, for certain employees of the Post Office Department; to the Committee on Post Office and Civil Service.

By Mr. TIERNAN:

H.R. 16531. A bill to amend the Economic Opportunity Act of 1964 to provide for a national program for the elderly and poor to be known as Project Fuel; to the Committee on Education and Labor.

By Mr. KETCHUM (for himself and Mr. LAGOMARSINO):

H.R. 16532. A bill to provide for the establishment of a National Voluntary Medical and Hospital Services Insurance Act; to the Committee on Ways and Means.

By Mr. BRADEMAS (for himself, Mr. KYROS, Mr. YATRON, Mr. SARBANES, Mr. BAFALIS, and Miss HOLTZMAN):

H. Con. Res. 613. Concurrent resolution expressing the sense of Congress regarding the withdrawal of foreign troops from the Republic of Cyprus; to the Committee on Foreign Affairs.

By Mr. DU PONT (for himself, Mr. ROSE, Ms. ABZUG, Mr. THOMPSON of New Jersey, and Mr. PRITCHARD):

H. Con. Res. 614. Concurrent resolution to express congressional support of the United Nations sponsored World Food Conference and World Population Conference taking place this year; to the Committee on Foreign Affairs.

By Mrs. GRASSO:

H. Con. Res. 615. Concurrent resolution expressing the sense of the Congress that the President, acting through the U.S. Ambassador to the United Nations Organization, take such steps as may be necessary to place the question of human rights violations in the Soviet-occupied Ukraine on the agenda of the United Nations Organization; to the Committee on Foreign Affairs.

By Mr. GROVER:

H. Con. Res. 616. Concurrent resolution calling for the removal of all foreign forces from Cyprus; to the Committee on Foreign Affairs.

By Mr. SANDMAN:

H. Con. Res. 617. Concurrent resolution expressing the sense of Congress regarding the withdrawal of foreign troops from the Republic of Cyprus; to the Committee on Foreign Affairs.

By Mr. HUBER:

H. Con. Res. 618. Concurrent resolution to provide an opportunity for an orderly and cohesive policy toward reducing the rate of inflation; to the Committee on Government Operations.

By Mr. BRADEMAS (for himself, Mr. KYROS, Mr. YATRON, Mr. SARBANES, Mr. BAFALIS, Mr. MEEDS, Mr. OWENS, Mr. ROGERS, and Mr. MOAKLEY):

H. Res. 1338. Resolution expressing the sense of the House regarding the halt of U.S. economic and military assistance to Turkey until all Turkish Armed Forces have been withdrawn from Cyprus; to the Committee on Foreign Affairs.

By Mr. LITTON (for himself, Mr. NICHOLS, Mr. TIERNAN, Mr. MATHIAS of California, Mr. SYMINGTON, Mr. MANN, Mr. MATSUNAGA, Mrs. GRASSO, Mr. PREYER, Mr. ABDNOR, Miss HOLTZMAN, Mr. WON PAT, Mr. MURTHA, Mr. DERWINSKI, Mr. JOHNSON of Pennsylvania, Mr. BEVILL, Mr. KEMP, Mr. MURPHY of New York, Mr. EILBERG, Mr. MCSPADDEN, Mr. BROWN of California, Mr. TRAXLER, Mr. O'HARA, Mr. HAMILTON, and Mr. PEYSER):

H. Res. 1339. Resolution expressing the sense of the House of Representatives concerning the need for immediate and substantial public investments in agriculture research and technology for the express purpose of increasing food production; to the Committee on Agriculture.

By Mr. SANDMAN:

H. Res. 1340. Resolution expressing the sense of the House regarding the halt of U.S. economic and military assistance to Turkey until all Turkish Armed Forces have been withdrawn from Cyprus; to the Committee on Foreign Affairs.

# EXTENSIONS OF REMARKS

## OPENING OF THE WILLIAM SANDERS MEMORIAL RANGE AND POLICE TRAINING AREA

### HON. EARL F. LANDGREBE

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, August 20, 1974*

Mr. LANDGREBE. Mr. Speaker, police apprehending a fleeing armed criminal must make a dread decision: Whether to shoot the dangerous criminal who may jeopardize the life of anyone in his way but risk injury to innocent people from stray police bullets, or whether to let the criminal flee.

Fortunately, police rarely need to make that sort of decision. However, when that dread moment comes, the five police agencies serving the greater Lafayette area will be better trained to handle the situation.

In September 1969, the Lafayette, West Lafayette, Purdue, Tippecanoe County, and Indiana State police departments began pooling their ingenuity and resources to build a firing range-training grounds area for their private use. Sgt. Tom Taylor, of the Lafayette police force spearheaded a group of men who made up the local police pistol combat team who decided to find out and build a new police firing and training range. After raising over $84,000 in materials the manpower from local businessmen and others interested in the project, the facility was opened on July 27.

The William Sanders Memorial Range and Police Training Area was dedicated on July 27 in a ceremony attended by the mayors of Lafayette, West Lafayette, and chiefs of police from the five agencies who helped build the facility. The shot which opened the firing range was fired by Mrs. William Sanders, widow of the benefactor who agreed to lease the ground to the policy group for $1 a year. It was during this ceremony that I presented the range committee with a U.S. flag that had flown over the U.S. Capitol in the name of the training area.

The range and training area will be used by the five major law enforcement agencies responsible for the joint venture: Lafayette, West Lafayette, Purdue, and Tippecanoe County police departments and the Indiana State Police. Other agencies that will make use of the range are the FBI, the Indiana Excise Department, the State department of natural resources—conservation department—Norfolk and Western and L. & N. Railroad detectives and police reserve units. A total of 300 officers are expected to use the range. The range is administered by a committee of 10 with 2 members from each of the five major agencies.

Sgt. Thomas M. Taylor, Lafayette Police Department is president of the committee. Others include: James Sell, Ward Frey, Donald Rutter, Larry Bateman, Ted Oswalt, Harry Martin, Michael Taylor, John Masterson, and Bruce Airhart.

The range and training ground is in an abandoned gravel pit 40 feet below road level which has been partially leveled off for its new use. On the grounds are 20 firing points with markers at 7, 25, 50, and 100 yards, a lookout tower and gatehouse. Future plans include a riot training area, a Marine Corps obstacle course, paved road, office facilities, and 30 more firing points.

"This old gravel pit is ideal for a firing range," explained Sgt. Tom Taylor, who was instrumental in creating the training ground. "Stray bullets bury themselves into the banks and it is located so the extra noise and traffic we generate won't bother anyone."

Amazingly enough, in these days of increasing demands on tax dollars, the only cost to the taxpayer for this well-planned facility has been $1 per year to lease the 10½ acres. The other costs were assumed through donations of money, labor, and material from a large number of local businesses and individuals.

Sergeant Taylor explained:

All this would not be possible without the help of interested individuals and businesses in the community.

Sergeant Taylor went on to say that the reason that the group had been so successful in raising public support was that he had explained to them, "how everyone in this community will benefit from a better trained police force." He said that the need for a better trained police force was increasing:

Like everywhere else in the country, armed robberies, drug traffic and other crimes are up. I think that the fact that our area is sandwiched between Chicago and Indianapolis, now that Interstate 65 is opened, has a big influence on crime in this area.

The firing range and training ground will enable the local police forces to be trained more adequately than in the past.

Sergeant Taylor and other members of the local police pistol team spearheaded the movement to establish the new range and training area. The team from a relatively small community like Lafayette has competed successfully against the top pistol teams in the country. They placed first in the White House Invitational Combat Match and have gone on to win matches in Boston; Winter Haven, Florida; Columbus, Ohio; and class awards in the National Pistol Championships. After the group lost their old training ground Sergeant Taylor and Thomas "Sherlock Holmes" Sell decided to set up a new range. At that time there were no academies for new policemen to attend and officers were given little or no training in the use of guns. The result of their efforts is the new range open for the use of policemen from all local departments.

These men are to be commended on their initiative.

## THE HOUSE JUDICIARY COMMITTEE AND IMPEACHMENT

### HON. LEE H. HAMILTON

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, August 20, 1974*

Mr. HAMILTON. Mr. Speaker, under the leave to extend my remarks in the RECORD, I include my Washington Report entitled "The House Judiciary Committee," which was written prior to President Nixon's resignation:

THE HOUSE JUDICIARY COMMITTEE AND IMPEACHMENT

For the first time since 1868, and only the second time in American history, a committee of the House of Representatives has recommended the impeachment of the President. This historic action of the House Judiciary Committee captivated the attention of Americans as they watched the proceedings on nationwide television.

The consensus in Washington is that the House Judiciary Committee's six days of meetings were marked by the dignity and responsibility that the occasion demanded. There were mistakes, of course, but, all in all, the Judiciary Committee's performance was reassuring no matter how one felt about the final result. The Committee helped restore confidence in the political process, especially the United States Congress, and deepened our understanding of the Constitution.

The members of the Judiciary Committee spoke with intelligence, debated with spirit, demonstrated their anguish and conducted themselves sensibly and conscientiously. These members of diverse views and personalities rose splendidly to the high occasion and proved that the House can act responsibly as it tackles perhaps the most difficult assignment in the practice of self-government. The televised sessions of the Judiciary Committee served to contradict the charges that the committee is a kangaroo court or a lynching party.

The performance of individual members of the Committee was impressive. They were articulate, low-key, moderate, and frequently eloquent. They were able men and women, not engaged in a partisan plot, but obviously struggling with an unpleasant, even sad, duty.

The Committee debate, which gave Americans an extraordinary view of a congressional committee at work, was alternately inspiring and tiresome. It illustrated the characteristic wrangling of the legislative process over words, procedures and politics. After the high-blown rhetoric of each Committee member's opening statement, the Committee debate refined the issue of impeachment. The charges relating to impoundment of funds, the secret bombing of Cambodia, campaign funds, tax deficiencies, and improvements on San Clemente faded, and the issues of abuse of presidential power and the coverup of Watergate misconduct emerged as the crucial issues. The articles of impeachment, as finally adopted by the Judiciary Committee, contain the central charges.

Broad areas of agreement surfaced during the Committee debate. With a few exceptions, the members accepted the standard that only "grave offenses" of a kind "definitely incompatible" with the Constitution, whether criminal or not, would justify the

removal of a President. The Committee members also agreed that the evidence must be "clear and convincing," a tougher standard of proof than "probable cause," but not so rigid as a jury verdict in a criminal case that requires an individual to be found guilty "beyond all reasonable doubt."

Moving through unchartered territory, members of the Committee divided on fundamental questions. What is the definition of "high crimes and misdemeanors," specified in the Constitution as the basis of impeachment? Did the evidence show that the President had committed an impeachable offense? Will removing President Nixon from office be good or bad for the country? The opponents of impeachment demanded specific facts to support the charges, and the pro-impeachment Congressmen, after a slow initial response, elaborated at length the facts they believe support impeachment. Opponents of impeachment, seeking to divide the proponents, complained about the lack of direct evidence against the President and the piling of "inference upon inference" to build a case against the President. Pro-impeachment Committee members had avoided specific points of evidence in their early statements, but as the debate wore on they elaborated specific points to support impeachment. Working to unify their forces, they reworded the articles of impeachment to broaden support for them.

It is important that Americans have respect for the impeachment proceedings. Through television they can judge for themselves whether these proceedings are being conducted seriously and fairly. Many Congressmen have been fearful of televising any part of the impeachment proceedings, but after the televising of the Committee proceedings this past week, most Congressmen now recognize that television performed an important civic function, and it is reasonable to expect the House to vote soon to have the full House impeachment proceedings televised. Television can assure that the greatest possible number of Americans understand the how and why of the impeachment proceedings.

As a result of the Committee action, the momentum toward impeachment has significantly strengthened. The minority leader has urged the President to take his case on national television as the only step that can save him. Officially, close associates of the President were expressing confidence that the President would avoid impeachment, but the reality of the events of the week was breaking through to them, and they were obviously deeply concerned about the President's future. The leaders of the Senate began gearing up for the trial of the President and guesses about the margin of the vote by which the House will approve impeachment kept increasing.

## ANIMAL HEALTH RESEARCH--AN ABUSE OF DISCRETION

### HON. ROBERT L. LEGGETT

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, August 20, 1974*

Mr. LEGGETT. Mr. Speaker, there is no question that inflation is our and the world's No. 1 problem. With a problem of such magnitude, however, we must remain level-headed in pursuing other national burdens. We must not sacrifice those programs that can contribute to our national health and welfare as well as significantly assist in reducing the outrageous inflationary spiral we live in today, under the belief that not having the program at all will be more of a help in alleviating the taxpayer's financial burdens.

I, therefore, am disappointed and opposed to President Ford's recent veto of H.R. 11873, the act authorizing the Secretary of Agriculture to encourage and assist States in carrying out programs of animal health research. I am concerned that our President's fight against inflation may be more detrimental to our well-being and, in fact, his priorities may add to, rather than reduce, the cost of living rate.

For the month of July, food prices increased at the almost unprecedented rate of 3.4 percent. Promises of reducing inflation from the infamous double digit rate of 12 to 14 percent, to 6 to 8 percent are now pale and disappear in the light of the economic reality we face. Our Nation's food supply and that of the world's is diminishing rapidly. Drought is not only a problem isolated in the vastness of Africa, but in our own Midwest. It is anticipated that beef prices will skyrocket in the next few months because of the shortness of grain due to the drought.

Many educational and research institutions in our country have made priceless contributions in insuring that we are able to live healthier, improve our food production capabilities, and enjoy an abundance of other goods and services unprecedented in the world. Now is not the time, however, to curb efforts contributing to the improvement of our national health and welfare. It is, in fact, of the utmost urgency that we invest in all available means to improve the quality and quantity of food products in order to reduce inflation at home and meaningfully contribute to the world's needs as well.

In the President's veto message, Mr. Ford cited that the $47 million would establish programs which would overlap those already operating in the areas of fish and shellfish control. In closer examination of the bill, however, fish and shellfish programs are minor portions of what the bill would accomplish. Of more critical importance is research into such high cost areas as livestock and poultry, and health research for greater animal yield and for the health potection of humans.

There exist no substantial programs to deal with animal health care at this time. I would like to stress here, that animal disease is in no small part responsible for the 25-percent increase in food prices last year and for a comparable increase for this year. The estimated loss of livestock and poultry due to animal disease alone is $3 billion annually or 10 percent of the total value of U.S. livestock. According to Doctors Leo Bustao and James Henson of Washington State University, animal disease and parasite problems have not appreciably improved in the last 20 years.

In addition, one of the most reknown institutions of animal research, the University of California at Davis, has been a strong advocate of this legislation in order to more effectively carry out animal research. The measure is not superfluous, but will add greatly to the improved quality of our animal and sea life production.

A basic economic principle that we should keep in mind establishing Federal spending priorities, under an inflationary period, is to invest in those areas that can have a comparable economic return to the public. Such a prudent policy can help to avoid large displacements of public funds which have contributed to a higher cost of living and an increased Government deficit. The animal health research bill would be one such economically sound expenditure of funds, which I would consider, as a member of the House Budget Committee and an ardent critic of the Federal deficit, to be both an appropriate and necessary measure for the Congress to adopt.

One bill headed for the President's desk that is not economically sound, and calls for an expenditure of funds much greater than the animal health research bill, is the Defense appropriation bill. One program under the latter's $80 billion budget is an expenditure of $130 million for the Safeguard phase-down program. Because of the SALT agreements and the outdateness of the system, we have approved over three times as much money as the animal health research programs would spend, on a system which we will be scrapping. It is a gross expenditure of the taxpayers' funds to a commodity which will never be used.

I would like to encourage the President to do everything in his power to see that such an inflationary and useless expenditure of funds is not part of the final Defense appropriation bill. It will truly be a significant step to combat our Nation's No. 1 problem, inflation.

I would like to impress upon the Congress to reassert its nearly unanimous support position for the Animal Health Research Act. As a needed health measure and as an effective tool to fight inflation, by reducing food prices, the act is worthy of our continued support and implementation as law.

Through these difficult economic times, let us not abandon worthwhile programs at the expense of expediency or shortsightedness. When we think of our national defense, let us include, predominantly, our national health and welfare.

## "PASMA FUSION-OPPOSED RING STORAGE"—LETTER TO THE EDITOR

### HON. JOEL T. BROYHILL

OF VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. BROYHILL of Virginia. Mr. Speaker, at the request of Mr. John W. Ecklin of Arlington, Va., and under leave to extend my remarks, I would like to insert the following letter to the editor,

regarding "Pasma Fusion-Opposed Ring Storage," into the RECORD, so that all atomic researchers can be informed:

ARLINGTON, VA.,
*July 24, 1974.*

Mr. JOHN JACOBS,
*Editor, the Rosslyn Review.*
*Arlington, Va.*
*Letter to the Editor:*

Up to the present time fusion research may be too intimately associated with plasma as there is no proof we require electrons for fusion. Plasma—consists entirely of electrically charged particles, i.e., electrons or nuclei. Pasma—dense, uniformly high speed positive nuclei. (No electrons.)

Electrons in a plasma are 1800 times lighter than even the lightest nuclei and hence easily attain relativistic speeds while the nuclei still have very low energies or speeds. Electrons and nuclei both have equal but opposite charges even though there is an 1800 to 1 difference in their mass. As a result the electrons get out of step with the nuclei in our various containment schemes. This causes plasma instabilities as the electrons madly dart about out of step with the nuclei and the electrons high speed and low mass makes them difficult to detect let alone correct and still contain the nuclei.

Besides these containment instabilities why get electrons out of our plasma? Because a stream or beam of moving charged particles tend to pinch themselves. This pinch effect works best when there are no oppositely charged particles and when all like charged particles travel at nearly the same speeds.

For fusion, nuclei need only get enough speed so their momentum overcomes their mutual repulsion barrier and they fuse. This occurs at 1 billion degrees centigrade or .1 MeV. Think of it, a power supply with only four times the voltage of the high voltage supply in a TV set can accelerate nuclei to an equivalent temperature of 1 billion degrees centigrade.

A close evaluation of the majority of accelerators reveals a very important fact—the nuclei are accelerated for .1 percent of the time and for the remaining 99.9 percent of the time these nuclei simply coast in a vacuum. This coasting ability deserves much more attention and is of primal significance since it is difficult to generate a beam of .1MeV nuclei with sufficient density to provide enough collisions for a fusion trigger.

Using 2 hollow donut shaped storage rings 2 ft. in diameter we can store .1MeV nuclei by coasting until we get enough density for a trigger. We can then direct the nuclei from one ring into the other where the now dense nuclei bore through each other from opposite directions and trigger a sustained reaction. ((It is possible to have 2 storage rings in the same donut with nuclei travelling in opposite directions. By merely decreasing magnetic strength or electrical voltage, the opposite beams then travel through the same space and bore through each other.) We could split 1 beam or have 2 fuels in 2 beams.)

Not only is very little power required to generate .1MeV nuclei but very little power (magnetic or electric) is required to contain pasma. There is nothing sacred about electrons in our plasma.

Sincerely,

JOHN W. ECKLIN.

## ANNIVERSARY OF CZECH INVASION

### HON. RICHARD S. SCHWEIKER

OF PENNSYLVANIA

IN THE SENATE OF THE UNITED STATES

*Wednesday, August 21, 1974*

Mr. SCHWEIKER. Mr. President, August 21 marks the sixth anniversary of the invasion of Czechoslovakia.

It is an occasion when men and women throughout the free world recommit themselves to the struggle of the Czechs and Slovaks for religious, cultural, and political freedom.

As one who is privileged to represent thousands of Pennsylvanians of Czech and Slovak descent, who over the generations have made great contributions to our Nation, I am proud to lend my voice to those commemorating August 21.

The memory of the Soviet Day of Shame lives in the hearts of freedom-loving people.

## A LIFE OF SERVICE

### HON. FRANK HORTON

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. HORTON. Mr. Speaker, in this period of troubled times, when so many people seem concerned only with themselves, it is refreshing to witness what can be accomplished by one person's complete unselfishness.

An outstanding example is the work of Mrs. Mary Pulvino Cariola of Rochester, N.Y., who saw a need and proceeded to fill that need. Even at an early age, she acted as interpreter for Italian-speaking parents in a neighborhood settlement house. She spent 18 years rehabilitating families with the Society for the Prevention of Cruelty to Children.

She was one of the founders of the local unit of the Cerebral Palsy Association where, while holding down administrative positions, she was also serving as a volunteer social worker until funds were available to hire a paid social worker.

In 1949, Mrs. Cariola noticed there was no training available for those who suffered the double handicap of mental retardation and physical disability. Although most people felt these special children could not profit from training, she founded what is now the Day Care Training Center for Handicapped Children. Beginning with a class of eight in one borrowed room, it has since served more than 700 children, many of whom have gone on to special classes within the area's public school system.

Because of public interest stimulated through the Day Care Training Center, there are now recreation programs for teenagers and young adults, as well as a mental retardation clinic, among other programs.

As a result of her campaigning for legislation to help the mentally retarded, public school classes are now conducted for the benefit of the trainable retarded.

Although Mrs. Cariola was forced to leave school at the age of 13 because of financial difficulties, she later finished high school through attendance of evening classes and private tutoring. She went on to take supplementary courses which enabled her to be of even greater aid to those whom she served.

It is with gratification of Mrs. Cariola's over 50 years of service to others, that I bring her efforts to the attention of my colleagues.

## BRIEFING BY MORTON I. SOSLAND

### HON. THOMAS F. EAGLETON

OF MISSOURI

IN THE SENATE OF THE UNITED STATES

*Wednesday, August 21, 1974*

Mr. EAGLETON. Mr. President, I was privileged today to host a luncheon for the purpose of hearing from Morton I. Sosland of Kansas City, publisher of the Milling & Baking News and one of the most important agrarian economists in our Nation. Several of my fellow Senators had the privilege of hearing Morton Sosland. His knowledge is so impressive that I would like to have his remarks printed in the RECORD so that all Senators can have the benefit of his thoughts. In addition, to further elaborate on Mr. Sosland's qualifications, I ask unanimous consent that following his remarks, an article from the Wall Street Journal of Wednesday, December 12, 1973, be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

DEMOCRATIC SENATORS' MIDWEST CAUCUS

(By Morton I. Sosland)

After two years of rapidly moving grain markets, gradually broadening public awareness of how the world food situation has changed and wildly conflicting economic and political assessments of what happened and what may lie ahead, many of us most intimately involved have become alarmed over the institutionalization of errors in judgment. Heard with increasing frequency are statements that are not designed to fill the real need of explaining to the public how the world food picture has changed, why it changed and where it is likely to go. Many people still do not understand why the current world scene is so much different from anything the past prepared us for. Many of the opinions expressed seem to be designed either to explain away serious mistakes in judgment by government or to force moves in new directions equally without merit.

The most bothersome assumptions for me concern three issues—(1) this country's and the world's ability to increase food production ad infinitum from current levels; (2) the role of price in the marketplace, and (3) judgment as to what constitutes something called the world market. A number of perceptions are being made in reference to these three points that are basically wrong. The specter thus is raised of policy decisions that may accentuate what already is a threatening situation.

It might be advisable at this point to spell out my own credentials for discussing these matters. In early February of 1973, I made a talk in Minneapolis, which in turn became the lead article in the financial section of the Sunday New York Times, declaring our belief that "the days of cheap food may be over." The central view was that the U.S.S.R.'s massive purchases of food had signalled a change in the world food supply-demand situation—note I say "signalled," not "caused"—that meant that no longer would it be possible for consumers to buy food at levels lower than the law of supply and demand alone would dictate. The point of that address was that food prices for a number of decades prior to mid 1972 had been lower than otherwise would have been the case without government farm price support programs, that these programs themselves were more of a subsidy to consumers than to farmers and that the level of demand had increased around the world to the point where the prices that prevailed prior to mid 1972 would probably never be experienced again.

My ability as a price forecaster, looking back and rereading that paper, is not very good. In February, 1973, while stating that prices probably would not return to the pre-1972 level, I expressed doubt that the market then prevailing could be sustained for any long period of time. By way of reference, using the f.o.b. Gulf price for hard winter wheat, let me point out that that market on the day of my talk was $90 per metric ton, up what seemed a whooping 50% from the July 1972, level or around $60; that the price a year later in February, 1974, had soared to the all-time high of $245 per ton and that the market is currently around $180 per ton.

While my price forecasting skills leave a great deal to be desired, other aspects of that discussion of the end of the era of cheap food have gained major credibility as the months have passed by. One of the main theses of that discussion was that the U.S.S.R. buying was a very major economic event, not just for itself, but much more importantly for the shock-wave it sent around the world directly influencing food buying policies of nations on every continent. My thought is that if the Soviet Union, a police state, found it necessary to spend more than $1 billion for American food grains, then every other government of the world could see itself at peril by failing to respond to their people's food wants. Thus, in the wake of the Soviet buying a whole new standard of eating emerged. Also the U.S.S.R.'s massive purchases coincided with a period when income levels in many developing countries were just beginning to increase. Every dollar of additional income in these nations is immediately translated into spending on food.

Having perceived more than two years ago the extent of this significant change in the attitudes of governments toward food—that no longer would bread rationing and food shortages be an acceptable alternative in years of short domestic crops—I have now begun to wonder as to the permanency of that change. My doubts stem from what happened to food and petroleum prices in recent months. Now, I must ask, are we likely to run headlong into new and unexpected forces as represented by income elasticity of demand for grain and grain-based foods? Past history had indicated that in most of the world there was no repercussion on wheat demand from changes in prices. Our knowledge of the effect of prices at these levels on feed use is abysmally lacking. The historical record was made in a period when prices were hardly a third of current levels. There are individual country examples extant right now which indicate that wheat consumption as food—where price impact had not been observed in the past—is being reduced. The result is a beautiful economics lesson in how price is the most effective rationer of all; the question is whether this is a morally valid or politically satisfactory solution?

My worries in the price arena go beyond these moral or political questionings to wonder whether, from the long-range view of American agriculture and of foreign trade, we are doing the wisest thing to allow prices to effect a curtailment in consumption of grain-based foods by millions and millions of people around the world. After all, it took many years of market development and of improvements in standards of living to bring those nations and governments to the point where the availability of grain-based foods at a reasonable price stimulated the adoption of policies that encouraged our exporting goals.

We must confront the issue of whether wheat and corn at current levels, with their very direct impact on the ability of not only American consumers but of people around the world to eat bread and other grain-derived foods, may somehow cause dislocation and even revision in long-term demand trends. Along that very line, recent projections indicate that world wheat consumption in the 1974–75 crop year, will decline 4 million tons, marking the first setback in about two decades. I cannot help but wonder whether it may not be wisest from a long-term market development point of view to do something in a year with such unusual supply-demand stresses as this one to mitigate the consumption-deterring effect of prices. I think all can agree that current prices are just not cheap but are downright expensive and deleterious to long-term growth in markets.

Another of the perceptions that seriously bothers me is reflected in a recent statement by a top U.S. Department of Agriculture official to the effect, "Too many people still believe we can insulate ourselves from the reality of the world market." What disturbs me and must disturb you about this is that the U.S. is literally the only country in the entire world that operates in a market that is allowed to respond to demand and supply forces practically without any interference from government. Let me stress right here and now that the American system is a beautiful thing to behold, but one wonders about its operation in a world where government monopolies to a large extent control both purchasing and marketing of domestic grains. It's all well and good to say that no one should interfere with the impact of the world market on U.S. food. I think one of the things that is most poorly perceived by most Americans is the degree of competition for American food supplies. When a housewife goes to the neighborhood supermarket, she in effect does not recognize she is bidding not only against millions of other food buyers in the U.S., but also against some monolithic governments overseas—some whom may be deterred by price and others who may surprise us by their lack of reaction.

Important to understand here is that in most countries what housewives are able to buy in their grocery stores is largely the result of governmental decision. That is even the case in the European Community, where the operation of Common Agricultural Policy has led to shortages of some commodities and to surpluses of others. The latter either are dumped on dollar buyers in competition with American supplies or are held in storage as a price depressant and as justification for continuation of the variable levy system. In other words, the American consumer is not competing with Mrs. Housewife in Europe or in the U.S.S.R. or in China, but instead is buying against Commission officials in Brussels, Exportkhleb in Moscow and the Chinese Grain Corporation in Peking.

My objection is to the false perception of the world grain market as something akin to the beautiful mechanism existing in America. As we have observed in recent years, arbitrary buying and selling decisions by foreign governments often are made without regard to economics. When this is done a tremendous jolt is sent through the U.S. system, leading to calls for safeguards that could in the long run be more destructive than the problem-causing events themselves. American export policy in a year such as this when the balance between "enough" and "too little" is very narrow cannot afford to be naively based on a false conception of what constitutes the world food market.

The third of the assumptions that bothers me greatly is that somehow American and world food production can be increased over a period of time at a rate equal to prospective demand growth. Let me set out here the fact that we, for a long period of time, have been among those who felt that world food production had nowhere come near to tapping its full potential and that U.S.D.A. projection forecasting surplus production of grain by the 1980's were probably correct. But after three years—1972, 1973 and now 1974—of crops that fell short of both projections and of realistic demand expectations, we have become increasingly concerned that some very serious mistakes in judgment may have been made concerning our grain crop potential.

Along this line, I look at three years of declining wheat yields per acre as a very bothersome trend. I grow tired of hearing the situation for the 1972–73, 1973–74 and now 1974–75 crop years explained away by references to unusually adverse weather. Isn't it about time that someone would say that this is not the case? Is it possible that limitations imposed by rainfall may prevent food production from reaching the optimistic levels in many projections? After all, an increasing number of current studies seem to indicate that the world's weather in recent years has been unusually favorable for crop production and that there really is no reason to anticipate a continuation of these trends for much longer into the future.

A great many things would have to be done differently if governments had to face up to the possibility that assumptions of ever-upward crop production do not have a strong factual base. After all, the green revolution in simplest terms was the development of strains of wheat and rice that do not lodge when tremendous increases in grain yields are obtained by massive doses of both fertilizer and water. All the statistics I have seen confirm the reality of enough of an expansion in world fertilizer production to meet future needs, but there is no way that the moisture essential can be supplied without the cooperation of nature.

I thus far have purposely refrained from population-food consumption statistics. Such numbers by themselves take on such an ominous tone that it becomes almost impossible to visualize how the world food situation is going to evolve without millions starving. We do resist segregating those who look upon the world food situation as pessimist from those who are optimist, preferring instead to be a realist. For instance, I simply don't believe our government would allow millions of people to starve in some kind of last gasp upholding of a market economy that does not exist in reality.

But having said this, I want to conclude with reminders of several basics that often are forgotten. First, the world's population will shortly reach the 4 billion level—it was three and one-half billion at the start of the 1960's—and the total almost certainly will be 7 billion by the end of the present century. One can hardly argue with the view that the world thus far has been unable to rationalize its agricultural potential in order to feed all the world's people an adequate diet. This has not been the case even with ever upward grain production as evidenced by the fact that at least 50% of the present population is suffering from malnutrition and some 600 million people are in the category of acute under-nourishment. In light of recent crop trends already noted, it is most difficult for me to view with any equanimity the almost certain prospect that another 3 billion people will be living on this planet in another 25 years.

The second very basic point to understand is best illustrated by analyzing trends in world wheat consumption, which currently aggregates 340 million metric tons. Wheat consumption has been increasing for the past 15 years at an average annual rate of 3.4%, with that increase almost equally divided between the force of population growth at a rate of 1.6% per year and the remainder accounted for by rising per capita consumption at an average annual rate of 1.8%. The latter gain reflects rising expectations, an inexorable demand for better eating. Yet, severe malnourishment still exists. It now appears that consumption growth attributed to rising per capita use has slowed measureably in the

past several years and will come to a screeching halt in 1974–1975.

To my way of thinking, this is a poorly understood and little appreciated development. At the very least, a trend such as this should prompt a serious assessment of American and world food production and marketing practices. When one really comprehends how very little is known about the ultimate effect of prices at current levels on consumption of foods made directly from grains as well as livestock and poultry, the dangers of the present situation multiply. Another year, on top of the past three, of a production and marketing system that diminishes the amount of food available to each of the nearly 4 billion of us means severe stresses in practically every corner of the globe. The call must go out for new and more realistic perceptions than we have had in recent years. We probably should face up to the need for some serious new thinking about the road we are traveling in trying to feed ourselves and a sizable part of the world.

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MILLING AND BAKING NEWS THRIVES BY EXCLUSIVITY AND SPOTTING TRENDS

(By David P. Garino)

KANSAS CITY, MO.—As trade publications go, Milling & Baking News isn't exactly run-of-the-mill.

It regularly turns away would-be subscribers. It doesn't engage in any unseemly scramble for advertising; until a few years ago, it didn't even hustle it, prospering instead on a steady flow of unsolicited ads. Rather than pack its pages with publicity handouts and canned articles, it develops its own fact-filled stories that alert readers to major trends in their business. In all this, the magazine probably offers a classic lesson in how an honest and aggressive trade publication can make itelf indispensable.

"I've been reading Milling & Baking News for 37 years, and we could hardly run our business without it," says D. L. Barber, group vice president of grain milled products for ConAgra Inc. Says Robert Fanelli, president of Arnold Bakers Inc., Greenwich, Conn.: "I can't imagine any executive in this field not reading it. I'd be doubtful of the capability of anyone who didn't."

The slick-paper, tabloid-size weekly, which costs $12 a year, counts only 5,657 subscribers. But more than 1,000 of them are chief executives or owners of milling and baking firms, and more than 1,100 others are marketing, sales and purchasing executives. Investors and amateur commodities traders sometimes try to subscribe, but they get turned down. Morton I. Sosland, editor and publisher, says the magazine is aimed at "decision makers" in the grain industry rather than "doctors, lawyers and Indian chiefs who are speculators."

MEAT PRICES AND PASTA

Milling & Baking News provides financial news of companies in its industry and regular, highly technical features on developments in the markets for wheat futures, bakery flour and livestock feed. It also has interpretive trend reports like a recent one by Mr. Sosland on how natural-gas shortages are affecting bakery operations.

Another typical trend article is one headed "Outlook Now Favorable for Enrichment Changes." An analysis by the editors concludes that new federal flour-enrichment standards probably will take effect despite the objections of some doctors to increasing the amount of iron in flour, bread and rolls. A story headed "Major Food Consumption Changes Seen" notes, among other things, that high meat prices have helped pasta sales. And a piece titled "World Wheat Use Uptrend Persists" predicts that world-wide wheat consumption will increase for the sixth straight year despite shortages.

"The magazine has in one place all the factors that bear on the price of flour," says Steve Vesecky, a vice president of Campbell Taggart Inc., the big Dallas-based baker. Mr. Vesecky gets one copy at his office, another at home. Subscribers who need information they can't find in the magazine can call its offices in the Board of Trade Building in Kansas City. "Within five minutes they'll have something it would take the Department of Agriculture two weeks to find," an executive says.

Mr. Sosland is on a first-name basis with nearly every top executive in the industry. The executives often ask his advice on mergers, plant expansions and personnel changes. Not long ago, he introduced an acquiring company to a company that wanted to be acquired.

A FAMILY AFFAIR

David Sosland (Morton Sosland's father) and two brothers started the magazine in 1922. It was called the Southwestern Miller until last year. When it started, the field was crowded with at least seven other milling trade-papers and a dozen grain journals that gave some coverage to flour production. Milling & Baking News is the only weekly left in the field today.

Morton Sosland grew up on the magazine. As a teen-ager he ran the addressing machine. He graduated from Harvard in 1946 with a degree in economics, "I got off the train, went straight back to work and have been here ever since," he says.

Morton Sosland's personal interests stretch far beyond the wheat belt. For example, he owns outstanding collections of Mayan and Aztec, North American Indian and primitive African art. Still, he works at the magazine seven days a week, on Sunday limiting himself to a couple of hours in putting the final touches on the week's issue, published on Tuesday. His two uncles, Samuel and Louis, are managing editor and senior editor. His brother, Neil, also is a senior editor. With two other editorial staffers, the Soslands put out a magazine that contains about the same number of words each week as Time.

In return, the editors get salaries that range above $30,000 a year. Outside sources estimate that yearly advertising revenues exceed $700,000, though the amount of profit is a closely guarded secret. Most of it, it is known, is distributed to the Soslands and other employes. The family still owns the magazine.

Barely known outside its field, Milling & Baking News got into the news last year when the Soviet Union was negotiating to buy a huge amount of American grain. On July 17, Mr. Sosland got a telephone call from a man who identified himself as John Smith, an editor of the Financial Times of London. Mr. Smith displayed an uncommon knowledge of Russian grain-buying plans and the American market situation. His calls continued for nearly a month. In discussing the grain negotiations, Mr. Smith gave Mr. Sosland some useful tips for stories.

Mr. Sosland got suspicious and eventually checked with the Financial Times. He learned that Mr. Smith didn't work there. Mr. Smith later told him he was employed by a "secret information office." Mr. Sosland still can't figure out who Mr. Smith really was. One theory: Mr. Smith was a Russian, seeking to doublecheck the Russians' assessment of the U.S. grain market in order to improve their bargaining position.

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## COMMODITY TRADING

## HON. RICHARD BOLLING

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. BOLLING. Mr. Speaker, the Kansas City Star on August 12 had an interesting lead editorial on commodity trading. Regardless of one's views on this complicated subject, it expresses a significant and interesting point of view.

CONFUSION OVER SPECULATOR'S ROLE IN COMMODITIES TRADING

A group of farmers attending the Ozark Empire Fair in Springfield, Mo., recently vented their ire over several developments threatening their financial security. According to Frank Farmer, farm editor of the News and Leader newspapers, the farmers were frightened by dry weather, militant over low cattle prices and still angry at Washington over price controls, which started a process still distorting those prices.

But their biggest complaint, especially by dairymen plagued by low milk prices at the farm and high grain prices, was over speculation in the marketplace. One man shouted that permitting speculation in grain at a time of a threatened shortfall in U.S. production "borders on insanity." Unfortunately, that charge also prevails in more lofty councils, including Congress, where something more concrete than sound and fury could emerge in the form of legislation.

On the same day a U.S. senator visited the Kansas City Board of Trade as a member of a committee studying the entire commodities trading structure; however, his emphasis was on transportation. A committee staff member with the senator predicted legislation to tighten up supervision of the futures market.

What the Ozark farmers failed to realize is precisely what the senators must: The present system of commodity transactions, including futures trading, must be preserved. Its role is vital in preventing erratic swings in commodity prices and any major tampering certainly would cause both consumers and farmers even more pricing grief. That is not to say the system, which has grown enormously in the last several years, cannot be improved by the judicious cooperation of the Congress and the commodities exchanges.

The fact is that futures trading, which has evolved in the last 100 years from a simple forward pricing contract to a complex and often misunderstood giant, would not work without speculators. They are the ones willing to take the financial risks in return for the possibility of making a profit that others, among them packers, bakers and millers, cannot assume. Speculators bring to the market some degree of stability, whether that particular commodity be wheat, corn, soybeans, precious metals or whatever. Farmers, of course, also are speculating in a different way when, as this year, they hold their grain in hope of higher prices later on in the marketing year.

To visualize futures speculation and trading in an ultra-simple approach, picture a teeter-totter with the speculators on each end. They ride up and down freely, but movement is scarcely discernible at the fulcrum. That's where the commercial hedgers gather to buy and sell the commodities they and their companies need for future market and food production requirements. The hedging process becomes a form of price insurance.

At the steady fulcrum bakers, for example, can assure themselves through hedging of a ready and dependable supply of flour at relatively stable prices for months ahead. The costs of other raw materials, labor and transportation are more unpredictable, but to some extent through the present system of trading every consumer is protected from violent price fluctuations because that risk is taken by speculators. That function is what the nation's lawmakers and consumer groups should take great care to perpetuate against well-intentioned but ill-informed critics.

## HERMANN, MO.'S DECLARATION FOR 1976

### HON. RICHARD H. ICHORD

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. ICHORD. Mr. Speaker, on July 26 it was my privilege to participate in the Bicentennial flag presentation ceremonies at Hermann, Mo., which launched this predominantly German community as an officially designated Bicentennial community. Hermann has an old and valued heritage, and since its incorporation in 1839 has built upon this heritage to maintain a progressive, involved, and self-reliant community which has contributed greatly to the State of Missouri and to the Nation as a whole.

Under the leadership of C. M. Bassman, mayor of Hermann, and A. A. Schweighauser, chairman of the Hermann Bicentennial Commission, and with the enthusiastic and dedicated support of Hermann's residents, the city of Hermann has already undertaken early preparations for the part it will play in this Nation's Bicentennial which, in my estimation, exemplify the true spirit, knowledge, and understanding of the binding link between America's past, America's present, and America's future—the three underlying themes of the Bicentennial. Back in 1847 a Missouri Fourth of July orator eloquently summed up the reasons why this Nation is the oldest surviving democratic form of government under a republic and I quote:

> Though all former governments have fallen and yielded to the corroding influences of time, and shared the fate of all other human concerns, yet there are principles firm as the unchangeable rocks of Adamant, upon which the fabric of government will stand, until human affairs shall have ceased and Heaven's Messiah shall fill the throne of peace. Those principles are founded upon the equality of mankind, upon truth, reason and justice; and the government whose foundations rest upon these, and whose strength is dependent upon the free will of a vigorous people, will only fail when time shall grow hoary with age, and nature herself shall decay.

The recent resolution of purpose and commitment adopted by the Hermann Bicentennial Commission on July 10, 1974, setting forth Hermann's plans for the Bicentennial, firmly accepts the challenge of this oration recognizing with foresight that the great opportunity of the Bicentennial is not only to reawaken those values and ideals which have made this experiment in democracy sound but also to carry them forward with dedication and strength for all the future years to come.

I would commend Hermann's "Declaration for 1976" to the attention of my colleagues and take this opportunity to include this eloquent expression of one community's plans for the Bicentennial in the RECORD.

[From the Advertiser-Courier, July 17, 1974]

A DECLARATION FOR 1976

(Resolution of Purpose and Commitment Adopted by the Hermann Bicentennial Commission, July 10, 1974)

The Hermann Bicentennial Celebration Commission looks forward to 1976 and the years that follow as an era of bicentennial celebrations of American independence and democratic achievement. The purpose of our Commission is to guide and assist our fellow citizens in responding to the opportunities of 1976 and subsequent years.

The celebrations of 1976 and after will draw strength and purpose from the document that inaugurated American independence with the bold and brave assertion that all men have a right to life, liberty, and the pursuit of happiness. Our celebration in Hermann will therefore be concerned with the quality of the lives we lead both as individuals and as participants in our community and in the nation, with the health of our liberties, and with the sense of security that is the foundation of our happiness.

We intend to be guided by an awareness of the heritage of freedom and equality that was earned for us in an earlier day. We will also be guided by a commitment to the spiritual, social, intellectual, and physical environments we share with each other, and on the well-being of which that heritage is sustained and enhanced.

The Declaration of Independence was—and continues to be—a magnificent promise. We propose to make Hermann's celebration and bicentennial activities an example for communities throughout these United States of how that promise has been—and will be—fulfilled: Fine public schools, decent housing, and rewarding opportunities for participation in and service to the community for all citizens, regardless of age, race or political persuasion. A climate of respect and self-respect for our senior citizens, those persons who are now the trustees of the past, will be sought; for the inheritors of the future, our youth, a socially healthful atmosphere that draws wisdom from and appreciation for the past, as well as an atmosphere that finds promise in the time yet to come, will be created. Our Commission's intention is thus not only to recall the past but also to inventory the future as this community, the nation and the world move toward an exciting, challenging and potentially most rewarding future that man has ever confronted.

The years ahead can be both a time of celebration and an opportunity for assessment and correction, for matching promise with performance, for overcoming the neglect and abuse which sometimes we have allowed to tarnish our ideals, our liberties, and our lives.

The monuments and publications of 1976 will include the restoration and preservation of physical reminders of vanished times, and thus will protect vital meanings of the past for our use in the future. More importantly, however, 1976 offers Hermann the opportunity to celebrate and strengthen the promise of 1776 in actions that will continue to build on two-hundred years of tradition that has given the nation and our community unbiased educational progress, privilege to worship where and how we prefer, liberty to communicate our ideas and opinions freely to society and to our neighbors, an unfettered public press, the right to elect by majority vote our government representatives, perpetuation of our other civil liberties, and legislative support for human happiness, howsoever we may choose to pursue it.

In the months and years ahead we will plan with Hermann's elected and appointed officials, representatives of the county, state, and nation, appropriate organizations and institutions, and interested citizens of all ages for Hermann's contribution to the renewal of the Spirit of '76.

[From the Advertiser-Courier, July 31, 1974]

BICENTENNIAL HONORS TO CITY

"Your community was chosen as a Bicentennial City because of its great heritage. Your community represents so very well the very important contributions of German people to the development of this great state and nation," Lt. Gov. William Phelps said in his address at the Hermann Bicentennial Flag Presentation program at the German School, Friday afternoon.

A nice-sized crowd of well over 200 persons attended the program despite temperatures near the 100-degree mark. Those attending sought shaded areas to escape the heat of the sun.

Phelps continued by saying, "You are being awarded this flag because your heritage is both unique and at the same time similar to the history of others who became early Americans."

The lieutenant governor traced the history of the German people who were forced to leave their homeland due to political intolerance, religious oppression and their eventual settlement in Missouri.

"On Aug. 27, 1831, a German Settlement Society of Philadelphia was established for the purpose of settling a colony in the far western United States," he said. "The Germans wanted their own communities to maintain a strong sense of cultural conditions while enjoying the benefits of an endless frontier. The community of Hermann was thus founded here in one of the most fertile valleys, reminding many settlers of their Bavarian homeland. Since that time, Gasconade County has had a more strictly German flavor than any county in Missouri."

Phelps pointed out Hermann prospered after the Civil War as a trade center. "The Hermann winery became known throughout the world and would have gained greater recognition had not Prohibition appeared," he said. "Even though the town's major industry was an economic disaster, well before the Great Depression, the community survived that crisis because of the resourcefulness and self reliance of its people, without the kind of government assistance that was later sought by many other communities in similar circumstances. The community never asked for such aid and succeeded in surviving the crisis in the general spirit of the early settlers.

"The winery, museums and historic homes today are living proof that Hermann is still a unique German settlement.

"The annual Maifest, which was revived and instituted 22 years ago as a public celebration by citizens proud of Hermann's past, reminds Missourians, and all of us in the United States, of the important role that Hermann has played in the development of the state and nation.

"It also vividly demonstrates the vitality of this excellent, fine community for the future, built upon its firm foundation of the past," he concluded.

Other speakers were Mayor C. M. Bassman, who extended the welcome and accepted the Bicentennial flag; Ken White, executive secretary of the Missouri Bicentennial Commission; Secretary of State James C. Kirkpatrick, Congressman Richard Ichord of the Eighth District, State Senator James A. Noland Jr., chairman of the Missouri Bicentennial Commission; and Councilwoman Carolyn McDowell of Jefferson City. Other guests on the speaker's platform were State Senator Ralph Uthlaut Jr. and State Senator Frank Eild.

White presented the framed Bicentennial certificate to Secretary of State Kirkpatrick, who made the presentation to Chairman Schweighauser of the Hermann Commission. Senator Noland made the official presentation of the Bicentennial flag to Mayor Bassman.

Schweighauser, who served as master of ceremonies, read a telegram received by

Mayor Bassman from Governor Christopher S. Bond which said, "Congratulations to each and every resident of the City of Hermann as you gather today to begin your celebration of our nation's 200th birthday. I regret that a previous commitment will keep me from sharing this special occasion with you. Your planning and progress toward a meaningful Bicentennial community is commendable. This recognition as an official Bicentennial community is most praiseworthy. Best wishes to each of you as you continue your patriotic work toward an even better future for Hermann, the State of Missouri, and our Great Nation."

Also participating in the program were Rev. Fr. Miro Wiese, Rev. J. A. Slover, the Hermann V.F.W. Post color guard, members of the Hermann Boy Scout and Girl Scout troops, and the Hungry Five.

## ABC EVENING NEWS COMMENTARY

### HON. OLIN E. TEAGUE

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. TEAGUE. Mr. Speaker, veteran news commentator, Howard K. Smith, made some interesting points regarding this Nation's space efforts during the July 16, 1974, ABC Evening News.

Mr. Smith points out the recent advances due to our space program and the potential the program will undoubtedly produce for the United States.

I commend the commentary to you, my fellow Members of Congress and the general public.

The commentary follows:

COMMENTARY, ABC EVENING NEWS, JULY 16, 1974

The only thing space exploration has in common with Watergate is, both show how quickly we become jaded with sensations.

In the case of lunar flight, whose fifth anniversary Jules Bergman just noted, it is a pity.

I have never been able to follow those who say it was a wasteful folly to pour all that money into outer space when we need so much here on earth. I think it has been the greatest adventure of the age of the most fruitful.

Its thousands of useful spinoffs range from pacemakers that extend life of heart patients to a computer technology that is without a competitor in the world.

Spy satellites, a byproduct that has opened Russia and America wide to one another's inspection, has done more for real detente than Henry Kissinger.

Now when we are bombarded with dire predictions of overpopulation and exhausted raw materials, British writer Adrian Berry produces a book saying, nonsense—thanks to space exploration we shall soon mine the moon and in time other planets.

He projects our planting hardy algae on Venus to consume its atmosphere of carbon dioxide and turn it into an atmosphere of oxygen, permitting human colonization.

It sounds ridiculous, but no more than walking on the moon would have sounded twenty years ago.

The time may come when this day will be more celebrated than the day Columbus sighted San Salvador—the day man opened the door of the universe and multiplied his range by millions.

## ROSENTHAL REPORTS RESULTS OF QUEENS POLL ON ECONOMY, ENERGY, GOVERNMENT

### HON. BENJAMIN S. ROSENTHAL

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. ROSENTHAL. Mr. Speaker, more than 3,000 residents of the Eighth Congressional District of New York—Queens—which I represent, responded to a survey I sent them this month by indicating they do not want President Ford to continue the economic policies of his predecessor.

Unless there is a decisive change in national economic policy, more than 9 out of 10 said they feel "the economic future for the average American does not look good." The course of action most preferred is balancing the Federal budget by cutting spending—the last thing they want is a tax increase.

The survey was conducted by mail during the Presidential transition in the first 3 weeks of August.

AUGUST 1974 SURVEY RESULTS

First. Faced with the worst peacetime inflation in our Nation's history, and with consumer prices rising faster than wages, Queens families indicated they are cutting back on virtually all aspects of their standard of living, but nowhere so much as on travel and entertainment.

That category accounts for nearly one-fourth of all cutbacks—23.4 percent, with savings and investments a close second—23.1 percent. Food is the next category—6.5 percent, followed by clothing—15.9 percent, and home and home improvements—13.8 percent. The one area apparently least affected, or possibly least flexible, is medical and dental care. That category accounted for only 7.3 percent of the cutbacks.

Second. A cut in Federal spending to balance the budget is the most preferred method for fighting inflation—39.4 percent. The least preferred step is a tax increase—4.5 percent. Other anti-inflation moves supported by Queens residents include a rollback in the prices of food, fuel, and other essential items—38.8 percent and a reinstitution of strict price controls—21.8 percent. Only 5.5 percent opposed any controls and favored letting "the free market follow its natural course."

Third. An overwhelming majority of Queens residents expressed deep concern over the economy. Some 92.4 percent said they "have serious doubts about our present economic policies and the economic future for average Americans does not look good."

A sparse 6.3 percent said they were only "somewhat concerned" and felt that although "things will be tough temporarily" the econmy "will eventually straighten out if we follow the present course."

The remaining 1.3 percent said they are "not too concerned" and expressed confidence that "things will turn out OK."

Four. By a wide margin, Queens residents said the big oil companies are most responsible for the energy crisis—32.5 percent. Presidential inaction was blamed next—18.5 percent—with Congress close behind—17 percent. The Arab oil countries came next—15.2 percent—followed by wasteful consumers—9.8 percent—and the increased world demand for energy—6 percent.

Five. Faced with continued high prices for gasoline, heating oil and other petroleum products, Queens residents called for elimination of the oil depletion allowance, foreign tax credit and other tax breaks enjoyed by the oil and gas industry—28.5 percent—and a rollback in the price of domestic oil—23.8 percent.

The measure enjoying the least support—of those suggested—was Federal subsidies to energy consumers in those areas of the country hardest hit by high petroleum prices—12.4 percent.

Nearly one in five favored some form of nationalization of the oil and gas industry—19 percent—and the remaining 16.3 percent wanted to see the establishment of a Federal oil and gas corporation which would operate on Federal lands and in competition with private oil companies.

Six. On the question of trade with the Soviet Union, 57.3 percent favored withholding "most favored nation" status and other trade concessions until the U.S.S.R. allows free emigration of Soviet Jews and other minorities. And 42.9 percent wanted the Soviets to allow more political and religious freedoms to its citizens before winning any trade concessions from the United States.

Seven. When asked to rate five units of government—the President, Congress, courts, New York State government and New York City government—for overall effectiveness in facing and solving America's problems, a majority of respondents gave each one a negative rating.

The Congress got the best rating, but just barely—48.5 percent gave it a fair-to-good grade. New York State government was a close second with 48.2 percent approval; the courts were third with 45.6 percent; New York City government next with 30 percent positive, and last place with only 18.3 percent was the President of the United States. This survey was mailed out the week President Nixon resigned and responses began returning in bulk by the end of the week and continued for 2 weeks after that.

Eight. The survey indicated persons most often call on city hall or some city agency for help in solving problems. Next in line is their Congressman followed by city councilmen, U.S. Senator, State assemblyman, President or Federal agencies, State senator, Governor or State agency and, finally, the courts.

But when it comes to getting results, first is last. The most frequently called—the mayor and his agencies—ranked lowest in satisfied citizens. Only 16.3 percent of those seeking help were satisfied with the service they received from city hall. Tied for first were those citizens contacting their State assemblymen and senators, with a 66.7 percent satisfaction rating. City councilmen and U.S. Congressmen were a close second with 61.6

percent and 61.1 percent ratings, respectively.

Others, in descending order, were Governor or State agency—50 percent, U.S. Senator—46.3 percent, President or Federal agency—30.2 percent, the courts—25.9 percent, and, finally, mayor or city agency—16.3 percent.

CONGRESSMAN BEN ROSENTHAL'S EIGHTH CONGRESSIONAL DISTRICT QUESTIONNAIRE, AUGUST 1974

1. We are now experiencing the worst peacetime inflation in our nation's history. With consumer prices rising much faster than wages, most families have been forced to cut back on their standard of living. Please check the areas, if any, where your family has had to cut back most:

(Answers in percent, numbers in parentheses represent rank of importance)

| | |
|---|---|
| a. Food | 16.5(3) |
| b. Clothing | 15.9(4) |
| c. Travel and Entertainment | 23.4(1) |
| d. Medical and Dental Care | 7.3(6) |
| e. Home and Home Improvements | 13.8(5) |
| f. Savings and Investments | 23.1(2) |

2. If inflation is not brought under control in the very near future, would you favor:

| | |
|---|---|
| a. A reinstitution of strict price controls | 21.8(3) |
| b. A rollback in the prices of food, fuel and other essential items | 29.8(2) |
| c. No controls, let the free market follow its natural course | 5.5(4) |
| d. Balancing the federal budget by cutting spending | 39.4(1) |
| e. Balancing the federal budget by raising taxes | 4.5(5) |

3. As you look ahead for 1974–75, check the following statement that best describes your feelings about the economic outlook:

| | |
|---|---|
| a. Not too concerned—think things will turn out OK | 1.3(3) |
| b. Somewhat concerned—think things will be tough temporarily but will eventually straighten out if we follow the present course | 6.3(2) |
| c. I am deeply concerned. I have serious doubts about our present economic policies and the economic future for average Americans doesn't look good | 92.4(1) |

4. As you analyze the energy crisis, which of the following do you think is most to blame:

[Answers in percent, numbers in parentheses represents rank of importance]

| | |
|---|---|
| a. Big oil companies | 32.5(1) |
| b. Congressional inaction | 17.0(3) |
| c. Presidential inaction | 18.5(2) |
| d. Arab oil countries | 15.2(4) |
| e. Increase in world demand for energy | 6.9(6) |
| f. The whole country, because we are unwise in our use of energy | 9.8(5) |

5. If the price of gasoline, heating oil and other petroleum products remains high would you favor any or all of the following governmental actions:

| | |
|---|---|
| a. A rollback in the price of domestic oil | 23.8(2) |
| b. A full or partial nationalization of the oil and gas industry | 19.0(3) |
| c. The establishment of a federal oil and gas corporation which would operate on federal lands and in competition with private oil companies | 16.3(4) |
| d. Elimination of the oil depletion allowance, foreign tax credit and other tax breaks to the oil and gas industry | 28.5(1) |
| e. Federal subsidies to energy consumers in those areas of the country hardest hit by high petroleum prices | 12.4(5) |

6. Do you believe that the United States should withhold "most favored nation" treatment and trade concessions from the Soviet Union until that country:

| | |
|---|---|
| a. Allows free emigration of Soviet Jews and other minorities | 57.3 |
| b. Allows much more political and religious freedoms to its citizens | 42.9 |

| | Percent | | | |
|---|---|---|---|---|
| | Good | Fair | Poor | Rank |
| 7. How would you rate the overall effectiveness of the following units of government in facing and solving America's problems: | | | | |
| (a) President | 6.0 | 12.2 | 81.7 | 5 |
| (b) The Congress | 7.4 | 41.1 | 51.5 | 1 |
| (c) The Courts | 12.4 | 33.2 | 54.4 | 3 |
| (d) New York State government | 3.7 | 44.5 | 51.8 | 2 |
| (e) New York City government | 2.3 | 27.7 | 70.0 | 4 |

| | Frequency | | Satisfaction | |
|---|---|---|---|---|
| | Percent | Number | Percent | Number |
| 8. Have you, in the past year, contacted any of the following public officials or agencies for assistance. If yes, check the 1st box; if you were satisfied with the service you received, check the 2nd box, too: | | | | |
| (a) President or Federal Agency | 9.0 | 6 | 30.2 | 6 |
| (b) U.S. Senator | 11.4 | 4 | 46.3 | 5 |
| (c) U.S. Congressman | 16.1 | 2 | 61.1 | 3 |
| (d) The Courts | 4.6 | 9 | 25.9 | 7 |
| (e) Governor or State agency | 6.4 | 8 | 50.0 | 4 |
| (f) State senator | 8.1 | 7 | 65.7 | 1 |
| (g) State assemblyman | 9.2 | 5 | 66.7 | 1 |
| (h) Mayor or city agency | 17.6 | 1 | 16.3 | 8 |
| (i) City councilman | 12.4 | 3 | 61.6 | 2 |

## REESTABLISHING CLOSER RELATIONS WITH FREE CHINA


## HON. JOHN M. ASHBROOK

OF OHIO

IN THE HOUSE OF REPRESENTATIVES


*Wednesday, August 21, 1974*

Mr. ASHBROOK. Mr. Speaker, the United States and the Republic of China have long been friends and allies. Unfortunately in the past few years the previously close relationship has become somewhat more distant. President Ford has the opportunity to restore this alliance and friendship to a better condition. I hope that he will take this opportunity.

There are indications that such steps are already being taken. The President, in his remarks to the joint session of Congress, stated:

To our allies and friends in Asia, I pledge a continuity in our support for their security, independence and economic development.

The Free Chinese have long attempted to maintain a strong friendship with our country. It is interesting to note an editorial from the English language China Post of August 13, 1974, which was published in Taiwan. In part it states:

It is high time for the United States to distinguish between friends and foes and not to mistake foes for friends. The United States should realize that the Chinese people of the Republic of China are its true allies and friends.

At this point I include in the RECORD the full text of the editorial entitled "Sino-American Friendship."

The editorial follows:

SINO-AMERICAN FRIENDSHIP

President Gerald Ford's assumption of office provides an opportunity to build a new basis for Sino-American friendship.

Secretary of State Henry Kissinger received 58 foreign ambassadors and charges d'affaires at the State Department last Friday to assure them of the continuity of American foreign policy despite the resignation of Mr. Richard Nixon. In addition, Kissinger also sent messages to all foreign ministers conveying the same assurances.

Secretary Kissinger's message to Minister of Foreign Affairs Shen Chang-huan of the Republic of China was personally delivered to the Foreign Minister by U.S. Ambassador Leonard Unger at the Foreign Ministry last Saturday morning. The message reiterated that the United States will honor all its commitments to China in addition to the assurances conveyed to Ambassador James Shen by U.S. Deputy Secretary of State Robert Ingersoll on behalf of President Ford and Secretary Kissinger.

These assurances have been reciprocated by the spokesman of the Foreign Ministry and other Chinese leaders. It must be admitted that the present Sino-American relations are not as close as they should be. Considering our traditional friendship and common aspirations for freedom, democracy and justice, as well as the existing Sino-American Mutual Defense Treaty, our relations should be much closer. This regrettable situation is largely due to former President Nixon's illusion about U.S.-Red China détente, which Nixon considered as having "unlocked the doors that for a quarter of a century stood between the United States and the People's Republic of China."

As Madame Chiang Kai-shek has said in her comments on former President Nixon's views, "the unlocking the doors of the mainland would indeed be a very good thing were it true." She pointed out that there is no free egress nor free ingress and cited the recent views of Lord Michael Lindsay, Lady Lindsay and former Deputy Director of the U.S. Liaison Office in Peiping, China expert Alfred Jenkins, to show that the doors are far from being unlockeded and that such a regime cannot bring true well-being to the Chinese people and cannot open a glorious vista for the country.

Madame Chiang asked a very pertinent question: "Could anyone with a modicum of intelligence ever honestly think that establishing formal relation with a repressive regime can mean that the Chinese people on the mainland will turn instantly from being 'enemies' of the United States into 'friends' of the United States?" That this is impossible has been proven by the fact that today the Chinese Communists still classify the United States as their Enemy No. 1.

Indeed, as Madame Chiang has so wisely said, there is no such thing as instant friendship as instant coffee. Nixon's dream of friendship with the Chinese Communists has certainly not been realized as evidenced by David Bruce's frustration in Peiping.

The Chinese people are indeed real friends of the American people. Refugees from the mainland have told us that the mainlanders are bitter toward the establishment of closer relations between the United States and the Peiping regime because they consider it as putting the stamp of approval on their enslavement.

There is an urgent need to reexamine the present relations between the United States and the Chinese people as a whole. It is high time for the United States to distinguish between friends and foes and not to mistake foes for friends. The United States should realize that the Chinese people of the Republic of China are its true allies and friends and that Nixon's wishful thinking in hoping for the promotion of U.S.-Peiping friendship should never be respected in the future.

## MIDPARK HIGH SCHOOL'S SURVEY OF HAZARDOUS TOYS

### HON. WILLIAM E. MINSHALL

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. MINSHALL of Ohio. Mr Speaker, students of Midpark High School, Middleburg Heights, Ohio, recently made two highly interesting and potentially valuable surveys. As a project for their home economics and child development classes, they conducted neighborhood interviews to determine what parents think of toys now on the market and to obtain their ideas for better and safer playthings. Approximately 80 percent of the families interviewed reported accidents involving toys and children.

Steven J. Chorvat, chief of the Bureau of Neighborhood Conservation and Environmental Health Services of the Cleveland Department of Health, was consultant for the project. I would like to join him in congratulating both students and teachers on their work, results of which are to be sent to the U.S. Consumer Product Safety Commission.

Under leave to revise and extend my remarks, I would like to include the following in the RECORD:

MIDPARK STUDENTS LAUDED FOR UNSAFE TOY SURVEY

Home economics and child development classes at Midpark High School have been commended by Steven J. Chorvat, chief of the Bureau of Neighborhood Conservation and Environmental Health Services of the Cleveland Department of Health, for their participation in a "safe and hazardous toy" program.

The U.S. Consumer Product Safety Commission estimates there are 700,000 injuries from unsafe toys every year in the U.S.

Students made two surveys in their neighborhoods during the school year to determine what parents thought of available toys, and to elicit their ideas and suggestions for better and safer toys.

As a result of the survey, parents and students came up with many such suggestions for stores, toy manufacturers, the U.S. government Consumer Product Safety Commission, and local authorities to follow for better and safer toys to protect children.

Teachers involved in the program included Carol Templeton, Carol Pickering, Carol Barnes, Kit Emch and Jan Flowers.

The Environmental Health Services of the Cleveland Department of Health cooperated with teachers and students in helping to plan the program and compiling data from the neighborhood surveys.

Programs on safe and hazardous toys are also presented through local libraries.

[From the Plain Dealer (Cleveland), Mar. 21, 1974]

PUPILS' SURVEY TURNS UP 1,088 INJURIES FROM TOYS

(By Thomas H. Gaumer)

A new toy does not necessarily bring happiness, according to Middleburg Heights residents.

In fact, a new toy often causes unhappiness and even bitterness, pupils at Midpark High School learned from a survey of 841 residents. Most of the residents complained of toys breaking and children being injured, sometimes seriously, by new toys.

Using a form designed by the Cleveland Department of Health, six home economics classes conducted the survey. Their results were compiled by Steven J. Chorvat, the health department's chief of neighborhood conservation.

The classes recorded 1,088 instances where children were injured by toys. Some parents said they have concluded that the way to avoid the problem is to make toys instead of buying them.

The survey showed that most toy injuries were cuts, bruises, burns and shocks. Among the 814 respondents, injuries mentioned included 53 children with broken bones, 56 who choked from swallowing small objects, one child who lost an eye, another who lost a finger and three who were poisoned. One boy lost his hearing for three months because of a cap gun.

The long list of toys that caused injuries included bicycles, electrical and chemical toys, guns that shoot objects, metal doll houses and other metal toys, exposed screws and nails and wires in stuffed toys.

A large majority of those surveyed also said that some toys began to fall apart within days or weeks of purchase. They also said that toys are not as well made as they were a few years ago.

Among suggestions from the respondents for making toys safer were:

Don't take advertisements for gospel. They are designed to sell.

Manufacturers should tag toys warning of dangers.

Remove false advertising from television. Children see the advertisements and demand the toys.

Warn friends and neighbors about unsafe toys.

Put yourself in the child's place when buying toys. Ask yourself if he could break the toy and what kind of injury it could cause.

Stores should watch closely the toys they buy.

Miss Kit Emch, one of three home economics teachers whose pupils participated, said each youngster was given 10 questionnaires and asked to have them filled by friends, neighbors and by going door-to-door.

## CONGRESSIONAL INTEGRITY

### HON. ANDREW J. HINSHAW

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. HINSHAW. Mr. Speaker, I have recently sent letters to Senator LEE METCALF in his capacity as chairman of the Joint Committee on Congressional Operations, and to Representative JACK BROOKS as vice chairman of that committee. These letters were in regard to the recent unauthorized release of personnel employment requests by the Office of Placement and Office Management.

I believe this is a matter that all Members of Congress should be concerned with. Therefore, I would like to share with you the content of these letters:

DEAR SENATOR METCALF: For your information, I have attached a copy of a letter which I have sent to Mr. Jerry Snow, Administrative Officer of the Office of Placement and Office Management.

We have recently witnessed the ease with which some unknown persons have compromised the integrity of the Congressional Record by inserting material falsely attributed to some House Members, specifically Earl Landgrebe and John Ashbrook. We have now seen the unauthorized release of personnel employment requests to the embarrassment and the detriment of the individual Congressmen's offices involved.

As a result of a discussion with Representative Al Johnson yesterday, I gather that this disclosure may have been made by a summer intern who stole copies of these records and sold them to a reporter.

Whatever the cause of the unauthorized release it would seem to me that the Office of Placement and Office Management should consider the approach that I have voluntarily chosen to take.

One can only speculate as to why erroneous material may have been inserted in the Congressional Record. Also, one can only speculate as to why personnel employment requests were released without authorization. Whatever the reason, the ease with which these two unfortunate events occurred would indicate that a change in procedure is in order if we are to prevent similar occurrences in the future—and from being enlarged into political dirty tricks to the detriment of the integrity of Congressional honor.

DEAR MR. SNOW: In view of the articles contained in the Washington Post and in the Washington Star-News of the past few days pertaining to allegations of discriminatory hiring practices, please advise your staff that any requests from my office should not be honored nor any file maintained unless you receive a letter signed by me.

This procedure should protect both our offices from the unauthorized release of employment requests.

I would think that you should encourage a similar procedure from other offices so as to prevent the occurrence of unauthorized releases of your files in the future.

## FARM SUPPLY PRICES 1974

### HON. JOHN P. MURTHA

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. MURTHA. Mr. Speaker, inflation has hit many groups over the past few months. In some cases the evidence is at the supermarket check-out counter; for other people it means less money in their savings account; for others it means less extra money to spend on marginal items.

But few groups have been as hard hit as farmers. And in few other areas do the figures show so well how inflation has affected their daily lives.

I was at a congressional workshop in Indiana, Pa., last week, Mr. Speaker, at which County Commissioner Jay Dilts and Mr. Joe George, an Indiana County farmer presented me with a list of items that graphically demonstrate how inflation has affected the independent Pennsylvania dairy farmer.

Here, Mr. Speaker, is a list of comparative prices for farm supplies between August 1973 and August of this year.

| | August 1973 | August 1974 |
|---|---|---|
| 33 percent topper (ton) | $95.00 | $184.00 |
| Hog feed (100 lb) | 8.95 | 9.50 |
| 55 percent beefmix (100 lb) | 8.25 | 9.40 |
| 10-20-20 (ton) | 99.00 | 190.00 |
| 15-15-15 (ton) | 95.00 | 181.00 |
| 10-10-10 (ton) | 78.00 | 140.00 |
| Balor twine (bale) | 8.95 | 24.95 |
| Smooth wire (coil) | 9.95 | 21.95 |
| Barbed wire (roll) | 19.19 | 27.99 |
| Lime (pulverized) (ton) | 9.50 | 10.50 |
| Hi mag. lime (ton) | 11.50 | 12.50 |
| Iodophor (gallon) | 4.15 | 6.25 |
| Pipeline cleaner (20 lb) | 9.30 | 11.95 |
| Diesel fuel (gallon) | .17 | .38 |

At the same time, Mr. Speaker, that these prices have risen so sharply, a quart of milk that the farmer produces today returns 16 cents while it returned 19 cents a year ago.

Over the next weeks as we work to develop an economic policy that will finally halt the growth of inflation, these figures leave no doubt that part of our concern must be directed to the farmer and his economic difficulties.

We all benefit from a strong farm community, and we will all benefit from an economic policy that helps make these farms strong. I greatly thank Mr. Dilts and Mr. George for providing me with these figures. They were a great help to me, and I know they dramatize this issue for all the Members of the House.

## ROCKDALE PLANS HOMECOMING

### HON. GEORGE M. O'BRIEN

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. O'BRIEN. Mr. Speaker, Rockdale, Ill., a village of 2,085 residents in Will County, is planning its ninth annual homecoming for Labor Day weekend.

This gala event is a popular one in towns throughout Illinois and marks one of the high points of the summer for residents. It is a time for old and new residents to get reacquainted and make new friends. It also serves the dual purpose of enabling towns to raise money for worthwhile civic projects.

But above all, it is a time for tracing the roots of the town's heritage. The Rockdale homecoming is no exception.

One subject that always comes up at this time is the Mound. It was the Mound that made Rockdale stand out from other towns and it was the Mound that drew industry to the village.

When the last great glacier passed through the region around 500 to 600 B.C., it left behind a huge clay mound that towered over 60 feet into the air. According to historians, medicine was actually practiced for the first time in the State at this site.

Later on, the Joliet Drain and Tile Co. opened a plant there to make use of the fine potters' clay it contained. The town was first chartered by an employee of that company.

By the 1870's, pioneer farmers had settled in Rockdale and the Rock Island Railroad had run a line through town, linking it to important markets.

Rockdale was officially incorporated as a village on January 17, 1903. The Mound is gone now—Larkin Avenue runs past the site where it stood—but Rockdale continues to be a 20th century town with 19th century charm. Its people are friendly and hard-working, but they also know how to have a good old-fashioned celebration. There homecomings have clearly demonstrated this fact time and again.

The 4-day event planned for this year promises to top all others. A major activity is planned for each day and there will be something for everyone, from tots to grandpops.

Knowing that everyone loves a parade, Rockdale has planned not one but two. Village children will stage a "Kids' Parade" and a grand parade will feature all the trappings: ornate floats, beautiful belles to delight girlwatchers, and rousing music played by no less than 11 bands.

In addition, a carnival is coming to town complete with cotton candy, hair-raising rides and the inevitable games of skill for sporting folk. There is even a chance that local firemen will demonstrate the latest firefighting techniques.

The proceeds from the event are targeted toward community projects. Previously, thanks to the homecoming revenues, Rockdale has been able to purchase such vital equipment as a new fire engine and an ambulance.

I am sure that thanks to the citizens of Rockdale, this year's celebration will be a great success and I want to take this opportunity to congratulate all the people who have worked so hard to make this event a reality.

## REPRESENTATIVE ABDNOR EULOGIZES THE LATE HONORABLE KARL E. MUNDT

### HON. JAMES ABDNOR

OF SOUTH DAKOTA

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. ABDNOR. Mr. Speaker, this past weekend South Dakota and the United States lost one of its great legislative leaders in the death of former U.S. Senator Karl E. Mundt. Beginning a career in Government in these Halls in 1938, he served here 10 years, then was elected to the other body where he conducted his office with great distinction until felled by a stroke. Today he is being buried in his hometown of Madison, S. Dak.

Karl Mundt dedicated himself to people as a school teacher in Bryant, S. Dak., continuing his career at General Beadle State Teachers College in Madison where he established his permanent home. In addition to helping found the National Forensic League, he was an ardent sportsman and conservationist, and served not only on South Dakota's Game and Fish Commission, but as a State and National officer of the Izaak Walton League.

After coming to Congress he began a fight against communism and for the preservation of American freedom that was to last the rest of his life. He was deeply concerned about the grave threats to our American system of government and dedicated his tenure to its staunch defense.

The legislation establishing the Voice of America bears his name. So does one of the first bills curtailing and combatting communism—the Mundt-Nixon measure which became the foundation of the internal security law. Other Mundt legislation created UNESCO, amended the Soil Bank program to provide for conservation reserves, provided for cultural exchange and overseas information programs, and pioneered the protection of our endangered wildlife species.

He gained nationwide prominence as acting chairman of the House Un-American Activities Committee investigating Alger Hiss, during which Whitaker Chambers presented what Mundt dubbed the "Pumpkin Papers." These hearings were but a prelude to his later work in the Senate as acting chairman of the Army-McCarthy hearings when television was in its early days.

One of his lasting legacies is the Earth resources observation system—EROS—Data Center in Sioux Falls, S. Dak., which processes and disseminates photographs and other data relating to the land areas of the Earth obtained by satland areas of the Earth obtained by sattellite. The foresight of this center will be recognized in future generations, if only for the agricultural data it will obtain for a hungry world.

Part of his vision in preserving our American way of life was communicating it to other nations, not only through the Voice of America, but also through direct communications with our friends. He was a staunch advocate of and participant in the North Atlantic Treaty Organization's association of parliamentarians. Even more important was his early stress on the necessity to curtail nuclear weapons through international agreements as one of the cornerstones for building peace in the world.

A premier orator in the Halls of Congress known for its declamation, both as Congressman and as Senator, Karl Mundt attained great distinction, not only in his own right, but for the State of South Dakota which he served long and well. Although his fine career was cut short by a tragic stroke, his ability, his dedication, his statesmanship, and his leadership will long be remembered as exemplary in the field of government and politics.

The obituaries follow:

[From the Washington Post, Aug. 17, 1974]

FORMER U.S. SENATOR KARL MUNDT, REPUBLICAN OF SOUTH DAKOTA, DIES

(By Edward A. O'Neill)

Karl Earl Mundt, 74, who came out of the corn-and-hog prairie of South Dakota where he had been a teacher of speech to become one of the most vocal congressional critics of communism, both foreign and domestic, died yesterday at Georgetown University Hospital.

The cause of death was given as cardiorespiratory arrest. Sen. Mundt had entered the hospital Monday.

Sen. Mundt, who served in the House and the Senate for a total of 34 years, was as familiar to television viewers in 1954 as Sen. Sam Ervin was during the Watergate hearings, presiding over the Army-McCarthy hearings that presaged the fulminating Wisconsin senator's downfall.

Sen. Mundt ran the hearings after Sen. Joseph McCarthy stepped down during the dispute over charges that the Army had been pressured to give preferential treatment to draftee Pvt. C. David Schine, who had been an unpaid consultant on McCarthy's staff.

The Army-McCarthy hearings, however, did not mark Sen. Mundt's first appearance in the spotlight. He was acting chairman of the House Un-American Activities Committee in 1948 when it conducted investigations into alleged Communist infiltration into the State Department and other government agencies.

The investigation resulted in the indictment of Alger Hiss for perjury and also

brought Rep. Richard M. Nixon, then a freshman Congressman, onto the national scene. Sen. Mundt, who was something of a wordsmith, was credited for coining the label "Pumpkin Papers" for records key witness Whitaker Chambers had hidden in a pumpkin at his farm near Westminster, Md.

Sen. Mundt was a firm supporter of Sen. McCarthy, fought against the censure resolution the Senate adopted in 1954 against his colleague, and worked closely with him until Sen. McCarthy's death in 1957.

Although Sen. Mundt's activities during the McCarthy period were the most publicized, he had other, broader accomplishments on his legislative record.

With the late Sen. H. Alexander Smith (R-N.J.), he sponsored legislation that gave formal status to the Voice of America and authorized U.S. information and cultural activities abroad, activities now conducted by the U.S. information Agency.

He was an ardent conservationist, who as long ago as 1942 tried to get legislation to stop pollution of rivers and streams and later to protect wetlands in various parts of the Patuxent National Wild Life Center.

Sen. Mundt was a typical Midwest Republican of the old school, whose voting record usually stood high with the conservative Americans for Constitutional Action. His only shortcomings in ACA's eyes were his votes on farm legislation, which virtually all the time were in support of beneficial legislation for the farmer.

On November 23, 1969, Sen. Mundt suffered a severe stroke that affected his left side and grievously impeded his speech, a harsh blow to a man who prided himself on his ability as a public speaker and held membership card No. 1 in the National Forensic League.

Sen. Mundt spent a year in the Bethesda Naval Hospital before returning to his Capitol Hill home at 122 Schott's Court NE. He never again took his seat in the Senate.

In 1970, the Republican leadership in the Senate tried to get Sen. Mundt to resign so that a Republican could be appointed to replace him by the South Dakota governor. But the Senator's wife, Mary, stoutly resisted the pressure. Sen. Mundt served out his term, and was replaced in the 1972 election by James G. Abourezk, a Democrat.

Sen. Mundt's last formal action in the Senate was to provide Minority Leader Hugh Scott (R., Pa.) in October, 1971, with a proxy letter signed in shaky handwriting that Scott used several times.

Karl Mundt was born in Humboldt, S.D., a small farming community in the southeastern corner of the state near Sioux Falls, on June 3, 1900. His father, Ferdinand, who had a hardware store, had come there from Iowa in the days when the state was a part of the Dakota Territory. (South Dakota became a state in 1889.) Sen. Mundt grew up on the prairies and learned to hunt and fish, diversions he was to follow enthusiastically until he became ill at 69.

He attended Carleton College in Northfield, Minn., where he got an A.B. degree in 1923. After graduation he taught speech and social science in the Bryant, S.D., high school and was later the town's school superintendent. He got a master of arts degree from Columbia University in 1927.

From 1927 to 1936, Sen. Mundt was chairman of the speech department and an instructor in social sciences at General Beadle State Teachers College at Madison, S.D. On his birthday in 1969, President Nixon dedicated the Karl and Mary Mundt Library at the institution, now Dakota State College. It was the President's first appearance on a campus after a long period of student unrest.

Sen. Mundt, besides teaching, was engaged in a loan and investment business with his father in Madison. During this period, he also got his first political job, being appointed to the state Fish and Game Commission. In 1938 he ran for the U.S. House of Representatives and was elected.

In those pre-World War II days, Sen. Mundt was a strict isolationist. During his second House term he was made a member of the Foreign Affairs Committee on which his votes and his comments were invariably against U.S. involvement. He voted against Lend-Lease, extension of the Reciprocal Trade Agreement, and, like most Republicans of that day, the extension of the Selective Service Act which passed by one vote.

With the entry of the United States into the war after Pearl Harbor, Sen. Mundt began recognizing the international responsibilities of the country and was active in getting legislation passed in 1944 in support of the United National Relief and Rehabilitation Administration and sponsored a resolution that committed the United States to membership in the United Nations Economic and Social Council, an organization whose activities in later years he sometimes criticized.

Sen. Mundt's first brush with the Communist world came in 1945 when he led a four-member subcommittee of the Foreign Affairs Committee to Moscow, Warsaw, Prague, and Belgrade, a group that returned highly critical of the Soviet Union. He already was a member of the special House Committee on Un-American Activities, then headed by Rep. Martin Dies (D-Tex.) and had led the successful move to make the committee a permanent one.

His domestic anti-Communist activities began in 1948 when with Nixon, a fellow member of the Un-American Activities Committee, he set out to curb American members of the party.

He and Nixon introduced a bill that, among other provisions, required the registration of members of the Communist Party, USA. It passed the House 319-58, but was delayed in the Senate and had not come out of committee there when Congress adjourned. Portions of the bill, but not the registration section, were incorporated in the Internal Security Act of 1950, passed over President Harry S. Truman's veto.

When Rep. J. Parnell Thoms (R-N.J.) ran into trouble over his involvement in dubious World War II contracts, then Rep. Mundt took over as acting chairman of HUAC. In the summer of 1948, the Committee began an investigation of so-called Communist infiltration into the federal government. It uncovered little such infiltration until the appearance of Whittaker Chambers, a former senior editor of Time magazine, who said he was a former Communist. Chambers confronted Alger Hiss, president of the Carnegie Foundation and former high State Department official, accusing him of passing secret information to the Soviets.

Chairman Mundt and other senior members of the Committee at first were loath to accept Chambers' testimony but Rep. Nixon persisted in pushing the case—the first of his "Six Crises" he later wrote about—and Hiss subsequently was convicted of perjury before the Committee.

In 1948, Sen. Harlan Bushfield, a Republican, who then represented South Dakota, decided not to run and Sen. Mundt easily won the Republican nomination and the subsequent election. He was re-elected for three succeeding terms, and on his departure from the Senate was the third ranking Republican in that body.

In the Senate, Mr. Mundt soon resumed his anti-Communist crusade as a member of the Permanent Investigating Subcommittee, chaired by Wisconsin's Senator McCarthy.

During the bizarre period of Sen. McCarthy's investigations, Sen. Mundt was largely in the chairman's shadow. But when the Army and the Eisenhower administration put their backs up in the matter of Pvt. Schine, Sen. Mundt found himself in the chairman's seat when Sen. McCarthy stepped down to become a prosecuting witness.

In his opposition to the McCarty censure resolution, Sen. Mundt said it would mean "every Communist at home and abroad will put out all the stops in misrepresenting our action as being a retreat in the fight against communism." He was during this period the only senator to attend a mass meeting in Constitution Hall of people opposing censure.

Sen. Mundt did not retreat in his own personal fight. On the Foreign Relations Committee, he opposed the consular treaty with the U.S.S.R., sale of surplus grain to Communist countries, vigorously supported U.S. involvement in Vietnam and spoke out loudly and vigorously against any thawing of the cold war.

In 1968, his last full year in the Senate, Sen. Mundt got a 95 per cent rating from the Americans for Constitutional Action.

There was another side to Sen. Mundt, bred and developed in his home country of South Dakota. He was an enthusiastic hunter of game birds and a fisherman of the top grade (he was at one time national vice president of the Izaak Walton League) but a preservationist as well. He kept constant pressure on the Department of the Interior to get better protection of endangered species of wildlife and is credited with the actions that seem to have saved the whooping crane. In 1969, he was awarded the first gold medal of the World Wildlife Fund for his conservation efforts.

Sen. and Mrs. Mundt were married in 1927 and had no children. He was an only son as was his father. Two sisters predeceased him.

The senator's body will be at Lee's Funeral Home here through Sunday. It will be taken Monday to Madison for burial Tuesday.

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[From the Washington Star, Aug. 17, 1974]

KARL MUNDT DIES AT AGE 74, SERVED 34 YEARS IN CONGRESS

(By Richard Slusser)

Karl E. Mundt, 74, the conservative South Dakota Republican senator who was felled by a stroke during his fourth term and did not seek re-election in 1972, died yesterday in Georgetown University Hospital of chest congestion.

Mundt, who entered the hospital Monday, had suffered several strokes. After the first, in 1969, he was unable to return to the Hill, but remained in office while his wife, the former Mary E. Moses, insisted he would recover and even run for a fifth term.

After his illness, his staff ran the office here. Robert L. McCaughey, Mundt's administrative assistant for many years, watched over his interests in the Senate.

In 1970, there was some pressure in South Dakota for his resignation, but nothing came of it. In February of 1972, well before the state's filing deadline for candidates, Senate Republicans stripped him of his positions on three key committees.

He had been the ranking Republican on the Government Operations Committee and the second-ranking GOP member on the Foreign Relations and Appropriations committees. Before his 1948 election to the Senate, he served five terms in the House.

Mundt received high ratings for his votes on legislation favored by the National Association of Businessmen, the National Security Index of the American Security Council and Americans for Constitutional Action, and ratings of 50 and 55 percent in 1968 and 1969 by the National Farmers Union.

Mundt and former President Nixon—then members of the House—were co-authors of the Mundt-Nixon bill passed by the House in 1948. The bill became one of the five that made up the McCarran Internal Security Act of 1950.

In 1948 Mundt was acting chairman of the old House Un-American Activities Committee in the absence of Rep. J. Parnell Thomas, R-N.J., during hearings that brought out information of activities of Alger Hiss, who was eventually convicted on perjury charges.

Before World War II, Mundt was regarded as an isolationist, voting against extending

the Reciprocal Trade Agreement Act and against the Selective Service Act.

Among other votes, he opposed Lend-Lease in 1941 (but supported the war effort after the attack on Pearl Harbor), and opposed the $4 million loan to Great Britain in 1946, but he supported the Truman Doctrine the following year. He also introduced the House resolution that called for U.S. membership in the United Nations Education, Scientific and Cultural Organization.

In 1954 Mundt served—reluctantly—as acting chairman of the Senate Investigating subcommittee that inquired into the feud between McCarthy, the committee chairman, and the Department of the Army.

The findings of Mundt's committee were handed to a special committee headed by Sen. Arthur V. Watkins, R-Utah. The Watkins committee's recommendations led to the Senate voting in 1954 to condemn McCarthy for failing to cooperate with a 1952 subcommittee investigating his personal finances and for abusing members of the Watkins committee, which had acted as a sort of grand jury in the censure action.

Mundt was one of 22 Republicans who voted against the Senate condemning McCarthy. Early in the investigations, Mundt said, "Joe (McCarthy) is one of the best friends I have in the Senate."

In 1962, Sen Mundt wrote of his first 25 years in Congress. He said the toughest assignment he ever received was the temporary chairmanship of the Army-McCarthy hearings. "Running that investigation and hearing on an impartial and objective basis meant that our committee couldn't please anyone. Emotions ran high, and so did prejudices. One day as many as 5,000 telegrams from across the nation hit my desk. Most of them were unhappy about something—either I was too hard on McCarthy or I was too pleasant to him. This experience made the tough spot of chairing the Hiss-Chambers episode seem easy by comparison."

But, he added, "I have found the public to be unfailingly fair once it is provided with the basic facts of an issue or problems."

Mundt was born in Humboldt, S.D., the son of a hardware merchant who later owned a real estate and insurance business in Madison, S.D.

After receiving a B.A. degree from Carleton College in Minnesota, he taught high school speech and social science for a year before beginning three years as school superintendent in Bryant, S.D. During that time he completed studies for an M.A. degree at Columbia University in 1927.

Mundt next moved to Madison, where he was speech department chairman and social science instructor at Gen. Beadle State Teachers College (now South Dakota State College). From 1936 until 1958 he was secretary-treasurer of the Mundt Loan & Investment Co. in Madison.

A former member of the South Dakota Fish and Game Commission, Mundt was a state president and national vice president of the Izaak Walton League. He was a 32nd degree Mason.

Highly regarded as an orator, he was a cofounder of the National Forensic League and its president for more than 30 years. He also edited the leagues magazine, "The Rostrum."

He is survived by his wife. They had no children.

## THE ANNIVERSARY OF SOVIET OCCUPATION OF CZECHOSLOVAKIA

### HON. JOSEPH P. VIGORITO

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. VIGORITO. Mr. Speaker, today, the free world sadly commemorates the 6th anniversary of the Soviet-led invasion and occupation of the freedom-loving country of Czechoslovakia, a day which has been appropriately called the Soviet Day of Shame, August 21, 1968.

On that day 6 years ago, the Soviet Union violated the key principles of international law and rocked the very foundations of the United Nations Charter.

The continued Soviet occupation of Czechoslovakia even today is another violation against the right of a small country for self-determination and self-destiny.

That is why I join with the hundreds of thousands of Americans of Czech and Slovak descent and millions of freedom loving people throughout the world in supporting the people of Czechoslovakia in their effort to achieve the withdrawal of Soviet troops from Czechoslovakia.

## BIBLE'S WISDOM

### HON. JOHN P. MURTHA

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. MURTHA. Mr. Speaker, I have been privileged to know Joseph Pencek for a number of years. He is a man of quiet strength that has been a great help to many people and an outstanding credit to the Johnstown community.

The source of some of Mr. Pencek's strength was revealed in a recent newspaper item. I would like to present that article to the House since I believe it is something all the Members, and all readers of this RECORD, can benefit from:

BIBLE'S WISDOM

(By Joseph Pencek)

JOHNSTOWN.—Recently a friend of mine was talking about his father. He said that years ago, when he was a youngster his dad called him into the study and said that he had a gift to give him. It was on the occasion of his 16th birthday.

His father reached into his desk and gave him a Bible. His father told him that the Bible was the greatest book ever written. The Bible was handed down to each first son, and this particular Bible was indeed an old one.

My friend said, "Joe, I've treasured that Bible all my life, and next week, it will go to my son who will be 16 years old."

That Bible has sustained him in time of need, worry and sickness, my friend said. My friend told me that his father died recently at a ripe old age, but before he died he spoke of how life had been good to him and how proud he was of his children, of how they respected their elders and led a good Christian life.

Now this person is entering that stage in life which we often call the early twilight years. As we spoke, he mentioned that all of his children had a Bible given to them, for he had six children; but he kept the custom of the sixteenth birthday. He was indeed a proud father.

As I left him and continued on my way, I started thinking of what Huxley said. "The Bible has been the Magna Charta of the people, especially the poor and the oppressed. Down to modern times no state has had a constitution in which the interests of the people are so largely taken into account. The Bible is the most democratic book in the world."

Yes, it is true; when you think about it, you marvel indeed at the wisdom of God. His wonders are right in front of you. And when you think about it further, you know that living and dying is part of a Divine Plan. And as one grows older and just a little bit wiser, one realizes that each of us is part of God's infinite wisdom. The Bible is a great source of Divine knowledge; it is indeed the greatest book of wisdom.

## PENSION REFORM

### HON. J. EDWARD ROUSH

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. ROUSH. Mr. Speaker, every year one hears of thousands of employees who have lost pensions from businesses. Many of these people have given a great deal of time and effort to their companies. People lose their pensions for a variety of reasons. Businesses close and little money is left because of mismanaged pension funds or because of other reasons beyond employees' control.

Many have no pension because they have gone from one job to another. Job mobility has helped this along so that some people do not spend 25 years with one company and thus lose their pension for changing their jobs.

The 93d Congress has changed this and is today moving forward to accept the challenge of pension reform. After 3 years of vigilance, H.R. 2 has come before our Congress. I believe it goes a long way in correcting the present situation.

Some of the important provisions are as follows: First, no employer would be forced to offer a pension plan; however, if he did he would have to follow the Government prescribed standards. The bill would guarantee that each employee over the age of 24 with 1 year on the job be permitted to join.

Vesting is a guarantee that the worker has a right to his pension. There are three vesting options available to the employee. Full vesting at the end of 10 years service with no vesting until then. At least 25 percent vesting at the end of 5 years, increasing 5 percent in each of the next 5, and 10 percent in each of the next 5 years, so that an employee is fully vested in 15 years. At least 50 percent vesting when an employees' age and years of service reach 45 with 10 percent added in the next 5 years to full vesting. However, the conferees modified this to protect younger workers requiring that in no event would a worker who has been employed for more than 10 years be less than 50 percent vested and 100 percent vested after 15 years regardless of age.

The funding procedures would require the company to make annual minimum contributions to the funds. To cover the cost of pension plans in the past the companies would have 30 to 40 years depending on the time their plan went into effect.

If a company would go bankrupt or close, a special termination insurance system would go into effect to insure the pensioner of his money. Companies would pay premiums into this fund set at $1 per participant in single employer

plans and 50 cents per participant in multiemployer plans.

If an employee changed his job the portability clause, which allows an employee to transfer his seniority and money accumulated from his first job to his second job, would be possible with the agreement of the present and former employer and the person involved.

Also, in the event of being self-employed and being under a Keogh plan this bill would raise the tax deductible amount of what an individual puts in his fund to 15 percent of his earned income not to exceed $7,500.

Companies would be allowed to use for part of their tax deductions only pensions of 75,000 or 100 percent of pay in highest paying 3 years of employment whichever is lesser. It also permits individuals not covered by qualified or Government pension plans to take a deduction of up to 15 percent of their earned income or $1,500 whichever is less.

Responsibility to administer these laws is set aside to different agencies. The termination insurance system is left to a new Pension Benefit Guaranty Corporation within the Department of Labor, while the other aspects are left to various segments of the Departments of Treasury and Labor.

## THE SOVIET DAY OF SHAME

### HON. WILLIAM E. MINSHALL

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. MINSHALL. Mr. Speaker, although August 21 is known as the Soviet Day of Shame, this day also brings to mind the spring of freedom for the Czechoslovakian people. In February of 1968, Alexander Dubcek was elected as the Communist Party Chief and immediately started introducing reforms. The Soviet Union which had controlled Czechoslovakia since 1948 felt threatened by Dubcek's liberalization program and his popularity. Consequently, on August 21, 1968, Russian troops with their tanks and machine guns marched into Czechoslovakia.

Dubcek was himself a socialist, but he realized that any government must respect the traditions of the country. The traditions of the Czechoslovaks are rooted in freedom. Therefore, the abolishment of literary and press censorship, the release of victims from the Stalinist terror trials, the lifting of travel and trade restrictions with the West, the allowance of labor strikes and the easing of religious restraints were welcomed enthusiastically by the people during the 7½ months of Dubcek's leadership and not easily relinquished when Russia displayed her military might.

Brief as the period was, it still renewed the fire of freedom that burns steadfastly in the hearts of the Czechoslovakian people. Their valiant effort to regain their human rights is an inspiration to us. However, the memory of that day in August also brings an embarrassed recognition of the fact that the free world has yet to enforce the United Nations Charter.

In 1970, I gave my full support to House Resolution 718 condemning the Soviet Union's action. Today I renew my support for the people of Czechoslovakia in their efforts to expel the Soviet troops from their land.

## DAYLIGHT SAVING TIME AMENDMENT

### HON. JOHN B. ANDERSON

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. ANDERSON of Illinois. Mr. Speaker, I could not due to illness be in the Chamber on Monday. However, I support H.R. 16102 to amend the Emergency Daylight Saving Time Energy Conservation Act of 1973 by exempting the four winter months of November through February from year-round daylight time. I introduced an identical bill, H.R. 16450 on Thursday, August 15.

Like most of my colleagues, I received a large volume of mail from my constituents last winter, mostly from concerned parents, complaining of the year-round daylight time Federal law and the inconvenience and dangers it posed during early morning hours of darkness. As a parent myself with school-age children who ordinarily walked to school, I shared and sympathized with the concerns of these troubled parents. Not only were the risks to schoolchildren apparent to me, but the early morning darkness also seemed to carry with it adverse psychological effects. Having to get out of bed and start the morning routine in what seemed like the middle of the night was difficult to adjust to. "Daylight drag" was almost as depleting as "jet lag" during these dark winter mornings. Nevertheless, like other patriotic Americans during the energy crisis, I was willing to bear my share of inconvenience and sacrifice, and I accordingly advised my constituents to give it a chance while we studied the actual fuel savings which might be derived from this system.

I was therefore relieved and heartened when our energy experts came to the Hill last week to recommend a modification in this 2-year experiment which began last January, namely that we return to standard time during the winter months of November through February. The testimony of two Federal Energy Administration officials was based on a Department of Transportation study of the daylight time experiment released on June 28 of this year.

It should be noted that the bill before us today would modify and not repeal the year-round daylight saving time experiment. I agree with our Federal energy experts that it is important to continue the experiment in modified form. While we are not now confronted with an energy crisis of the same magnitude as last winter, we still have a serious energy problem, and our energy conservation efforts must continue. It is estimated that the daylight saving time experiment resulted in a 1 percent reduction in electrical consumption. That translates in a savings of about 14,500 barrels of oil a day, 106 million cubic feet of gas, 9,650 tons of coal, and 24,000 barrels equivalent of nuclear and hydro power. From a conservation standpoint, total savings amount to 100,000 barrels per day.

Even under the exemption of this bill, substantial energy savings will still be realized. April and March offer the potential of larger energy savings of electricity and will partially offset increases in gasoline consumption compared to the winter months. Retaining April and March under the daylight time system will provide a continuing working model of the energy saving potential of YRDST. As FEA's acting assistant administrator, Roger W. Sant, has testified:

> We feel it is important to extend the experiment, for only by doing so, will we be able to thoroughly evaluate the impact of the year round DST in the overall energy picture.

I am pleased, Mr. Speaker, that there is a consensus of agreement on this compromise which will enable us to continue the experiment, realize continued energy savings, and at the same time, eliminate the most objectionable aspects of the experiment. I urge adoption of this bill.

## VOTERS REGISTRATION

### HON. WILLIAM L. HUNGATE

OF MISSOURI

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. HUNGATE. Mr. Speaker, Americans will soon have the opportunity to participate actively in the course of their country's future by going to the polls on election day. By voting for those individuals who truly uphold the public trust, the American people are able to keep the reins of government in their hands, just as the Founding Fathers had intended. Free elections are the trademark of popular government—a government where the people rule through their elected representatives.

However, in order to participate in November's elections, it is necessary that every eligible voter register. This is the first step in taking part in the democratic electoral process.

All voters should take care to learn the deadline for registration. The voter registration deadline in Missouri is October 9. I hope the citizens of our "show me" State will show all America that Missourians care about their government and have an active interest in its operation. I urge all Americans, especially those in Missouri, who have not registered, to do so now. We should all remind members of our family, our neighbors, and our friends to register by the deadline and vote on Tuesday, November 5. Whether Democrat, Republican, or Independent, whatever your political belief,

remember that the franchise is a hard-won right and if we are to keep it, we must use it.

## IN SUPPORT OF H.R. 11242

### HON. ROBERT B. (BOB) MATHIAS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. MATHIAS of California. Mr. Speaker, in just 2 short years the Olympic Games will be held in Montreal, Canada. Many of us here in Congress have been cognizant of the fact that adequate steps must be taken to assure that the United States sends the best teams possible to these Olympic Games. Several ideas on how to best accomplish this are in various stages of the legislative process at this time.

I have had the great honor of representing my country twice in the Olympics, and I feel that I have some knowledge of what would be the best approach to take in accomplishing the task of selecting our best men and women for the games in Montreal. My bill, H.R. 11242, has wide support from practically all of the sports organizing bodies. The latest expression of support comes from the Central California Association of the Amateur Athletic Union. Their resolution, endorsing my bill, is included in the accompanying letter from Mr. S. B. "Si" Tyler, secretary-treasurer of the CCA-AAU:

AUGUST 14, 1974.

Hon. BOB MATHIAS,
*U.S. Congressman, Longworth House Office Building, Washington, D.C.*

DEAR BOB: Last night, August 13, the regular quarterly meeting of the Central California Association of the Amateur Athletic Union was held, and was well attended by the Board of Managers, representing sixty-two clubs who sponsor most of the amateur sports under the Olympic movement.

These people serving on the Board of Managers represent more than one thousand adults who are volunteers giving of their time and talents to promote amateur sports here in the San Joaquin Valley.

During the meeting a lengthy discussion was held with reference to the legislation covering amateur sports now being considered by the Congress of the United States. It was brought out that some of the legislation being considered would put amateur sports under government control. Bob, we do not need this. What we need is a committee that understands and knows what the meaning of amateur competition is, and that this committee be given the power to act in the settlement of differences between organizations sponsoring amateur sports.

The Bill you are sponsoring, H.R. 11242, was discussed at length, and the Board unanimously passed the following resolution:

"Be it resolved that the Board of Managers and the people they represent, within the Central California Association of the Amateur Athletic Union, do endorse the Amateur Athletes Bill of Rights known as H.R. 11242, and ask the Judiciary Committee to act favorably on it."

Sincerely,

S. B. "SI" TYLER,
*Secretary-Treasurer.*



## JOHN EXTER TALK TO THE REPUBLICAN STEERING COMMITTEE

### HON. STEVEN D. SYMMS

OF IDAHO

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. SYMMS. Mr. Speaker, on June 19, 1974, the distinguished economist, John Exter, addressed a dinner meeting of the House and Senate Republican Steering Committees. Mr. Exter is a former director of the First City Bank in New York and a former Governor of the Federal Reserve Board. He is now a private consultant. For the benefit of my colleagues who are concerned about our monetary crisis, I will read into the RECORD the text of Mr. Exter's speech. Following is part two; part one appeared in yesterday's RECORD; part three will appear in tomorrow's RECORD:

JOHN EXTER TALK TO THE REPUBLICAN STEERING COMMITTEE

Let me tell you of others who have not awakened, for example, all those who hold deposits in banks, or savings banks, or savings and loans. Just to show you what foolish Peters they are, let us suppose they are earning 6% or 7% on those deposits—and many earn less, in fact, nothing on demand deposits—the rate of inflation is 11% or 12%, and they have to pay taxes on the interest income. So they are falling behind steadily, every single day. Almost any IOU you buy today causes you to fall behind and lose out in the race. In other words, we are all losing our incentive to work for money that depreciates day by day in the market place and whose rate of interest does not even compensate for its loss of value in the market place. The people who have so far awakened in the system are only a tiny fraction of 1%.

Now what do you do when you awaken? You get out of paper and go for gold, the supreme store-of-value commodity money. Just think how few people have gone for gold. I thought a lot of foreign central bankers would go for gold, particularly after Nixon closed the gold window and more particularly after the two-tier system was ended last November, so there was no longer an official tier. To my surprise only a couple of small central banks have gone for gold. The big ones, intimidated by one another and especially by the United States, have been sitting on their dollars and watching them fall, fall, fall in value against gold. Yet they have not bought gold.

As I have already said, the oil producers have not yet awakened. They continue to pile up dollars. But they are very reluctant Peters. They are putting their dollars for the most part into the Eurodollar market at call. I have just been to London and found that enormous amounts, billions of them, are in that market on 48 hours notice. In my view they are going to do otherwise before too long. They are going to wake up and start to buy gold.

How do we get out of this dilemma? We are living in a world in which in every currency there is a burden of debt that cannot be paid. It would not be so bad if all debtors had gone into debt at the same rate. But they have not.

In every currency there are liquid debtors and the most liquid debtors are those who hold only gold, and have no indebtedness. The least liquid are those who have borrowed short and lent or invested long. Take our savings and loans. Savings and loans are required by law to borrow short and lend long at fixed interest rates, for the most part in mortgages. As short term interest rates rise, they become very vulnerable. But so do savings banks, and even commercial banks. There is an enormous amount of this borrowing short and lending long in the dollar. A particularly difficult problem is that an enormous number of people and firms and even governments have borrowed short and lent or invested long in foreign currencies across these floating exchange rates. In other words people have borrowed dollars by the billions and bought sterling, lira, yen, Deutschemarks, French francs, Swiss francs or what have you. So they now have dollar liabilities and foreign currency assets. To meet those liabilities they would have to sell foreign currencies for dollars in a foreign exchange market in which the rate for the foreign currency may not be floating, but sinking. These are just some of the illiquid debtors in the system.

We now have a sizable debt burden in all currencies, some part of which cannot possibly be paid out of rising production and productivity. Some part of this burden of debt must be liquidated before we can get back to any kind of monetary stability. But the central banks of the world do not want debt liquidation; it is too painful. So they go on creating more debt all the time. They themselves become the Peters from whom the illiquid debtors borrow to pay the Pauls. We have seen it recently. Franklin National Bank could not pay its debts so the Federal Reserve stepped in and lent heavily to it to keep its doors open. The Fed prevented debt liquidation from taking place. If it happened to another bank, especially a bigger one, the Fed would do it again.

Question. John cculd I interrupt and ask you one question. How can Chairman Burns say that he is talking about a tight money policy when he puts out a billion to the Franklin National Bank? Did that billion just come out of thin air?

NOTE. Another discussion with several people talking.

I was making the point that the Federal Reserve is locked into an expansionism it dares not stop. Arthur Burns dares not let these failures happen, so he is forced to go on expanding his own liabilities, his own IOUs, mostly by buying the IOUs of the government, and this keeps the whole system expanding at a more and more rapid rate. The expansion must accelerate all the time. So do not think the Fed can slow inflation down. It cannot. Inflation begins to have a life of its own. It must go on in order to avoid a collapse. All authorities get caught up in it, so all central banks of the world are now locked into this expansionism that they dare not stop. You may be sure they will keep it up as long as they can. Some of them will succeed. If they do, they will produce hyper-inflation in those currencies. In other words their IOU-nothings will ultimately become worth nothing as they say they are, "not worth a continental", and then all debt denominated in those currencies will become worth nothing, too. They then liquidate all debt in those currencies and start over again.

We have seen this happen. The first time in modern history was when John Law went to Paris just after Louis the XIV died. Our history books call it the Mississippi River Bubble. It happened in our own country with the continental dollar during and after the Revolutionary War. Then it happened again in France when the assignats became worthless at the beginning of the French Revolution. Twice within my lifetime I have seen the mark become worthless. All of us can remember when De Gaulle slashed two zeros off the French franc after he took office and I was in Brazil in 1967 just after they had slashed three zeros off the Brazilian cruzeiro.

A country either starts over again with a new currency or slashes zeros off the old.

I forecast many more hyperinflations in the years immediately to come. Of the major currencies I should say that the Japanese yen is furthest along that route.

Question. What kind of time frame are you talking about?

Answer. I am talking about, say, the next four or five years.

It is harder to produce hyperinflation in some currencies than in others, and it is hardest in any currency in which there has been a very large amount of borrowing short and lending and investing long, or borrowing short and investing in other currencies. The largest amount has been in the dollar. So it is going to be harder for Arthur Burns and the Fed to produce hyperinflation in the dollar than it will be for any other central bank. If you look at the problem internationally, as I do with my open economy model, the dollar has been sold short on an enormous scale. People in the market places of the world have borrowed tens and tens of billions of dollars and used those dollars to buy foreign currencies. They now sit with dollar liabilities on which the rate of interest is rising and foreign currency assets on which they probably have sizable paper profits. Once those paper profits are threatened and begin to erode as happened with the yen, they start to get out. In the case of the yen they left it and tried to get back into dollars to pay off their dollar liabilities. So the yen fell in foreign exchange markets.

I am going to make another forecast for you: the dollar is going to become very strong in this floating exchange rate world. Again, the time frame I have in mind is the next one, two, three years. The dollar will become the strongest of all paper currencies. I see other currencies weakening in a kind of domino fashion; the lira first (it has already weakened), the yen, sterling, the French franc, and so on. The next dominoes could be the Deutschemark, the Swiss franc, the guilder, the Belgian franc, and so on. I see the dollar becoming strong against every currency that I can think of, but not against gold.

This means the world is in a severe liquidity squeeze. Illiquid debtors are being squeezed in all currencies, but there are more in dollars than in any other, so the squeeze will be most severe in the dollar. I will forecast again that in the dollar this inflation may turn into deflation for a while. Arthur Burns and the Fed will not be able to keep all the illiquid debtors in dollars alive, so we will have widespread failures and defaults, in other words, deep debt liquidation of the 1929–'33 kind.

Now, I come to what you can do about it.

You cannot do very much, I am sorry to say. The debt is there and we live in a world that requires debt to be paid. No one can come along and wave a magic wand and get rid of it without hurting creditors. They must get hurt. In other words it is the Peters who will get hurt in all of this. So you personally should not be a Peter. You, too, may get hurt.

The best overall approach for government would be to free the economy as much as possible. For example, let people hold gold. I particularly hope the Congress will act to let Americans hold gold before the Arabs and other oil producers start to buy it, before they wake up because, once they do, they have such enormous buying power, so many dollars, that they would drive the gold price up and we Americans, if the Congress is too slow, will not be able to get much of it.

Apart from that almost everything that I would suggest doing is simply politically impossible. For instance, you ought to tell Arthur Burns to stop creating money. This would, of course, produce an enormous number of failures and defaults and unemployment but it would get the debt liquidation over quickly and save the dollar as a currency. In general, government and Fed intervention will simply prolong the agony and pain, and when I try to visualize the number of years of pain and agony ahead, it is hard to over-emphasize the enormity of the problem. I come to you to try to give you the problem as I see it. It is a bigger problem than most people think it is. There is no easy way out, no panacea.

We must live through it. I tell my children: I am old enough to have lived through World War I, the Great Depression, World War II, the Korean War, the Vietnam War. You must live through something, too. We shall live through it, but it will be tough for all those around the world caught up in the consequences of the breakdown of debtor-creditor relationships.

Question. What happened when the mark completely failed? What trials did they go through?

Answer. Well, they had a depression, a large amount of unemployment. Many factories closed or reduced output. Lots of people lost everything. All Peters lost everything, those who had deposits or bonds or government securities, or those who relied on pensions or insurance. They lost it all.

But then they started over again with a new currency. The whole system was completely liquid, no illiquid debtors, in fact, at first no debtors. After World War II the Germans had to start with a new currency. Of course we helped them wtih Marshall Aid and so on, but they then had a long period when they experienced very rapid economic growth and became very prosperous. I was in Frankfurt just a week ago yesterday, and Germany is booming and still has the lowest rate of inflation, about 7 or 8% of all major countries. It has such a low rate of inflation principally because many living Germans have gone through hyperinflation twice, so have a greater fear of it than others. They have tried harder than any other major people to stop or slow inflation. So far it has not hurt them economically. Their currency as you know has gone way up in value which has made it hard for their exporters in lots of ways, but they have been able to compete on quality and delivery time. They deliver on time and deliver the right stuff so they have been allright.

Question. Now what would happen if we owned gold and our citizens acquired a significant amount of gold?

Answer. Those citizens who acquire the gold protect themselves, provided, of course, the government does not someday take it away from them as Franklin Roosevelt did.

Question. Is it not a deflationary move, though, to let people buy gold?

Answer. No, it is not deflationary. If I buy gold from you, you get my dollars and I get your gold.

Question. No, but it soaked up capital.

Answer. No, it does not soak anything up. You have the dollars now. Before I had the dollars.

Of course, Secretary Simon has said that he might sell gold off which would be deflationary because the Fed would lose gold certificates as an asset, but I don't believe he would. I do not believe a word of it. I do not think any central bank or even the International Monetary Fund will sell gold to the free market in this environment. What do you sell it for? Paper?

Question. Well, John, my question is and I don't mean to stop you if you're not through there, but, Percy Greaves just told me last week, he's probably a friend of yours, he says if we give people gold ownership right now you run the risk of awakening them to the panic that's before us and causing bloodshed in the streets. What do you think about that?

Answer. I think that is a relatively minor problem. It will not make much difference because most Americans are not yet awakened, and gold ownership will not do it. The proof is this. The Treasury in December relaxed the gold coin regulations very significantly. Last week I bought Austrian coronas. They are brand new re-strikes and I bought them for only about an 8% premium over the bullion price. I paid $166 for them and, if I remember correctly, bullion was $156 on that day. If Americans had this great thirst for gold the premium over bullion would be way up. In other words, these restrikes are already coming in fast enough to satisfy the demand. If you permit Americans to hold gold I can imagine a few more Americans will wake up. But not very many. It's not going to be like that tiger in the jungle. Americans are still drugged with Keynesianism and Friedmanism. They have been taught for years and years about the almighty dollar, that the dollar is as good as gold, that things are sound as a dollar and all the rest. Most people believe that, so I do not think you need have any significant concern. Ownership may give the gold market a temporary psychological shot in the arm, and that is all. It will not start a run on banks.

Question. If you look at those who have been buying gold, there is only a very small percentage able to buy any amount of gold. If most people are out of work for even two weeks they cannot even pay their rent. They don't even have a quarter.

Answer. This is another answer to the question.

Question. Now wait, let me object to one thing there. There is an argument that people can afford to buy gold. There are payroll deductions in savings accounts, and one of the biggest frauds going is this damn untruthfulness in the advertising of the federal government to be patriotic and buy savings bonds. You can buy those little two peso coins. What do they sell for? $9.75? $10? Any little guy that can afford to put aside $10 a week can get into gold. So you're not shutting out a small saver. He is getting plundered as John said, putting his money into a savings account, a passbook account, or putting it into savings bonds, or what have you. That little guy, if he were like that patronizing ad that they have about those Crunch Cousins, like nincompoops, that little guy could do the same thing as Crunch Cousins.

Answer. A year ago we had an example, just a year ago April. The Japanese permitted their citizens to hold gold and ever since they have been selling gold, little gold bars in the department stores in Japan. Everybody bought. I would agree with Phil, little people can buy little amounts of gold. As a matter of fact a lot of the gold absorption in the world is by little people. The Indians for instance—who are poorer than the people of India?—have been absorbing enormous amounts of gold over the years. Right now they are discouraging it because India is really in deep trouble. But the French peasants, typically peasants everywhere, little guys will buy a little bit of gold, and that all adds up. Still, Americans are going to be very slow to wake up.

## FEELINGS IN AMERICA'S HEARTLAND

### HON. J. EDWARD ROUSH

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. ROUSH. Mr. Speaker, I believe the feelings of the Nation are reflected in

the people of Ligonier, Ind., a city of 3,500 people, where I spent several hours this past weekend going from door to door and talking to people on the street.

There is certainly a change of attitude since President Ford assumed office, a feeling that perhaps now we can move ahead and solve some of the problems that have plagued us for so long.

The people expect, quite openly, better relations between the President and the Congress. At the same time, there is sort of a wait-and-see attitude.

I felt, as I talked to the people in Ligonier, that they truly understood that simply changing the man sitting as President would not automatically solve all of our problems.

The problems go deeper than just one individual, they are rooted in policies and directions that have shown themselves over and over again to be unworkable. I know, as they knew, that President Ford supported many of those policies in the past.

Yet the feeling I got from the people was a feeling of understanding. They understood that President Ford is no longer tied to the past, that he is no longer the spokesman for the Nixon administration, and that he is now free to chart a new course.

I feel the same way, and I am encouraged to see that attitude reflected in the people. To me, this means they know President Ford will have some tough times ahead of him, and they expect Congress to resist some of his proposals. But they also expect that any differences between the President and the Congress to be openly and honestly debated. This is the way our system was designed to work, and this is the way it should work.

The people in Ligonier seem ready to cast aside the suspicions of Watergate. They seem to have a new confidence in their Government and the men in it. They are still tired of paying high prices for food, and of watching their dollar shrink in value. We all are. But if the spirit I saw in the people of Ligonier last week is a reflection of the spirit of the American people, as I believe it is, I think we will all come out of this together.

## LIBRARY OF CONGRESS

### HON. JOEL PRITCHARD

OF WASHINGTON

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. PRITCHARD. Mr. Speaker, it is my understanding that you have now received a petition, signed by a majority of the Members of the House, urging that the House take over the James Madison Library building. I want to go on record as strongly opposed to this piracy. The Madison Annex for the Library of Congress was authorized by this body to provide badly needed space and security for the Library's books and priceless collections. The Library of Congress now spends $3 million annually renting extra space throughout Virginia and Maryland, and desparately needs to bring its vast resources together so that they may be more profitably utilized by the Congress and the American public. The annex was proposed and is being built to fill this specific need.

If we as Members must have more space, then let us make more efficient use of the space we have, particularly the under-utilized Congressional Hotel building.

The Library of Congress is one of our greatest and most valuable national institutions. We all recognize that fact. So let us stop trying to sabotage it. The Madison Annex is needed by the Library of Congress, and we should be proud to have authorized its construction for that specific purpose.

## DEBATE OF THE HOUSE JUDICIARY COMMITTEE

### HON. WILLIAM S. COHEN

OF MAINE

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. COHEN. Mr. Speaker, this country recently passed through what President Gerald Ford has termed "our long national nightmare." As so often in our history, however, adversity confirmed our national strength. Our institutions served us well. The greatness of our people never fell into doubt.

I believe that a poem by one of my constituents, Agnes Yarnall, of Northeast Harbor, Maine, eloquently captures the mixture of gravity and rebirth that characterized this Nation in the trying July days when the House Judiciary Committee reached its conclusions. Because I think my colleagues will be interested, I insert a copy of that poem in the RECORD at this point:

DEBATE OF THE HOUSE JUDICIARY COMMITTEE, JULY 1974

(By Agnes Yarnall)

The voices spoke in turn—State followed State,
Time did not matter, earlier or late
They carried on their slow and grave debate.
The Nation listening, heard each pro and con
For the amendments hard resolved upon.
A mix of voices came across the air,
Their accents cutting sharp upon the ear,
So North and South and East and West came clear;
And came clear also through the crowd of words,
A ringing from the Past like silver swords—
A flash of History saying "Follow me!
I am your precious Past, your Destiny!
I am the boy who fishes by the stream,
I am the Forty-Niner with his dream,
I am the Pioneer who held his land,
And made it his with sweat and rugged hand;
I am the South, the North, the East, the West!
The high blood of the earth, the country's best;
I am reborn as you are speaking here—
By action hold me—lest I disappear!
Those who conceived me, hammered out the sense
Of Freedom and its vast ominpotence—
Now in the Nation's agony I stand
A shield and buckler for her mighty hand—
Freedom is with you—has been from the start—
Grapple me to you—hold me to your heart!"

## LABOR DISTORTION OF CAMPAIGN REFORM VOTE

### HON. JOHN B. ANDERSON

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. ANDERSON of Illinois. Mr. Speaker, as one who has long advocated and worked for meaningful campaign finance reform legislation, I was shocked, annoyed, and insulted to read in the August 17, 1974, issue of the AFL–CIO News that I was supposedly a party to an effort to kill the Federal Election Campaign Act Amendments of 1974 (H.R. 16090) on August 8, 1974.

A front page story in that paper, under the headline, "Campaign Reform Bill Gets House Approval, states:

Before final passage, supporters of the measure beat back a move to kill it through recommital, 243–164.

Page 6 of the same paper carries a banner headline, "House Vote on Campaign Reform Bill, below which is a State-by-State listing of all House Members with an R—right—or W—wrong—beside their names. Beside my own name is a W, and, if a reader jumped from the headline down to his Congressman, he would think he was probably reading how his Congressman voted on final passage of the bill.

The more discriminating reader might take the time to read the paragraphs just above the rollcall listing and learn that this was not the vote on final passage, but rather the vote on the recommital motion. But even then he would be misled as to his Congressman's position on campaign reform, for the key paragraph reads as follows:

The key vote occurred on a motion to recommit the measure and thus kill it. This motion was defeated 243–164. On labor's scorecard, right votes (R) against recommittal were cast by 215 Democrats and 28 Republicans. Voting wrong were 10 Democrats and 154 Republicans.

What is the actual truth about this motion to recommit? The truth is that the motion was not a straight motion to recommit, which would indeed have had the effect of killing the bill. Instead, the motion offered by the gentleman from Alabama (Mr. DICKINSON), and found on page 27511 of the August 8, 1974 RECORD, was a motion to recommit the bill to the House Administration Committee "with instructions to report the same back to the House forthwith" with an amendment prohibiting political committees, other than political party organizations, from passing an undesignated individual contributions to a candidate or his committee.

And yet, neither the story nor the explanation of the printed rollcall makes mention of the fact that this was a motion to recommit with instructions and that, had it been adopted, the Dickinson amendment would have automatically been added to the bill and the House would then vote on final passage. It is little wonder that the AFL–CIO News would so distort this vote and mislead its membership since, the effect of the Dick-

inson amendment would have been to give the members of that union the right to designate which candidates they wanted their mandatory COPE contributions to go to.

In conclusion, Mr. Speaker, the AFL-CIO News has engaged in the most irresponsible and reckless form of journalism imaginable by so distorting the real significance of that motion to recommit. To claim that those who voted for the Dickinson motion were intent on killing the bill is an outright lie and smear on the reputation of every Member of this body who supported his amendment to the bill. I would hope that the News would print a retraction forthwith and explain to its readers what the recommital vote was really all about.

## THE SITUATION IN CYPRUS

### HON. CLARENCE J. BROWN

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. BROWN of Ohio. Mr. Speaker, the following is a letter I received from Ohio State Senator Harry Meshel, Youngstown, expressing concern on the part of citizens of the State of Ohio over the existing situation in Cyprus.

The letter follows:

OHIO STATE,
*Columbus, August 16, 1974.*

HON. CLARENCE J. BROWN,
*U.S. House of Representatives,*
*Washington, D.C.*

DEAR CLARENCE: I cannot tell you how strongly I and many other citizens of the State of Ohio and the Nation feel about the situation currently existing in Cyprus.

I'm not certain as to the exact role that can be played by the Congress, but I urge you to impress upon the State Department that the American-Hellenic community of this country is appalled at the inadequacy of that Department's efforts in preventing Turkey from slaughtering innocent citizens, arrogant flouting of UN peace forces, using napalm against women and children and violating the agreement reached in 1960 concerning the governing of the Island of Cyprus.

It is true that the whole affair was set off by the military idiots in Athens, but it is obvious even to the least informed that Turkey merely used this as an opportunity to ruthlessly take over a part of the Greek Island. As we know, they now hold one-third of the land on which they want to house one-fifth of the entire population—that one-fifth being Turkish Cypriots.

The United States has practically admited that they were in favor of creating another standoff situation similar to those at West-East Berlin, North-South Korea and North-South Vietnam by permitting the Turks to transgress the cease-fire agreement and prior to that not to intercede boldly to prevent Turkey from using sledgehammer force against gnat-like opposition.

A strong stand by the Ohio delegation will serve the best interests of NATO, the goals of Democracy, the stemming of Russian influence on that Island and the placing into the record America's strong opposition to the barbaric and arrogant actions of a country that has never fought on our side and in major wars, and one who just recently, after taking our millions, has discarded an agreement to desist from growing the opium poppy.

I urge with all my strength that the influence of your office do all it can to present and implement the attitude I have outlined in this letter.

Best personal regards,

HARRY MESHEL,
*State Senator.*

## SUPPORT FOR PRESIDENT FORD'S VICE PRESIDENTIAL CHOICE

### HON. H. JOHN HEINZ III

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, August 20, 1974*

Mr. HEINZ. Mr. Speaker, President Gerald R. Ford's choice of Nelson A. Rockefeller for his Vice President is an excellent one and I heartily support his decision.

There can be no doubt that President Ford carefully and painstakingly considered numerous well-qualified candidates. Many Republican Members of Congress, myself among them, submitted lists naming several candidates for consideration. I am sure the final decision was difficult with so many fine men and women to choose from. By the same token, the lengthy list of those qualified and considered suggests a bright future for the Republican Party, and for the Nation likewise.

Mr. Rockefeller's nomination, of course, is subject to confirmation by the House and Senate and should be subject to the same careful scrutiny that was given to Gerry Ford. But it is clear that in naming Mr. Rockefeller, President Ford has decided upon a man with vast experience in and a nearly unrivalled commitment to public service. As Governor of New York State for 16 years Nelson Rockefeller was repeatedly called upon to make final decisions of public trust affecting millions of people in every walk of life. What could be a more appropriate or necessary background for the second highest office in the land?

There are far-reaching political virtues to the President's decision as well. Because Mr. Rockefeller has always had strong appeal to the broad political mainstream of America, President Ford's choice is further evidence of his intention to be a President of all the people. And in the likely event of his confirmation I would expect Vice President Rockefeller to be an unusually effective advocate—with Congress and the American people—of the Ford administration's domestic and foreign policy program. Such a team gives this Nation the manpower and the horsepower to lick our No. 1 problem: inflation.

I applaud President Ford's decision to nominate Nelson Rockefeller as the next Vice President of the United States.

## THE 1975 BUDGET SCOREKEEPING REPORT NO. 6 AS OF AUGUST 16, 1974

### HON. GEORGE H. MAHON

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. MAHON. Mr. Speaker, I offer for insertion in the RECORD excerpts from the "Budget Scorekeeping Report No. 6, as of August 16, 1974," as prepared by the staff of the Joint Committee on Reduction of Federal Expenditures. The report itself has been sent to all Members.

As we approach the scheduled Labor Day recess, it may be of interest to note—and perhaps analyze a little at this stage—the 1975 budget scorekeeping information contained in this summary report concerning the actions Congress has taken so far this session on the budget requests it has considered.

Action has been taken, at various stages, on 12 regular 1975 appropriation bills and 2 supplemental measures which affects budgeted 1975 outlays. On the basis of actions taken, it would appear that reductions in these appropriation bills are likely to total about $5 billion in new budget authority which would result in outlay reductions amounting to approximately $3 billion in the current fiscal year.

However, these substantial reductions in appropriation bills are largely offset by certain legislative increases in mandatory spending levels. Such legislation, including veterans benefit increases, food assistance programs, small business loans, et cetera, will probably increase budgeted 1975 outlays by about $2.5 billion depending on the outcome of pending House and Senate action.

Although other actions may occur to alter these general estimates, it seems fair to say at this time that congressional actions this session will have negligible net effect on the budgeted 1975 outlay total. It would appear that reductions in appropriation bills may be expected to about offset increases in mandatory spending under legislative bills—in effect, a standoff.

In addition, it would appear that further net reduction of about $400 million in budgeted 1975 outlays will result from failure on the part of Congress to act on various legislative proposals contemplated in the budget—including both proposals to reduce outlays and proposals for new or expanded programs.

The latest official 1975 budget outlay estimate of $305.4 billion may properly be adjusted to include the subsequent $900 million defense budget amendment, and we can certainly clearly anticipate additional costs due to inflation, increased interest costs, and other uncontrollable factors.

Excerpts from the August 16 budget scorekeeping report follow:

SCOREKEEPING HIGHLIGHTS

FISCAL YEAR 1975—OUTLAYS

The impact of congressional action through August 16 on the President's fiscal

year 1975 budget outlay requests, as shown in this report, may be summarized as follows:

[In millions]

| | House | Senate | Enacted |
|---|---|---|---|
| 1975 budget outlay estimate as revised and amended to date | $306,312 | $306,312 | $306,312 |
| Congressional changes to date (committee action included): | | | |
| Appropriation bills: | | | |
| Completed action | −616 | +126 | −345 |
| Pending action | −2,324 | −2,850 | |
| Legislative bills: | | | |
| Completed action | +985 | +2,054 | +1,411 |
| Pending action | +493 | +1,581 | |
| Total changes: | | | |
| Completed action | +369 | +2,180 | +1,066 |
| Pending action | −1,831 | −1,269 | |
| Total | −1,461 | +910 | +1,066 |
| Deduct: Portion of congressional action included in May 30 revisions | +311 | +311 | +311 |
| 1975 budget outlays as adjusted by congressional action to date | 304,540 | 306,911 | 307,067 |

Completed actions: A summary of major individual actions composing the $1,066 million total outlay impact of completed congressional action to date on budgeted 1975 outlays follows:

COMPLETED ACTION OF BUDGETED OUTLAYS (EXPENDITURES)

*Bills (including committee action)—Congressional changes in 1975 budgeted outlays (thousands)*

| | |
|---|---|
| 1974 supplemental bills (1975 outlay impact): | |
| Second Supplemental | −$215,000 |
| Further Urgent Supplemental | −30 |
| 1975 regular bills: | |
| Agriculture, Environmental and Consumer Protection | [1] +130,000 |
| Public Works and Atomic Energy | +30,000 |
| Special Energy Research and Development | +20,000 |
| Interior and related agencies | +9,000 |
| Legislative Branch | −11,000 |
| District of Columbia | −23,000 |
| Treasury, Postal Service and General Government | −65,000 |
| Transportation and related agencies | −220,000 |
| Legislative bills: | |
| Veterans educational benefits—extend delimiting period | +618,000 |
| Small business direct loans | +360,000 |
| Child nutrition and school lunch | +200,000 |
| Civil Service minimum retirement | +157,000 |
| Veterans disability benefits increase | +134,800 |
| Food assistance and special milk programs | +75,000 |
| Postponement of postal rate increases | +45,200 |
| Donated commodities, older Americans | +5,500 |
| Civil Service survivor benefits | +4,600 |
| Civil Service—early retirement, hazardous occupations | +3,400 |
| Congressional Record, reduced postage fees | −8,486 |
| Military flight pay incentive | −16,700 |
| Rejection of salary increases for federal executives | −34,000 |
| Unemployment benefits extension (trust fund) | −133,000 |
| Total, 1975 outlay impact of completed congressional action | +1,066,284 |

[1] Vetoed. Further Congressional action pending.

Pending actions: The major pending legislative actions affecting 1975 budget outlays which have passed or are pending in one or both Houses of Congress are shown in detail on Table 1, and are summarized below.

MAJOR PENDING ACTIONS ON BUDGETED OUTLAYS (EXPENDITURES)

| Bills (including committee action) | Congressional changes in budgeted 1975 outlays (in thousands) House | Senate |
|---|---|---|
| Appropriation bills: | | |
| HUD, Space, Science, Veterans | −30,000 | −150,000 |
| State, Justice, Commerce, the Judiciary | −79,000 | |
| Labor, Health, Education, and Welfare | −315,000 | |
| Defense | −1,900,000 | −2,700,000 |
| Legislative bills (backdoor and mandatory): | | |
| Veterans educational benefits | +195,500 | +977,500 |
| Emergency energy unemployment | Rejected | +500,000 |
| Civil Service survivor annuity modification | +202,000 | (1) |
| Rail passenger improvement programs | | +61,950 |
| Public safety officers death gratuity | +43,700 | (1) |

[1] Action taken last session.

FISCAL YEAR 1975—BUDGET AUTHORITY

The impact of congressional action through August 16 on the President's fiscal year 1975 requests for new budget authority, as shown in this report, may be summarized as follows:

[In millions]

| | House | Senate | Enacted |
|---|---|---|---|
| 1975 budget authority requests as revised and amended to date | $325,749 | $325,749 | $325,749 |
| Congressional changes to date (committee action included): | | | |
| Appropriation bills: | | | |
| Completed action | −316 | −14 | −172 |
| Pending action | −4,317 | −5,718 | |
| Legislative bills: | | | |
| Completed action | +2,718 | +3,288 | +2,662 |
| Pending action | +438 | +3,581 | |
| Total changes: | | | |
| Completed action | +2,402 | +3,274 | +2,490 |
| Pending action | −3,879 | −2,137 | |
| Total | −1,477 | +1,137 | +2,490 |
| Deduct: Portion of congressional action included in May 30 revisions | +311 | +311 | +311 |
| 1975 budget authority as adjusted by congressional action to date | 323,961 | 326,575 | 327,928 |

Completed actions: A summary of major individual actions composing the $2,490 million total impact of completed congressional action to date on 1975 budget authority requests follows:

COMPLETED ACTION ON BUDGET AUTHORITY REQUESTS

*Bills (including committee action), congressional changes in 1975 budget authority requests (in thousands)*

| | |
|---|---|
| Appropriation bills: | |
| Agriculture, Environmental and Consumer Protection | [1] +$138,532 |
| Special Energy Research and Development | +32,361 |
| Interior and related agencies | +15,158 |
| Legislative Branch | −14,197 |
| Public Works and Atomic Energy | −21,354 |
| District of Columbia | −26,600 |
| Treasury, Postal Service and General Government | −57,027 |
| Transportation and related agencies | −239,355 |
| Legislative bills: | |
| Housing and Community Development Act | +965,000 |
| Veterans educational benefits—extend delimiting period | +618,000 |
| Small business direct loans | +360,000 |
| Child nutrition and school lunch | +200,000 |
| Civil Service minimum retirement | +172,000 |
| Veterans disability benefits increase | +134,800 |
| Private pension protection | +100,000 |
| Food assistance and special milk programs | +75,000 |
| Postponement of postal rate increases | +45,200 |
| Civil Service—early retirement, hazardous occupations | +41,100 |
| Donated commodity program for older Americans | +5,500 |
| Civil Service survivor benefits | +4,600 |
| Congressional Record—reduce postage fees | −8,486 |
| Military flight pay incentive | −16,700 |
| Rejection of salary increases for federal executives | −34,000 |
| Total, 1975 budget authority impact of congressional action | +2,489,532 |

[1] Vetoed. Further congressional action pending.

Pending actions: The major pending legislative actions affecting 1975 budget authority which have passed or are pending in one or both Houses of Congress are shown in detail on Table 1, and are summarized below.

MAJOR PENDING ACTIONS ON BUDGET AUTHORITY REQUESTS

| Bills (including committee action) | Congressional changes in 1975 budget authority requests (in thousands) House | Senate |
|---|---|---|
| Appropriation bills: | | |
| HUD, Space, Science, Veterans | −41,519 | −226,095 |
| State, Justice, Commerce, the Judiciary | −100,355 | |
| Labor, Health, Education and Welfare | −106,456 | |
| Defense | −4,058,927 | −5,491,739 |
| Legislative bills (backdoor and mandatory): | | |
| Federal Home Loan Bank System—temporary increase in standby borrowing authority | | +2,000,000 |
| Veterans educational benefits | +195,500 | +977,500 |
| Emergency energy unemployment | Rejected | +500,000 |
| Civil Service survivor annuity modification | +362,000 | (1) |
| Public safety officers death gratuity | +43,700 | (1) |
| Hopi and Navajo Tribes relocation | +28,800 | |
| Federal mass transit grants | −197,000 | |
| Rail passenger improvement programs | | +61,950 |
| Economic adjustment assistance | −50,000 | |

[1] Action taken last session.

THE 1975 BUDGET REQUESTS—SUMMARIES AND ANALYSIS

*The 1975 budget requests—as revised and amended*

The fiscal year 1975 budget estimates as transmitted by the President on February 4

were officially revised in the Mid-session Budget Review of May 30 to reflect budget authority of $324.5 billion, outlays of $305.4 billion, and revenue totaling $294.0 billion with a unified budget deficit estimated at $11.4 billion.

Subsequently, two major budget amendments have been transmitted which were not contemplated in the revised estimates. Although the mid-session review totals have not as yet been officially revised, these changes have the effect of increasing the 1975 estimates by: $1,047 million in budget authority and $873 million in outlays for Defense; and $200 million in budget authority for housing programs.

It should be noted that the Administration has indicated determination to cut projected 1975 outlays "toward a goal of $300 billion," but that "a variety of forces threaten to push spending even higher than the current $305 billion estimate."

The following summary shows the current 1975 budget estimates, as officially revised and amended to date, and compares them to the February 4 estimates in the 1975 Budget Message:

[In billions]

| | Fiscal year 1975 | | | |
|---|---|---|---|---|
| | Feb. 4 estimates | Estimate as revised May 30 | As further amended to date | Change |
| Unified budget receipts | $295.0 | $294.0 | $294.0 | −$1.0 |
| Unified budget outlays | 391.4 | 305.4 | 306.3 | +1.9 |
| Deficit | −9.4 | −11.4 | −12.3 | +2.9 |

The revised estimates for fiscal year 1975 are broken down below to reflect the federal funds and trust funds portions of the unified federal budget.

[In billions]

| | Budget authority | Outlays | Receipts | Deficit or surplus |
|---|---|---|---|---|
| Fiscal year 1975 (revised and amended to date): | | | | |
| Federal funds | $351.9 | $222.2 | $201.4 | −$20.8 |
| Trust funds | 118.9 | 108.3 | 116.8 | 8.5 |
| Adjustment for intra-governmental transactions | −24.2 | −24.2 | −24.2 | |
| Unified budget | 325.7 | 306.3 | 294.0 | −12.3 |

The 1975 Budget Revisions: The budget revisions of May 30, together with subsequent amendments which have the effect of increasing the 1975 recommendations, reflect a number of significant internal adjustments to the original February 4 budget estimates. The following summarizes the change between the February 4 and the current 1975 outlay estimates:

| | (*In billions*) |
|---|---|
| 1975 Budget outlay estimate of February 4, 1974 | $304.4 |
| Revisions reflected in Mid-session Budget Review of May 30: | |
| Administration program changes: | |
| Unemployment benefits extension | +.8 |
| Veterans disability benefits | +.4 |
| Foreign military and economic assistance | +.3 |
| Unified transportation assistance | +.3 |
| Reestimates: | |
| Interest on the debt | +1.0 |
| Unemployment trust fund | +.8 |
| Housing programs | +.5 |
| Food stamp and school lunch programs | +.3 |
| Offshore oil leases (increase in offsetting receipts) | −3.0 |
| Farmers Home Administration (sale of assets) | −.8 |
| Other (net) | +.1 |
| Portion of congressional action included in May 30 revisions | +.3 |
| 1975 budget outlay estimate of May 30 | 305.4 |
| Subsequent budget amendment not contemplated in May 30 budget revisions, which has the effect of increasing 1975 outlays: | |
| Defense (increased fuel and pay costs) | .9 |
| 1975 budget outlay estimate as revised and amended to date | 306.3 |

## THE REAL OIL SCANDAL

## HON. BILL ARCHER

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. ARCHER. Mr. Speaker, recent months have seen continuing criticism of our Nation's oil and gas industry for the increase in profits that they have realized during the last year. The American public should hear both sides of this question. In the attached article which appeared in the May 9, 1974, edition of the Harvard Crimson, Mr. Pete Ferrara places the issue of the oil industry's profits in the proper perspective. I certainly commend this article to my colleagues and the American public:

THE REAL OIL SCANDAL

An old adage goes, there are three types of liars—liars, damned liars, and statistics. The energy crisis has had more than its share of all three.

In the past two weeks, the profits for the first quarter of 1974 for the largest U.S. oil companies have been widely reported as showing great gains for the oil companies. Texaco's profits were up 123 per cent. Standard Oil of Indiana's profits were up 81 per cent, and Exxon's profits were up 38 per cent. But what do these statistics mean?

In a completely socialized economy, if a shortage developed in some commodity, the central planners would want to allocate extra resources to the commodity's production. But how much should they allocate and from what other industries should they allocate it? The planners would have no way of knowing.

But in a free market economy, the proper reallocations are made automatically. When a commodity is in short supply, its price rises, increasing profits for the producers. This gives them both the money and incentive to increase production.

In actual practice this has been the case for the oil companies. When the oil shortage made Exxon's profits rise 60 per cent in 1973 to $2.4 billion, the company increased 1974 investment in the search for oil 73 per cent, to $6.1 billion. Gulf's profits were up 79 per cent in 1973, to $800 million, but Gulf has increased its 1974 capital investment to $2 billion. Atlantic Richfield, making $270 million last year, plans to double its capital investment in 1974 to $1.1 billion. The same is true for all oil companies, large and small. The oil companies are reinvesting all of their higher profits, and even more.

But there is another reallocating mechanism in the market. Producers of other commodities, seeing the rising prices of the shortage commodity, try to switch into production of it as much as possible.

Again, in the oil industry, this has been the case. The New York Times reports that even very small operators are entering the industry. "The price of new oil is bringing about development like I've never seen before," said H. L. Sonny Brown in a Times article on March 10. Brown is an independent oilman who has just begun putting up his own rigs in Texas. "In 19 years I've never seen this area like it has been the past few months. Everybody wants to do things."

"The oil business looks more attractive to me than it has in the past 15 years," said Don E. Weber of Midlands, Texas, also in a Times interview. "The rewards are now commensurate with the risks." Weber has just gone into the oil business in partnership with a geologist.

"Where we are now I thought we wouldn't be for two or three years," said Jeff E. Montgomery, chairman of Kirby Industries. "We're packing all the capital we can into exploration and production." Kirby Industries once owned a few oil wells in the '60s but then moved into the prefabrication of steel buildings.

"In those days," Montgomery said, "we weren't making money finding oil. You couldn't make a reasonable rate of return. We set out to get in some other business." But now Kirby Industries is back in oil.

The extra production from increased investment by old and new producers would eliminate the shortage. The oil companies plan to add 2.1 million barrels a day to production in the next four years. This extra production will also drive down prices until profits are back to normal. Thus, higher oil profits mean merely that the market is doing what government allocators would want to do themselves, if only they knew how. The free market reallocating mechanism is far superior to any reallocating mechanism in planned economics.

In this process the temporarily high profits a company makes during the shortage are its payment for switching resources to their most important uses and for providing a commodity when it is most needed—during the shortage.

These reallocations are the proper ones because they are determined by consumer choices. The more important a commodity is to consumers, the higher they will bid up its price and the profits of its producers during a shortage. But the higher prices and profits are, the more old and new producers will shift resources into production of that commodity.

But why would anyone be allowed to make profits at the expense of others? Someone who produces a product creates a value. He has combined various inputs and created a more valuable output. The extra value is his because he created it and his profit is payment for this value. His profit does not mean he is appropriating a bigger share of available wealth, it means he is increasing total wealth and his profit is the amount he increased it by. He doesn't make this profit at the expense of others, he creates the value of the profit by producing the product.

So even if oil profits were high, that would not reveal a scandal. It would simply reveal the rational, just, efficient, workings of the market.

But the truth is that oil profits have not been high. If a company's returns rose 100 per cent, that would not say whether the company was making exorbitant profits or not. If a company made 1 or 2 per cent profit and its profit rose 100 or 200 per cent, the company would still be doing poorly. But this is precisely how oil profits have been reported, as the increase in profits.

The actual figures show that oil companies have not made high profits. Although profits rose 55 per cent in 1973, the return on invested capital for the oil industry was 11.2 per cent, the same as 10 years ago. The FTC reports that oil profits in 1973 were 15.6 per cent compared to 14.8 per cent for all other manufacturing. More than a third of the nation's industries had higher returns. Actually, oil profits had been lower than the average for other manufacturing industries in eight out of the last ten years.

And these profit figures are heavily influenced by returns on older, already discovered oil wells. Returns on new investments have been lower. In 1972, the Department of Interior estimated that the discounted cash flow rate of return on oil exploration and development expenditures was 3.2 to 6.6 per cent. This means that secure investments like bonds or long term savings certificates have been more profitable than petroleum exploration and development investments.

Furthermore, in the past year, 85 per cent of the increase in oil profits has come from oil produced and sold outside the U.S. Twenty-five per cent of the total gain was due to the devaluation of the dollar. Because of these overseas profits, in the past five years oil companies have invested two dollars looking for oil in the U.S. for every dollar of domestic profit.

Also, much of these profits has gone to the federal government for drilling rights. In 1972, the oil industry made $6.5 billion in profits. Yet in the following year, the industry paid $6.9 billion to the government for offshore drilling rights.

So the recent rise in oil profits was really a return to normal levels. But even if oil profits continue to rise, the market will correct itself. Even the profit rise to normal levels has caused great increases in investment, as we have already seen. Any further increase will cause even more, so the resulting extra production will eventually bring profits back to normal levels. In the meantime, the shortage will have been ended and nobody makes any money they haven't earned.

Anyone who thinks there isn't enough oil to be found to increase production ought to research the estimates of oil available from Alaska, off-shore fields, tar sands, shale, coal, and old oil wells. The oil can be found if there is an incentive to find it.

It therefore seems that the notion that oil companies are making outrageous profits is the result of twisted statistics. Even if profits were high that would not reveal anything scandalous or immoral. It seems that the only scandal oil profits reveal is the way they have been grossly misrepresented. The only real scandal is the great number of public figures who are willing to bend the truth to support their ideological contentions.

## THE LABOR DAY RECESS

### HON. NORMAN F. LENT

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. LENT. Mr. Speaker, while I realize that after the events of the past few weeks many of my colleagues would like to go home and "press the flesh," I have serious reservations about whether now is the time to take an almost 3-week recess from our legislative duties.

Of course, I am pleased that such important issues as pension reform and the reestablishment of the Cost of Living Council and standard time have been cleared up before the scheduled beginning of the recess; but many other matters of extreme importance to the American people have yet to be resolved, and I doubt seriously if many of them will be before the adjournment of the 93d Congress. In particular, I refer to the mandatory fuel allocation program, anti-inflation measures, and tax reform.

Nearly all of us are eager to go home to determine the effect of the "Watergate affair" on our chances this November. But if that entire affair proved one thing to me it was that confidence in our entire federal system is lacking. We can only restore that confidence by working diligently to pass legislation benefiting the American people, and we can only do that by remaining in Washington the bulk of the time between August 22 and September 11.

## FAVORABLE PRESS REACTION TO PRESIDENT FORD

### HON. GARNER E. SHRIVER

OF KANSAS

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. SHRIVER. Mr. Speaker, the Nation has now experienced more than a week under the administration of our new President, Gerald Ford. It is obvious that people are generally pleased with the smooth transition and the openness of President Ford in facing up to the difficult problems which confront us. Reaction has been favorable from the Nation's media, and I have noted that he is enjoying a good response from a number of the Kansas newspapers in the Kansas Fourth Congressional District.

Under the leave to extend my remarks in the RECORD, I include editorial comments from the Wichita, Kans., Eagle; the Newton Kansan; the Halstead Independent; and the Peabody Gazette-Herald. The editorials follow:

[From the Wichita Eagle]

THE FORD MESSAGE

The importance of President Ford's message to the assembled members of the Senate and House of Representatives Monday night was notable not so much for what he said but how he said it.

The new President, addressing the legislative body of which he had been a member for 25 years, was intentionally broad in sketching his plans for conquering inflation and other national problems. Details will come later, he assured the Congress, which he called "my working partner as well as my most constructive critic."

And he drew cheers when he declared "My motto towards the Congress is communication, conciliation, compromise and cooperation.

"I don't want a honeymoon; I want a good marriage."

Ford's message, in which he called for bipartisan restraint in government spending as a means of controlling inflation, reflected the homespun approach taken by the new president in his dealings with a Nixon-shocked Washington.

He used plain language to make his points, which were no more concrete than those laid down by Nixon when he spoke on the economy some three weeks ago in Los Angeles.

Ford proposed to balance the federal budget, cut government spending, reactivate the Cost of Living Council to monitor wages and prices and convene an economic summit meeting with the President himself presiding.

It was not exactly a spine-tingling set of proposals.

Still, for all its lack of novelty and substance, Ford's first appearance before a joint session of Congress was obviously heartwarming, both for the audience and for the speaker.

All down the aisle, entering and leaving the House chamber, the President paused to shake hands. He and House Speaker Carl Albert swapped congressional jokes. Old friends could be heard calling the new president "Jerry."

Although Ford could never earn a living as a stand-up comedian, he managed to get five audible laughs out of his speech. The first one was when he made the remark about no honeymoon, just a good marriage.

And the speech may be remembered as much for that line as any one.

[From The Newton Kansan]

FORD BEGINS WELL

President Gerald Ford got off to a good start with Congress Monday night when he told them in an address before a joint session of the house and senate that he would go more than half way to achieve compromises.

He also suggested that Congress go more than half way in a similar effort to solve some of the ills that beset the country.

The President can expect such cooperation during the initial months of his administration. Congress and the President traditionally engage in a honeymoon at the beginning of a presidency, but sooner or later differences creep in and the honeymoon is over.

Mr. Ford told congressmen he wants more than a honeymoon with them—he wants a lasting marriage.

Politics being what they are, this is a pretty big order, especially when the President and the majority in Congress are of different political parties.

No one expects all of the troubles facing the country to be settled during the traditional honeymoon period. That's especially true of inflation and other economic ills.

But if Congress and the President can bury the hatchet long enough to halt inflation the country will be greatly indebted to them.

However, it must be pointed out that the government can't do anything without the cooperation of the people. Maybe Mr. Ford should call on the people to go along on the presidential-congressional honeymoon.

[From the Halstead Independent]

A TIME OF HOPE; A TIME OF REGRET

(By Bob Mills)

It seems longer than just a week since the dramatic changes occurred in Washington that involved the resignation of one President and the swearing in of another. After two years of the seemingly endless tunnel of Watergate, the denouement when it finally came, seemed too swift to believe.

Now we have a new President and regardless of the different feelings held by the people of the Nation about the guilt or innocence of President Nixon, there is a collective sigh of relief that the long mess is over. President Ford seems to have a strong hand on the tiller and the country did not collapse.

Many of the professional Nixon-haters who have devoted their lives to the bringing down of Richard Nixon probably are at a loss about what to do with themselves. Some of them want to pursue the former president into the criminal courts. To them enough is not enough. They want Nixon behind bars.

It is interesting to speculate on their reaction to Nixon's downfall. Did they celebrate with a party like the men did in "The Caine Mutiny" after Lt. Maryk was found not guilty of the mutinous charges against him?

If they did, it should be explained to them, as Lt. Greenwald, drunk as he was after his courtroom victory, explained to the celebrating men of the *Caine* that their celebration was inappropriate.

Capt. Queeg. Greenwald said, was a man who asked in his own way for help from his officers. The officers, instead of help, opposed and worked finally to destroy him. Queeg had serious faults, but he put the good of the Navy and the country ahead of personal feelings.

The same might be said of Richard Nixon.

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[From the Peabody Gazette-Herald]

THERE'S A FORD IN YOUR PRESENT

(By Bill Krause)

Last week, Americans experienced one of the truly dramatic moments in American history, a first and, we all hope, a last. The departure of President Nixon under a cloud of corruption is a moment of sadness and tragedy, even for those who do not realize the trauma involved, and who chose to cheer the departure of a man they dislike.

If Nixon had been all bad, with no redeeming qualities, it would have been easy; but he was not basically an evil man. He did some spectacularly good things for the nation, but had some fatal flaws that made it inevitable that he would get into trouble and be removed, it seems.

There is now the question of further prosecution of the ex-President, and one cannot help but believe that being embarrassed, reviled, held up to public spectacle and being forced to quit the position of President in disgrace is a very great punishment—particularly for Nixon. The jackals that would now persecute as well as prosecute him, demonstrate a vengeful nature that goes far beyond the demands of society, the needs of the nation, or the requirements of crime and punishment.

A former Mayor of Boston once ran the city from a jail cell for a while, after being convicted of a crime while in office. One cannot but feel that Richard Nixon might have preferred to keep the Presidency and go to jail. One fails to see what could possibly be gained by further punishment. He has lost most his fortune to the IRS. He has been disgraced. He has lost the office which he spent much of his life attaining. Does he deserve to be placed in stocks or horsewhipped as well?

One wonders if the country deserves to see one of its leaders so disgraced.

But now the mantle falls on President Ford, a man who proves that a poor lad from modest circumstances can be President of the U.S. One cannot expect too much in the way of spectacular legislation or programs from a plugger like Ford. One can expect a period in which Congress and the President can get together and work for the nation for a change.

Ford wisely—almost necessarily—kept Henry Kissinger on to handle foreign affairs. In domestic matters, his close and recent association of Congress should allow the new administration to act—wisely, we would hope—in areas of inflation, energy, etc.

The nation will survive, but things will never be quite the same again.

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## INCREASED PENALTIES FOR PERSONS CONVICTED OF FELONY WITH OR WHILE UNLAWFULLY CARRYING A FIREARM

### HON. WILLIAM H. HUDNUT III

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. HUDNUT. Mr. Speaker, I have always felt that the solution to the problem of crime is not to pass restrictive Federal laws calling for outlawing or registering privately owned firearms. Rather, I believe the solution lies in the effective enforcement of present laws and vigorous handling of criminal cases by the courts. Moreover, laws should be passed that automatically imprison persons who commit crimes with firearms.

Today I am introducing a bill to increase the penalties for persons convicted of committing a felony with or while unlawfully carrying a firearm to not less than 2 years nor more than 25 years imprisonment for first offenders, and life imprisonment for subsequent offenders. A similar bill was introduced earlier in this session by my colleague, the distinguished gentleman from Illinois (Mr. CRANE).

In my view, once the criminals of America are taught that to use a gun in crime is to assure them, upon capture and conviction, of a long jail term with no hope of parole, then the crime rate will be reduced in this country. Therefore, I hope the Committee on the Judiciary will take action to increase the penalty for criminal use of firearms, but will not do anything to restrict ownership or use of firearms by law abiding citizens.

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## LECTURE OF AMBASSADOR JAMES C. H. SHEN AT INSTITUTE ON COMPARATIVE POLITICAL AND ECONOMIC SYSTEMS, GEORGETOWN UNIVERSITY

### HON. EDWARD J. DERWINSKI

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. DERWINSKI. Mr. Speaker, most Members are familiar with the unique Institute on Comparative Political and Economic Systems at Georgetown University. Over the past 5 years we have had the valued pleasure of interning its select students drawn from some 87 different colleges and universities across the country. Sponsored by the Charles Edison memorial youth fund and under the directorship of Dr. Lev E. Dobriansky of Georgetown University, the institute consists of a tripartite program, one of which is a thought-provoking lecture series covering all areas of the globe. In the recent series the lecture by Ambassador James C. H. Shen of the Republic of China was most oustanding. I wish to bring to the attention of my colleagues the essential parts of this lecture, which read as follows:

LECTURE BY MR. JAMES C. H. SHEN

First of all, I wish to express my appreciation of this opportunity to speak before your Institute this evening. It gives me great pleasure to address a group of select student leaders from many colleges and universities.

When the name "Free China" is mentioned, it is implied, I presume, that a part of China, the generic China, is not free. Indeed, China at present is a "divided country"; and this dichotomous situation has created numerous problems and tremendous difficulties not only for the legal government, the Government of the Republic of China now with its seat of administration in Taiwan, and the freedom-loving Chinese people in as well as outside China, but also for the neighboring countries and the Free World and its leader, the United States. As a matter of fact, what is transpiring in China today is really a phase of world affairs, for the destructive forces which have torn China apart and brought turmoil to the mainland portion of it are bound to have more insidious effects on other parts of the world. If the Chinese Communist regime is allowed to carry out its sinister policies of world revolution by violence and protracted wars, the damage to the cause of freedom in East Asia will be specially great.

Among the factors contributing to the importance of China are geographical location, cultural connections and the presence of a large number of ethnic Chinese in other Asian countries. In China we find not only a big geographical area—a heartland called by some geographers—and an enormous population but also the cradle of an ancient civilization, which is distinctly Chinese and quite different from the other cultures of the world. The main features of what is called Oriental civilization were born and matured in China. Korea, Japan, Vietnam and Singapore have cultural roots in China in various degrees.

The significance of these facts was fully appreciated by Russian Communist leaders. They saw in China not only a big land mass and an enormous population, but also a general national awakening accompanied by some social unrest partly caused by the resentment of the people to foreign exploitation as imposed by the unequal treaties. They saw clearly that nationalism could be captured and utilized as their tool.

The Bolshevik regime's policy to communize Asia was formulated before it had consolidated its power in Russia. In his address before the Second All-Russian Congress of Communist Organizations of the People of the East in November, 1919, Lenin assured his followers that "emancipation of the people of the East is now quite practicable". During the First Congress of the People of the East held at Baku in 1920, great importance was attached to kindling the fire of revolution in Asia and to the effort to destroy the power of capitalism throughout the world. In 1923 Lenin asserted that "Russia, India, China et cetera" had the great majority of the world's population and that "there cannot be the slightest shadow of doubt what the final outcome of the world struggle will be."

The limitation of time does not permit me to trace the different steps through which international Communism had succeeded in gaining control of the Chinese mainland. Suffice it to say, however, that China was selected to be the prime target for conversion to Communism and that the Chinese Communist Party was organized in Shanghai in 1921 under the direction of the Comintern.

Pertaining to the realm of land and people is the fact that there are some 19,000,000 overseas Chinese and the bulk of them are residing in Asia. Its significance should merit appropriate attention; although, I am happy to say, they are bona fide workers, businessmen and entrepreneurs and cherish liberty and free enterprise. It behooves me to point out that the preponderant majority of them support my Government, and that at this juncture of contest between ideologies Taiwan has been the point of their rally. No doubt they are contributing to the stability and orderly development in the several countries of their residence.

Central to the subject under discussion is "Free China", that is the Republic of China, whose temporary seat of administration is in Taiwan. My Government is heir to the polity of traditional China and the repository of the cultural heritage of the Chinese nation. In recent years popular journalism has often referred to the Republic of China as "Free China" or even "Taiwan".

With peace and security as her goal, China under my Government has been a decent member of the international community and a good neighbor to the adjacent countries. The cardinal principle of our foreign policy

is to secure for China independence and equality, and to achieve for her a respectable place in the family of nations. In addition to our endeavor in promoting international cooperation, my Government has made strenuous attempts to improve the Covenant of the League of Nations (particularly Article 16) as regards "enforcement actions" and the application of sanctions against aggression and had made enlightened and practicable proposals for a sound Charter for the United Nations at the Dumbarton Oaks and San Francisco Conferences. This was the reason why it was so detestable that we were deprived of our right of representation in the United Nations in spite of our good record in that organization, which was described as "enviable" by some international publicists. Since this is an academic audience, I am sure you remember that the infamous action of the U.N. General Assembly on October 25, 1971, violated many provisions of the U.N. Charter such as Articles 1, 2, 4 and 5 as well as the resolutions of the General Assembly itself passed on February 1 and May 18, 1951, declaring, among other things, that the Chinese Communist regime "had itself engaged in aggression in Korea".

The practical importance of my Government transcends the present limits of the territory over which it exercises effective control. As the facts stand today, it is the symbol of freedom and the beacon of hope for the teeming millions of repressed, abject people on the Chinese mainland and the point of rally for the people of Chinese extraction overseas.

The importance of both the Government of the Republic of China *per se* and the strategic value of Taiwan should merit due attention from the Free World. Together with the offshore island groups of Kinmen (Quemoy) and Matsu, Taiwan is a bastion for defense in the West Pacific. Geographically speaking, it could be considered as one of the islands in the chain of volcanic formations extending from the Kamchatka Peninsula to the Sunda Islands in the Java Sea. Politically, it has generally been regarded in recent years as a link in the defense chain from the Aleutian Islands through Japan and the Liu Chiu (Ryukyu) Islands to the Philippines. Since the 1850's soldiers of fortune, diplomats and military strategists have called attention to the importance of this insular territory of ours; but for our present purpose I shall content myself with quoting just one passage from the communiqué issued in Washington on the eve of the signing, on December 2, 1954, of the Mutual Defense Treaty between the United States and the Republic of China. The passage reads:

"This treaty will forge another link in the system of collective security established by the various collective defense treaties already concluded between the United States and other countries in the Pacific area. Together, these arrangements provide the essential framework for the defense of the free peoples of the West Pacific against Communist aggression."

I should like to point out here that there is an apparent lack of serious impartial studies on the political aspects of the Government of the Republic of China. While it is true that the modest economic progress we made in Taiwan in recent years has been fairly well reported, the political advance of my Government, the high principles which have served as our guide in international and national affairs and our enlightened stance *vis-a-vis* our Asiatic neighbors are inadequately reported or completely ignored. Although limited in size as compared to the vastness of the Chinese mainland, the territory currently under our effective control is larger than that of many of the viable countries in the world. The population of Taiwan and the offshore islands, which is about 15,400,000, is bigger than that of seventy per cent of the nations in the world, and the standing armed force of upwards of 600,000 well trained men is reckoned to be the sixth in size.

In view of the facts cited above, reasonable people would probably agree that a free China is conducive to a free Asia if China is pacific and willing to play the part of a good neighbor. During the late war this proposition was very much in the minds of the leaders of our two countries.

We realized, too, that most of the countries in our region had had a colonial legacy, resisted the Japanese concept of a "Greater East Asia Co-prosperity Sphere", and were eager to build themselves into independent states according to their own national aspirations. In the winter of 1942 when the eventual defeat of Japan was assured, my Government announced to the world that it would deal with the other countries in Asia as equals and had no intention of assuming the role of hegemony, to which Japan had aspired.

In a message on November 17, 1942, President Chiang Kai-shek declared:

"Among our friends there have been recently some talks of China emerging as the leader of Asia, as if China wished the mantle of an unworthy Japan to fall on her shoulders. Having herself been a victim of exploitation, China has infinite sympathy for the submerged nations of Asia, and towards them China feels she has only responsibilities—not rights. We repudiate the idea of leadership of Asia because the 'fuehrer principle' has been synonymous with domination and exploitation."

My Government's policy toward Japan is more than liberal, but actually magnanimous. We strongly believe that brutal force, however strong, and retallation, however justified, cannot bring about peace. It was for this reason that after V–J Day in 1945 my Government did not claim any reparations from the Japanese Government for the enormous losses we had sustained during the war and that President Chiang Kai-shek had recommended, in response to a question by President Roosevelt at the Cairo Conference in 1943, that in order to avoid future animosity the allied Powers should leave the question of the "emperor institution" to the Japanese people themselves to decide instead of insisting that it be abolished.

After the Chinese Communist regime was formed, it was grossly misunderstood by the other countries including some people of Chinese extraction overseas who sent their children to the mainland for education. But then they were forced to take note of the sufferings of the people and the upheavals resulting from the oppressive measures and destruction of traditional institutions and social values and fanatical attempts at economic development based on faulty calculations as revealed in the disasters following the so-called "Great Leap Forward" in 1958. The so-called "Proletarian Cultural Revolution" accompanied by the rampage of the "Red Guards" initiated in 1966 and the recent "Anti-Lin Piao and Anti-Confucius" agitations have further disclosed the widespread internal dissensions and the steady deepening of the intra-party power struggle.

For many years some "liberal" writers in this country had tried to deal with the question of Peiping's threat to other countries in terms of the economic conditions on the Chinese mainland, contending that the State of want and under-development should dissuade its leaders from using the meager resources to instigate insurrections in other lands. I do not have to tell this audience how wrong is this kind of reasoning. All that one needs to do is to examine some of the voluminous documents of the Mao Tse-tung regime on world revolution and its record in supporting, training and equipping revolutionary leaders and movements seeking to subvert the legitimate governments of neighboring countries.

Aside from Peiping's part in the Communist aggression against the Republic of Korea and the United Nations and its aiding and abetting role in the recent Vietnam war, its massive support to the Indonesian Communist Party (Paotai Komunist Indonesia) in the 1960's is another glaring example of its threat to the Asian countries. The court proceedings in the trials of former Indonesian Foreign Minister Subandrio and former Air Force Chief Omar Dhmai after the failure of the coup d'etat in September-October, 1965, brought to light that the Chinese Communist regime had secretly sent to Indonesia great quantities of arms, explosives and military equipment and that Subandrio had been promised 100,000 small arms. The West should remember also that during the crucial battle of Dienbienphu the bulk of the ammunition and the chief weapons employed by Vietnam Communists were supplied by Peiping.

In conclusion, I would like to point out a known fact that the legal governments of the free countries in the region are not strong enough to resist the major supporters of the local Communist groups in their respective domains. For many years there have been various common efforts in regional organization pursuant to the articles on "Regional Arrangements" under the U.N. Charter, but the agenda of their conferences usually covered other matters of mutual cooperation than positive political and security problems. At this stage of development countries in this large area would have to depend for their external defense on one or another of the Treaties of Mutual Defense concluded under the aegis of the United States from 1951 to 1954.

We of the Republic of China attach utmost importance to our Mutual Defense Treaty with the United States and are gratified to note that the authorities of the United States from President Nixon on down have repeatedly assured us that the United States will maintain its friendship with us and its defense commitments to my Government. My Government on its part stands ready to discharge its obligations under that instrument. We are irrevocably committed to the cause of freedom and to the defense of our independence, and there is no turning back or possibility of compromise with the Communist rebels. Inasmuch as our position is constant, we deem ourselves as a vital force for freedom at this juncture of conflict between freedom and Communist enslavement.

## THE SIXTH ANNIVERSARY OF THE INVASION OF CZECHOSLOVAKIA

### HON. EDWARD J. DERWINSKI

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. DERWINSKI. Mr. Speaker, today is the sixth anniversary of the invasion of Czechoslovakia by the Soviet military forces. On August 21, 1968, the frontiers of that small country were occupied by 650,000 Russion, Bulgarian, East German, Hungarian, and Polish troops, that were dispatched to suppress the liberalization that was developing in that country.

The occupation of troops to Czechoslovakia in 1968 was especially shocking because that nation had been a Soviet satellite for 21 years. Some inadequate reforms were too much for the men in Moscow.

Despite the millions of words that have been spoken and written during the last few years to the effect that the Communists have mellowed and that their leaders have undergone a metamorphosis from socialistic totalitarianism to capitalistic free enterprise, the status of Czechoslovakia shows us that the facts are otherwise. The people who inhabit that unhappy nation can provide the testimony to demonstrate the utter falsity of statements that proclaim the advantages of peaceful coexistence.

The peoples of Czechoslovakia do not need foreign advice especially under the heel of the Soviet Russian goosestep as to how to run their affairs. Their tradition of self-government goes back to the kingdom of Great Moravia which was a strong independent and highly developed state in Central Europe during the ninth century. The Soviet military occupation not only violates the sovereignty of Czechoslovakia but affects the entire European balance of power. The invasion was an illegal act of unprovoked aggression and the continuing military occupation is an inexcusable violation of international law.

May I remind the Members that on August 14, 1970, this body passed Concurrent Resolution No. 817 protesting the occupation of Czechoslovakia. In the following years numerous Members of Congress from both parties in the House and Senate issued strong individual protests. It is now established that the Soviet and Warsaw Pact armies were not called by any responsible Czech official. The crushing of the Dubcek government was nothing but an unprovoked act of aggression which must not be forgotten.

This episode demonstrates the rigid and barbaric nature of the Soviet dictatorship. For those people in all parts of the world, August 21, 1968, should be remembered as a day when the blooming of freedom was nipped in the bud and the rights of these peoples remain divided until this day. Let there be no illusions about détente. The Soviet invasion into Czechoslovakia certainly makes that clear.

## COMMITTEE REFORM DELAYS

### HON. JOHN B. ANDERSON

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. ANDERSON of Illinois. Mr. Speaker, today marks an anniversary of sorts, though not one which is cause for celebration. It was exactly 5 months ago today, on March 21, 1974, that our bipartisan Select Committee on Committees reported out House Resolution 988, the Committee Reform Amendments of 1974 calling for a comprehensive realinement of House committee jurisdictions along functional lines.

Ever since that date the reform package has been buffeted about by the cruel winds of antireform forces both from within the House and from without. For months this bipartisan product was stalled in the partisan pocket of the Democratic King Caucus where it was practically studied to death. It was then reshaped by the so-called "reform" committee of the Democratic Caucus, not to fit the needs of the House as an institution, but to fit the needs of the power barons of King Caucus.

Now the resolution is receiving similar treatment from the House Rules Committee of which I am a member. Twice it has been scheduled for consideration in the committee, only to be pulled at the last minute for one mysterious reason or another.

The Washington Post this morning carried an article which identifies labor lobbyists as the real culprit in this whole piece, based on accusations not from this side of the aisle, but from the other side. Mr. Speaker, I would hope that when this body reconvenes in September we will stand up to those outside pressures and demonstrate to the American people that we are in charge of this House and are prepared to reform ourselves. I have been informed that consideration of the reform bill has now been reset for September 12 in the Rules Committee. I hope we can stand by that date. At this point in the RECORD, I include the Post article:

BOLLING, ALLIES CHARGE LABOR BLOCKS HOUSE REFORM

(By Mary Russell)

Pressure from labor lobbyists may succeed in killing proposals to reform the House committee system, the chairman and Democratic members of the group that authorized the reforms said yesterday.

A Rules Committee meeting yesterday to clear the reform proposals for the floor was canceled. Reform proponents cited this as a first sign of a delaying strategy by opponents, including labor lobbyists and committee chairmen and members who would lose jurisdiction by the proposals.

"The opponents (of the reforms) having failed in all their previous efforts to kill it may now be attempting to bury it in the Rules Committee by stalling it to death," said Rep. Richard Bolling (D-Mo.), chairman of the bipartisan select committee which reported the reforms this spring.

In a statement, four Democratic members of the committee said they feared the delaying tactics will succeed unless Speaker Carl Albert and Majority Leader Thomas P. O'Neill (D-Mass.) continue to press for action.

At a Rules committee session yesterday, Chairman Ray Madden (D-Ind.) promised to reschedule the meeting for Sept. 12. He said the delay arose because not all the members of the House who were interested in the reforms could be present.

But Bolling and Democratic colleagues said the action might be "the first of a series of steps designed to prevent action by the House this year" on the reforms proposals.

Other recent actions which appear to endanger the reform proposals include: renewed activity of labor lobbyists who oppose splitting the Education and Labor Committee in two; a visit to Speaker Carl Albert by three powerful committee chairmen asking for delay, and a cooling among Democratic leaders who feel the reforms could result in a divisive party battle.

The reform proposals have already resulted in bitter fights among Democrats, who as the majority party hold the committee and subcommittee chairmanships affected by the proposals.

## YOUTH CAMP SAFETY

### HON. DOMINICK V. DANIELS

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. DOMINICK V. DANIELS. Mr. Speaker, the Select Subcommittee on Labor has held hearings on the Youth Camp Safety Act during the 90th, 91st, 92d, and 93d Congresses. As a result of these, we have become increasingly aware of the great need for this legislation.

It is, therefore, with great pleasure that I can say to my colleagues today that the subcommittee, with strong bipartisan support, unanimously reported out this bill on Wednesday, August 14. The bill now awaits consideration by the full Education and Labor Committee.

I am most pleased to learn that the Communication Workers of America have also come out in strong favor of the Youth Camp Safety Act. The reasons for their support were most eloquently stated in a resolution unanimously passed at their 36th annual convention.

I would like to bring this resolution to the attention of my colleagues.

The resolution follows:

YOUTH CAMP SAFETY

Every summer, approximately 10 million youngsters attend camp throughout the United States. The number of these camps is estimated between 8,000 to 11,000. Parents will be sending their children to these camps in the belief that they will be adequately supervised by trained counselors and will live in sanitary and healthful surroundings.

Because of the interstate nature of summer camping, parents must rely mainly on brochures and other promotional materials prepared by camp operators. In most cases, the only times the parents will observe the camps will be at the beginning and end of the camp stay.

Public hearings in the last three Congresses before the Select Subcommittee on Labor of the Education and Labor Committee, U.S. House of Representatives, have documented countless cases in which children suffered serious—and sometimes fatal—illnesses and injuries at summer camp. These hearings have also unearthed the fact that only 6 states have comprehensive youth camp safety laws.

As a result of the earlier hearings on Federal youth camp safety legislation, the Chairman of the Select Subcommittee on Labor, Congressman Dominick V. Daniels, of New Jersey, wrote to the Governor of every state two years ago urging enactment of state youth camp safety laws. That plea has been ignored since only those 6 states have adequate laws today.

Under a mandate by the U.S. Congress, the Department of Health, Education and Welfare conducted a study and investigation of youth camps during the summer of 1973. The HEW study found that 45 states have no regulations applicable to camp personnel; 17 states have no regulations pertaining to program safety; 24 states have no regulations concerning personal health, first aid and

medical services; 45 states have no regulations applicable to the transportation of children while in summer camp; 39 states have no regulations over out-of-camp trips and primitive outpost camping; 35 states do not regulate day camping; and 46 states have no regulations over travel camps.

The paradox is that the employees of summer youth camps are protected by the Occupational Safety and Health Act, but the children entrusted to the care of these employees do not have comparable protection under Federal law—nor do they have it in 44 states under state law.

Legislation pending in the House Education and Labor Committee, which bipartisan sponsorship, would establish minimum mandatory Federal standards for the safe operation of youth camps. It would provide Federal assistance to the states for developing and implementing their own youth camp safety programs. The companion Senate bill would provide for the same Federal aid, but on a permissive basis as regards the states. The House bill's mandatory features recognizes the interstate nature of the summer camping programs as an extension of the Constitutional power to regulate commerce.

Be it resolved: That inasmuch as it is the desire of all parents to insure the maximum protection of the lives and well being of their children attending summer camp, the 36th Annual Convention of the Communications Workers of America support the House version of the "Youth Camp Safety Act," and urge the strengthening of the Senate bill, to require the states to develop and implement their own youth camp safety programs.

## THE PENSION REFORM BILL

### HON. BELLA S. ABZUG

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Ms. ABZUG. Mr. Speaker, during the consideration of H.R. 2, the pension reform bill, I offered an amendment to cover more equitably blue-collar workers in this country who do not wait until the age of 25 to start working, but start working immediately upon leaving high school. I am pleased the conference committee on H.R. 2 supported the substance of my amendment by authorizing a 3-year "lookback" to credit service up to 3 years before entering a pension plan at age 25.

The importance of this provision cannot be overstressed—according to the 1970 census, over 50 percent of all Americans between the age of 18 and 19 are in the labor force. Over 68 percent of all Americans between the ages of 20 and 24 are in the labor force. Of all the women between the ages of 20 and 24, over 56-percent are in the labor market.

This provision is of particular concern to women, generally between the ages of 18 and 24, whose labor pattern is to work for a number of years; leave to care for their families and return to the labor force at a later date.

I would like to commend the members of the conference for taking one of the many needed steps to insure that the working youth and women in this country, who make a significant contribution to society, are considered as economic equals with the rest of the working American public.

## A PRAYER FOR OUR COUNTRY

### HON. MARTHA W. GRIFFITHS

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mrs. GRIFFITHS. Mr. Speaker, President Ford last week asked for the Nation's prayers on assuming the awesome responsibilities of the Presidency. The following is a response to that request from the Congregation Shaarey Zedek of Southfield, Mich. It is an eloquent expression of the deep desire the people of my district and the Nation, that President Ford restore to us a unity and tolerance long missing from our national spirit.

The prayer follows:

A PRAYER FOR OUR COUNTRY

(Composed by Rabbi Irwin Groner)

We thank Thee, O Lord, for America our home, a country dedicated to the ideals of freedom, justice and brotherhood. We praise Thee for the liberty, the opportunity, and the abundance we possess. Above all we praise Thee for the traditions which have made our country great and for the inspired leaders of our past who laid the foundations of this republic through faith, courage, and self sacrifice.

We have lived through a dark and painful period in our nation's history. Those entrusted with authority did abuse it. The highest office in the land was darkened by ever lengthening shadows of legal and moral wrongdoing. In the midst of this travail, many of us became disillusioned with our leaders, with ourselves, and with the failure of this government to reflect our national ideals. We have come to recognize with greater comprehension the words of Thy teacher "Righteousness maketh a nation great, but sin is a reproach to any people."

We are grateful to Thee, O Lord, for what this ordeal has taught us. We are a government of laws and not of men. These laws are designed to protect the rights of the weak against the strong, to defend the liberties of the individual against the tyranny of the powerful. We have relearned an old lesson: that the opinion of all the people is wiser than the opinion of any one man, of any small group of men.

Almighty God, we beseech Thee to look with favor upon our land and our people. Heal our wounds, bind us together, let the bitterness be replaced by forbearance and the anger muted by understanding, and the cynicism answered by trust. Justice having been done, let mercy and forgiveness complete the work of reconciliation and unity.

Heavenly Father we ask Thy blessing on Gerald Ford as he becomes the President of the United States. Mayest Thou, O Lord, to whom alone belong the dominion and the power, be his support in the fulfillment of his awesome trust, thrust upon him by unprecedented events in the experience of this people. Enable him to ensure the unfettered, uncompromised implementation of our Constitution for all the inhabitants of our land. Endow him with the spirit of wisdom that he may safeguard the physical and moral integrity of our beloved commonwealth, founded by our faith in Thee. Quicken his heart with the awareness of Thy presence, especially in the lonely moments of fateful decisions which may be his to make for us and the world.

May we, the citizens of this land, express by obedience to Thy law that we are worthy to have been made great among the nations of the earth. Above all, let us so order the affairs of this country that we heed the admonition of Thy prophet—"Let justice well up as the waters, and righteousness as a mighty stream." *Amen.*

## ANTI-INFLATION ACT OF 1974

### HON. JOHN B. ANDERSON

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. ANDERSON of Illinois. Mr. Speaker, because of illness I could not be present on Monday to vote for the Anti-Inflation Act of 1974. I take this opportunity to indicate my support. This bill is nearly identical to H.R. 16399, the Economic Monitoring and Inflation Control Act which I introduced on August 14 in response to President Ford's request to reactivate the Cost of Living Council for the purpose of monitoring wages and prices to expose abuses, without the reimposition of controls.

The bill before us today would establish a Cost of Living Task Force for the same purposes. Like my own bill, it contains a specific proviso barring control authority. This proviso is contained in section 4(b) and reads:

Nothing in this Act authorizes the imposition, or reimposition of any mandatory economic controls with respect to prices, rents, wages, salaries, corporate dividends, interest rates, or any similar transfers.

The task force established by this bill would have a seven-part mandate as spelled out in section 4 of the bill. These responsibilities include: Reviewing and analyzing industrial capacity, demand and supply in various economic sectors, working with industrial groups and Government agencies to encourage price restraint; working with labor, management and Government agencies to improve collective bargaining structures and the performance of those sectors in restraining prices; improving collective bargaining and encouraging price restraint through the improvement of wage and price data bases for the various economic sectors; focusing public attention on inflationary problems and the need to increase productivity in the public and private sectors of the economy; reviewing the programs and activities of public and private economic sectors for the purpose of making recommendations for changes aimed at increasing supply and restraining prices; and finally, evaluating the inflationary effects of international transactions, particularly with respect to balance of payments, controls on imports and exports, and the cost of fuel and other commodities that bear directly on the rate of inflation.

Mr. Speaker, let us harbor no illusions

that the creation of this Cost of Living Task Force is some kind of panacea for our inflationary problems. It is not. But hopefully, through this economic monitoring process, we will be able to better pinpoint and deal with the major sources of our inflationary problems and to enlist public support and cooperation in that cause. Hopefully, the forthcoming domestic summit on the economy being convened by President Ford will further supplement this effort and provide us with fresh ideas and solutions for dealing with this most difficult and persistent problem. I commend President Ford on taking these early initiatives to deal with what he has termed "Our Domestic Public Enemy No. 1." As the President stated in his address to the joint session of Congress on August 12, "to restore economic confidence, the Government in Washington must provide leadership." By passing this bill today, we will be taking an important first step in providing that leadership and indicating to the American people that the Congress is prepared to work closely with the new administration in combating inflation. I urge the passage of H.R. 16425, the Anti-Inflation Act of 1974.

## FREEDOM'S EDGE

### HON. WILLIAM S. MOORHEAD

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. MOORHEAD of Pennsylvania. Mr. Speaker, I am pleased to call to the attention of my colleagues the publishing of a new book entitled "Freedom's Edge: The Computer Threat to Society." This 150-page volume was written by Mr. Milton R. Wessel, a New York attorney who has lectured and published widely on the computer's impact on society, modernizing legal procedure, improving crime enforcement and related socio-legal problems.

This book was written to put all of us on the alert—the computer industry and individuals everywhere who are wondering what legal means they have to protect themselves against any adverse encroachment of computers.

The underlying theme of Mr. Wessel's book is this: When the computer's impact on the data is great enough, it changes the environment in which we live. For example, it can have a chilling effect on freedom. In chapter after chapter, the author shows some of the ways the computer is already changing our lives or soon will be.

In Mr. Wessel's book he hopes to generate the kind of interest and concern that will stimulate analysis, debate, and action before it is too late.

It is my sincere belief that his study is another reason why Congress should pass legislation, such as H.R. 16373, designed to safeguard individual privacy from the misuse of Federal records and provide that individuals be granted access to records concerning them that are maintained by Federal agencies, in many cases, in computers.

## SELECTIVE MASS TRANSIT AID

### HON. CLARENCE E. MILLER

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. MILLER. Mr. Speaker, yesterday I was one of 92 Members who voted against the Federal Mass Transportation Act. At the time this bill was presented to the House I had two strong objections to it: it was inflationary and it neglected the nonurban areas of this country. Although steps were taken to cut out some of the excessive spending, in the end the objectionable features still remained.

As originally reported this legislation would have given over $20 billion for mass transit assistance. This Nation cannot afford such expenditures at a time when we are all trying to curb inflation. The manner in which this money was to be spent made it all the more objectionable. A great part of the funds was to be spent on operating subsidies. That is, the money would be given not to improve a transit system, but just to help them make up for operating deficits. Plainly this is a case of throwing our money into a bottomless pit. There are no incentives for these poorly run systems to improve their service. As long as they know that Big Brother in Washington is ready to subsidize their operations the money-wasting inefficiency will continue. This bill provides no solid assurances that this attitude will change.

I was pleased to see that the House recognized some of the inflationary aspects of this bill and cut the total funding authorized down to $11 billion. However, there remained in the bill many items that were inflationary and could have been cut out. An example was the so-called demonstration project in one city to eliminate railroad grade crossings. The cost for this "demonstration project": an incredible $14 million. Surely we can cut deeper than we have done as long as programs such as this remain.

A second objectionable feature of this bill is its virtually total neglect of the nonurban areas. This deficiency is perhaps the most important and yet nothing was done to change it. People in rural areas and small cities are in as great a need for adequate transportation as residents of our large cities. In fact, their need may be even greater. In a large city the stores and services that are needed are often within walking distance. In a rural area the nearest store or place of employment is usually far out of walking distance for the elderly or those without adequate transportation. What does this Mass Transportation Act do for them? Very little. Less than 5 percent of the original $20 billion was to go to areas with populations of under 50,000. Spread out across the country this turns out to be a very meager sum. The end result is that these people in the nonurban areas are getting no benefit from the bill while paying to support the transportation of the big city dwellers.

Mr. Speaker, I strongly feel that advances are needed in meeting our mass transportation needs. However, the program we enact should meet the needs of all the people, not just selected areas. In addition, the funding level must be such as will not encourage inflation. I would hope that my colleagues who voted for this bill would reconsider their action and support a proposal more in line with these recommendations.

## THE NEW PRESIDENT

### HON. LEE H. HAMILTON

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. HAMILTON. Mr. Speaker, under the leave to extend my remarks in the RECORD, I include my Washington Report entitled "The New President":

THE NEW PRESIDENT

In huddled conversation in Washington, on the midways of the Indiana county fairs, or on main streets across the country, the question is the same: What will the Presidency of Gerald Ford be like?

Everyone agrees that the new President will start with a period of good feelings. The anger and tension and recriminations that have enveloped the country for months have subsided, the country feels a sense of relief, and a spirit of conciliation is emerging.

The new President is expected to have an extended period of good relations with the Congress. He served in the House of Representatives for 25 years, and Members of both parties know him as "one of ours." President Ford's promise this week to the Congress to consult and compromise was in keeping with the expectations of Members of Congress to work closely with him.

His style of conducting the Presidency will be much different from that of his predecessor. He will be conciliatory with the Congress, not combative. He will seek advice and listen, and not make his decisions alone. Both the man and his administration will be open and accessible. He will not display flashy leadership or crafty public relations techniques, and rather than making dramatic moves, he will act cautiously and deliberately. His White House will not be tightly controlled, but more freewheeling and loose. He has a talent for conciliation and fence mending. Although conservative and partisan, he has a pragmatic streak and can maintain cordial relations with his adversaries. Like his predecessor, he will like to travel.

Continuity will be a major theme of the early days of the Ford administration. President Ford has already asked all members of former President Nixon's Cabinet, as well as heads of government agencies, to stay on in his administration. In the early weeks of his tenure it is unlikely that he will demand top level changes, but after that he may turn to persons with past political experience.

In the area of most concern to the nation today—economic policy—the President will bring no magic or quick solutions. He believes that maintaining tight control on government spending is essential if any inroads are to be made against inflation. He favors a budgetary surplus next fiscal year, "the discipline of high interest rates," and opposes wage and price controls. Unlike President Nixon, who favored dramatic moves like wage and price freezes and tended to lurch from one approach to another, he will bring a steadier, more consistent approach. There are also indications that he may be willing to take a more activist position than Presi-

dent Nixon did, for example with public service employment and selective credit policies for hard-hit industries, such as housing. His calls this week for an "economic summit" meeting to tackle inflation and for the re-establishment of the Cost-of-Living Council to monitor wage and price activity, and his criticism of General Motors for price increases are further evidence of his activism.

In the area of foreign policy, where President Ford has not had great experience, he has already indicated that he would follow the basic course of the Nixon-Kissinger policy, at least in the opening stages of his administration. In the past, he has been a steadfast cold warrior, a "hawk" on Vietnam, but a defender of Nixon's winding down of U.S. involvement in Vietnam, and a supporter of the moves toward detente with the Soviet Union and China. He has consistently supported big defense budgets, a large U.S. troop presence in Europe, freer trade, and Israel. As President, he confronts immediate and key decisions in almost every area of the world: in the Middle East he must keep the negotiations going; talks with the Russians on limitations of strategic arms are due to resume in Geneva next month; relations with China, Japan, and Latin America need special attention; the Indochina situation is not improving; and ties with Western Europe, which have improved lately, need constant attention. Mr. Ford also needs to become acquainted with most of the key world leaders.

President Ford's past record, which is consistently right of center, makes unlikely that he will be highly innovative or strike out in new directions. His voting record in the Congress was deeply conservative. He opposed most of the Great Society programs, including Medicare and federal aid to education. He has been a strong supporter of revenue sharing as a means of strengthening state and local governments. On civil rights legislation he has opposed busing school children to obtain a racial balance and supported most major reform bills, but only after first voting to weaken them. Similarly, he has voted for most environmental legislation but believes that many federal environmental standards should be eased. But the conservatism may be misleading because he recently advised a visitor, who had noted his somewhat negative civil rights record, to "Forget the voting record. The voting record reflects Grand Rapids."

## THE DEATH OF MRS. PARK—KOREA'S LOSS, OUR LOSS

### HON. JEROME R. WALDIE

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. WALDIE. Mr. Speaker, the tragic death of Mrs. Chung Hee Park at the hand of an assassin, was a terrible loss to the people of the Republic of Korea and to all of us who are concerned about the well-being of our fellow man.

Mr. Speaker, the humanitarian interests and energies of Mrs. Park will be missed by the people of Korea who loved and revered their "First Lady."

Let us hope that this terrible act is not repeated and that the people of Korea, our great friend and ally in the Far East, are comforted by a period of solidarity and peace they so richly deserve.

Mr. Speaker, if there is any solace in this terrible loss, it is that the strength of the Korean people has been tested and they have been joined by the common bond of sorrow.

## CRIME—THE FAILURE OF TRADITIONAL THEORIES

### HON. JOHN CONYERS, JR.

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. CONYERS. Mr. Speaker, now that the Nation's attention has been freed from the problem of "crime in the suites," we must again devote our attention to one of the chronic problems facing our Nation today: Crime in the streets.

Recent nationwide surveys show that, contrary to prior reports, crime is rising at an alarming rate, to the point that it threatens to jump off the charts due to the fact that at least two crimes in five are never reported. We are today up against an unprecedented public lack of confidence in our law enforcement and criminal justice institutions. The ineffectiveness of our present programs in reducing crime can be traced to the shopworn thinking that controls their initiation and implementation.

The last administration, which characterized itself as of the "law and order" variety, proved to be entranced by the need to find easy and politically palatable answers to this complex societal problem. Accordingly, the Nixon years saw billions of dollars pumped into supportive Federal programs that grew out of an oversimplified "Crimestoppers' Textbook" approach to reducing crime. The analysis of recent experiences within the law enforcement community questions the logic of assumptions that were thought to contain answers to the problem. Some of the assumptions that characterize the fundamental formula underpinning such programs may be enumerated as follows:

Highly efficient police force plus Federal monetary assistance plus cooperative informed citizenry equals a reduced crime rate;

Increased visibility of police presence plus increase in arrest rate equals more effective crime deterrent, which in turn equals a reduced crime rate;

Police plus improved technology, with emphasis on hardware, equals a reduced crime rate;

Reduction of the international flow of narcotics plus strict enforcement of drug laws plus treatment of addicts equals a reduced crime rate;

Improved economic conditions plus reduced unemployment locally equals a reduced crime rate.

The fact that these combinations of presumptions have failed to produce a measurable reduction in crimes of passion and opportunity is not to say that they are totally invalid; it merely demonstrates that their applications thus far have been ineffective.

In my view, this is because crime has been treated as an objective rather than human phenomenon and, as a result, efforts have been concentrated on treating symptoms rather than curing the cause itself. That is to say, we have shown a tendency to preoccupy ourselves with enlarging law enforcement systems to increase their capacity to handle more crime rather than preventing it from occurring with such frequency. The ironic result is that law enforcers are oftentimes put in the position of being in the business of crime logistics and management rather than crime prevention itself.

The rate at which crime has risen in the last decade should make it abundantly clear that it is physically, as well as fiscally, impossible to allow crime to escalate and expect that institutions can be expanded at a proportionate rate to deal with it. By selectively concentrating resources in the area of apprehending criminals, a vicious cycle is insured. More arrests means overwhelming the already overburdened court system, which is then faced with a Hobson's choice: Either dump more bodies into the totally inadequate corrections complex—with its demonstrated capability of producing more efficient criminals—or return offenders directly to the communities from whence they came. The net effect is that the proportion of criminals to citizenry increases at an almost Malthusian rate, since the physical capacity of the corrections system is irretrievably overloaded, while the system's ability to cope effectively with this increase diminishes inversely.

It is time we incorporate into our crime-reduction thinking the hard facts of modern urban life: Poverty, economic discrimination, and social and racial injustice are the progenitors of crime. As long as these conditions exist, no amount of law-enforcement cosmetology will ever make a significant dent in the crime rate.

There is one factor that has emerged from the trauma of Watergate that deserves more emphasis than I could ever give it. Many believe that respect for law and the rights of others has never been lower in any prior period in our history; Watergate has reinforced the public's conviction that those most responsible for generating respect for the law and its institutions are arrogantly indifferent and completely without moral substance. To expect restraint from the people when their leaders run roughshod over every precept of law and accountability is patently ridiculous. This cancer of disrespect can be seen as encouraging an ugly popular preference for vigilantism that, if adopted would make past periods of lawlessness seem remotely inconsequential. Already in our cities we have seen examples of mob justice that has threatened the whole fabric of social order; currently, American moviegoers are on their feet, cheering a citizen-victim who turns assassin due to the ineffectualness of the system in giving him justice.

The time for lip service and cures that only hasten the spread of the sickness is past. The question is no longer one of containment, but one of survival. It is encouraging to note that some of my colleagues have rededicated themselves to the principles of law and justice, and seem ready to eschew the lure of easy solutions that have so tempted us in the past. Crime is merely the footsoldier of injustice; we must declare war on the real enemy.

Writing in a recent issue of the Washington Star-News, Mr. Orr Kelly has provided some helpful insights into the failure of conventional programs to have a real impact in reducing the spiraling crime rate. I insert Mr. Kelly's article in the RECORD at this point for my colleagues' appraisal and enlightenment.

The article follows:

[From the Washington Star-News, Aug. 16, 1974]

FAILURE OF WAR ON CRIME

(By Orr Kelly)

The long nightmare of Watergate may be over, but President Ford is faced with another long nightmare that simply will not go away: crime in American cities.

Statistics pouring into the Federal Bureau of Investigation from police departments throughout the country suggest that the war on crime—described by the Justice Department as "the most massive and sustained attack on crime in the history of the nation"—has been a bitter failure.

"We have really made very little progress on a crime control system that really works," Patrick V. Murphy, president of the Police Foundation, said. "I don't think we have been winning the war on crime."

Attorney General William B. Saxbe described the amount of street crime in the country as "undesirable and unacceptable" and added: "a lot of the things we've bought in the last few years as cures for crime just haven't worked."

FBI statistics show that the crime rate, which increased an average of 9 percent a year from 1960 to 1970, showed a slight decline in 1972 for the first time in 17 years but, by the middle of last year, was clearly on the rise again.

In the last three months of last year, the increase was 16 percent. In the first three months of this year, it was 15 percent. A spot check by the Star-News with police departments in scattered parts of the country indicates the increase has continued into the second quarter of this year.

Even sociologists such as Dr. Albert D. Biderman, of the Bureau of Social Science Research here, who do not accept the FBI's Uniform Crime Reports as an accurate measure of crime trends, believe that crime is increasing—and will continue to increase for an unpredictable period of time.

One of the most discouraging things about the increase in the crime rate shown by the FBI reports is that it confounds so many of the theories that guided the Nixon administration's offensive against crime.

If a city with a first-rate police department got help from the federal government and the enthusiastic cooperation of an informed citizenry, it was reasoned, the amount of crime in that city would decline.

Portland, Oreg., fits the formula almost perfectly. It has a good department, it was chosen as an impact city to receive special help and its people support the police department.

"We are rather fortunate," Deputy Chief Richard Kuntz said in a telephone interview. "We enjoy a lot of support from the community. People have faith in us. The rate of reporting of crime is higher than in other cities."

What happened? In the first quarter of this year, crime in Portland went up 25 percent.

Part of the increase, Kuntz said, was the result of successful efforts to encourage people to report crimes. That probably accounted for most of the 113 percent increase in the number of rapes reported, he said. But it does not help to explain why the number of murders jumped 175 percent.

When Kuntz reported the startling 25 percent increase to the FBI, he was told not to be surprised—crime was up almost everywhere.

Kuntz checked other western cities and confirmed the FBI report. In neighboring Washington, Seattle's crime was up 28 percent, Spokane up 38 percent. In California, San Diego was up 20 percent, San Jose up 19 percent. In cities of comparable size, only Oakland, Calif. showed a decrease—down 14 percent. But Kuntz then checked the number of crimes reported and found that Portland and Oakland were running almost neck and neck and that the number of rapes and aggravated assaults reported in the two cities was exactly the same.

"We got an increase," Kuntz said, "but we just don't have the resources to find out the causes."

Another favorite theory is that poor economic conditions and an increase in unemployment will be reflected in a rise crime—and vice versa.

That theory hasn't worked in Jacksonville, Fla., where Sheriff Dale Carson's force of 800 polices a community of 550,000 persons. Economic conditions are good, unemployment is low, industry is booming and the amount of Navy business in the area has increased as bases elsewhere were closed.

"We're up 28 percent for the year and we're at a loss to know why," Carson said.

This sense of bewilderment belies another of the theories that guided the war on crime: that research plus better cooperation among police departments would reveal effective strategies for fighting crime.

Chief Bernard Garmire, head of the Miami, Fla., department, described a meeting with other law enforcement officials earlier this month in Jacksonville.

Almost all had bad news to report. Crime in the first quarter was up 24 percent for the southeastern states, up 40 percent for Florida and up as much as 50 percent in some communities.

"We don't know the answers," Garmire said. "Each of us was at a loss to account for the recent upsurge."

The increase in the crime rate for Miami was below the state and regional average at 17.5 percent, a fact from which Garmire takes some satisfaction—but not much. He now hopes that the rate of increase will hold at about that level for the year.

Another theory that helped guide the war on crime was that police using more sophisticated equipment—especially computers would be able to hold down crime.

In Dallas, Tex., where a computer system is in operation, one important result seems to be that Chief Donald A. Byrd gets the bad news faster. While most chiefs are still guessing how their crime rate ran in the second quarter of this year, Byrd knows that crime in Dallas was up 18.78 percent in the first six months of the year.

Another disturbing fact revealed by the computer is that the sharpest increase in Dallas is in the crimes that the police have most difficulty solving.

The rate for both murder and aggravated assault is down but the police solve 90 percent of the murders and 74 percent of the assault cases.

On the other hand, they clear only 16 percent of burglaries, 24 percent of the larcenies and 19 percent of auto thefts—and there is a sharp increase in all those categories.

Perhaps the most grievous disappointment in the national war on crime has been the failure of the crime rate to drop as the result of a massive—and at least temporarily successful—effort to reduce drug traffic and drug addiction.

Through a combination of international cooperation, strict enforcement of the drug laws and treatment of addicts, the heroin epidemic that plagued American cities only a short time ago seems to have been brought under control. But the expected decline in the crime rate did not occur and some experts now are wondering whether they overestimated the link between drug addiction and crime.

The effort to control the drug problem was just one part of what then-Atty. Gen. Richard G. Kleindienst described to Congress two years ago as the greatest attack on crime in the nation's history. Since 1969, the Law Enforcement Assistance Administration—the agency through which the federal government helps local law enforcement agencies—has received $3.2 billion, most of which has been passed on to state and local agencies. It is now geared up to send out nearly $1 billion a year.

In his report in September 1972, Kleindienst claimed that the war on crime was beginning to show results and, when the figures for 1972 showed an actual decline, administration officials were elated. As recently as January, in his state of the union message, President Nixon declared: "Peace has returned to our cities, to our campuses. The 17-year rise in crime has been stopped. We can confidently say today that we are finally beginning to win the war against crime."

It now appears that the claims of victory were, at best, premature. It is probable that some of the money spent in the last five years will pay off in the future. Training programs for police will almost certainly improve their efficiency as more and more go through specialized programs.

And a $10 million a year program to question victims of crime is expected eventually to provide a vast amount of information that will help in an understanding of crime and its causes. These may well have a measurable impact on crime—in years to come.

Looking at the experience of the last five years, however, there is reason to suspect that some of the shorter-range "solutions" the federal government helped finance and the emphasis given to the war on crime itself have actually contributed to the increase in crime.

Murphy, a former police commissioner in New York, explained that a chief of police will frequently respond to public concern about an increase in crime by pushing up the arrest rate. The federal money has helped by making the police more efficient. The result in many places has been to overload the courts, prosecution staffs and the correction system with minor cases while dangerous criminals escape prosecution.

"Ninety percent of the felonies in Manhattan are plea bargained," Murphy said. "Lawyers and criminals are running the system rather than judges and prosecutors. Criminals are beating the system."

The war on crime also has had the effect, according to Biderman, the sociologist, of making crime visible, of constantly suggesting crime.

"The result has been, for some people, to make the unthinkable thinkable," he said.

The effort to understand and deal with crime thus begins to seem like some giant treadmill where even well-conceived efforts to slow it down simply add to the momentum.

So far, the sharply rising crime rate reported by the FBI has not become the kind of political issue that crime in the streets became in the late 1960s—even though the increase for at least a six-month period is as sharp as it was in the peak year of 1968.

One reason for this may well be that a single crime complex known as Watergate has so absorbed the nation's attention that it has not had time to think about such local crimes as murder, rape and robbery.

Another reason is that the kind of crimes measured by the FBI are not very common even though they are the kinds of crime of which people are afraid. It is likely that

more Americans suffer more injury from animal bites than they do from criminals and it is almost certainly true that the dollar loss from consumer fraud, embezzlement and graft—white collar crimes that are not reflected in the FBI's crime rate statistics—is far greater than the loss to muggers and second story men.

One recent study financed by LEAA showed that there is almost the same amount of crime in Dayton, Ohio, as there is in San Jose, Calif.—but the people in Dayton are much more conscious of crime and more worried about it than the people of San Jose.

The fact that public reaction to crime is extremely subjective and unpredictable suggests that concern about street crime, while subdued right now, could well erupt into a major political issue by the time of the November elections, just as it did in 1968.

If it does, politicians of both parties will be hard put to come up with solutions that have a reasonable chance of success. Almost everything that promised a quick solution has been tried—and the rate is still moving inexorably upward. Even in the District of Columbia, where a 65 percent increase in the police force helped to push down the crime rate, the rate shows signs of beginning to edge upwards once again.

Perhaps the most comforting theory is that the crime rate will begin to decline on its own before this decade is over. Prof. James Q. Wilson of Harvard, writing in the February issue of Barrister magazine, said the rate might well begin to drop as those born in the baby boom of the late 1940s get older, growing out of the age group responsible for most crime. This might be especially true if the number of jobs more nearly matched the number of persons in the 15-to-24 year age group and if there were significant improvements in the court and correctional systems, he said.

But Biderman, who tends to focus on population trends rather than on the crime rates, sees some disturbing signs that the passing of the post-war baby boom may not, in itself, cause a drop in the amount of crime. One sign, he says, is an early indication that the arrest rate among black males is not dropping off sharply after age 26, as it would be expected to do. Another worrisome sign is that Americans are not becoming parents as early as they used to. This could mean more young people without the stabilizing effect of family responsibility—and more crime.

Federal officials have shown a strong inclination to grasp at a simplified version of the Wilson theory—and to hope that the crime problem will just go away.

Last spring, when the FBI reports first showed a five percent increase in the crime rate last year, with the alarming 16 percent increase in the final quarter, Saxbe went to the White House and suggested calling the nation's police chiefs to Washington to see if they had any ideas for dealing with the problem. White House officials showed no enthusiasm for a meeting that would dramatize a potentially explosive political problem they would rather not think about.

Now, Saxbe has quietly arranged for a group of top law enforcement officials to gather on the weekend of Aug. 27–29—but in Chicago rather than in Washington.

Several of the chiefs interviewed by the Star-News said they expected to be at the meeting—looking for answers rather than bringing them.

One Justice Department official who has long studied the crime problem and various solutions to it was asked if he had any suggestions. He shrugged.

"We're not going to lick this problem until we have a moral rejuvenation in this country," he said. "We need better people."

## URBAN MASS TRANSIT

### HON. MICHAEL HARRINGTON

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. HARRINGTON. Mr. Speaker, yesterday the House passed H.R. 12859, the Federal Mass Transportation Act of 1974, as amended on the floor.

Although I did not speak in favor of the bill at that time, I would like to take this opportunity to state that, despite my disappointment at the adoption of the amendment to cut the authorization by about 45 percent from the committe recommendation, I supported the bill on the basis of its overall merits, particularly because of the establishment for the first time of a unified and comprehensive Federal-State-local program of mass transit assistance.

I would like to suggest that in a time when the demand for mass transit facilities has been on the rise, when many existing urban mass transit facilities are proving inadequate to handle the load, when depreciated capital equipment has in many cases been left to further deteriorate for lack of funds, when our rail service facilities—particularly in small towns—are dying a slow death, and when energy shortages and environmental problems demand that we find more efficient means of transportation, the time has certainly come for this serious Federal commitment to a unified and comprehensive mass transit assistance program.

Certain factors particularly argue for the comprehensive approach to mass transit assistance contained in this legislation. Foremost among these are future energy conservation requirements and the continuing pressure on urban governments to meet Federal environmental protection standards. Recent experience with the petroleum energy shortage and past trends in fossil fuel exploitation suggest that now it would be prudent for our Nation to pursue more efficient means of transportation. But how can anyone expect the American public not to drive their cars when, in most cases, they have little or no alternative?

The urgency of the situation is intensified by the recent announcement of the Environmental Protection Agency that the parking regulations issued with the aim of cutting down automobile commuter travel, and, consequently, air pollution levels, will be enforced. In the abstract, the regulations seem quite workable, but in the absence of transportation alternatives, compliance with these EPA regulations poses a distinct hardship for those employees who must travel to work by automobile.

A well-planned and well-funded program of mass transit construction and operation assistance will get us started on providing a rational and workable alternative to our present reliance upon the automobile.

All responsible projections point to the need for increased funding for urban mass transit. The Department of Transportation has projected capital investment alone, not to mention soaring operating costs, to amount to over $3 billion annually for the next 15 years, and the U.S. Conference of Mayors has cited the need for an annual funding level of approximately $3.6 billion over the next 5 years to support mass transit construction and operation.

The committee bill would have approached this funding level, but my colleagues saw fit to acquiesce to the desires of the President in adopting the amendment to cut the authorization by more than $9 billion to $11 billion. This cut will force State and local transportation agencies to eliminate many necessary proposed new facilities, extensions, and improvements, or, as an alternative, to fund these projects partially, waiting and hoping for more money at a later date.

The allocation of this funding over a sustained 6-year period, however, will have the benefit of providing the State and city transit planning agencies with a stable skeletal framework within which to raise the necessary bond revenues. No longer will they be left high and dry, without the Federal commitment. Instead, I am sure that we will begin to see rationally planned approaches to our urban transportation problems.

No one will deny that such a program is expensive. Even if it were funded at the 6-year level of $20 billion, State and city commissions would not have enough money to build and operate many of the projects that are so desperately needed. But when the expense is placed in the context of, and viewed in comparison to, the many years of direct and de facto subsidization of automobile travel, it is not so staggering. While opponents of this vital legislation once again cloaked their opposition in the rubric of fiscal austerity, we must not allow them to once again succeed in altogether strangling a program that is truly in the interest of all of our people, providing direct benefits in terms of providing transportation to those who live in the city and revitalizing urban centers with industry and jobs. Therefore, I supported passage of this legislation not for its inadequate funding level, but for the framework which it establishes.

In reviewing the provisions of the committee bill, however, I found myself in disagreement with section 506, which would have exempted projects funded under the act from the requirements of the National Environmental Policy Act, substituting the unilateral judgment of the Secretary of Transportation for the indepth environmental, economic, and social impact studies of the proposed projects conducted by independent engineers and subject to the scrutiny of public opinion. It seems to me that this provision would have had the undesirable effect of removing public transit decisions from the public eye, thus foreclosing the possibility of informed consideration of alternatives to the proposed project. In this regard, I commend the House for its wide support of the amendment to strike this exemption from the bill.

Finally, while I hope that the cut of the authorization because of the Presidential veto threat does not establish a dangerous precedent for the near future, the passage of the Federal Mass Transportation Act of 1974 is a most significant step forward for urban mass transportation.

## A STRONG "NO" TO PRICE MONITORING

### HON. JOHN H. ROUSSELOT

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. ROUSSELOT. Mr. Speaker, on February 4, 1974, the Wall Street Journal published a column by Prof. C. Jackson Grayson, who served as chairman of the Price Commission during phase 2, in which Dr. Grayson called for the complete abolition of wage and price controls. He made it clear at that time that his warning extended to the establishment of any so-called standby or monitoring agency because—

If such an agency were created. . . . it would be under continual pressure to reimpose controls, totally or selectively. The monitors would find it almost impossible not to take "action" (direct controls or jawboning) even when price increases represented pure demand shifts. Prices would be determined as much by politics as economics.

* * * * *

I know from firsthand experience that allocations by the marketplace are far superior to any centrally directed system, and are most consistent with personal freedom.

It's easy to get into controls, but as we are now witnessing, hard to get out. It is time to act with courage. Let's get out, and let's get out completely.

There was reason for encouragement that Dr. Grayson's advice might be heeded when on April 5, 1974, the House Committee on Banking and Currency voted decisively to table three proposals for extension of the Economic Stabilization Act. However, recent days have seen the Nation slip back toward controls, with the imminent establishment of a new monitoring agency, the Council on Price and Wage Stability.

Today's Wall Street Journal contains another timely article by Dr. Grayson, entitled "A Strong 'No' to Price Monitoring," in which he argues, as I have argued, that the new agency will contribute little to fighting inflation and that it may even be counterproductive.

The full text of Dr. Grayson's column follows:

A STRONG "NO" TO PRICE MONITORING

(By C. Jackson Grayson, Jr.)

There seems little doubt that the proposed wage-price monitoring agency will pass Congress easily, be signed, and in operation in a matter of weeks.

The near-term results: The agency will increase (falsely) expectations that the solution to inflation is closer. It will do little to stop inflation. In fact, it will increase some wages and prices and will prevent decreases. It will possess power. It will take action.

The longer-term results: It will be harmful to the operation of the competitive market system. It will increase the odds of future mandatory wage-price controls. It will assist a growing movement toward national economic planning.

All of that? After all, the agency is just a "monitoring" group. It will have no subpoena power, no mandatory powers, and a budget of only $1 million. To improve collective bargaining and encourage price restraint, it will simply "review and analyze capacity, demand and supply . . . work with labor and management in sectors having economic problems . . . improve wage and price data bases . . . monitor the economy as a whole." Who could be against that?

Very few. The bill is going through Congress with amazing speed. Business, labor, the administration, and Congress on both sides of the aisle are either for it, neutral, resigned to it as a tranquilizing political expedient or accepting it as a lesser of evils. On the surface, it seems innocuous and even logical.

But, based on my experiences as chairman of the Price Commission, I want to point out some political, institutional and economic realities and issue some warnings about the agency. I don't think it will be as benign or cosmetic as many think it will be. What you see isn't what you'll get.

POWER AND PRESSURE

First of all, don't be deluded because the agency won't have powers to subpoena records or veto price-wage increases. It will have tremendous power in the form of jawboning, or as they say in Britain, "ear-stroking." The persuaders come in gentle and not-so-gentle forms of pressure. Public hearings can be hinted at or called. Public condemnation can be expressed in the media. Officials can be called to the White House for a public or private "dressing down." Requests can be made to congressional committees to hold investigations. Administrative action can be threatened in other agencies: export controls, import relaxation, delay of decisions, procurement changes and stockpile releases. News conferences can be held; speeches can be put in congressional hands.

Deplorable in the American sense of fair play, these tactics have all been used in varying degrees by past administrations. The effect is to heighten antagonism between the public and private sector, with the public increasingly led to believe that union leaders are all greedy and that businessmen are all price gougers. It doesn't take a government agency to initiate these tactics, but they will be more organized, more frequent and more visible with the agency in existence.

And make no mistake about it, this agency will take action. A common assumption is that this is only a monitoring, not an action agency. Not true! "Action" doesn't have to mean a direct order. The agency can influence other agencies to do that. Moreover, monitoring and reporting is not passive any more than a chaperone with a camera in her hand saying to a couple, "Go right ahead. Don't mind me." What is, and what is not, reported creates public opinion and action.

Reporters will camp on the agency's doorstep: "What about this wage increase in the XYZ industry?" "What about these high profits?" "Are you going to recommend export controls?" "Why not?"

It's a fact of political life that action will be forced on the agency because it exists. Even if the problems weren't apparent, such an agency would find some. You can find problems anywhere, any time, in any labor or business organization, and particularly with a bright, energetic staff that won't sit around. It will be a new agency with excitement that will attract good economists and lawyers, who will regard it as their duty to hit somebody, somehow. Many of these people will be "control-oriented," with little direct business or labor experience and unsympathetic to the competitive market system. They will urge action.

It will raise false expectations. And when it proves unable to check rising corn prices, or steel prices or coal miners' wages, public disillusionment will follow, with the cry increasing for more immediate, even stronger measures. Then it will be said that the agency must be given additional powers to enable it to "do its job." Authority for the 1971-74 controls came from a simple amendment by Congressman Reuss to another piece of legislation. No one expected this to turn into 33 months of mandatory controls. But political pressures forced the action.

It isn't good economics. Controls seldom are.

The agency has to go after the larger individual wage and price increases. But not every large wage and price increase is wrong, or inflationary. The increase may represent demand and supply shifts. Yet political pressure on the agency may force it to act, with the same distorting result that mandatory controls generate. Shortages and investment in capacity may actually worsen, not improve.

The mere creation of the agency, moreover, will ratchet up some wages and prices for fear of coming mandatory controls. I know from direct experience that this has already occurred as a result of the discussions these past few weeks. Soon "guidelines" are likely to emerge. Business and labor will infer what is regarded by the agency as being within the government tolerance zone. It certainly won't be 5.5% or 2.5%, those famous figures from the past; new percentage yard markers will be created. And, as with direct controls, these will be taken not only as ceilings but also as floors.

The agency will tend to operate in the short-run. Its expiration date of June 30, 1975 cries for action now. And generally short-run action is bad economics, which is part of the reason we are where we are now.

If general inflation has not cooled significantly by next spring, there will be even more of a desire to "do something," and then the "something" must be stronger, not weaker. To say it can't happen is to ignore the fact that we dropped controls—and the proposal for continuing the Cost of Living Council as a monitoring agency—only four months ago. And here we are again.

Clearly, my belief is that the agency should not be created at all. But at this point, holding this conviction is about as effective as spitting into the wind. Therefore, my recommendations concern alterations, either before or after passage of the bill, plus some alternatives.

First, don't give this agency any additional powers, now or in the future. If this occurs, we will clearly be on the road to direct wage-price controls.

Second, don't put heavy reliance on this agency to fight inflation. The danger is that existence of this stopgap agency will reduce pressure to engage in tough, fundamental decisions. Reducing the federal budget, for example, is a basic way to fight inflation. But it will be tough going when Congress and the Executive get down to specifics. Any reduced pressure or zeal because of the existence of this agency would be a real loss.

Public statements notwithstanding, the public will tend to hold this agency accountable for every wage or price increase, and for every jump in the consumer or wholesale price index. The Price Commission surely was, and the proposed names for this agency—"Cost of Living Task Force" or "Council on Price and Wage Stability"—invite similar responsibility.

LOCATING THE AGENCY

Third, reconsider the location of the agency. It is now destined for the Executive Office of the President. I recommend instead that it be a quasi-independent agency, reporting directly to Congress (as does the GAO), or to both the Congress and the Executive Branch (as does the ICC). Location within the Executive Branch exclusively will constrain its activities and effectiveness for two reasons:

Every time this agency involves itself in a wage or price increase, the prestige and power of the Oval Office is somewhat at stake. If the agency loses a battle, say in forestalling a labor settlement or in not reducing a well-publicized price increase (as happened recently with President Ford and GM), the President stands to lose. Either the agency will tackle only those cases it is sure it can win, or the President will be forced to get the mandatory authority to back it up.

The agency should analyze and report on practices, laws, and procedures that contribute to inflation, not only in the private sector but also in the public sector. If the agency is based solely in the Executive Branch, it is not likely to recommend any action contrary to the administration's position, nor to criticize the Executive Branch for failure to act. For the same reasons, I think it would not be well placed in the Council of Economic Advisers, also a part of the Office of the President. If it reported to Congress exclusively, the same problem exists, although it is lessened because of the mixed constituencies.

My preferred solution would be to report to both groups. Thus it might take on the character and respect that is accorded the independent British Institute of Economic Affairs, but with access to government resources.

As a final shot, let me propose two alternatives to a separate agency, that might be adopted now or later.

Let the President formally assign this responsibility for coordinating economic policy directly to his Cabinet, most of whom are members of the proposed agency anyway. The Cabinet needs revival anyway as a national management team. Make the Vice President the counsellor to the President for economic affairs, and put him in charge of this function so that he would have the clout to influence economic policies across the entire Executive Branch.

Also, begin work now to revive the proposed Department of Economic Affairs. There is often fragmented and inconsistent economic policy making and a lack of accountability. The new department would gather together various branches now residing in Transportation, Commerce, Labor and others. This would require coordinated effort from both the Executive Branch and Congress to overcome established patterns and vested interests.

RINGING AN ALARM BELL

In summary, I do not argue my position as a blind, free-market ideologue, nor on the principle of nongovernmental interference in the marketplace. Government does have a role in our economic system. In fact, I am very much encouraged by the economic philosophy expressed by President Ford in his address to Congress and by the recent budget control procedures instituted by Congress.

I am ringing an alarm bell on this particular issue because I know from my personal experiences that the proposed monitoring agency can be misinterpreted, misused and can prevent us from fighting inflation at the point where the real battles need to be fought.

The real control over this economy in the long run must not be invested in Congress, the Executive Branch or any monitoring agencies, commissions or planning boards. It must rest in business and labor and the public in the private sector with two of the most powerful inflation fighting tools ever designed by man—competition and productivity.



## SIXTH ANNIVERSARY OF THE SOVIET INVASION OF CZECHOSLOVAKIA

### HON. ROBERT J. HUBER

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. HUBER. Mr. Speaker, it is indeed sad to again note the sixth anniversary of the brutal invasion of Czechoslovakia. The continued presence of Soviet troops in that country violates every realistic hope for peace in Europe and the inherent right of the Czech nation and people to self-determination. It is ironic, in my view, that we speak of "détente" with Soviet occupation troops still in Poland, East Germany, Hungary and Czechoslovakia.

It is further outrageous that the Soviet Union, which has made a great point of the "inviolability of frontiers" at the European Conference on Security and Economy continues to proclaim the right to aid "progressive" forces throughout the world regardless of anyone's frontiers, but when talk of freer communication with the Communist States is brought up the Soviets always state that they are not going to permit any ideas alien to Marxism-Leninism to circulate behind their frontiers.

It may be recalled that the Communist Czech Government in 1970 and 1971 attempted to blackmail her former citizens who fled after the 1968 invasion by tracking them down abroad and asking for $190 in U.S. currency for legal fees for defending them for the crime of leaving Czechoslovakia without permission. They were further informed that in all probability they would be convicted and sentenced to a jail term of from 6 months to 5 years for this offense and that in addition their property would be confiscated. They were further advised that the only way they could avoid these consequences was to return immediately or get their passports extended if they had one. Bad publicity in the press of the free world resulted in this repressive measure being canceled. The present Government of Czechoslovakia, however, is still seeking some of the same things, however, in a little more subtle manner. The Czechs living abroad are asked to legalize their stay abroad by paying $5,000 as "reimbursement for educational costs." This is, of course, the same ploy that the U.S.S.R. uses on its citizens that want to leave. Such payment theoretically entitles them to have their status changed from "nonpersons" to "persons" with the right to visit Czechoslovakia or have relatives visit them.

Thus, the present Communist Government of Czechoslovakia continues the same nefarious practice by another means. One can only sympathize and hope that Czech people can indeed really be free as they once were in between the two World Wars as we again observe this sad anniversary.

## UTILITY-BANK INTERLOCKING DIRECTORATES

### HON. MICHAEL HARRINGTON

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. HARRINGTON. Mr. Speaker, everyone recognizes the overwhelming significance of inflation for the well-being of our society, but it seems that few are willing to look for new explanations of its source. In this regard, it is my contention that it would be useful to consider the effects of the concentration of economic power through direct and secondary interlocking corporate directorships.

The Subcommittee on Budgeting Management and Expenditures of the Senate Committee on Government Operations, chaired by Senator LEE METCALF, is in the process of examining corporate interlocks to determine the extent of statutory violations or distorted interpretations of existing law which permit the existence of interlocks in transgression of the original intent of Congress in enacting restrictive legislation.

Particularly suspect is the large number of primary interlocks between utilities and banks which has been permitted by a loose interpetartion of the Federal Power Act and the Public Utility Holding Company Act by both the Federal Power Commission and the Securities and Exchange Commission—both supposed "regulatory" commissions for the public interest.

On August 14, I had the opportunity to testify before the subcommittee on this subject, and hope all of my colleagues will consider the substance of my testimony, in a broader sense, and consider the implications of interlocks and economic concentration for the inflationary situation confronting the country today.

The testimony follows:

TESTIMONY BY HON. MICHAEL J. HARRINGTON

Mr. Chairman, I would like to thank you for the opportunity to appear today to testify on utility-bank interlocks. Before beginning, I would like to commend both the Subcommittee on Budgeting, Management and Expenditures and the Subcommittee on Intergovernmental Relations for the ground they have broken with the publication of the report on the Disclosure of Corporate Ownership. The report makes a significant contribution to our understanding of just who controls our major industries and economic enterprises.

I would like to limit my remarks this morning to one rather specific topic—interlocking directorates between public utilities and banks. Given the tremendous growth in the need for new plant capital by electric utilities and the increasing necessity of utilities to rely on debt, rather than equity, financing, I believe it is important to take an indepth look at the degree of concentra-

tion that exists between banks and utilities at the board of directors level.

Any examination of this topic must begin with a look at two statutes—the Federal Power Act and the Public Utility Holding Company Act.

Section 825d of the Federal Power Act reads as follows:

(b) After six months from August 26, 1935, it shall be unlawful for any person to hold the position of officer and director of more than one public utility or to hold the position of officer or director of a public utility and the position of officer or director of any bank, trust company, banking association, or firm that is authorized by law to underwrite or participate in the marketing of securities of a public utility, or officer or director of any company supplying electrical equipment to such public utility unless the holding of such positions shall have been authorized by order of the Commission upon due showing in form and manner prescribed by the Commission, that neither public nor private interests will be adversely affected thereby.

Section 17(c) of the Public Utility Holding Company Act also contains a prohibition against utility bank interlocks. It reads as follows:

(c) After one year from August 26, 1935, no registered holding company or any subsidiary company thereof shall have, as an officer or director thereof, any executive officer, director, partner, appointee, or representative of any bank, trust company, investment banking, or banking association or firm, or any executive officer, director, partner, appointee, or representative of any corporation a majority of whose stock, having the unrestricted right to vote for the election of directors, is owned by any bank, trust company, investment banker, banking association or firm, except in such cases as rules and regulations prescribed by the Commission may permit as not adversely affecting the public interest or the interest of investors or consumers.

These are the statutes that govern utility-bank interlocking directorates. While these would seem to be rather restrictive statutes, an examination of the boards of directors of utilities and utility holding companies reveal otherwise. There are 17 registered holding companies in the United States with 689 men serving on their boards or the boards of their subsidiaries. Of these 689, 240, or 35 percent, also serve on the boards of directors of banks. Leading the holding companies is Middle South Utilities, Inc., 65 percent of whose board members serve on bank boards. Next comes the Southern Company, 58 percent of whose members serve on banks. The holding company with the smallest interlock percentage, American Electric Power, still has a 15 percent interlock ratio.

In my own area, the New England Electric System has 18 directors interlocked with banks—35 percent of the company's total. Ten of Boston Edison's 14 directors (70 percent) serve on the boards of banks.

Coupled with additional interlocks between leading investment houses, insurance companies, and law firms, there is an intense degree of concentration of economic power and control revolving around our banks and utilities.

Last year, I was involved in a case before the Securities and Exchange Commission regarding the sale of three gas companies from New England Electric to Eastern Gas and Fuel.

As part of the intervenors' case, Professor John M. Kuhlman of the University of Missouri's Economics Department, and an expert on corporate concentration, prepared some charts outlining the interlocks between major Massachusetts utilities, banks, and law firms. These charts, which I would like to submit for the Record, reveal an intricate spiderweb of associations between Massachusetts' most power economic concerns. Through direct, secondary, and tertiary interlocks, New England Electric is connected with 31 other utility companies, and 37 banks, insurance companies and law firms. Boston Edison is connected with 23 utilities, financial institutions, insurance companies and law firms.

Do these intricate interlocks have any adverse impact on the public? Professor Kuhlman testified that they do. He stated:

Q. Can interlocking directors lead to something less than arms-length bargaining?

A. Yes. It is certanly possible that a person serving as a director of two companies transacting business with one another will have information with respect to both firms that he should not have if bargaining is to take place in a proper environment. The same situation might prevail if two business associates served on the boards of companies transacting business with one another. Thus, two officers in a bank might have knowledge regarding a transaction between two companies of which they are directors which, if shared, would impair the bargaining process.

Q. Can you give an example of an interlocking director and a conflict of interest?

A. Yes. If officers or directors of a bank are also directors of a utility company, for example, they may have access to information which might provide them with a strong incentive to change the portfolios in the bank's trust accounts.

Q. Are you citing these as dangers of interlocking directors?

A. Yes. I'm not saying they will happen. I am saying that interlocking directorates may create a conflict of interest. They may create instances in which one party has an unwarranted access to information. These dangers are in addition to the increased concentration of control. And certainly it was these dangers that led Congress to restrict interlocking directorates.

An examination of the business practices of New England Electric and Boston Edison reveal that transactions are taking place between the utilities and the banks they are are interlocked with. New England Power, a NEES subsidiary, has two bank loans outstanding in 1973— $17.7 million for the First National Bank of Boston, and $2.5 million from the Worcester County National Bank. Both of these banks have representatives on NEES' board of directors.

Five of the ten banks represented on Boston Edison's board loaned the company $40 million last year, $27 million of this total was lent by the First National Bank of Boston.

The chairman of the First National Bank of Boston, Richard Hill, himself admitted that bank utility interlocks create a potential conflict of interest, but maintained that the conflicts do not materialize because of the high level of integrity of the men involved. In an interview with David Rosen, of United Press International on August 7, 1974, Hill defended interlocking directorates as necessary because of the limited number of people in New England with financial abilities adequate to represent stockholders' interests.

Having examined the two statutes, and having examined the situation as it actually exists, the question naturally arises: how can the two be reconciled? On July 3, I wrote the Chairman of the FPC and the SEC to discover the answer.

According to the answer I received from FPC Chairman John Nassikas, which I submit for the Record, the FPC has interpreted the interlock provision, which originally was contained in Title II of the Public Utility Act of 1935, to mean that only directors of banks, trust companies, banking associations that are authorized by law to underwrite or participate in the marketing of securities of a public utility are prohibited from serving on the boards of public utilities.

On October 22, 1935, the FPC asked the Comptroller of the Currency to advise it what banks, trust companies, or banking associations were authorized by law to underwrite or market securities, and two days later on October 24, 1935, the Comptroller of the Currency wrote back that no banks, trust companies, or banking associations in the United States are authorized by law to underwrite or market securities of utilities.

Therefore, for forty years, the Federal Power Commission has permitted all utility-commercial bank interlocks.

The SEC on the other hand, whose prohibition was contained in Title I of that same act, rejected the interpretation of its provision that only interlocks between underwriters or securities marketers were forbidden. However, beginning in 1936 and existing through 1966, the SEC has on 10 occasions, amended its rules to provide exemptions from the prohibition. Under the present SEC Rule 70, the exemptions fall into three main categories:

(1) A full time employee of a utility may serve as a director of a bank. Thus, the Chairman of the Board of New England Electric, Robert Krause, who also serves on the board of the First National Bank of Boston, is exempt under the full time employee rule.

(2) Board members of small banks with capital and surplus not in excess of $2.5 million are exempted from the prohibition. This is a relatively insignificant exemption which affects only 38 of the 240 holding companies interlocking directorates.

(3) Directors of banks having offices within the service areas of the utility or its subsidiaries are exempt. This is the most significant exemption, accounting for 162 of the 240 exemptions granted by the SEC.

Have the FPC and the SEC, in their interpretations of the prohibitions against bank-utility interlocks contained in the Public Utility Act of 1935, violated the mandate of the Congress?

An examination of the legislative history of the Act prepared by the SEC's Division of Corporate Regulation, which I submit for the Record, and a concurrent study by the Library of Congress' American Law Division, both reach the conclusion that the legislative history of the act is vague and ambiguous. While the debate over public utility abuses focused largely on the excesses of investment bankers, it is also clear that, at least the Title I, prohibition addressed itself to commercial, as well as investment bankers.

In my opinion, an effort should be begun to revise the FPC's and SEC's policies to restrict bank-utility interlocks, rather than broaden them as has been the case historically. This Committee has done pioneering work in revealing the extent of corporate concentration in this country. We ought now to begin to move in the direction of broadening and diversifying economic control of major corporations.

It is my intention to request the FPC and the SEC to hold public hearings on the interlock question with an eye toward tightening up the restrictions and eliminating some of the exemptions. I would welcome any support which this Committee might wish to give to this effort.

However, I realize that the agencies may be unwilling to reverse a course they have taken over the last 40 years.

Therefore, I will also prepare legislation prohibiting any bank and utility sharing a common director from transacting business together, and would appreciate any help, advice, or support which this Committee or its members might wish to offer.

I strongly believe there is a need for prompt action on this subject. As the stock of

utilities has continued to decline in value, utilities have been forced to rely far more on short and long term debt financing—the kind provided by commercial banks. In order to assure that these loans are negotiated on an "arms length" basis, it is important that utilities and the banks lending them money should not share common directors.

The United States is presently in an era of great economic uncertainty. Confidence in our major economic institutions is low. If we are to restore confidence in our system's ability to fairly allocate resources and maintain our standard of living, we must disseminate economic power to a broader cross section of the economic community than is now the case. Far too much of our economic power is in the hands of a relatively small group of individuals serving on the boards of banks, utilities, insurance companies, oil companies, and other major industries. And I reject the notion, alluded to by Mr. Hill, that only a small handful of people possess the necessary qualifications to serve on utility boards.

Hopefully, the rather narrow contribution I have made today on the subject of bank utility interlocks will serve a useful purpose in bringing to light one aspect of the overall problem of economic concentration and the disclosure of that concentration.

## FORMER UNDER SECRETARY OF STATE GEORGE W. BALL ASKS CUTOFF OF MILITARY AID TO TURKS

### HON. JOHN BRADEMAS

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. BRADEMAS. Mr. Speaker, yesterday, August 20, 1974, the distinguished former Under Secretary of State, George W. Ball, in testimony before the Foreign Affairs Committee of the House, urged Congress to halt U.S. military aid to Turkey in order to strengthen the position of our country in any further negotiations on Cyprus.

I insert at this point in the RECORD an article from the Washington Post of August 21, 1974 concerning Mr. Ball's statement:

GEORGE BALL ASKS CUTOFF OF MILITARY AID TO TURKS

Former Under Secretary of State George W. Ball yesterday strongly urged Congress to cut off military aid to Turkey as a way of strengthening Washington's position in upcoming negotiations on the future of Cyprus.

"The only way the United States can reestablish any useful position in the situation," Ball said following a meeting with the House Foreign Affairs Committee, "is by making it clear to the Turkish people—and particularly to the Greeks—that it regards the present posture of a large Turkish force on Cyprus as totally unacceptable."

Ball said: "We have to reestablish our position of confidence on the part of the Greeks to show that we are not behaving in an anti-Greek, pro-Turkish way. This kind of legislation could strengthen the hand of Secretary [of State Henry A.] Kissinger."

Rep. Benjamin S. Rosenthal (D-N.Y.), who with Pierre S. Du Pont (R-Del.) has cosponsored a foreign aid bill amending cutting off military and economic aid to Turkey until an agreement acceptable to all is reached in Cyprus, said yesterday: "We've got to do something to reestablish our credibility with the Greek government. You can't offer to mediate as Kissinger has done unless you have some cards."

Ball helped draft the letter that President Lyndon Johnson sent to Ankara in 1964 that is credited with having prevented an invasion of Cyprus by Turkey during an earlier crisis.

## UNEMPLOYMENT

### HON. CARDISS COLLINS

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mrs. COLLINS of Illinois. Mr. Speaker, the following is the statement that I made to President Ford this morning. One segment of our population has survived statistical inflation: the inner-city unemployment. It seems that their numbers are incapable of exaggeration. The recently released Census Bureau report on the social and economic status of the black population conservatively states that "blacks and other minority-group Americans were twice as likely to be unemployed in 1973 as whites" while economists are calling 1973 a good year. In Chicago, as in many other areas of the country, unemployment has reached astronomically high levels. Unofficial surveys place the unemployment percentage on the West Side of the city—which is located in the district that I represent—at 30 to 45 percent. And yet, that particular area of the city is slated to receive little in the way of Comprehensive Employment Training Act funds. The fact of the matter is, that the entire city will receive some $15.3 million less in fiscal year 1975 than it received in 1972. Combined with inflation, cuts of this type represent a backpedaling from Federal job training commitments.

In July 1974 the official unemployment rate for black workers was 9.4 percent. But when I return to the West Side of Chicago and see and hear of the masses of discouraged workers who have entered the free market of despair I cannot help but agree with those who maintain that the estimated rate of 45 percent unemployment in that area may be an understatement. To reiterate, economic hopelessness is not uncommon to Chicago's West Side. It is a way of life for millions of disadvantaged people throughout our country.

America must design and implement a system of economic soundness that can effectively tackle problems which incubate in depressed areas with high concentrations of joblessness. The use of existing agencies, such as the Economic Development Administration, would be a viable avenue for support. For example, venture capital funds under this program can be used to purchase land, develop public works projects, and generate seed capital for major developments in substandard communities. The resultant jobs and higher living standards which would arise from such undertakings is apparent.

Mr. President, you came to Congress last week and expressed your desire to work for all Americans. I concur in your view that "good government clearly requires that we tend to the economic problems facing our country in a spirit of equity to all of our citizens in all segments of our society." In order to achieve this goal and your objective of balancing the budget, I believe that every Federal dollar spent must maximize its benefits.

Such maximization has a greater probability of occurrence only if the Government increases its support of social programs that will economically strengthen America's needy populace. To do less would be to further encouarge the ills from which our society has tried for the last decade to escape.

## SHAWANO, WIS., CENTENNIAL

### HON. HAROLD V. FROEHLICH

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. FROEHLICH. Mr. Speaker, the city of Shawano, Wis., is presently celebrating the 100th anniversary of its incorporation. I am proud to take this opportunity to congratulate the residents of Shawano and to wish them continued success in their next 100 years.

Shawano, located on the banks of the Wolf River, is the county seat of Shawano County in northeastern Wisconsin. It lies south of Shawano Lake and the once and future Menominee Indian Reservation. The community was named after the lake which the Indians called "Sha-Wa-Nah-Pay-Sa" or lake to the south.

As with many other communities in northern Wisconsin, Shawano's beginning and continued growth was intertwined with the growth of the logging industry. Shawano was founded when men moved northward in their continued quest for lumber 131 years ago.

When the city was incorporated 31 years later, it boasted of five churches and three saloons. Despite the fact that the livelihood of the city was still deeply entrenched in the logging industry, signs of persistent growth and diversification had appeared. Merchants, millers, blacksmiths, and attorneys prospered. The inception of the daily stage line made Shawano easily accessible to surrounding communities, and under such auspicious beginnings, Shawano began to flourish.

Today, Shawano is a city of more than 6,400. Her surrounding countryside remains unblemished; yet she is the home of several industries, among them knitting, paper, and dairy. The energy and spirit of her people are justifiably commendable, having made Shawano what she it today.

I join the people of Shawano, Wis., in the commemoration of their 100th anniversary and congratulate them on having reached this magnificent landmark in their community's history. The citizens of Shawano receive my warmest wishes for continued prosperity as they pass from a history of accomplishment to a future of additional achievement.

## THE DAILY TIMES OF NILES, OHIO, CELEBRATES ITS 50TH ANNIVERSARY

### HON. CHARLES J. CARNEY

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. CARNEY of Ohio. Mr. Speaker, the Daily Times, published by Niles Suburban Newspapers, Inc., Niles, Ohio, celebrated its 50th anniversary on Sunday, August, 11, 1974. Beginning on Saturday, August 10, the Daily Times had a 5-day birthday party to celebrate the occasion.

The anniversary celebration included a special historical section in which the top stories reported by the Daily Times each year during its five decades of publication were summarized; a brunch for Daily Times employees and their families sponsored by Publisher L. W. Stauffer; public tours of the Daily Times building so that interested persons could see how their newspaper is produced; a dinner sponsored by the Niles Chamber of Commerce, and a proclamation from Mayor William A. Thorp declaring August 10–17, 1974, as Daily Times Week in honor of all those responsible for the newspaper, and also in recognition of the important role the newspaper has played in the growth and prosperity of the city.

Because of the city of Niles' proximity to the city of Youngstown and the city of Warren, Ohio, establishing and maintaining a successful newspaper has not been easy. However, the Daily Times has succeeded where many others have failed. The combined circulation of the Daily Times and six weeklies has now reached 25,000, and the Daily Times is read in 8,000 homes each day.

The two men who have guided the Daily Times through 48 years of its 50-year existence are former Publisher Milton I. Wick, and the current publisher, Mr. L. W. Stauffer. Executive Editor Lloyd R. Stoyer, and Promotion Director Gordan Anderson have done an outstanding job of expanding circulation and improving the quality of the newspaper in recent years. In a broader sense, the success of the Daily Times depends upon the hard work and dedication of each and every one of its employees.

The anniversary edition of the Daily Times paid special tribute to 13 men and women whose loyal service to the paper totals 356 years. They are: Harry B. Wick, composing room foreman who has worked for the Times since 1926; Fred Belcastro, pressroom, who came to work in 1933; Nick Zuzolo, composing room, October, 1940; Paul Clare, assistant pressroom foreman, hired in 1945; Gordon Anderson, promotion director, March, 1946; Jean Powers, composing room, September, 1947; Ray Wheeler, composing room, December, 1947; Jim Dorchock, composing room, 1950; Jack Maselli, composing room, November, 1950; Mike Varveris, editorial department, 1951; Agnes Lopatta, society editor, 1953; Marge Mollica, accounts receivable supervisor, 1955; and, Donna Kay, business manager, 1956.

Also featured in the special anniversary edition of the Daily Times were: Mrs. Samuel Law, who set type a letter at a time for the Niles Daily News at the turn of the century; Mrs. Oliver Martin—former Winifred Glay, the earliest known employee of the Daily Times and a "Jill of all trades"; and, Mr. Clyde Teeple, who worked in the composing room of the Daily Times for 42 years before retiring in 1971.

Mr. Speaker, I want to take this opportunity to extend my sincere congratulations and best wishes to everyone associated with the Daily Times on the newspaper's 50th anniversary. I know that the Daily Times will continue to progress and prosper in the years ahead under the able leadership of Publisher L. W. Stauffer and Promotion Director Gordon Anderson.

Mr. Speaker, I would like to insert the Daily Times' 50th anniversary editorial in the RECORD at this time:

THE DAILY TIMES 50TH ANNIVERSARY

Celebration of the 50th anniversary of the Daily Times is your party, a tribute to the independent spirit of the people of Niles. You evidently want your views expressed, you want the news of Niles on the front page, you want our City to count in governmental decision making, and so you read our local paper and patronize our advertisers.

Only because of your support have our newspapers grown and improved over the half century of our association.

Niles had had no daily paper for a year, when a newspaper chain installed a press and brought forth the first edition of the Daily Times on Aug. 11, 1924. It was not successful in the beginning and was within two days of becoming a weekly when it was bought by a group of men headed by James L. and Milton Wick. Since then it has grown gradually, but steadily.

Published now by L. W. Stauffer, the Daily Times heads a group which also includes six suburban weekly newspapers throughout the Mahoning Valley.

Throughout the vicissitudes the character of the newspapers have been molded by the same forces that shaped Niles and its environs in Howland, Weathersfield and Lordstown Townships. Situated between the larger cities of Warren and Youngstown, both the newspaper and the area whose center is Niles have had to fight for identity. In the process, both have developed a fierce local pride.

Possession of a local newspaper entirely devoted to its interests has given Niles influence in County, State and National affairs. The Niles newspaper for instance was among the first in the country to suggest William McKinley, our native son, for President.

Nobody knows how many articles from the Times have been printed in the Congressional Record, quoted in debate in the Ohio Legislature, and discussed in the Trumbull County Court House. The importance of a local "voice" can hardly be over-emphasized.

There is a story about an editor who lived in a rooming house. One day he got into an argument with his landlady about the potato crop. She said it was a poor year for potatoes, and he thought there would be a bumper crop. When he got to the office, he wrote an editorial hailing the exceptional potato season.

The next time he saw the landlady, she apologized for her opinion. "I was wrong", she said. "This will be a great year for potatoes. I read it in the paper."

We do know that the printed word has weight and substance. Heading now for 100 years, this solid thriving newspaper in partnership with the solid thriving community of Niles will strive for ever greater accomplishment together.

## INTERLOCKING DIRECTORATES IN BOSTON PROBED

### HON. MICHAEL HARRINGTON

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. HARRINGTON. Mr. Speaker, on Sunday, August 18, the Boston Globe carried two articles about the investigation of interlocking directorates being carried on by Senator METCALF's Subcommittee on Budgeting, Management, and Expenditures and by reporters for the Globe.

As I pointed out in my testimony before Senator METCALF on August 14, this is a question of overriding importance. To restore confidence in our system's ability to fairly allocate resources and maintain our standard of living.

Mr. Speaker, it seems to me that this issue deserves the attention of the Congress, and that these articles deserve the attention of my colleagues. Therefore, I would like to insert them in the RECORD at this time.

The texts follow:

INTERLOCKING DIRECTORATES IN BOSTON PROBED

(By Stephen Wermiel)

WASHINGTON.—An elaborate system of interlocking directorates between the First National Boston Corp. and major utilities, banks and insurance companies in New England has been revealed by a US Senate subcommittee probing corporate disclosure practices.

The subcommittee, chaired by Sen. Lee Metcalf (D-Mont.), is conducting a preliminary inquiry, which it hopes will lead to legislation requiring the nation's businesses to report in greater detail who owns their stock and who sits on their boards of directors.

In May the subcommittee got the views of the Federal Trade Commission. A public hearing last Wednesday centered on New England. The Minneapolis banking-corporate scene will be scrutinized next. And, eventually, the subcommittee will look at New York banks and their relations with the major corporations and utilities.

According to E. Winslow Turner, chief counsel to the Senate government operations subcommittee on budgeting, management and expenditure, and author of the study of the First National Boston Corp. (parent company of the First National Bank of Boston):

"The chart we have developed shows the holding company . . . directly interlocked with five large insurance companies with home offices in Boston, with major electric utilities, with the telephone company and with at least four major producers and employers.

"We are just beginning to look into the impact of these interlocks," said Turner, emphasizing that no allegations of wrongdoing have been made.

Interlocks develop when a member of one board of directors (First National Boston Corp. in this case) also sits on the board of other institutions and corporations. Such relationships are called "primary interlocks" while "secondary interlocks" occur when the relationships expand to include directors

from companies once removed from the initial board of directors.

The thrust of Turner's study is that First National Boston Corp. shares directors with major institutions competing with it in providing financial services to business, government and the public.

In secondary interlocks, Turner noted there are 15 indirect overlaps between First National Boston Corp. and the National Shamut Bank, one of the leading Boston competitors of the First National Bank of Boston.

"We are talking about effective corporate disclosure to the public," said Turner. "There will be more hearings in this area, probably in the fall, aimed at legislation to insure the full reporting of interlocks."

Turner said: "What we want to do is lay out the interlocks and study areas of potential abuse."

The concerns center on two areas:

(1) The possibility that directors in common among competing institutions leads to anticompetitive attitudes and practices.

(2) The high concentration of economic power and influence that develops through interlocks may not be in the public interest.

"We are not alleging anything about First National (Boston Corp.) directly," said Turner, "but we have seen in the past potential problems with the concentration of economic power and anticompetitive policies.

"First National is the largest bank holding company in the New England region and would obviously have considerable impact on the region," he said.

According to Turner's study, the corporations that share directors with First National Boston Corp. include: Massachusetts Mutual, John Hancock, New England Mutual, Liberty Mutual and Arkwright-Boston, each an insurance company and competitors in money lending; the New England Electric System and Boston Edison, second and third largest power companies in New England; New England Telephone; Cabot Corp., Polaroid, Raytheon, USM Corp. and Gillette—all major industrial employers; and Arthur D. Little, the Cambridge think-tank.

In addition to the New England corporations, other interlocks include: Pan American, International Paper, Eastern Airlines, Mitre Corp., Howard Johnson's, Itek and Curtis-Wright Corp.

"What we are looking for," said Turner, "is a means by which we can gain public accountability through utilization of Federal regulatory agencies—if they were to come up with and enforce a plan for disclosure."

One agency campaigning for more disclosure is the Federal Trade Commission. FTC Chairman Lewis A. Engman on May 20 told the subcommittee of his concern that "links between competing corporations, created by representation on the same bank boards, could provide a stimulus and source of capital for anticompetitive mergers, acquisitions, joint ventures and other transfers and combinations of corporate power."

While Turner and Metcalfe expressed concern over public disclosure, at least one legislator, Rep. Michael Harrington (D-Mass.) would like to see legislation restricting the relationships between utilities and interlocking financial institutions.

Said one Harrington aide: "We are drafting legislation to restrict the interlocking relationships so that a public utility may have interlocks but cannot also do business with the interlocking corporations."

Harrington testified Wednesday before Metcalf's subcommittee and said he would ask the Federal Power Commission and the Securities and Exchange Commission "to hold public hearings with an eye toward tightening up the restrictions and eliminating some of the exemptions" now placed on interlocking directors.

"I will also prepare legislation prohibiting any bank and utility sharing common directors from transacting business together," he said.

He called for a broader dissemination of economic power "to restore confidence in our system's ability to fairly allocate resources and maintain our standard of living . . ."

Harrington referred specifically to the New England Electric System and Boston Edison. Pointing to diagrams, he said, "These charts . . . reveal an intricate spider web of associations between Massachusett's most powerful economic concerns.

"Through direct, secondary and tertiary interlocks," Harrington said, "New England Electric is connected with 31 other utility companies and 37 banks, insurance companies and law firms. Boston Edison is connected with 23 utilities, financial institutions, insurance companies and law firms."

Harrington also referred to an interview several weeks ago with Richard Hill, chairman of First National Boston Corp., in which Hill said interlocks are necessary "because of the relatively small number of people available to be directors."

Responding to the Hill statements, Metcalfe said: "It may be that there are a limited number of people who will favor Mr. Hill's bank and holding company . . . but I can't believe with all the educational institutions and successful businesses and financial activity in New England, that utilities can't find financial and corporate directors other than the largest bankers."

At the hearing Metcalfe said: "The small businesses, the individual consumers even the state and local governments are not represented on these boards, but these are the people who provide the bulk of revenues to the utilities—while the big business guys get the favored treatment."

In fact, said Metcalfe, he had an aide check the major stockholders in his home state's Montana Power Co. and found the major stockholder to be the National Shawmut of Boston.

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### It Looks Bad But Really Isn't, Say "Interlocked" Directors

(Globe financial writers Terry Atlas, John Robinson and Susan Trausch attempted to contact directors of the First National Boston Corp. who also are chief executives of major New England Boston companies. Here are the comments of those available for interviews.)

Like the relationship of the dog's bark to his bite, interlocking corporate directorates look more suspicious than the facts warrant, according to a sampling of local executives.

A survey of top Boston businessmen, many of whom would be considered "interlocked" corporate directors, revealed one common view: directors serving on more than one board look bad, especially to nonbusinessmen.

But every executive insisted that corporate boardrooms are free from anti-competitive manipulations or scheming, although each conceded the potential existed.

Richard D. Hill, chairman of First National Boston Corp. and the First National Bank of Boston, reaffirmed his confidence in the system of sharing corporate directors with potential or actual competitors.

He said the integrity of those chosen to serve as directors, the existence of rigorous competition among companies and the protection of our laws combine to prevent a small sector of the economy from exercising abusive economic power through a few interlocked directors.

Furthermore, he said, there is "a limited pool of people with broad business and financial backgrounds who have gone through the crucible of experience."

Therefore, corporations are forced to share the few available men and women for their boards, he said.

Other comments supported this view.

"I think the Senate subcommittee investigation is posing a legitimate inquiry," said J. Edwin Matz, president of John Hancock Mutual Life Insurance Co. He is a Hancock director, and on the board of the National Shawmut Bank.

Hancock's chairman, Gerhard D. Bleicken, serves on the board of First National Boston Corp., and the First National Bank of Boston, but was out of town last week and could not be reached for comment.

"The potential is there for restrictive competitive practices and abuse of financial powers but to my knowledge there haven't been any abuses," Matz said.

"The people involved have worked very hard to see that there are no abuses.

"You have interlocking directorships in this city because companies all want to take advantage of the financial talent available and there are only so many people available. If we were to move in the direction of preventing interlocks, I think it would be bad for business because you just wouldn't have the quality at the top that you have now."

Joseph Carter, president of Wyman Gordon Corp. in Worcester, agreed. He is on the boards of Liberty Mutual Insurance Co., Avco Corp., State Mutual Life Assurance Co., of America and Mechanics National Bank of Worcester.

Wyman Gordon Corp's chairman, Robert W. Stoddard, who serves on the board of the First National Bank of Boston, Raytheon Co. and Worcester County Institution for Savings was out of town and could not be reached for comment.

Carter said: "I've served on boards where members have abstained or refused to vote or removed themselves from the board if they've felt there might be a conflict of interest.

"It seems to me that you have two strong forces running head on into each other today. You've got the push that says a corporation must be responsible to the public and, consequently, must have top quality people on its board making sure that there is this accountability. On the other hand, you've got the camp that says a person cannot serve two masters attempting to limit the availability of these top quality people."

Another reason was cited in defense of bank directors serving on the boards of companies with which they do business. Such a practice, said a bank spokesman, allows a financial institution with a significant investment in a company to monitor the safety of its loan or other form of assistance, thus protecting the interests of not only the bank's shareholders, but its many depositors as well.

Lloyd S. Glidden, Jr., vice president and treasurer of Liberty Mutual Insurance Co., believes stories on inquiries into interlocking directorates might discourage people from serving on boards.

Glidden is not a director and was responding for company president Frank L. Farwell, who was out of town. Farwell holds board memberships with First National Boston Corp., First National Bank of Boston, Boston Edison, USM Corp. and Arkwright-Boston Insurance.

"I think (newspaper) articles on interlocking directorships are very inflammatory and misleading," Glidden said. "I know darn well if I were on the First National board and got a call from a reporter investigating it, I'd start thinking that maybe I shouldn't be serving on the board and wouldn't want to take on any more directorships. There are only so many people in Boston qualified to be directors and they shouldn't be discouraged."

The roots of interlocking directorates are more social than economic, according to

Myles Mace, professor emeritus at Harvard Business School.

Mace, who has written several books on corporate directors, said the same names are seen again and again because "the chief executive officers stick pretty close to the club members they know (when selecting directors)," avoiding outsiders who might "rock the boat."

While there is "too much corporate incest," concern about its effects on a firm's decisions is a "fake issue," he said. A board of directors, he noted, usually has little say over operational decisions.

He was more concerned with the potential abuse of inside information made possible by such conditions. To avoid even the hint of impropriety, a bank officer should not serve on the board of a firm in which his bank has holdings, he said. Likewise, corporate official should not serve on the board of a bank from which it borrows.

"I'm not saying they abuse the power, but it would look a whole lot better if they didn't (serve on those boards)," he said. "It just looks bad . . . you'll never persuade me that when some of those investment banks buy and sell securities, they don't use inside information.

"As long as there is the potential, those who might be suspect . . . ought to choose not to be suspect."

Hill of First National Boston Corp. disputed this notion, although he agreed that "our competing banks probably think that we have a competitive advantage" when the First is represented on a company's board while no other bank is.

Hill, for example, sits on the board of Polaroid, a major First National customer.

Additionally, said Hill, the First would be "disappointed" if a First director's company like Gillette, Ludlow Corp. or Itek, did not do business with the bank.

## ACLU CHALLENGES DISCRIMINATORY SOCIAL SECURITY PROVISION

### HON. JONATHAN B. BINGHAM

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. BINGHAM. Mr. Speaker, on June 13, I introduced legislation to eliminate from the social security law a provision which discriminates against men. It would allow any surviving spouse to obtain social security benefits based on the higher of the two spouses' income histories. Under present law only a widow can do so.

I include herewith, from the August 16 edition of the New York Post, an article describing a judicial attack on this invidious discrimination by the ACLU on behalf of a widower who has been denied social security benefits because of his sex:

SUIT SEEKS BENEFITS FOR WIDOWERS

The American Civil Liberties Union has challenged as discriminatory the Social Security regulations that deny most widowers the right to collect their wives' benefits. Surviving wives can collect when their husbands die.

In a suit filed yesterday in Brooklyn Federal Court, the ACLU asked a three-judge panel to rule on the constitutionality of the two regulations and to block their enforcement.

Under present regulations, a widow may claim her husband's benefits, but a man is barred from collecting his dead wife's payments unless she was providing more than half his support when she died.

The suit was filed on behalf of Leon Goldfarb, 70, of Bellerose, L.I., who ACLU attorney Kathleen Paratis charged, "is denied widowers' benefits solely on the ground of his sex." His wife, Hannah, died in 1968.

Goldfarb, a federal employe for 37 years, was ineligible for benefits because he did not make sufficient payments into the Social Security plan.

## SOVIET JEWS COPING IN THE WEST

### HON. FORTNEY H. (PETE) STARK

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. STARK. Mr. Speaker, the Foreign Affairs Committee's inclusion in H.R. 16168 of an appropriation for assistance in the resettlement of Soviet Jews in Israel is to be highly commended. Congress should be striving toward more of this type of social assistance in our foreign aid programs.

The extraordinary burden placed on Israel as a result of immigration by Soviet Jews and the problems these people have faced in their attempt to assimilate into Israeli society have been monumental. The following article will further recount the pitiful problems encountered by both Israeli and Soviet Jews. It illustrates the necessity of this appropriation. I hope this is the beginning of congressional awareness of the need for the kind of positive foreign assistance that this sort of program can provide:

SOVIET JEWS: COPING IN THE WEST

(By Robert G. Kaiser)

JERUSALEM.—An American journalist who recently completed a three-year assignment in the Soviet Union was riding through Jerusalem the other day with a newly arrived Israeli immigrant from Leningrad. They were stuck in slow-moving traffic on King George Street, and the man from Leningrad let out a long sigh.

"Yes," the American said, "this Israeli traffic is murder."

"Oh, it's not the traffic," the former Soviet citizen replied. "I was sighing in amazement. I've been here for five months, but every so often I still sigh in amazement that I'm really in Israel."

Amazement seemed precisely the right word—at least to that American, who is me. As the Israelis themselves say repeatedly, it seems a miracle that nearly 100,000 citizens of the most isolated society in the Western (or nearly Western) world are now living here. It evokes the image of a mass Houdini escape—an implausible feat, but here it is indisputably real.

It is difficult to imagine former Soviet citizens walking the streets of Jerusalem, Rome and New York the way they now do. To meet a man from Leningrad on a street-corner in Tel Aviv must be something like running into a pretty girl in a large public men's room. Aren't you in the wrong place? Are you lost?

Some of them are lost, and they make a tragic spectacle.

I met several of them last month on the scruffy Mediterranean beach in Ostia, near Rome. They were Jews from Odessa, the Ukranian seaport, who had spent two years in Israel but couldn't make a go of it. "You could live well in Odessa," one of them said wistfully, "if you had money. And boy, did I have money!" Why had he left? He no longer really remembered, he said. But it seemed obvious that he had left to seek even bigger fortunes as have a large percentage of this unexpected wave of emigrants from the Soviet Union.

Odessa is famous for its thriving unofficial economy, many of whose former proprietors seem to be among the new emigrants. They made money in Odessa by hording scarce products, skimming profits from legitimate state businesses and other tricks, none of which are workable in a rational, Western-style economy.

At the other extreme are the cosmopolitan and happy intellectuals who have managed to move comfortably into new lives. One is a professor at the Hebrew university in Jerusalem, an Israeli citizen for more than three years. "Something very nice is happening to me," he said the other morning. "I'm beginning to forget my old life in the Soviet Union—it's disappearing."

It is impossible to generalize about this heterogenous group, but most of them do share certain traits—and certain tribulations.

The most obvious of these, not surprisingly, is a general sense that they are in someone else's country. The Israeli government supports a daily newspaper in Russian that is called "Our Country," a name that seems more ironical than accurate. In conversation, most of the Soviet immigrants discuss Israel in terms of "them"—their government, their army, their politicians.

Many find "their country" frustrating, and happily enunciate detailed programs for completely remaking it. "This parliamentary democracy is silly," one professor from Moscow announced the other day. "They need a president, like in America, somebody strong enough to get things done." Though Russian Jews are inside-dopesters by historic inclination, they find it hard to learn the inside dope here. "Nobody tells us what's going on," one complained.

The desire to have someone tell you what's going on, what to do, where to shop or sell is widely shared. There's an old joke about the Soviet tailor who opened a shop in Jerusalem. After three weeks he sent a bitter letter of protest to the mayor. "Why don't you send me any clients?" the tailor demanded indignantly.

"Nobody finds you a job," the Russians here complain, Israeli social workers report that if they give a Russian schoolteacher a list of 10 schools that need teachers, she will be hurt and confused. "They don't want to offer themselves for employment," one social worker explained. "They want to be told to start work at school so-and-so at 8:30. Period."

The glittering Western world dazzles many of the Soviet Jews. Most of the newcomers in Rome who are on their way to the U.S. instead of Israel seem to equip themselves speedily with a pair of Western eyeglasses, a new Swiss watch and a modest but unmistakably Western wardrobe. There is a definite tendency toward flashy dressing among the men, who never saw bright clothes in Moscow.

But the material possession that seems to please Soviet emigrees most is a full bowl of fresh fruit. Fruit is an expensive rarity in the Soviet Union, and former Soviet citizens here and in Italy seem to be eating enough of it now to make up for years of missed peaches. They are also reading the forbidden fruits of Soviet literature—Solzhenitsyn, Pasternak, Mikhail Bulgakov and many more. "I have no time to study Hebrew," one immigrant here complained, "I have too many Russian books to catch up on."

Little outings can be big events. A newcomer in Rome went to a neighborhood restaurant for lunch, but spoke no Italian. After some experimenting, he found he had German in common with the Italian waiter, and ordered his meal. "Isn't that something?" he said afterward. "In Moscow we read all the time about the poor, downtrodden Western worker, barely staying alive. And here's an ordinary waiter in Rome who is an educated, cultured man. Do you think there are any waiters in Moscow who speak German? Ha."

In a strange and unexpected way, Soviet patriotism often survives the wrenching move to the Western world. "In Odessa we could go to the theater every night," a girl complained in Tel Aviv, "but there's no Russian theater here." But did she go every night? No, of course not. And was the theater interesting in Odessa? No, it wasn't. And yet...

"Russians are too impressed by supermarkets," one emigre said of his fellows. "They should realize that there are good historic reasons why the Soviet Union isn't as rich as the United States." Was it a matter of history? Well, no. Wouldn't Russians be happier if they had supermarkets? Well, yes. But even expatriot Russians often seem prepared to make excuses.

Conversations with several dozen recent Russian emigrants suggest that life in the Soviet Union leaves a powerful psychological imprint. A man who lived his first 40 years in Moscow doesn't easily adjust to the fundamentally different Western world. Some Soviets make the adjustment, some don't, but none find it easy to cope.

"I can't get used to these Westerners," one young man of 23 complained. He had been virtually expelled from Kiev several years ago, when his roommate in a student dormitory was discovered with Zionist literature. He had been in Israel, in several European countries, and now in Rome, waiting for permission to emigrate to South Africa.

"These Westerners are different than me," he said. "I knew I didn't like Israel the moment I arrived there. I spent six months in Switzerland, but could not get used to it. America? I think that's just a big Israel. So I'm going to South Africa. I think I'll be better off there materially. Do you think I'll like it?"

## SENIOR CITIZENS VISIT RESIDENT FOR CELEBRATION

### HON. ELLA T. GRASSO

OF CONNECTICUT

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mrs. GRASSO. Mr. Speaker, simple acts of kindness, sometimes unknown and unheralded, represent our tradition of respect for the dignity of people and the value of each indiviual. A shining example of such an act tucked away in the suburban news pages of the Hartford Courant recently speaks volumes for faith and decency.

For the benefit of my colleagues, I insert the following story:

EAST GRANBY—SENIOR CITIZENS VISIT RESIDENT FOR CELEBRATION

EAST GRANBY.—Mrs. Amy Hunderlack of Mount Vernon Drive, and her sister, Mrs. Katherine M. Benattix of 9 Walco Drive, Granby, hosted 110 senior citizens from four towns Wednesday to celebrate the bicentennial.

The Marquise of Granby Fife and Drum Corps performed during the dessert and bingo party.

Mrs. Hunderlack said, "We have a mother that's in her 80's and we realized that senior citizens can get overlooked, and we just wanted to do something for them."

She said they sent invitations to senior citizens groups and to individuals in Windsor Locks, Windsor, Granby and East Granby.

## THE CONFESSIONS OF A PRICE CONTROLLER

### HON. JACK F. KEMP

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. KEMP. Mr. Speaker, earlier this week the House passed a bill to create a Cost of Living Task Force. Yesterday, the House receded from its position and accepted a similar Senate-passed bill creating a Council on Wage and Price Stability. It has gone to the White House for approval.

I voted against both of those measures. I did so because I am committed to really doing something about—rather than just talking about—inflation.

Inflation has one principal source—too much spending by the Federal Government and too much reliance on increasing the money supply in order to cover the deficits created by that excessive spending. Yet, despite that economic reality, this Council on Wage and Price Stability—created ostensibly to deal with the problem of inflation—will not address itself to either of those inflationary factors—excessive Government spending and spiraling money supply. Instead, it will simply talk about wages and prices.

Yet, wages and prices are not the causes of inflation. They are its results. When someone has less purchasing power—because government action—not that of either management or labor—has devalued the dollar, the wage-earner has to seek higher wages to maintain his purchasing power and the businessman has to seek higher profits to maintain the production requisite to more jobs and takehome pay.

Government control of the economy in the past has produced both higher prices and less goods. The beef shortage, for example, was a direct result of the mandatory price controls on beef.

According to one major study of effects of the mandatory wage and price controls from 1971 through the spring of this year, I could cite over 600 other examples of where controls produced both higher prices and severe shortages.

Few have been more articulate in exposing the real results of Government attempts to control our economic lives than the former Chairman of the Price Commission during phase II, Mr. C. Jackson Grayson, Jr. He has proffered convincing evidence, in his newly released book, "The Confessions of a Price Controller," and in an article today in the Wall Street Journal, that the most effective regulator of the economy lies in competition and productivity—economic phenomena which arise solely from the interaction of management, labor, and consumers in the marketplace, and never from Government control.

I offer Mr. Grayson's article as solid evidence of why, in my opinion, this House ought to have opted for the marketplace, not for the Council on Wage and Price Stability and why Congress should reduce deficits spending instead of blaming business and labor:

A STRONG "NO" TO PRICE MONITORING

(By C. Jackson Grayson Jr,)

There seems little doubt that the proposed wage-price monitoring agency will pass Congress easily, be signed, and in operation in a matter of weeks.

The near-term results: The agency will increase (falsely) expectations that the solution to inflation is closer. It will do little to stop inflation. In fact, it will increase some wages and prices and will prevent decreases. It will possess power. It will take action.

The longer-term results: It will be harmful to the operation of the competitive market system. It will increase the odds of future mandatory wage-price controls. It will assist a growing movement toward national economic planning.

All of that? After all, the agency is just a "monitoring" group. It will have no subpoena power, no mandatory powers, and a budget of only $1 million. To improve collective bargaining and encourage price restraint, it will simply "review and analyze capacity, demand and supply . . . work with labor and management in sectors having economic problems . . . improve wage and price data bases . . . monitor the economy as a whole." Who could be against that?

Very few. The bill is going through Congress with amazing speed. Business, labor, the administration, and Congress on both sides of the aisle are either for it, neutral, resigned to it as a tranqualizing political expedient or accepting it as a lesser of evils. On the surface, it seems innocuous and even logical.

But, based on my experiences as chairman of the Price Commission, I want to point out some political, institutional and economic realities and issue some warnings about the agency. I don't think it will be as benign or cosmetic as many think it will be. What you see isn't what you'll get.

POWER AND PRESSURE

First of all, don't be deluded because the agency won't have powers to subpoena records or veto price-wage increases. It will have tremendous power in the form of jawboning, or as they say in Britain, "earstroking." The persuaders come in gentle and not-so-gentle forms of pressure. Public hearings can be hinted at or called. Public condemnation can be expressed in the media. Officials can be called to the White House for a public or private "dressing down." Requests can be made to congressional committees to hold investigations. Administrative action can be threatened in other agencies: export controls, import relaxation, delay of decisions, procurement changes and stockpile releases. News conferences can be held; speeches can be put in congressional hands.

Deplorable in the American sense of fair play, these tactics have all been used in varying degrees by past administrations. The effect is to heighten antagonism between the public and private sector, with the public increasingly led to believe that union leaders are all greedy and that businessmen are all price gougers. It doesn't take a government agency to initiate these tactics, but they will be more organized, more frequent and more visible with the agency in existence.

And make no mistake about it, this agency will take action. A common assumption is that this is only a monitoring, not an action agency. Not true! "Action" doesn't have to mean a direct order. The agency can influence other agencies to do that. Moreover, monitoring and reporting is not passive any

more than a chaperone with a camera in her hand saying to a couple. "Go right ahead. Don't mind me." What is, and what is not, reported creates public opinion and action.

Reporters will camp on the agency's doorstep: "What about this wage increase in the XYZ industry?" "What about these high profits?" "Are you going to recommend export controls?" "Why not?"

It's a fact of political life that action will be forced on the agency because it exists. Even if the problems weren't apparent, such an agency would find some. You can find problems anywhere, any time, in any labor or business organization, and particularly with a bright, energetic staff that won't sit around. It will be a new agency with excitement that will attract good economists and lawyers, who will regard it as their duty to hit somebody, somehow. Many of these people will be "control-oriented," with little direct business or labor experience and unsympathetic to the competitive market system. They will urge action.

It will raise false expectations. And when it proves unable to check rising corn prices, or steel prices or coal miners' wages, public disillusionment will follow, with the cry increasing for more immediate, even stronger measures. Then it will be said that the agency must be given additional powers to enable it to "do its job." Authority for the 1971–74 controls came from a simple amendment by Congressman Reuss to another piece of legislation. No one expected this to turn into 33 months of mandatory controls. But political pressures forced the action.

It isn't good economics. Controls seldom are.

The agency has to go after the larger individual wage and price increases. But not every large wage and price increase is wrong, or inflationary. The increase may represent demand and supply shifts. Yet political pressure on the agency may force it to act, with the same distorting result that mandatory controls generate. Shortages and investment in capacity may actually worsen, not improve.

The mere creation of the agency, moreover, will ratchet up some wages and prices for fear of coming mandatory controls. I know from direct experience that this has already occurred as a result of the discussions these past few weeks. Soon "guidelines" are likely to emerge. Business and labor will infer what is regarded by the agency as being within the government tolerance zone. It certainly won't be 5.5% or 2.5%, those famous figures from the past; new percentage yard markers will be created. And, as with direct controls, these will be taken not only as ceilings but also as floors.

The agency will tend to operate in the short-run. Its expiration date of June 30, 1975 cries for action now. And generally short-run action is bad economics, which is part of the reason we are where we are now.

If general inflation has not cooled significantly by next spring, there will be even more of a desire to "do something," and then the "something" must be stronger, not weaker. To say it can't happen is to ignore the fact that we dropped controls—and the proposal for continuing the Cost of Living Council as a monitoring agency—only four month ago. And here we are again.

Clearly, my belief is that the agency should not be created at all. But at this point, holding this conviction is about as effective as spitting into the wind. Therefore, my recommendations concern alterations, either before or after passage of the bill, plus some alternatives.

First, don't give this agency any additional powers, now or in the future. If this occurs, we will clearly be on the road to direct wage-price controls.

Second, don't put heavy reliance on this agency to fight inflation. The danger is that existence of this stopgap agency will reduce pressure to engage in tough, fundamental decisions. Reducing the federal budget, for example, is a basic way to fight inflation. But it will be tough going when Congress and the Executive get down to specifics. Any reduced pressure or zeal because of the existence of this agency would be a real loss.

Public statements notwithstanding, the public will tend to hold this agency accountable for every wage or price increase, and for every jump in the consumer or wholesale price index. The Price Commission surely was, and the proposed names for this agency—"Cost of Living Task Force" or "Council on Price and Wage Stability"—invite similar responsibility.

LOCATING THE AGENCY

Third, reconsider the location of the agency. It is now destined for the Executive Office of the President. I recommend instead that it be a quasi-independent agency, reporting directly to Congress (as does the GAO), or to both the Congress and the Executive Branch (as does the ICC). Location within the Executive Branch exclusively will constrain its activities and effectiveness for two reasons:

Every time this agency involves itself in a wage or price increase, the prestige and power of the Oval Office is somewhat at stake. If the agency loses a battle, say in forestalling a labor settlement or in not reducing a well-publicized price increase (as happened recently with President Ford and GM), the President stands to lose. Either the agency will tackle only those cases it is sure it can win, or the President will be forced to get the mandatory authority to back it up.

The agency should analyze and report on practices, laws, and procedures that contribute to inflation, not only in the private sector but also in the public sector. If the agency is based solely in the Executive Branch, it is not likely to recommend any action contrary to the administration's position, nor to criticize the Executive Branch for failure to act. For the same reasons, I think it would not be well placed in the Council of Economic Advisers, also a part of the Office of the President. If it reported to Congress exclusively, the same problem exists, although it is lessened because of the mixed constituencies.

My preferred solution would be to report to both groups. Thus it might take on the character and respect that is accorded the independent British Institute of Economic Affairs, but with access to government resources.

As a final shot, let me propose two alternatives to a separate agency, that might be adopted now or later.

Let the President formally assign this responsibility for coordinating economic policy directly to his Cabinet, most of whom are members of the proposed agency anyway. The Cabinet needs revival anyway as a national management team. Make the Vice President the counsellor to the President for economic affairs, and put him in charge of this function so that he would have the clout to influence economic policies across the entire Executive Branch.

Also, begin work now to revive the proposed Department of Economic Affairs. There is often fragmented and inconsistent economic policy making and a lack of accountability. The new department would gather together various branches now residing in Transportation, Commerce, Labor and others. This would require coordinated effort from both the Executive Branch and Congress to overcome established patterns and vested interests.

RINGING AN ALARM BELL

In summary, I do not argue my position as a blind, free-market ideologue, nor on the principle of nongovernmental interference in the marketplace. Government does have a role in our economic system. In fact, I am very much encouraged by the economic philosophy expressed by President Ford in his address to Congress and by the recent budget control procedures instituted by Congress.

I am ringing an alarm bell on this particular issue because I know from my personal experiences that the proposed monitoring agency can be misinterpreted, misused and can prevent us from fighting inflation at the point where the real battles need to be fought.

The real control over this economy in the long run must not be invested in Congress, the Executive Branch or any monitoring agencies, commissions or planning boards. It must rest in business and labor and the public in the private sector with two of the most powerful inflation fighting tools ever designed by man—competition and productivity.

## REEVALUATING OUR RELATIONS WITH CUBA

### HON. BELLA S. ABZUG

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Ms. ABZUG. Mr. Speaker, I am happy to support my colleague Mr. BADILLO in introducing legislation to normalize our relations with Cuba. I have already sponsored earlier legislation to repeal economic sanctions against this neighboring country.

During the past decade, I feel, U.S. policy has been shortsighted and counter-productive. Through the rejection of economic and diplomatic relationship, we have attempted to isolate Cuba, but have succeeded only in isolating ourselves from other countries in Latin America. We have provided a convenient focus for anti-American hostility, which has encouraged both pro- and anti-Castro fanatics to act irresponsibly. We should make it clear immediately that the United States is prepared to enter into diplomatic and trade relations with this close neighbor, easing tensions wherever possible.

More than a year ago, in March 1973, a Gallup poll indicated that 71 percent of the American people would like to see Secretary of State Kissinger go to Cuba to try to improve relationships. Since we now encourage détente with China and the Soviet Union, it is clearly inconsistent to maintain an out-dated boycott of Cuba. The mutual antihijacking pact signed soon after this poll was a first step that should be followed up with trade and cultural exchange.

It is encouraging to note that President Ford intends to "define renewed relationships of equality and justice" in Latin America; and that a group of Republican Members led by Mr. WHALEN has urged détente with Cuba. This is not a bipartisan issue but a matter of national interest.

Our present policy was imposed during a time of great tension and the fears it implies are no longer realistic. Cuba is now an independent nation maintaining economic, cultural and diplomatic relations with countries as diverse as Spain and Israel. When the needs of the Cuban

people are still so great, they do not want to continue heavy defense spending.

Nor is there any evidence that they wish to "export revolution" except as an idea, according to testimony before a Senate Subcommittee on Western Hemisphere Affairs, in March and April of 1973.

And as Senator GALE MCGEE said then:

If you cannot beat an idea with a better idea, you are in trouble.

The threat that existed a decade ago, of Soviet missiles in Cuba, is no longer relevant, when missile launching submarines can come much closer to our shores than the 90 miles that separate us from Cuba. Safety for any nation, great or small, now consists in negotiations, not weapons.

We should also renegotiate our lease on Guantanamo Bay. It is a very minor base for us but serves as a hated reminder, to Cubans, of American domination.

We can only conclude that our present exclusionary policy may serve Castro's interests in consolidating support but in no way serves U.S. interests. Therefore, with my colleagues, I urge repeal of the Cuban resolution, of section 620(a) of the Foreign Assistance Act of 1961 which prohibits aid to Cuba and to nations trading with Cuba; and of section 103(d) of the Agricultural Trade Development and Assistance Act of 1954, as it relates to Cuba.

## THE END OF THE ARAB-ISRAELI WAR

### HON. HUGH L. CAREY

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. CAREY of New York. Mr. Speaker, the Arab-Israeli war has ended. Peace treaty agreements have been created. Now more than ever it is essential that Israeli families still grieving over missing husbands, fathers, and sons be able to set their grief aside to help build firm foundations for lasting peace.

But they cannot do so until their missing in action are accounted for and they are returned to Israeli soil. It is, therefore, imperative that Egypt and Syria adhere to the full disengagement agreement and permit the continuing search for the bodies of missing Israeli soldiers.

No peace can be firmly established until a nation is able to lift its veil of tears. Israel still mourns those who have not returned. No peace can find a home in the Middle East until Egypt and Syria stops using the grief of Israelis as leverage for blackmail.

Because the fate of these missing Israelis impedes Israeli families from finding peace in their hearts, I urge the International Red Cross and all neutral parties to immediately seek Egyptian and Syrian assurance that they will permit the continual search for the bodies of Israelis, so that families can heal their own wounds from grief and set their sights on achieving lasting peace.

## THIS IS FRED GRAHAM IN WASHINGTON

### HON. BILL ALEXANDER

OF ARKANSAS

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. ALEXANDER. Mr. Speaker, for those who studied law during the last legal years of Kirkland Hall, the evening news comes alive when our classmate appears in living color: "This is Fred Graham in Washington." The recent issue of the Vanderbilt Alumnus carries a tribute to one of the boys who made it big. I submit this article to the attention of my colleagues to enhance a much deserved recognition.

"THIS IS FRED GRAHAM IN WASHINGTON"

(By Grace Zibart)

The photographers, TV and press, were clustered at the entrance of the Federal Court building; the portable mikes were out so that not a moment would be lost when, at last, the celebrity emerged; they shoved and pushed and euchred him into camera range, thrusting mikes, shouting questions until after a short exchange, with good humor, they let him go, let him get into the black limousine that had pulled up, and, with his aides piled in with him, slam the doors, and take off.

There is so much drama in Washington these days, public interest has been generated to such a pitch, that everyone seems "on camera" every moment. The newsmen and photographers swarm like Italian *paparazzi*, the prominent figures in their well-tailed, camera-approved, dark blue suits assume the stance of matinee idols, their young lawyers, a protective guard. It's a highly charged scene; it's playing to a vast audience, and there's a sense of the theatrical about it. Those who report the excitement appear to take it in their stride, but they, too, are part of the performance. One who is being widely listened to is:

"Fred Graham, CBS News, Washington!" An estimated audience of twenty million people hears this signature on the nights he broadcasts from the nation's capital, and in less than a year Graham, L'59, has been recognized as one of the most respected newscasters on the air. Viewers see a young, athletic-looking man whose appearance has changed very little since he was a Vanderbilt law student in the late fifties—a little more gray than blonde but that's an asset on color TV. "It's nice to hear that Southern accent," said a former classmate. "He hasn't succumbed to the international accent so many newscasters have."

Officially Graham's title is CBS legal correspondent, and he has become familiar for his reporting of Watergate, the Ellsberg trial, the tapes controversy in Judge Sirica's court, as well as Supreme Court decisions. Recently he was cited in an article in the *National Observer* as the newscaster who asked the hard-nosed questions, who didn't hesitate to stick his neck out to find the truth in high places. "It's tough interviewing," said the article.

Graham is one of the new breed of newscasters, a combination reporter, investigator, and performer, who doesn't panic at the thought of a subpoena or flinch when called "a son of a bitch." ("One must consider the source," he laughed.) He admits the pressure is tremendous, quite different from his previous post as Supreme Court correspondent for the *New York Times*. Worriers, he suggests, should find other occupations. "The boneyard is littered with people who are worriers—it's instant ulcers if you don't have a cast iron stomach."

Standing up to a TV mike, reading material gathered only a short time before, digested to fit into a two-minute, or one-and-a-half-minute, or whatever time slot is available, presents a peculiar stress. Add to this the physical effort involved in gathering the news—no releases here, only on-the-spot coverage—chasing cabs to get back from assignments to the CBS studio on M Street where Graham does several radio broadcasts as well as a TV slot for the national noon shows. His day may start at 5:45 a.m. with a phone call from the studio if he's to be on the morning news show. "Just like a hotel," says Graham. The day ends with the CBS Evening News—Walter Cronkite, in New York.

The Cronkite program is the ultimate focus of the day's activities. If a story breaks early, Graham takes a crew to shoot the film, and he returns to the studio to write his story. If, however, the decision to use a story comes later, Graham does what is called a "stand-up." He writes the entire script and arranges for a cameraman to meet him at the place where the story broke and some news shots were made earlier. At the scene he is filmed doing a lead-in to his narration. The video-tape is rushed to the studio by motorcycle courier where it is spliced to the earlier film. Graham races back to M Street and records the rest of the script, which, with the film, is transmitted to New York for the 6:30 news. Hectic, yes, but not in a class with the newsbreak that occurs so close to air time that there's no time to write it out. In the trade it's known as a "crash landing," and, Graham notes, that's exactly what it feels like. It doesn't seem possible that not too long ago, newscasters were hired for their good looks and mellifluous voices. They were handed newscasts written for them and ready to go. It was a time when actors gravitated towards television, and newscasters were not expected to be experts on economics, law, government, and science.

"He's a reporter whose time has come," maintains David Halberstam, Pulitzer-prize-winning reporter and author of *The Best and the Brightest*, who shared a garage house with Graham when they both worked as reporters on the *Nashville Tennessean*. "It's as if everything he's done has prepared him for this job." But more than that, says Halberstam, Graham's strength as a reporter lies in his approach. "He's altogether straight and has the kind of mind that rejects anything that isn't."

It does seem that Graham's curriculum vitae reads like a preparation for just the job he's doing. Being a lawyer is a decided advantage. He and Carl Stern, his NBC vis-a-vis, are the only lawyers working on the Washington TV circuit. Wallace Westfeldt, NBC news producer and a fellow reporter of Graham's on the *Tennessean* during the 1950s, alleges that "CBS was having the hell beat out of them on legal matters since we had Carl Stern, so they bought Fred Graham from the *New York Times*. He had the advantage of already knowing how to translate legalese in language everyone could understand—something Stern had to learn." Stern, for his part, welcomes Graham to the TV-fold. It's an indication, he says, that the time-conscious media recognize that legal stories have to be covered, no matter how complicated they are. Fred Thompson, another Vanderbilt Law School alumnus, currently minority counsel for the Senate Watergate committee, agrees. "A newscaster who is also a lawyer has the advantage of being able to identify the problem while a non-lawyer would lose precious time checking his material. Nowadays, with people taking the Fifth Amendment, Watergate hearings, and the like, a newscaster with a legal background can put it all into focus."

Translating legalese is not all Graham learned as Supreme Court correspondent at

the *New York Times*. During that seven-year stint he developed a network of his own; he can pick up a phone to check the authenticity of a story; he has friends who tip him off when a story is about to break. An example of what this is worth was demonstrated last October when Graham was scheduled to speak at the Vanderbilt Law Day ceremonies. It was a Friday and a friend at the Justice Department told him it looked like something might break over the weekend—no details. Graham was torn between the desire to fulfill his engagement at Vanderbilt, see old friends, get in a little fishing, and the fear of not being on hand for a newsbreak. Fortunately, his news sense prevailed. News burst like bombshells all weekend; the date will go down in history as the Saturday night massacre when President Nixon fired Special Prosecutor Archibald Cox, and U.S. Attorney General Richardson and Deputy Attorney-General Ruckelshaus resigned.

Graham brings other credentials to his job. The winner of a four-year scholarship to Yale, he won the Corwin Academic Prize scholarship while a student there and also was a member of the varsity wrestling team. Two years in the Marine Corps followed graduation and he saw duty in Korea and Japan. During his years at Vanderbilt Law School he worked as a staff writer on the *Tennessean*. A postgraduate year was spent on a Fulbright at Oxford where he earned a Diploma in Law in 1960. Three years of practice in a Nashville law firm followed.

At one time it looked as if Graham might have been on the other side of the microphone; the political arena held a good deal of fascination for him, and after an unsuccessful race for Democratic committeeman ("He was an unknown; it was premature," says a veteran Nashville political figure), he went to Washington as chief counsel of the Senate judiciary subcommittee on constitutional amendments of which Senator Estes Kefauver was chairman. The death of the senator shortly afterwards may have cut short Graham's political career. In any case, Graham, after a term as special assistant to Secretary of Labor Willard Wirtz, quit the government and became the Supreme Court correspondent for the *New York Times*. His concern with the position of the court in such controversial decisions as the Miranda Case and others affecting police procedure and civil rights prompted him to write *The Self-Inflicted Wound* which was published in 1970. That book and another, titled *Press Freedom Under Pressure*, a study of press and government relations published in 1972, won for him a solid spot on the lecture circuit. For the past several years he has addressed bar association meetings, civic clubs, and law schools throughout the country.

The limitations of legal newscasting are apparent to any viewer who has listened to the details of a court battle while watching an artist's attempt to portray it on the screen. There is resistance to permitting cameras in a courtroom, not only by the lawyers and judge involved but also by the American Bar Association. Cameras are allowed if all participants consent, but the film cannot be aired until all appeals have been exhausted and then it may be shown for instructional purposes only. Some lawyers voice their fears that TV cameras might affect the proceedings; on the other hand those who favor filming insist that a camera is more reliable than a reporter's notes. Most admit, however, that the time allocated to the evening news would hardly be sufficient to cover a court trial. Graham, for his part, is intent on a wider understanding of court procedure by the public. "It's a tremendous challenge, and if we work at it we can do better than the print media." Listeners stay with his one-or-two-minute spots on the Cronkite show, he contends, while he suspects readers seldom finished long, involved legal stories in the *Times*. Adapting to television an idea he used at the newspaper, Graham is working on documentaries aimed at educating the public. He prepares the background for decisions that eventually will be made by the courts by going to the cities where the cases originated, creating a script that explains what the lawsuit is about, what the court decision will mean to the participants and how, in other cases, the decision will have a wider significance.

Twenty million viewers! It would make a far less sensitive man than Graham ponder the impact and influences of his reporting. It can be tough, he concedes. He doesn't deny that he's had a few miserable nights when he's wondered if he'd used the wrong word, conveyed the wrong impression. "You try for accuracy and fairness. Sometimes it's difficult to work within the strictures of time." His mail is fifty-fifty love and hate. "I'm still surprised when I'm recognized on the street, or in the supermarket."

Long before the energy crisis, Graham covered the distance between his home and office on foot. The Grahams live in a charming, unconventional house in Washington "right around the corner from the Shoreham and the Sheraton Park hotels." He and Lucille Graham, his beautiful and brainy wife, are enthusiastic about city living. "We have a nice lifestyle," he says. Their three children attend public schools; Graham often joins the family after work for an hour of ice-skating at the Sheraton-Park Club. Their house is in an area in which many Latin American embassies are located. "Because of the personnel in the embassies and those connected with them in surrounding streets, the public school includes teaching in both Spanish and English," Graham explained. "Both our boys are already bilingual." Lucille Graham, a Bryn Mawr graduate, has taught at Georgetown University but for the past few years has chosen to remain at home with the children. "I occasionally take a job on a commission or a survey that has a limited duration." Their black and white living room, furnished with Lucille's unmistakable flair, is a center where groups of friends in a variety of pursuits—TV personalities, writers, government figures—gather to engage in lively discussions, often argumentative, and almost always off-the-record. Not long ago Graham and eight other newsmen were subpoenaed; they had refused to divulge news sources in the Agnew case. "It looked as if Fred might be in and out of jail for awhile," recalled Lucille. "But before I had time to worry, Agnew accepted a guilty plea and the case was thrown out of court." How did she feel? "I guess I was thinking it was a hazard of the trade," she said, thoughtfully.

## REVERSE OUR PANAMA CANAL POLICY

### HON. GENE SNYDER

OF KENTUCKY

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. SNYDER. Mr. Speaker, I have sent the following letter to President Gerald R. Ford:

AUGUST 20, 1974.

The PRESIDENT,
*The White House,*
*Washington, D.C.*

DEAR MR. PRESIDENT: I respectfully call upon you to reverse the policy of the previous Administration aimed at turning over the Panama Canal to the Republic of Panama.

A recent poll which I took of the Fourth District of Kentucky, which I have the honor of representing, showed that of 19,000 responding only 4.6 percent favored that policy, while 87.5 percent flatly opposed it.

I have respect for Secretary of State Henry Kissinger, upon whom you must rely heavily. However, in this area of our foreign policy, I hope that you will rely on your own common sense, and the voice of the American people, instead of any advisors who mistakenly feel that our best interests are served by surrendering control of the vital interoceanic waterway which is more important to our security today than ever before.

Respectfully yours,

M. GENE SNYDER.

## HILO HATTIE: QUEEN OF HAWAIIAN ENTERTAINERS

### HON. SPARK M. MATSUNAGA

OF HAWAII

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. MATSUNAGA. Mr. Speaker, it is difficult to know where to begin in praising the accomplishments of a genuinely sincere and vibrant human being like Hilo Hattie. Her past 70 years of singing and dancing to cheer up the human race has left an endearing sense of warmth, well-being and aloha in the hearts of the people of Hawaii and all those who have come to know her as an entertainer and beloved Kamaaina. She made songs such as "Manuela Boy," "The Cockeyed Mayor of Kaunakakai," and "Becky, I Ain't Coming Home No More" famous in her inimitable down-to-earth style.

Born Clara Haili, she first started entertaining at the tender age of 2½ years when she used to follow her mother, who was a practical nurse at Kapiolani Maternity Home, and sing to the babies and the mothers in the maternity ward. Hilo Hattie later rang in raucous comedy on the then formal and fashionable Waikiki entertainment scene, later moving on to the Eastman Kodak Show, then the old Waialae Country Club. By 1940, she was entertaining the entire Pacific Fleet. Whenever a U.S. naval ship would pull into Pearl Harbor on Pacific maneuvers, she would go out and do shows for the troops. Later entertaining at the Royal Hawaiian and Hilton Hawaiian Village Hotels, she finally moved her show to the Sheraton-Waikiki and Halekulani Hotels. Now at the age of 73, Hilo Hattie plans to join her musician husband on a royal Hawaiian band tour of Canada, on which she will perform.

With a generous measure of pride, love, and Aloha for Hilo Hattie, a beautiful human being who has done what few others have accomplished to personify the very spirit of Aloha, I submit the following article about her by Mary Cooke from the Honolulu Advertiser for inclusion in the RECORD:

SEVENTY YEARS OF ENTERTAINMENT AND IT'S BEEN ALL IN FUN

(By Mary Cooke)

If you count all the years she's been singing and dancing to cheer up the human race, Hilo Hattie has just made some kind of a late retirement record.

This week, when she steps down from both

the luau stage at the Sheraton-Waikiki Hotel and the summer headliner spot at the Halekulani, it will be 70 years since Hawaii's clown princess did her first gig in—of all places—Kapiolani Maternity Home.

"My mother was a practical nurse at Kapiolani. When I was 2½ years old I used to follow her from bed to bed in the wards and sing to the babies and the mothers.

"It was a natural thing for me to kid and cut up," said the blithe spirit who, in the depressed 1930s, rang in raucous comedy on the Maikiki entertainment scene and made it stick.

It was at the Royal Hawaiian Hotel where canaries trilled in gilded cages and musicians in tuxedos played for five o'clock tea dances. On this subdued scene there exploded Hilo Hattie doing the Hilo Hop in a ham-tied muumuu and a battered straw hat. She also sang in pidgin English "Whassa Matta You Last Night?" "Mamuela Boy" and "The Cockeyed Mayor of Kaunakakai."

When she introduced "Becky, I Ain't Coming Home No More" with a Yiddish accent the manager was nervous. He took a mental house count and banned the number. The customers chanted their gut reaction: "Do Becky! Do Becky! Do Becky!"

Manager to Hilo Hattie (backstage): "Go on and do Becky. All those people out there yelling. They're driving me crazy!"

Hilo Hattie was no spring chicken, even then. Clad from chin to toe in a voluminous muumuu, she was not seductive. Rumor even had it that she was a school teacher, which was true.

The thing that knocked them in the aisles was not that she was revolutionary, just real. She sang it like it was in Hawaii. She had the Hawaiian's knack of mimicking locals and newcomers in a spirit of camaraderie. A friendly, fraternal ribbing, spiced but never spiked with humor. She hurt no one. Her audience sensed this, relaxed, enjoyed and pounded the tables for more.

Born Clara Haili—"My birth certificate says I'm 100 per cent Hawaiian"—she grew up in what a modern social worker might call "disadvantaged" circumstances. Her older siblings were hanai-ed (given to relatives) and Clara, until she was 8 years old, lived with her divorced mother in the Kapiolani Maternity Home nurses quarters.

"It was right next to the delivery room and I sometimes used to hear the mothers in pain," Clara said.

When her mother remarried, the family lived between a Chinese store and a Chinese poi factory on Liliha Street. "Maybe it made me a little Chinesey," Clara said. "I think I absorbed some of their characteristics."

When she was 12 Clara made a bargain with her brother who was playing bass for a traveling vaudeville company.

"He told me if I cleaned all the lanterns at home and washed all the dishes I could go to the Saturday matinee," she said. "I worked like the devil and went every week.

"That's where I learned 'Becky, I Ain't Coming Home No More.' Every Saturday I took my copy book and added more words and verses till I got it all."

But nobody thought of entertaining as a career for Clara. Of three options—nurse, teacher or dressmaker—she chose teaching and went to "normal school."

"In my sophomore year I had to leave school to help support the family," she said. It was 1917 and Clara was 16 years old. She got a $3-a-week job at the old Advertiser bindery, worked up to $15 a week at the end of four years, then went back to finish school.

In 1923 she got her first school job teaching first grade non-English-speaking Japanese children at Waipahu Elementary School.

"Some of the mothers stayed on the school grounds almost all the first week," Clara said. "That meant they didn't go 'hapai ko' (carry cane) in the sugar fields and they lost money. But they were so determined for their children to learn. By the end of the first year it was just wonderful to see how much they had learned."

Clara's heart was in teaching—it still is, she says—but she saw nothing wrong with doing a little entertaining evenings at the Royal Hawaiian Hotel. Then at the Eastman Kodak Show. Then at the old Waialae Country Club. Sometimes all three, every week.

"By 1940 I was entertaining the whole Navy," she said. "Every ship, and there were a lot of them on Pacific maneuvers then. When they came into Pearl Harbor I went out and did shows for them."

Hilo Hattie was now too much for the pre-war Department of Public Instruction. Officially, it suggested she "modify" her style of entertaining. She didn't. Finally it came to an either/or choice of continuing on stage or continuing as a public school teacher.

"I thought maybe I should quit this monkey business and stick to teaching," Clara said. "I went to Dean Wist, head of the teachers college at the University and asked him what I should do.

"He said, 'Clara, eventually we're going to get into a war. In wartime, one of the greatest things is to keep up morale."

That year she gave up teaching and in 1941 Harry Owens, former band leader at the Royal Hawaiian Hotel, called Clara to join him for a six weeks engagement at the Paramount Theater in Los Angeles. In December, while she was on the Mainland, Pearl Harbor was bombed.

"It took me six years to get home," she said. "Most of my Navy friends had been transferred to San Francisco and when I asked them for priority to come home, they begged me to stay there. They sent me to Juliet Wichman who was then head of the Hawaiian Red Cross branch in San Francisco.

"It was a time when Island mothers and children were being evacuated from Hawaii to the Mainland. There were wounded servicemen and patients coming in on ships. Day or night, any time the ships came from Honolulu I greeted them at the pier. The passengers were lined up on the decks and I was the only face they recognized.

"If the women had problems I'd go aboard and sit with them and talk to them. These were our Island girls. On my days off I visited the hospitals. All those boys who had seen me in Honolulu, I was a familiar face to them."

Clara trouped for the military "giving 15-minute shows at gun nests along the California coast. We had a victrola on the truck to play music. Kahala Bray was the dancer and I was the singer.

"The officer would blow a whistle and out from the woods would come these guys and we'd put on a little show for them."

She also made films and recordings in Hollywood, appeared on radio and TV and played in U.S. and Canadian night clubs. At war's end, Clara came home to entertain again at the Royal Hawaiian when it was reopened after serving as a Navy recreation center during the war.

Clara is married to Carlyle Nelson, formerly a violinist in Harry Owens' orchestra and now a member of the Royal Hawaiian Band. The couple spent 10 years with their own Hawaiian troupe, playing Mainland country club and military club engagements.

When she was in her 60s Clara came home again to re-open the Hawaiian Village Tapa Room after the death of its first star, Alfred Apaka.

Now she wants out of long-term engagements, "just to be free to do what I'd like," Clara said. At age 73, she will join her husband next month on a Royal Hawaiian Band tour of Canada, on which she will perform.

"After that, whenever there's a need for me I'd be willing to perform," she said. "But no more six nights a week, indefinitely."

## HEW'S MISCALCULATION ON GENERIC DRUG EQUIVALENCY

### HON. PHILIP M. CRANE

OF ILLINOIS

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. CRANE. Mr. Speaker, those who urge a program of national health insurance should understand that if Government is to pay the bills for the health care of Americans, Government will, inevitably, determine the nature of such care.

This is already the case with regard to those Americans who are recipients of medicare and medicaid payments. The Department of Health, Education, and Welfare has determined that generic drugs are the "equivalent" of prescription drugs. Since generic drugs are much cheaper than prescription drugs, HEW has mandated that all those who receive governmental assistance will be aided only with the cost of generics.

As a result of this policy, doctors are no longer able to prescribe the medicines they believe to be safest and most effective but must, instead, prescribe those mandated by Government bureaucrats. Government has taken upon itself, in effect, the practice of medicine.

Now, it appears, this policy has been based upon bureaucratic desires rather than scientific data. A 10-member panel, headed by Dr. Robert Berliner, dean of the Yale Medical School, has concluded that current Government standards and regulatory practices "do not assure bioequivalence for drug products." C. Joseph Stetler, president of the Pharmaceutical Manufacturers Association, states that the report "completely undercuts the ill-advised proposal of the Department of Health, Education, and Welfare."

Another study, conducted by Prof. Sam Peltzman, of the Chicago Graduate School of Business, of the 1962 amendments to our drug laws, concludes that—

> The 1962 amendments to the basic 1938 Drug Act were an outgrowth of the very best intentions . . . Where the old law had demanded proof merely of a drug's safety, the new law demanded proof of a drug's effectiveness as well . . . Innovation has been stifled. In the decade preceding the amendments, drug manufacturers introduced an average of 43 new chemical entities a year. The average since then is 16 new entities a year.

I wish to share with my colleagues the report which appeared in the AMA News of July 22, 1974, concerning the report of the committee headed by Dr. Berliner and a column by James J. Kilpatrick, as it appeared in the Baltimore Sun of July 2, 1974, concerning the study by Professor Peltzman, and insert them in the RECORD at this time:

REPORT STIRS DEBATE ON DRUG EQUIVALENCE

The Health, Education, and Welfare Dept. is expected to continue to press for some sort of lowest-cost drug reimbursement policy under Medicare-Medicaid, as a result of a report by the Office of Technology Assessment.

But there is something for both sides of the argument about drug bioequivalency in

the report—and critics of HEW's proposal are armed with the panel's conclusion that current government standards and regulatory practices "do not assure bioequivalence for drug products."

A 10-member panel, headed by Robert Berliner, MD, dean of Yale U. School of Medicine, produced the report for OTA, which is an advisory group to Congress.

Another of its conclusions, one seeming to favor a price-ceiling on drugs, says that technology exists for establishing the bioequivalence of most drugs, and that the government ought to get going on "an official list of interchangeable drug products."

It was this issue that brought on the report in the first place.

HEW last December announced a proposal for Medicare-Medicaid drug reimbursement, based on products generally available, but lowest in cost.

In hearings before the health subcommittee of the Senate Labor and Public Welfare Committee, drug company representatives protested that it would be impossible to ensure the bioequivalency of similar generic drugs, using the government's own standards.

HEW Secretary Caspar Weinberger agreed to postpone putting the reimbursement plan into effect, pending the report.

The report was termed "superb" by two frequent adversaries in discussions of drug costs.

C. Joseph Stetler, president of the Pharmaceutical Manufacturers Assn., said the report "completely undercuts the ill-advised proposal of the Department of Health, Education, and Welfare . . ."

PMA supports the report's call for improved drug standards, but believes the report "fully refutes the concept that high-quality products and research incentives in industry can be maintained while prices at the lowest level are dictated by government."

Sen. Edward Kennedy, (D., Mass.) chairman of both OTA's Technology Assessment Board and the Senate health subcommittee, praised the panel's work, and said he would introduce amendments to S. 3441, the Drug Utilization Insurance Act, now before the Senate Labor and Public Welfare Committee. The bill will be redrafted to incorporate the report's recommendations, and new legislation would be introduced, if needed, he said.

"I believe the authority already exists for HEW to move ahead," Sen. Kennedy said.

Dr. Berliner said it was "somewhat exaggerated to say our report 'completely undercuts' the public policy of HEW."

"It would not take a great deal of time for a restructuring of at least a major part of what HEW proposed to do (in drug reimbursement)," he said.

Dr. Berliner estimated that 85–90% of all drugs are used in therapies which do not require "close tolerances," and therefore, bioequivalency would not come into question. Government standards for these could be drawn soon, probably within a year, he said.

"We also feel that moderate degrees of variation in most drug products will not have any effect upon therapeutic effect," he said.

Implications for the physician, if HEW's lowest-cost drug list were drawn up, would be that "he would not have to concern himself with brand names of products he prescribes," said Dr. Berliner.

"The drugs are, for the most part, largely interchangeable. I think the cost of a drug will come into some relative consideration," he said.

In addition, a government-approved drug list might allow pharmacists to make some decisions about which drugs to use in a prescription, Dr. Berliner suggested.

"This would require a change in the law in several states," he pointed out. "The only way that might be accomplished is with a (pharmacist's) fee for service, rather than a markup on the drug."

HEW's minimum-price drug policy proposal was based on the assumption "that the Food and Drug Administration can presently assure the uniform quality and therapeutic equivalency of all marketed medications," said PMA's Stetler.

"We labeled that assumption a huge gamble at the time," and statements in the report support the idea it is still a gamble, Stetler said.

Charles Edwards, MD, HEW assistant secretary for health, said HEW "believes that bioequivalency problems can be solved, and pose no insurmountable obstacle to its announced plans . . ."

Other conclusions of the report:

Variations in bioequivalency of drugs have been recognized as responsible for "a few therapeutic failures. It is probable that other therapeutic failures (or toxicity) of a similar origin have escaped recognition."

Bioequivalency studies of all drugs are neither feasible nor desirable, but classes of drugs where such information is important should be identified.

A single standards-setting organization should be established to replace the present USP and National Formulary.

(USP and NF have announced plans to merge, and said they already have taken steps to meet the panel's criticisms. "The possibility that USP and the NF could merge and make sufficient changes . . . to fulfill the criteria for an effective standard-setting organization is not precluded, but the changes necessary would be expensive," the report said.)

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AEI Study Said To Show Miscalculation on Drugs

(By James J. Kilpatrick)

[A] new study, by Sam Peltzman of the Chicago Graduate School of Business, deals with the consequences that have stemmed from the 1962 amendments to our drug laws. [The study is a recent AEI publication.] He finds these consequences, on balance, bad.

That evil consequences flow from good intentions is scarcely a novel proposition. Such results often are observed when government sets out to tinker with the functions of the marketplace or with the workings of human behavior.

The 1962 amendments to the basic 1938 Drug Act were an outgrowth of the very best intentions. Congressional liberals, led by the late Senator Estes Kefauver, were convinced that drug manufacturers were exploiting a gullible public.

Riding the shock waves produced by the thalidomide scandal, they wrote into law some sweeping new demands for the approval and marketing of drugs. Where the old law had demanded proof merely of a drug's safety, the new law demanded proof of a drug's effectiveness as well. The senator from Tennessee assuredly did not want to harm the consumer, his purpose was to benefit the consumer. Who could quarrel with so good an intention?

Dr. Peltzman quarrels with it. In his methodical examination of the actual results of the 1962 amendments, the Chicago economist demonstrates convincingly that these consequences have ensued:

Innovation has been stifled. In the decade preceding the amendments, drug manufacturers introduced an average of 43 new chemical entities a year. The average since then is 16 new entities a year.

Consumers have not gained. On the contrary, they are losing from $250 to $350 million annually in benefits they might have had if it had not been for the prolonged delays and abandoned experiments of recent years. That is the demonstrable economic loss. The human loss is incalculable. Human beings have died, or have suffered needlessly, for want of drugs that might have been available if the Kefauver amendments had never been adopted.

The principal result of the 1962 act has been delay. Because of the elaborate requirements of the Food and Drug Administration, manufacturers are compelled to devote from four years to nearly nine years in accumulating absolute proof of a drug's effectiveness. The FDA itself, which in 1962 processed a new drug application in seven months, now requires 2½ years for its own review.

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## DAVIDSON COMMUNITY CENTER: A SMALL MIRACLE IN THE BRONX

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**HON. JONATHAN B. BINGHAM**

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, August 21, 1974*

Mr. BINGHAM. Mr. Speaker, the Davidson Community Center, a storefront self-help organization located in my congressional district, is a credit to the community and is to be commended for a job well done.

Ms. "Toni" Vasquez, who founded, and now runs the center, has created a unique mix of educational programs for adults and supervised recreation for children that earned the center the Lane Bryant Award for community service in 1970, and a No. 7 ranking—out of 900 centers judged—by the U.S. Jaycees Foundation in 1974.

Unfortunately, this small miracle in the Bronx may soon have to shut its doors because of inadequate funding. It would indeed be tragic if members of our community are prevented from helping fellow human beings because government and private philanthropic organizations are unable to satisfy the modest financial requirements of centers such as this.

I include herewith for the benefit of my colleagues and other interested readers of the Record an article appearing in the August 11 edition of the New York Daily News describing the center and its problem:

The End of a Small Miracle?

(By Lawrie Mifflin)

Rosa Rodriguez, trained as a secretary in her native Santo Domingo, is learning English so that she can be a secretary in New York. Jocelyn Lynch, a Jamaican native and mother of three who worked as a keypunch operator for years in London but can't get a similar job here without a high school diploma, is taking a high school equivalency course.

Both are students at the Davidson Community Center, a storefront neighborhood self-help organization at 2034 Davidson Ave. in the deteriorating Morris Heights section of the Bronx. While they study upstairs, children romp and scramble downstairs and outdoors in supervised recreation programs, and block residents come in for all kinds of advice and help.

But the happy tumult may come to an abrupt end soon: The center is threatened with a shutdown because of a lack of funds.

If it does, Rosa Rodriguez might never be a secretary again, Jocelyn Lynch might not get another chance as a keypunch operator, and scores of families would be back on welfare once more.

It would also mean the end of a winter basketball team on which many gang members play; the end of Boy Scouts and bus

trips to upstate parks; the end of play streets, the end of swimmobile visits, and the end of free summer lunches for the more than 1,000 youngsters the center serves this summer.

END OF A MIRACLE

For the people of Morris Heights, where welfare rolls have jumped to include 40% of the Davidson Ave. population, where housing is crumbling and where arrests and crime complaints are the highest of any precinct in the city, the closing of Davidson Community Center would mean the end of what many residents consider a small miracle.

Last year, staffed almost entirely by untrained community volunteers, the center handled 250 welfare problems affecting 1,000 people; made 126 successful job referrals; dealt with 213 housing cases, and ran a regular community patrol force of 30 volunteers to deter crime.

Residents go there to get help fighting negligent landlords, to study and learn skills for new employment opportunities, and to straighten out the red tape of welfare or social security tangles. When they go, they are helped not by college-educated professionals but by their neighbors, whose only qualification is a fierce dedication to upgrading the Morris Heights neighborhood.

"And without this lady, nothing moves," said Officer David Milligan of the 44th, patting tiny Antonia Vazquez on the back.

Ms. Vazquez, or Toni to everyone at the center, is a dark-haired grandmother who would seem frail were it not for her unbounded energy. She founded the Davidson Community Center nine years ago, as an outgrowth of tenants' rights and block work, and got it incorporated as a non-profit service agency in 1969.

NATIONAL AWARD

In 1970 the center won a national Lane Bryant Award for community service. This year the U.S. Jaycees Foundation ranked the center seventh out of 100 outstanding community self-help programs in the nation—after judging more than 900 entries.

"The center is my whole life," says Toni Vasquez, who is now the paid director and supports her nearly-blind husband on her salary, paid by the city Housing and Development Authority. "I see people come in here crying and go out smiling, and that is why I keep going."

But Ms. Vasquez is nearly frantic now because of the center's discouraging financial straits.

"With the Board of Education's employment training program we are offering people skills, and then we help them find new jobs through manpower agencies, or even the Yellow Pages," she explains. "Then, they get off welfare and help themselves along. It's good work we do, and we are known all over, but it doesn't seem to help when it comes to money."

Others who work with the center agree that it does good work. "The place is always bustling with purposeful activity," said Robert Parente, a Board of Education supervisor who stops by periodically to check on the employment training and English classes. The three teachers and coordinator of those programs are among the few professionals at the center and are paid by the Board of Education.

AMAZING BUNCH

"Of all the annexes I visit, this is the best-functioning, Parente added. "The mothers who come here are amazing—I've never seen such a diligent, ambitious group."

Maria Romano, who instructs 30 students in English as a second language, recalls that she gave the class the option of a six-week or an eight-week summer session, and all opted for eight weeks.

Rosa Rodriguez, who is also a mother of two, said her family had planned to move away from Morris Heights this summer but stayed on solely because of Ms. Romano's English class.

Another student, Elba Bultron, a native of Puerto Rico, declared that she had learned more English in eight weeks at Davidson Community Center than she did in four years at Theodore Roosevelt High School. And Patricia Gerardy, who just came to New York from Ecuador a year ago, plans to master English and go on to college some day.

But this year, the private funds ran out in June. The center owes two months rent, phone and electricity bills, and only a promised $2,000 emergency grant from YSA will get it through the summer. "We're running all these programs on nothing, nothing but people," Ms. Vasquez lamented.

To eliminate the annual panic over funds, the center has requested a $35,000 year-round grant from YSA. If approved, it would reduce the private fund needed to about $5,000 and put the center on solid financial footing permanently, according to Mildred Zucker, a consultant with the Federation of Protestant Welfare Agencies, who advises Ms. Vasquez.

Without it, the scraping for funds will go on. Or the center will have to close, and the neighborly, comforting place where Morris Heights residents turn for help with the housing, crime, welfare and job problems that plague such areas will be out of luck, residents say.

# SENATE—*Thursday, August 22, 1974*

The Senate met at 10 a.m. and was called to order by Hon. WALTER D. HUDDLESTON, a Senator from the State of Kentucky.

PRAYER

The Chaplain, the Reverend Edward L. R. Elson, D.D., offered the following prayer:

Eternal Father, as we set forth to commemorate Labor Day, show us once more that Thou hast ordained work as a way of life and not simply a means of livelihood. Bless all whose labor of hand and brain enriches the life of all. Be with those who are overworked, out of work, ill paid, or in want. Protect all whose labor brings them into danger or leads them into temptation. Comfort those whose toil is unpleasant, monotonous or without joy. Have mercy on those who are driven to sullenness, despair, and rebellion.

Hasten the day when men shall toil for the common good, when all commerce shall be pure, all work worship, and men shall rejoice in what they have done.

Be with all who labor in this place, in high decisionmaking, in supporting roles, in tasks great and small and honor this labor for the Nation and the advancement of Thy kingdom.

In the name of the Carpenter of Nazareth. Amen.

## APPOINTMENT OF ACTING PRESIDENT PRO TEMPORE

The PRESIDING OFFICER. The clerk will please read a communication to the Senate from the President pro tempore (Mr. EASTLAND).

The legislative clerk read the following letter:

U.S. SENATE,
PRESIDENT PRO TEMPORE,
*Washington, D.C., August 22, 1974.*

*To the Senate:*

Being temporarily absent from the Senate on official duties, I appoint Hon. WALTER D. HUDDLESTON, a Senator from the State of Kentucky, to perform the duties of the Chair during my absence.

JAMES O. EASTLAND,
*President pro tempore.*

Mr. HUDDLESTON thereupon took the chair as Acting President pro tempore.

## THE JOURNAL

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the reading of the Journal of the proceedings of Wednesday, August 21, 1974, be dispensed with.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

## AUTHORIZATION FOR CERTAIN ACTION DURING THE ADJOURNMENT OF THE SENATE UNTIL SEPTEMBER 4, 1974

Mr. MANSFIELD. Mr. President, I ask unanimous consent that during the adjournment of the Senate until noon, Wednesday, September 4, the Secretary of the Senate be authorized to receive and refer messages from the President of the United States and the House of Representatives and that on Thursday, August 29, and Tuesday, September 3, between 9 a.m. and 5 p.m., all committees of the Senate be authorized to file their reports together with any minority, individual, and supplemental views.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

## COMMITTEE MEETINGS DURING SENATE SESSION

Mr. MANSFIELD. Mr. President, I ask unanimous consent that all committees may be authorized to meet during the session of the Senate today.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

## AUTHORIZATION FOR CERTAIN CORRECTIONS IN THE ENROLLMENT OF H.R. 15842

Mr. MANSFIELD. Mr. President, I ask the Chair to lay before the Senate a message from the House of Representatives on House Concurrent Resolution 611.

The ACTING PRESIDENT pro tempore laid before the Senate House Concurrent Resolution 611, which was read as follows:

H. CON. RES. 611

*Resolved by the House of Representatives (the Senate concurring)*, That the Clerk of the House of Representatives in the enrollment of the bill (H.R. 15842) to increase compensation for District of Columbia police-