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MISCELLANEOUS BILLS

GOVERNMENT
Storage

HEARING BEFORE THE COMMITTEE ON ARMED SERVICES UNITED STATES SENATE EIGHTY-NINTH CONGRESS SECOND SESSION



ON

H.R. 3013

PROVIDING GOLD STAR LAPEL BUTTONS FOR THE NEXT OF KIN OF MEMBERS OF ARMED FORCES WHO LOST OR LOSE THEIR LIVES IN WAR OR AS A RESULT OF COLD WAR INCIDENTS

H.R. 7327

REPEALING SECTION 7043 OF TITLE 10, UNITED STATES CODE

H.R. 11980

AUTHORIZING THE SECRETARY OF THE ARMY TO DONATE TWO OBSOLETE GERMAN WEAPONS TO THE FEDERAL REPUBLIC OF GERMANY

H.R. 12031

AUTHORIZING APPOINTMENT OF COL. WILLIAM W. WATKIN, JR., PROFESSOR, U.S. MILITARY ACADEMY, IN GRADE OF LT. COL., REGULAR ARMY

H.R. 13374

AUTHORIZING THE AWARD OF TROPHIES FOR THE RECOGNITION OF SPECIAL ACCOMPLISHMENTS RELATED TO THE ARMED FORCES

H.R. 14875

AUTHORIZING MEMBERS OF THE UNIFORMED SERVICES WHO ARE ON DUTY OUTSIDE THE UNITED STATES OR ITS POSSESSIONS TO DEPOSIT THEIR SAVINGS WITH A UNIFORMED SERVICE

JULY 28, 1966

Printed for the use of the Committee on Armed Services



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MISCELLANEOUS BILLS

HEARING

COMMITTEE ON ARMED SERVICES

UNITED STATES SENATE

81ST CONGRESS

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MISCELLANEOUS BILLS

THURSDAY, JULY 28, 1966

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
Washington, D.C.

The committee met, pursuant to notice, at 10:05 a.m., in room 212, Old Senate Office Building, Senator Richard B. Russell (chairman) presiding.

Present: Senators Russell, Stennis, Symington, Jackson, Ervin, Cannon, Byrd of West Virginia, Young of Ohio, Inouye, Byrd of Virginia, Saltonstall, Smith, and Thurmond.

Also present: William H. Darden, chief of staff; Charles B. Kirbow, chief clerk; Herbert S. Atkinson, assistant chief clerk; T. Edward Braswell and Gordon A. Nease, professional staff members.

Chairman RUSSELL. The committee will come to order. The Directorate for Armed Forces Information and Education Programs is preparing a film to be used in the training and indoctrination of persons entering the Armed Forces, and they have requested the committee to permit filming of one of its sessions for inclusion in this training film. In view of the nature of this request, I thought it was appropriate for the committee to deviate from its long established custom of not permitting filming of the session, and I hope that the members will agree with me. If there is no objection, we will proceed with the departure from our custom and permit live filming of at least part of this morning's meeting.

H.R. 14875

The first bill on the agenda this morning is H.R. 14875, which would establish a new savings program for the members of the uniformed services stationed outside of the United States.

(The bill above-referred to, H.R. 14875, follows:)

[H.R. 14875, 89th Cong., 2d sess.]

AN ACT To amend section 1035 of title 10, United States Code, and other laws, to authorize members of the uniformed services who are on duty outside the United States or its possessions to deposit their savings with a uniformed service, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That chapter 53 of title 10, United States Code, is amended as follows:

(1) By amending section 1035 to read as follows:

“§ 1035. Deposits of savings

“(a) Under joint regulations prescribed by the Secretaries concerned, a member of the armed force who is on a permanent duty assignment outside the United States or its possessions may deposit during that tour of duty not more than his unallotted current pay and allowances in amounts of \$5 or more, with any branch, office, or officer of a uniformed service. Amounts so deposited shall be deposited in the Treasury and kept as a separate fund, and shall be accounted for in the same manner as public funds.

“(b) Interest at a rate prescribed by the President will accrue on amounts deposited under this section. However, the maximum amount upon which inter-

est may be paid under this Act to any member is \$10,000. Interest under this subsection shall terminate ninety days after the member's return to the United States or its possessions.

"(c) Except as provided in joint regulations prescribed by the Secretaries concerned, payments of deposits, and interest thereon, may not be made to the member while he is on duty outside the United States or its possessions.

"(d) An amount deposited under this section, with interest thereon, is exempt from liability for the member's debts, including any indebtedness to the United States or any instrumentality thereof, and is not subject to forfeiture by sentence of a court-martial."

(2) By amending the item in the analysis relating to section 1035 to read as follows:

"1035. Deposits of savings."

SEC. 2. (a) Notwithstanding the first section of this Act, an amount on deposit under section 1035 of title 10, United States Code, on the date of enactment of this Act, shall accrue interest at the rate and under the conditions in effect on the day before the date of enactment of this Act, until the member's current enlistment terminates or earlier, as may be jointly prescribed by the Secretaries concerned. However, a member who is on a permanent duty assignment outside the United States or its possessions on the date of enactment of this Act, or who reports for that duty on or after that date but before the termination of his current enlistment, will be entitled to interest on such deposit, on and after that date, at the rate and under the conditions prescribed pursuant to section 1. Payments of deposits, and interest thereon, may be made to the member's heirs or legal representative.

(b) Any amounts deposited between May 4, 1966, and the date of enactment of this Act while a member was assigned to permanent duty within the United States and its possessions, and any amounts deposited between May 4, 1966, and the date of enactment of this Act by a member on permanent duty assignment outside the United States and its possessions which are in excess of his unallotted pay and allowances for that period, shall accrue interest at the rate in effect before enactment of this Act.

SEC. 3. (a) Section 3(a) of the Act of August 10, 1956, as amended (33 U.S.C. 857a(a)), is amended by adding the following new clause:

"(12) Section 1035, Deposits of Savings."

(b) Section 221(a) of the Public Health Service Act, as amended (42 U.S.C. 213a(a)), is amended by adding the following new clause:

"(11) Section 1035, Deposits of Savings."

(c) Regulations prescribed by the Secretary of Commerce and the Secretary of Health, Education, and Welfare under subsections (a) and (b) shall be prescribed jointly with regulations prescribed by the Secretaries concerned under section 1035 of title 10, United States Code.

Passed the House of Representatives July 18, 1966.

Attest:

RALPH R. ROBERTS, *Clerk*.

Chairman RUSSELL. The purpose of the bill is not only to encourage thrift by members of the uniformed services but to reduce the amount by which the Department of Defense activities contribute to an adverse balance of payments for the United States.

The witness on this bill is the Honorable Thomas D. Morris, Assistant Secretary of Defense for Manpower.

Mr. Secretary, we are always glad to have you here, and you may proceed to outline the Department's position on this bill.

STATEMENT OF HON. THOMAS D. MORRIS, ASSISTANT SECRETARY OF DEFENSE (MANPOWER)

Mr. MORRIS. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, I welcome the opportunity to testify on H.R. 14875, a bill to authorize members of the uniformed services, who are on duty outside the United States or its possessions, to deposit their savings with the uniformed services.

The bill is designed to accomplish two important objectives:

First, to provide an attractive savings program for our troops overseas to replace the present outmoded soldiers', sailors', and air-men's savings deposit program which was established over 94 years ago.

Second, to reduce expenditures by U.S. military personnel in overseas communities, and thus to lessen the net adverse balance of payments associated with Department of Defense activities.

I would like to discuss each of these objectives briefly, Mr. Chairman, and then with my associates, answer any questions you may have.

AN EFFECTIVE SAVINGS DEPOSIT PROGRAM FOR MILITARY PERSONNEL OVERSEAS

The present savings deposit program has fallen into virtual disuse. Today, less than 4 percent of the enlisted strength of the Army—the major depositors—use the program as a means for regular savings. Hence, we have concluded that the program either should be phased out or revitalized.

The principal defects in the current program are: (1) Its non-competitive interest rate of 4 percent simple interest, and (2) restrictive deposit requirements, under which interest accrues only on funds left on deposit for 6 months or longer, together with the rigid restrictions on withdrawals at any time. Originally 4 percent interest was attractive because at that time other types of savings accounts paid a lesser rate and were not readily available at military installations. This, of course, is no longer true. Savings accounts today pay higher interest rates and are compounded at frequent intervals, with interest beginning on day of deposit—often for the full month for deposits made by the 10th of the month. Another restrictive feature of the present program is that it is open only to enlisted personnel.

We have consulted our major commanders regarding the kinds of incentives which will prove most effective in reducing troop spending overseas, and in encouraging the individual servicemen to practice thrift and build a sound financial future. The one recommendation most strongly supported by our commanders to meet these objectives has been a high-interest-rate savings program. In collaboration with the Budget Bureau and the Department of the Treasury, the provisions of H.R. 14875 have been developed. In brief, these provisions are:

While serving overseas, the individual serviceman may deposit, at intervals of his own choosing, amounts of \$5 or more with any branch, office, or officer of a uniformed service.

An attractive interest rate—at a level prescribed by the President—will begin accruing immediately. Our plan is to provide that interest will be compounded quarterly during the period of the individual's service overseas, and for 90 days after the member's return to the United States.

The savings program will be open to both officers and enlisted men.

The only restrictions proposed are that (1) the member will be expected (except under contingencies provided for in service regulations) to leave his savings on deposit until his return to the United States, and (2) the maximum balance upon which interest may be paid

to any member is \$10,000, and (3) the fact that he may only deposit the unallotted portion of his current pay and allowances.

The interest rate would be subject to adjustment from time to time by the President upon recommendation by the Secretary of Defense and the Secretary of the Treasury, on the basis which will produce broad participation after considering comparative interest rates. We believe that with the increased incentives provided under this proposal, both individual participation and the total amount saved can be multiplied severalfold.

For personnel stationed in the United States who have deposits under the current program, the proposed bill continues an interest rate of 4 percent a year on such deposits until the member's current enlistment terminates, or earlier, in accordance with regulations jointly prescribed by the Secretaries concerned.

For a member who is on permanent duty overseas on the date of enactment of the new program, or who reports for duty on or after that date, amounts already on deposit will begin earning interest at the new rate on and after that date, except that amounts in excess of unallotted pay deposited between May 4, 1966, and date of enactment will continue to earn interest at the old rate. We believe these provisions are fair to protect present depositors—and that they will encourage such members to keep their present savings on deposit and to increase them.

ASSISTANCE IN REDUCING THE BALANCE-OF-PAYMENTS DEFICIT RESULTING FROM DEFENSE EXPENDITURES OVERSEAS

In addition to encouraging greater thrift on the part of our servicemen, the proposed program will also contribute to reducing expenditures of the Department of Defense entering the international balance of payments. In fiscal year 1966 these expenditures may total approximately \$3.2 billion, about one-third of which are personal expenditures by our personnel and their dependents, including expenditures by nonappropriated fund activities.

Since 1961, the Defense Department has made intensive efforts to minimize overseas expenditures of all types. As you know, the Department has made very substantial progress in reducing its net adverse balance between fiscal year 1961 and fiscal year 1965. During this interval, Department of Defense expenditures were held relatively constant, despite substantial price and salary increases in maintaining our military presence overseas. Reductions were also made in military assistance and Atomic Energy Commission expenditures. At the same time, receipts increased as a result of the sale of U.S. military equipment and services to our allies.

As a result of these actions, the net adverse balance attributable to Defense expenditures declined 50 percent—from \$2.8 billion to \$1.4 billion—between 1961 and 1965. All of these actions are being continued. However, as a result of the increased requirements for support of operations in South Vietnam, our overseas expenditures will increase several hundred million dollars in fiscal year 1966. Hence, we must expand our efforts to reduce the net balance-of-payment deficit—especially in Europe and other areas not related to South Vietnam—with a view to offsetting as much as possible of the increased cost resulting from South Vietnam activities. We believe that H.R.

14875 is one of the important means by which our expenditure-reduction objectives can be achieved.

In conclusion, Mr. Chairman, we sincerely hope that your committee will support the proposed legislation, both to provide long-needed improvements in the savings program available to our military men overseas, as well as to assist in decreasing the amount of U.S. currency placed into local economies by members of the uniformed services. Thank you.

Chairman RUSSELL. Has the Department arrived at any figure yet that they intend to recommend to the President to be charged as an interest rate?

Mr. MORRIS. Mr. Chairman, we have not arrived at a final figure. We have been discussing figures in the range of 6 to 10 percent. The Speaker letter indicated a possible level of 7 percent, but we are still studying this matter.

Chairman RUSSELL. As a general rule, from a parliamentary standpoint, I do not like unlimited, open-ended grants of power. Would there be any objection to amending the bill on page 2, in line 8, to say not to exceed 10 percent as a limitation in the amount of interest that can be paid?

Mr. MORRIS. Sir, in drafting the bill originally, it was felt wise to leave the bill silent in respect to the precise rate. We felt one of the defects in the old bill was that it named a figure which became a precise and frozen figure, and which became outmoded over time. It was the feeling that if the President were given the authority to establish a figure based upon recommendations from the Secretaries of Defense and the Treasury, this would assure flexibility. For this reason it was thought it would be better to leave the bill silent on a specific figure. If the committee felt a limit should be mentioned, it should be no less than 10 percent.

Chairman RUSSELL. Senator Saltonstall.

Senator SALTONSTALL. I have about three questions, Mr. Chairman.

Mr. Morris, on page 3 of your statement, the third paragraph, you say, "The proposed bill continues an interest rate of 4 percent a year on such deposits until the member's current enlistment terminates or earlier." Those are people in the United States. Why do you make it harder for them? Why shouldn't they have the same advantages, whether they serve in the United States or out, to come into this system?

Mr. MORRIS. Sir, the bill is tailored to the requirements of our men overseas. Today our other people who are not stationed overseas have very adequate savings opportunities through commercial sources here in the United States, as well as through our savings bond program.

The provision that you refer to is a provision to permit orderly transition from the old program, for those people now participating in it, to the new program. In other words, anyone who has savings on deposit under the old program and is stationed in the United States would continue to accrue interest at the old rate until termination of current enlistment or such earlier date as may be prescribed by the Secretary concerned.

Senator SALTONSTALL. I realize that this is a balance-of-payments problem to a very considerable extent, but I think if you are going to have a savings system you should make it available for people

here as well as abroad, or you are going to get the balance of payments out of the people abroad, to be sure, but it would mean that a man here in the United States would not have the same advantages. That is the only point I make.

Mr. MORRIS. The feeling is, sir, that there are very adequate and ample savings opportunities available to our men in the United States at very attractive interest rates.

Senator SALTONSTALL. In other words, you think a man who is in the United States, even though the President of the United States and the Secretary of the Treasury and everybody else are trying to get people to buy savings bonds, might want to put it into some commercial enterprise or speculation or into private, corporate savings banks, is that the reason?

Mr. MORRIS. We feel that should be his option, sir, since these rates are so attractive and so conveniently available to our military today.

Senator SALTONSTALL. My next question is, Why should the man who puts it in between May 4, 1966, and the date of the enactment, only get the old rate? Why shouldn't he get the new rate?

Mr. MORRIS. This was a provision, sir, to prevent abuse. The bill was introduced on May 4 and it became known at that time that the higher interest savings program was being proposed. We wanted to preclude the possibility of people borrowing money or trying to accumulate large and unusual amounts of savings in the interim while Congress was considering the bill. This provision is designed to avoid a windfall.

Senator SALTONSTALL. My third question, Mr. Chairman: I assume, of course, that the strength of the U.S. Government is behind this, but is there anything in the present law or this amendment that will sanctify, if you want to call it that, like the FDIC, Federal Deposit Insurance, that is behind this, so a man cannot lose his money? What is behind it?

Mr. MORRIS. Sir, the Federal Government's credit is behind this, so there should be no question about it.

Senator SALTONSTALL. And that is in the act?

Mr. MORRIS. Yes.

Senator SALTONSTALL. Thank you, Mr. Chairman.

Chairman RUSSELL. Senator Stennis.

Senator STENNIS. I just have this question. What are the prospects of this money earning 10 percent either in Europe or over here? Where do you propose to invest it?

Mr. MORRIS. This money, sir, will be deposited with the Treasury, and it is not the intent, of course, that it will earn 10 percent.

Senator STENNIS. You are going to run the interest up as high as 10 percent, and just pay that out of the Treasury?

Mr. MORRIS. This is the incentive, sir, which we feel is justified for the two purposes of the bill.

Senator STENNIS. Well, it would require an appropriation then, to make up the difference. We say it is worth the going rate to the Treasury to have the money paid into it. How are you going to pay the difference? By appropriations?

Mr. MORRIS. This is an incentive premium, sir. As we have been willing to spend money to bring procurement dollars back to this country, and construction dollars, so here we would be willing to spend money to bring savings back to this country.

Senator STENNIS. It would be worth something to the Government, of course. But it seems to me 10-percent interest is mighty high.

Mr. MORRIS. I would like to stress that we have not settled on any specific figure.

Senator STENNIS. Yes. But you are still holding out objection to even putting a 10-percent limitation on it, or do you agree to the 10 percent?

Mr. MORRIS. We hope, sir, that the bill remains silent, but if it specifies a figure, that it be no less than 10 percent.

Senator STENNIS. Why do you say that, Mr. Secretary, and insist that you hope we won't do anything? Do you have in mind running above 10 percent?

Mr. MORRIS. No, sir. We feel that this is a long-term program, and that flexibility should be available to the President to select that rate based on comparative interest rates at any time in the future which would provide a powerful incentive to our men to save.

Senator STENNIS. You object to the 10 percent, or do you agree to it?

Mr. MORRIS. We would prefer, sir, to have no figure in the bill, but 10 percent would be the figure we would accept.

Senator STENNIS. Thank you. That is all.

Chairman RUSSELL. Senator Symington.

Senator SYMINGTON. Thank you, Mr. Chairman.

Mr. Secretary, have you an estimate of how much this action will save you on the balance of payments?

Mr. MORRIS. Well, we have tried to speculate on this and, obviously, it is very difficult to do.

We know today our troop spending overseas by our men and their dependents is about \$1 billion, and that is the area of opportunity, so to speak. We would hope that in the first year of this improved program, the savings deposited will not be less than \$25 million. Today, the program has virtually disappeared, producing no new savings.

Senator SYMINGTON. You say in your statement that you have cut your costs of the net adverse balance from \$2.8 to \$1.4 billion. This morning in the Wall Street Journal I noticed that Secretary Fowler in London said, that our unfavorable balance would continue in the second quarter, and then, he said that the Vietnamese war was costing us from the standpoint of our balance-of-payments problem between \$700 million and \$1 billion annually.

My question is, have you got that figure of \$700 million to \$1 billion annually of the Vietnamese war alone included in your estimate of \$1.4 billion reduction on the fourth page of your statement incident to your improvement in your balance-of-payments position?

Mr. MORRIS. Sir, as we indicate toward the bottom of that page, \$1.4 billion balance was the figure reached at the end of fiscal year 1965. The statement goes on to say that as a result of the increased requirements to support Vietnam, our overseas expenditures will increase several hundred million dollars in fiscal year 1966. I cannot provide precise figures, but there is an increase in that order of magnitude.

Senator SYMINGTON. Of what order of magnitude?

Mr. MORRIS. Several hundred million.

Senator SYMINGTON. Would you say it would be nearer \$1 billion or \$700 million?

Mr. MORRIS. I would rather not comment on that, sir.

Senator SYMINGTON. Thank you, Mr. Chairman.

Chairman RUSSELL. Mr. Secretary, I believe that our troops in Vietnam are paid with some kind of military payment certificates; are they not?

Mr. MORRIS. That is correct, sir.

Chairman RUSSELL. If this interest rate is to be so attractive, isn't this a discrimination against them, in that it is available to those in Europe and other stations where there are no hostilities in process, but the soldiers in Vietnam cannot deposit this money and get the advantage of it?

Mr. MORRIS. Sir, this will be fully available to our men in Vietnam. They can make the same allotments or deposits to this program as in other parts of the world.

Chairman RUSSELL. Is that available for his entire pay?

Mr. MORRIS. For the unallotted pay.

Chairman RUSSELL. Or just the amount that he gets in cash?

Mr. MORRIS. It would be available for his entire net current pay—the unallotted portion of the pay, as the bill reads.

Chairman RUSSELL. In other words, he would just not receive military certificates, but would deposit his pay.

Mr. MORRIS. At his election.

Chairman RUSSELL. Under this process.

Mr. MORRIS. At his election.

Chairman RUSSELL. Senator Smith.

Senator SMITH. Yes, Mr. Chairman.

Mr. Secretary, on page 2, line 14, of the bill:

Except as provided in joint regulations prescribed by the Secretaries concerned, payments of deposits, and interest thereon, may not be made to the member while he is on duty outside the United States or its possessions.

Does that mean that one of these deposits cannot be withdrawn as long as he is in service overseas?

Mr. MORRIS. That is the objective, Senator Smith, except where there is an emergency or special need on the part of the individual. We hope to encourage him to leave the savings in for the entire period he is overseas, his overseas tour.

Senator SMITH. Who would determine that emergency?

Mr. MORRIS. The regulations would be issued by the Secretaries of each service jointly, and the local commander would then apply those regulations, case by case.

Senator SMITH. This seems a little rough, Mr. Chairman, not to be able to withdraw your money under such circumstances. That is the only question I have. Thank you.

Chairman RUSSELL. Senator Jackson.

Senator JACKSON. Mr. Secretary, what to you estimate the cost to be of the program?

Mr. MORRIS. Sir, this, of course, will depend entirely upon the amount of savings that would be generated at the prescribed interest rate. We would hope that the first year the program would generate new savings of about \$25 million. If the interest rate were 10 percent, that would be a cost to the Government of \$2.5 million; if the interest rate were less, then the cost would be proportionately less.

Senator JACKSON. What is the amount of unallotted funds available to the overseas troops today? You had a \$1 billion figure here?

Mr. MORRIS. Yes, sir.

Senator JACKSON. Is that approximately the figure?

Mr. MORRIS. That is rather close to it, I believe, sir. Today the average man in the Army, for example, is allotting 20 percent of his pay to his family or to other purposes back in the States. We find that the average being spent overseas on the economy runs around 35 to 40 percent in all services.

Senator JACKSON. I would think \$25 million, if you got up near 10 percent, would be a rather low figure for savings for the first year.

Mr. MORRIS. We would hope to substantially improve that. This is the minimum objective, sir.

Senator JACKSON. That is all, Mr. Chairman.

Chairman RUSSELL. Senator Cannon.

Senator CANNON. Thank you, Mr. Chairman.

What ratio do you intend to carry out in the relationship between the interest rate and the going rate, let us say, here in the States?

Mr. MORRIS. Sir, we had not thought of approaching it strictly on that basis, but rather, taking into account the need to increase the incentive for our men to save to a level which in the judgment of the Secretaries and our commanders, would prove most compelling from time to time.

Senator CANNON. You would not anticipate using one rate in Europe and another rate in southeast Asia; would you?

Mr. MORRIS. I would not want to preclude that, sir. But I think it is unlikely that we would vary it geographically.

Senator CANNON. Well now, the going rate generally here in the States today is roughly 5 percent, yet you are talking in terms of 10 percent.

Now, is that along the idea of what you really are thinking about, say, double the interest rate?

Mr. MORRIS. Not necessarily, sir. The maximum figure of 10 percent which we have considered has come to us by consulting our top commanders, like General Westmoreland, as to what they feel in their situation is needed to provide a very compelling incentive for savings.

Senator CANNON. If the Senate were to place a limit—you said you would prefer not less than 10 percent—would you have any objection to that limit being related to the current interest rate in this country?

Mr. MORRIS. I think the more flexibility that remained, sir, to the President to consider this from time to time, the more sure we can be of having an effective program.

I may add, sir, interest rates are different in various sections of the country; they do vary. We are informed that 5½ percent is available on passbook accounts; 5.9 on certificates of deposit; so it does vary. We want the rate to provide the greatest incentive to the man who is overseas.

Senator CANNON. Doesn't it seem rather strange that you would be coming in and asking to have no limit at all imposed, or if we impose a limit, to impose it at 10 percent and, at the same time, that the administration here is trying to discourage the high interest rate and, as a matter of fact, the Federal Reserve Board, I think, has already taken steps to roll back the 5.9 that you referred to on the certificates of deposit?

Mr. MORRIS. Of course, our program was conceived to meet a specific need overseas where we have the dual objective of encouraging thrift on the part of the man and also more than ordinary savings in relation to our balance-of-payments-deficit problems.

Senator CANNON. I would think that a 10-percent rate could encourage a lot of thrift, a lot of people would be encouraged here with that type of rate. I personally would be inclined to think that this would be a little closer related to what the current rate is here in the States rather than just leaving it wide open and saying, "You can pay up to 10 percent."

Mr. MORRIS. I would like to mention, if I may, sir, there are a number of restraints built into this program by law. One is that a man can only deposit the unallotted portion of his current pay. Another is that the maximum he can deposit is \$10,000. Third, he can do this only while he is overseas, and normally would not be able to withdraw any of that savings until he returned to the United States; fourthly, it is a privilege that is offered and not a right that is given. And the regulations will be prescribed by the Secretaries concerned to assure prudent management of the program.

Senator CANNON. Thank you, Mr. Chairman.

Chairman RUSSELL. Senator Ervin.

Senator ERVIN. Did I understand you to say you anticipated there would be \$25 million a year deposited?

Mr. MORRIS. Sir, we have set \$25 million as our minimum objective for the first year of the program. We would hope to substantially better that objective.

Senator ERVIN. Insofar as the balance of payments is concerned, it would be much easier to reduce from the foreign aid to the extent of the anticipated savings, and you would not have to pay any interest on that; you would save it both coming and going, would you not?

Mr. MORRIS. Sir, this is outside of my area of competence.

Senator ERVIN. I believe anybody who has ever learned anything about the multiplication table would be able to answer that question.

Mr. MORRIS. We feel this is a very important additional tool we ought to have available.

Senator ERVIN. When you pay 10 percent interest, the interest has a tendency to eat up the principal, does it not?

Mr. MORRIS. In this area, we have been willing to pay approximately 50 percent premiums in the case of procurement to bring dollars back.

Senator ERVIN. That would encourage thrift on the part of the servicemen, but it would not be practicing thrift on the part of the Government to pay 10 percent when the going rate in all commercial transactions is probably half of that.

Mr. MORRIS. This is for a very specific case, and we are trying to meet the balance-of-payments problem.

Senator ERVIN. Thank you.

Senator BYRD of West Virginia. Senator Ervin, they are not teaching them the multiplication table any more. They have new methods now.

Chairman RUSSELL. Have you concluded, Senator Ervin?

Senator ERVIN. Yes.

Chairman RUSSELL. Senator Thurmond.

Senator THURMOND. Mr. Secretary, I am impressed with this plan. I want to commend you and the others who came up with it. I think it can be mutually helpful to our service people in encouraging thrift, and also I think it can be helpful to our Government in the question of balance of payments. The interest rate you are suggesting, in effect, you did not want to limit it, but even if you put it at 10 percent, it sounds rather high; however, this would be limited to a specific category of our population, that is, the servicemen, and then only those overseas, as I understand it.

Mr. MORRIS. Correct, sir.

Senator THURMOND. So I do not know that there is any great detriment if our Government wants to pay a little higher interest rate to our servicemen serving overseas, and it may be of some help to them and, in turn, I think it could be of great help to our Government.

I am in favor of the plan and I will be glad to support it.

Mr. MORRIS. Thank you, sir.

Chairman RUSSELL. Senator Young.

Senator YOUNG. Thank you, Mr. Chairman.

Very definitely, Mr. Secretary, I am not impressed by your statement regarding what a great accomplishment this legislation would work out on the balance of payments. Don't you agree that if we were to reduce our Armed Forces and the payments over in West Germany and France, that would more readily and more immediately reduce our balance of payments?

Mr. MORRIS. Sir, we feel that these are considerations that are not involved in what we are speaking to. Whatever our force levels should be overseas, around the world, we feel that this is a very useful tool, a beneficial advantage to our servicemen, as compared to our present savings program of 4 percent which has virtually disappeared, but once had savings of over \$60 million. Today the savings are only \$18 million and they are declining every month.

Senator YOUNG. Mr. Secretary, I will skip any further questioning on the balance of payments. But obviously, having soldiers in tremendous force in Western Europe, together with their dependents, and so forth, is a drain on our country, and adding to our balance-of-payments problems in a very major way.

Now, when we talk about thrift, encouraging of thrift, on the part of men, you mentioned that a number of times, does the present law apply only to enlisted personnel and noncommissioned officers, or does the present law also apply to officers?

Mr. MORRIS. Only to enlisted personnel.

Senator YOUNG. Yes. But here is a bill that will greatly increase the pay of officers, will it not? You are including officers in this?

Mr. MORRIS. They will be entitled to save under this program, sir.

Senator YOUNG. Are there any GI's overseas who have as much as \$10,000 on deposit in the bank?

Mr. MORRIS. Yes, sir.

Senator YOUNG. Mr. Secretary, if you wouldn't mind, I wish you would furnish a statement to this committee about the number of GI's overseas, in all parts of the world, who have on deposit under the present program, a total of \$10,000.

Mr. MORRIS. We would be glad to search our records, sir, on this point.

Senator YOUNG. Please furnish that for the committee. I would appreciate having a copy of the letter.

Mr. MORRIS. I would be pleased to do that.

(The following letter was subsequently received from Assistant Secretary of Defense Morris:)

ASSISTANT SECRETARY OF DEFENSE, MANPOWER,
Washington, D.C., August 3, 1966.

Hon. RICHARD B. RUSSELL,
Chairman, Senate Armed Services Committee,
Washington, D.C.

DEAR SENATOR RUSSELL: The information Senator Young requested during the hearing on HR 14875 held July 28, 1966, before the Committee on Armed Services, is set out below.

As of June 30, 1966, the total number of enlisted members of the Army, Navy, Air Force and Marine Corps who had individual deposits of \$10,000 or more under the present savings program was as follows:

Army.....	122
Navy.....	28
Air Force.....	65
Marine Corps.....	7
Total.....	222

Some of these individuals were undoubtedly serving overseas. The location of each person concerned is not readily available, however, and would require a case by case survey.

We welcome the opportunity to provide this information for the consideration of the Committee.

Sincerely,

THOMAS D. MORRIS.

Senator YOUNG. Now, if this legislative proposal goes through in the form that you are offering it here and advocating it here, in a way this takes away from Congress and gives to the President of the United States the de facto power to increase compensation of officers and men overseas; does it not?

Mr. MORRIS. In a minor way, it does provide an additional fringe benefit which is an attractive interest rate to those serving overseas.

Senator YOUNG. To even contemplate 7 percent or 10 percent or wanting the ceiling higher, you do not term that a minor thing, do you, Mr. Secretary?

Mr. MORRIS. Sir, the average deposit in the program today is less than \$200 per man.

Senator YOUNG. That applies only to GI's. But here you propose to encourage thrift on the part of men, and you have spoken about the commanders, General Westmoreland and others, but this is really greatly beneficial to the officers.

Mr. MORRIS. We hope that it will be, sir.

Senator YOUNG. Well, it is bound to be.

Mr. MORRIS. We hope it will be, sir.

Senator YOUNG. Frankly, I could not in good conscience support a proposal of this sort without putting a limit on it, and very definitely I would think that 6 percent would be a very good return on savings. Our Government is trying to keep that under control. Here you have got the-sky-is-the-limit proposal, with which I could not go along.

Now, referring to the bill, on page 2 as it passed in the House, along the second or third line it says, "may deposit during that tour

of duty not more than his unallocated current pay and allowances in amounts of \$5.00 or more”.

Why should that not be amended to say, “deposit during that tour of duty,” not “from his unallotted current pay and allowances”, “in the amount of \$5.00 or more”, that would make it clear cut, would it not?

Mr. MORRIS. I believe, sir, the language you used is the language that would have the same result.

Senator YOUNG. It would have the same result, but when you read, “deposit during that tour of duty not more than his unallotted current pay and allowances in amounts of \$5.00 or more”, if you change it it would plainly state, “may deposit from his unallotted current pay and allowances \$5.00 or more”.

Is it not a fact, Mr. Secretary, that Congress has been liberal with officers and men in the Armed Forces in the past 2 years in increasing pay and benefits?

Mr. MORRIS. They have, indeed, sir.

Senator YOUNG. Still under the guise of encouraging thrift of the GI's, you come in with a bill that will greatly benefit officers and benefit somewhat GI's, is that it?

Mr. MORRIS. Also, our Government, sir, in terms of the balance-of-payments problem.

Senator YOUNG. Yes, But if our Government and this administration really wants to accomplish a great deal to reduce our balance of payments, it would do well to follow what has been advocated by Senator Symington and others of us to cut down the 345,000 men in West Germany, along with 500,000 dependents, who are with a lot of our sergeants and enlisted men over there, in an area that a few years back, under President Truman's administration, was really a threatened area. It does not seem to be so threatened now, and some of the officers are living quite handsomely in quarters over there, higher officers, not the lieutenants, but higher officers. I take a dim view of your emphasis on the balance of payments, because I think that could be accomplished by our having the facility to fly combat-ready troops over there. I still have commonsense enough to feel that in a sudden emergency a sergeant living with his family and eight children in West Germany, is going to give first thought to looking after his wife and children, take care of them first, if some terrifying emergency develops.

The balance-of-payments argument leaves me cold when we have the means to really cut down on our deficit and balance of payments.

Chairman RUSSELL. Senator Byrd of West Virginia.

Senator BYRD of West Virginia. Mr. Chairman, I have no questions.

Chairman RUSSELL. Senator Inouye.

Senator INOUE. Thank you, Mr. Chairman.

I wish to commend the Department of Defense for coming forward with this very imaginative program to take our currency out of foreign commerce.

I say this because several months ago I had the opportunity to visit Saigon and other parts of Vietnam, and in discussing the economy with some of the local merchants I gathered the impression that some of our friends in Saigon were not unhappy with the large amount of available cash in the hands of our personnel there. As a result of that, pointing out that the price of a cup of Saigon tea had gone up to

something like \$1.65, this prevented some of our Vietnamese friends from buying Saigon tea.

I suppose what is an attractive interest rate to be set would encourage some of our men to place available money on deposit instead of spending it on tea.

Mr. MORRIS. That is correct.

Senator INOUE. Just as a matter of clarification now, you have considered between 6 and 10 percent; have you not? You have not set up a firm policy.

Mr. MORRIS. That is correct, sir.

Senator INOUE. You do not intend to go beyond that?

Mr. MORRIS. There has been no suggestion of that.

Senator INOUE. Can you give us any idea as to what would be a reasonable amount that would be recommended by the Department?

Mr. MORRIS. I would think, sir, that it will range between 7 and 10 percent as the final plan for consideration.

Senator INOUE. I appreciate this program very much. I would like to assure you that I will support this program. Thank you very much, Mr. Chairman.

Chairman RUSSELL. Senator Byrd of Virginia.

Senator BYRD of Virginia. Thank you, Mr. Chairman.

Mr. Secretary, it seems to me this program has a great deal of merit and it could be helpful both to the men in the armed services and to our balance-of-payments problems.

In regard to the interest rate, I notice in the letter to the Speaker of the House, signed by the Deputy Secretary, Mr. Vance, it said: "It is presently contemplated recommending an initial rate of 7 percent."

Now, that letter was dated May 2.

Mr. MORRIS. That is correct.

Senator BYRD of Virginia. Has there been any change in thinking on that 7 percent rate in the 3 succeeding months?

Mr. MORRIS. No, sir. We are still trying to design our final concept and regulations and to check out the current thinking of local commanders overseas. This is the reason we do not want to be precise this morning in naming a rate. Seven percent was the figure that we felt was indicated in May as being the approximate amount.

Senator BYRD of Virginia. Has there been any particular reason to change that contemplated figure of 7 percent?

Mr. MORRIS. No, sir; except to indicate that we still have this matter under study, and we feel it would be desirable to have flexibility rather than to commit right now to the precise figure.

Senator BYRD of Virginia. Well, I favor your proposal and I think, as the Senator from Hawaii says, it is an imaginative one, but I do feel there should be a limit written in by the Congress as to the top amount of interest that can be paid.

Thank you, Mr. Chairman.

Chairman RUSSELL. If there are no further questions, we thank you, Mr. Secretary.

Mr. MORRIS. Thank you, Mr. Chairman.

(Subsequently in executive session, the committee voted to report H. R. 14875, with an amendment, as covered by S. Rept. 1422.)

H.R. 3013

Chairman RUSSELL. The next bill is H.R. 3013, which would authorize furnishing of Gold Star lapel buttons to the next of kin to persons killed in Vietnam or persons who are killed as the result of cold war incidents.

(The bill, H.R. 3013, above referred to, follows:)

[H. R. 3013, 89th Cong., 2d sess.]

AN ACT To amend title 10, United States Code, to provide gold star lapel buttons for the next of kin of members of the armed forces who lost or lose their lives in war or as a result of cold war incidents

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That chapter 57 of title 10, United States Code, is amended—

(1) by adding the following new section at the end thereof:

“§ 1124. Gold star lapel button: eligibility and distribution

“(a) A lapel button, to be known as the gold star lapel button, shall be designed, as approved by the Secretary of Defense, to identify widows, parents, and next of kin of members of the armed forces of the United States—

“(1) Who lost their lives during World War I, World War II, or during any subsequent period of armed hostilities in which the United States was engaged before July 1, 1958; or

“(2) who lost or lose their lives after June 30, 1958—

“(i) while engaged in an action against an enemy of the United States;

“(ii) while engaged in military operations involving conflict with an opposing foreign force; or

“(iii) while serving with friendly foreign forces engaged in an armed conflict in which the United States is not a belligerent party against an opposing armed force.

“(b) Under regulations to be prescribed by the Secretary of Defense, the Secretary concerned, upon application to him, shall furnish one gold star lapel button without cost to the widow and to each parent and next of kin of a member who lost or loses his or her life under any circumstances prescribed in subsection (a).

“(c) Not more than one gold star lapel button may be furnished to any one individual except that, when a gold star lapel button furnished under this section has been lost, destroyed, or rendered unfit for use without fault or neglect on the part of the person to whom it was furnished, the button may be replaced upon application and payment of an amount sufficient to cover the cost of manufacture and distribution.

“(d) In this section—

“(1) ‘widow’ includes widower;

“(2) ‘parents’ includes mother, father, stepmother, stepfather, mother through adoption, father through adoption, and foster parents who stood in loco parentis;

“(3) ‘next of kin’ includes only children, brothers, sisters, half brothers, and half sisters;

“(4) ‘children’ include stepchildren and children through adoption;

“(5) ‘World War I’ includes the period from April 6, 1917, to March 3, 1921; and

“(6) ‘World War II’ includes the period from September 8, 1939, to July 25, 1947, at 12 o’clock noon.”; and

(2) By adding the following new item at the end of the analysis:

“1124. Gold star lapel button: eligibility and distribution.”

SEC. 2. The Act of August 1, 1947 (61 Stat. 710), as amended (36 U.S.C. 182a-182d), is repealed.

Passed the House of Representatives July 18, 1966.

Attest:

RALPH R. ROBERTS, *Clerk.*

Chairman RUSSELL. The witness on this bill is Comdr. H. L. Jenkins, Director, Office of Personal Affairs Division, Bureau of Naval Personnel. You may proceed, Commander.

**STATEMENT OF COMDR. H. L. JENKINS, U.S. NAVY, DIRECTOR,
PERSONAL AFFAIRS DIVISION**

Commander JENKINS. Thank you, Mr. Chairman.

I am privileged to be given the opportunity to appear before this committee in behalf of the Department of Defense in support of H.R. 3013 to amend title 10 of the United States Code to incorporate the provisions of the act of August 1, 1947, as amended—36 U.S.C. 182a-182d—and to broaden those provisions by authorizing gold star lapel buttons for the next of kin of members of the Armed Forces who, after June 30, 1958, died or die as a result of cold war incidents.

The act of August 1, 1947, as amended, authorizes gold star lapel buttons for widows, parents, and next of kin to members of the Armed Forces of the United States who lost or lose their lives during World War I, World War II, or in any subsequent war or period of armed hostilities in which the United States may be engaged.

This bill, H.R. 3013, would expand the provisions of the 1947 act to include the next of kin of Armed Forces personnel who died or die after July 1, 1958, as a result of cold war incidents. This is accomplished by eliminating the requirement of current law that deaths occur during a "period of armed hostilities" and substituting the language that was adopted in Public Law 88-77 to describe the cold war situations that would warrant the award of our highest military decorations.

Under this bill, then, the award of the Gold Star lapel button may be made to the next of kin of members who, after June 30, 1958, are killed, or die of wounds or injuries received—

(a) while engaged in an action against an enemy of the United States;

(b) while engaged in military operations involving conflict with an opposing foreign force; or

(3) while serving with friendly foreign forces engaged in an armed conflict in which the United States is not a belligerent party against an opposing armed force.

These eligibility criteria are also consistent with Executive Orders 11016 and 11046 which provide for awarding of the Purple Heart and the Combat Bronze Star Medals.

The retroactive date of July 1, 1958, was adopted because it was the official date for the beginning of the Vietnam operation and the initial date for awarding the Armed Forces Expeditionary Medal established by Executive Order 10977.

I do not believe there is any question about the purpose or worthiness of this bill. It is an attempt to recognize in a small measure the members of our Armed Forces who have made the supreme sacrifice during active "cold war" conflict and will permit the next of kin to wear the Gold Star lapel button. It would appear that casualties resulting from hostile acts during "cold war" incidents and conditions are entitled to the same recognition as those which occur during wartime. It follows that the next of kin of personnel who are killed in these incidents or die of wounds or injuries received as a result of

these hostile acts should be entitled to receive the Gold Star lapel button as an expression of the Nation's appreciation for this sacrifice.

The Joint Chiefs of Staff have designated no less than nine active military operations or conflicts which have occurred subsequent to July 1958 in which the U.S. units have participated or are now participating. Berlin, Lebanon, Quemoy and Matsu, Taiwan Straits, Congo, Laos, Vietnam, Dominican Republic, and Cuba. Personnel who have or are engaged in these operations are entitled to the Armed Forces Expeditionary Medal and are subject to the real hazards and dangers of a wartime environment.

Therefore, it is believed that the next of kin of those personnel killed during combat operations, or who die as a result of wounds or injuries received during combat operations, are unquestionably entitled to possess the Gold Star lapel button and to know that the United States shares their pride with this tangible expression of appreciation for the sacrifices made by these fighting men.

I wish to thank you for allowing me to appear before the committee today and I welcome any questions you might have on the subject.

Chairman RUSSELL. Do I understand, Commander, that this is limited to the next of kin of those whose death is due to combat or to wounds received or injuries received in combat?

Commander JENKINS. Yes, sir; that is true.

Chairman RUSSELL. The family of a man who had the measles and died would not be entitled to wear it?

Commander JENKINS. That is correct, sir.

Chairman RUSSELL. I know we had a similar bill here once before, and some lady came in and said her son was killed due to some fault of his plane when he was taking off from a carrier deck, and she could not get a Gold Star Medal under that legislation, but that the family of a man who died of measles somewhere in Korea would get it. But that is not true of this bill?

Commander JENKINS. That is not true of this bill, sir.

Chairman RUSSELL. All right.

Senator Saltonstall.

Senator SALTONSTALL. No questions.

Chairman RUSSELL. Senator Stennis.

Senator STENNIS. No questions.

Chairman RUSSELL. Senator Cannon.

Senator CANNON. No questions, Mr. Chairman.

Chairman RUSSELL. Senator Smith.

Senator SMITH. I have no questions, Mr. Chairman.

Chairman RUSSELL. Senator Young.

Senator YOUNG. I have no questions, Mr. Chairman. It seems to me this is a worthy bill.

Chairman RUSSELL. Senator Byrd of West Virginia.

Senator BYRD of West Virginia. No questions.

Chairman RUSSELL. Senator Inouye.

Senator INOUE. When you speak of the next of kin getting just one lapel Gold Star pin, does the father and mother or husband and wife get one?

Commander JENKINS. The entire family would receive one free, from the service; but the entire family would pay for each replacement. The amount right now for replacing the buttons is 80 cents.

Senator INOUE. I have another question. I notice that you mentioned people were killed in Cuba.

Commander JENKINS. I am sorry; I do not have a figure. Possibly my counterpart from the Air Force would have it.

Senator INOUE. Thank you.

Chairman RUSSELL. Senator Byrd of Virginia.

Senator BYRD of Virginia. I notice on page 2 of your statement, Commander, you say the retroactive date of July 1, 1958, was adopted because it was the official date for the beginning of the Vietnam operation. Is that the date that the first death occurred in Vietnam?

Commander JENKINS. No, sir.

Senator BYRD of Virginia. But that is the date that is designated as the official beginning of the Vietnam operation?

Commander JENKINS. Yes, sir.

Senator BYRD of Virginia. Thank you.

Chairman RUSSELL. Thank you very much, Commander.

Commander JENKINS. Thank you, sir.

(Subsequently, in executive session, the committee voted to report H.R. 3013, without amendment, as covered by Senate Report 1418.)

H.R. 13374

Chairman RUSSELL. The next bill is H.R. 13374, which would authorize the Armed Forces to pay for trophies and plaques to be awarded to persons and units for military proficiency.

(The bill, H.R. 13374, above-referred to, follows:)

[H.R. 13374, 89th Cong., 2d sess.]

AN ACT To amend title 10, United States Code, to authorize the award of trophies for the recognition of special accomplishments related to the armed forces, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title 10, United States Code, is amended as follows:

(1) Chapter 57 is amended by adding the following new section at the end thereof:

“§ 1125. Recognition for accomplishments: award of trophies

“The Secretary of Defense may—

“(1) award medals, trophies, badges, and similar devices to members, units, or agencies of an armed force under his jurisdiction for excellence in accomplishments or competitions related to that armed force; and

“(2) provide badges or buttons in recognition of special service, good conduct, and discharge under conditions other than dishonorable.”

(2) The analysis of chapter 57 is amended by adding the following new item:

“1125. Recognition for accomplishments: awards of trophies.”

(3) Chapter 631 is amended by repealing section 7218.

(4) The analysis of chapter 631 is amended by striking out the following item.

“7218. Recognition for accomplishments, special service, and good conduct.”

Passed the House of Representatives July 18, 1966.

Attest:

RALPH R. ROBERTS, *Clerk*

Chairman RUSSELL. The witness on this bill is Col. Thomas W. Blackburn, Jr., Chief of the Awards Division, Directorate of Personnel Services, Department of the Air Force.

You may proceed, Colonel.

**STATEMENT OF COL. THOMAS W. BLACKBURN, JR., CHIEF,
AWARDS DIVISION, DIRECTORATE OF PERSONNEL SERVICES,
HEADQUARTERS, U.S. AIR FORCE**

Colonel BLACKBURN. Mr. Chairman and members of the committee, the Department of the Air Force was designated to represent the Department of Defense for this legislation, and I represent the Department of the Air Force for this purpose. I have with me today representatives of the Army and the Navy to answer any questions you may have with reference to their services.

I have a brief prepared statement which I would like to present to the committee.

The purpose of this legislation is to provide the Departments of the Army and Air Force the same authority currently enjoyed by the Department of the Navy to use appropriated funds to purchase trophies and similar suitable devices for award to its members and units for excellence in accomplishments or competitions contributing to the effectiveness of the military mission and operations.

Our military departments authorize the establishment and presentation of special trophies and awards to recognize outstanding accomplishments in such areas as flight, missile, and ground safety; military training; marksmanship; research and development; cost reduction; supply; maintenance; and effective management of personnel and other resources.

Section 7218, chapter 631, title 10, United States Code, authorizes the Secretary of the Navy to use appropriated funds to establish trophies and similar suitable devices and to award them to members and units serving under his jurisdiction. The Departments of the Army and Air Force do not have such authority and, consequently, have been using nonappropriated funds, generated from armed services personnel patronage of Army and Air Force exchanges and motion picture theaters from time to time for this purpose.

Such use of nonappropriated funds is incompatible with their intended expenditure for support of off-duty morale and welfare activities for all personnel on an equal basis. The expenditure of nonappropriated funds for this purpose results in a reduction of these funds for other morale and welfare purposes. Programs directly supporting Army and Air Force operational requirements should be financed from appropriations instead of from funds generated by Armed Forces personnel.

In essence, therefore, the proposed legislation is designed to extend the authority of the Department of the Navy to the Departments of the Army and Air Force by adding a new section, 1125, to chapter 57, title 10, United States Code, giving the Secretary of Defense overall authority for implementation of the new law to insure uniform application throughout the Department of Defense. Section 7218 of chapter 631, title 10, United States Code, relating only to the navy would be repealed.

Enactment of this legislation will result in no increase in budgetary requirements to the Department of Defense.

This concludes my statement, sir, and my colleagues and I shall be happy to answer any questions you may have on this bill.

Chairman RUSSELL. Would this bill relate to trophies awarded to winners in athletic events?

Colonel BLACKBURN. No, sir. That would be funded by non-appropriated funds.

Chairman RUSSELL. So that is not involved in any way in this bill?

Colonel BLACKBURN. No, sir.

Chairman RUSSELL. Senator Saltonstall.

Senator SALTONSTALL. No questions.

Chairman RUSSELL. Senator Cannon.

Senator CANNON. What do you estimate the amount required would be on an annual basis?

Colonel BLACKBURN. For the Department of Defense, \$125,000.

Senator CANNON. You say it would not result in any increase in budgetary requirements. Are you, in effect, saying that the Department of Defense has already gotten a little more money than they were going to spend and you can, therefore, absorb this?

Colonel BLACKBURN. I think that is basically it.

Senator CANNON. How much in the way of other items could they also absorb?

Colonel BLACKBURN. I have no idea.

Senator CANNON. Well, it might be interesting, Mr. Chairman, to find out if there are some other expenditures that they could absorb in their appropriations at this time.

Chairman RUSSELL. Well, Senator, you know as well as I do that when they really want to absorb them, they find a way to absorb these small items. But if they don't want to absorb them, they kick like a wild steer on absorbing \$12,000.

Senator CANNON. Thank you, Mr. Chairman. That is all I have.

Chairman RUSSELL. Senator Inouye.

Senator INOUE. Mr. Chairman, just one question. Colonel, will this involve just men in uniform or will it involve civilian personnel?

Colonel BLACKBURN. Just men in uniform, sir.

Senator INOUE. How much does the Navy spend for these purposes in fiscal 1966?

Colonel BLACKBURN. The last figure we had, sir, was \$50,000 annually. The actual expenditure for last year I would have to get from the Department of the Navy.

Senator INOUE. Do you anticipate for the whole Department of Defense, \$125,000?

Colonel BLACKBURN. Yes, sir.

Senator INOUE. Thank you very much.

Chairman RUSSELL. Senator Smith.

Senator SMITH. I have no questions.

Chairman RUSSELL. Senator Byrd of West Virginia.

Senator BYRD of West Virginia. Colonel, what was the rationale for the Navy's having the authorization without the same authorization being extended to the Army and Air Force?

Colonel BLACKBURN. They received authorization, sir, in 1946, before the creation of the Department of Defense.

Senator BYRD of West Virginia. Thank you.

Thank you, Mr. Chairman.

Chairman RUSSELL. Senator Byrd of Virginia.

Senator BYRD of Virginia. No questions, Mr. Chairman.

Chairman RUSSELL. Thank you very much, Colonel.

Colonel BLACKBURN. Thank you, sir.

(Subsequently, in executive session, the committee voted to report H.R. 13374, without amendment, as covered by Senate Rept. 1416.)

H.R. 7327

Chairman RUSSELL. The next bill is H.R. 7327, which would repeal a ceiling of \$13,500 a year of the salary of the Academic Dean of the Naval Post Graduate School at Monterey, Calif., and permit the salary of this dean to be established by the Secretary of the Navy. (The bill, H.R. 7327, above-referred to, follows:)

[H.R. 7327, 89th Cong., 1st sess.]

AN ACT To repeal section 7043 of title 10, United States Code

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 7043(b) of title 10, United States Code, is amended by deleting the following, “, but not more than \$13,500 a year.” and substituting a period therefor.

Passed the House of Representatives August 16, 1965.

Attest:

RALPH R. ROBERTS, Clerk.

Chairman RUSSELL. The witness for this bill is Rear Adm. Mason B. Freeman, Assistant Chief of Naval Personnel for Education and Training. You should be able to make a very brief statement on this, Admiral.

STATEMENT OF REAR ADM. MASON B. FREEMAN, U.S. NAVY, ASSISTANT CHIEF OF NAVAL PERSONNEL FOR EDUCATION AND TRAINING

Admiral FREEMAN. Mr. Chairman and members of the committee, I am pleased to have this opportunity to appear before this committee in behalf of the Department of Defense in support of H.R. 7327, a bill to amend section 7043(b) of title 10 of the United States Code.

The purpose of this bill is to delete the present statutory limitation relating to the compensation of the Academic Dean of the U.S. Naval Postgraduate School.

Section 7043 of title 10, United States Code, now provides:

(a) There is at the Naval Postgraduate School the civilian position of Academic Dean. The Academic Dean shall be appointed, to serve for periods of not more than five years, by the Secretary of the Navy upon the recommendation of the Postgraduate School Council consisting of the Superintendent, the Deputy Superintendent, and the directors of the Technical, Administrative, and Professional Divisions of the school.

(b) The Academic Dean is entitled to such compensation for his services as the Secretary prescribes, but not more than \$13,500 a year.

H.R. 7327, as passed by the House of Representatives on August 16, 1965, would delete the words “but not more than \$13,500 a year.”

At the postgraduate school the existence of the statutory position of academic dean, with a prescribed salary ceiling too low to compete in the present-day market, has prohibited the employment of a faculty leader in the position of academic dean as is done in comparable educational institutions. To maintain the academic standards of our postgraduate school, the proper filling of the position is essential.

Section 7044 of title 10, United States Code, governs the employment of civilian professors at the Naval Postgraduate School and provides:

The Secretary of the Navy may employ as many civilians as he considers necessary to serve at the Naval Postgraduate School under the direction of the Superintendent as senior professors, professors, associate professors, assistant professors, and instructors. The Secretary shall prescribe the compensation of those persons

Under Section 7044 the Secretary of the Navy prescribed the compensation of the professors at the Naval Postgraduate School to achieve comparability with other activities competing for persons of their training and background. However, the upper limit of such salaries is that prescribed by the Federal Salary Reform Act of 1964, which provides that the head of any executive department who is authorized to fix by administrative action the annual basic rate of compensation for any position shall not fix such rate in excess of grade 18 of the General Schedule of the Classification Act. Under the present salary schedules prescribed by the Secretary, civilian faculty members are paid salaries in a range between \$6,000 for instructors to about \$18,000 for professors for a 10-month academic year. Clearly, then, the \$13,500 limitation in existing law preclude the procurement of an academic dean at this salary level when other professors on the faculty, subordinate to him, are paid salaries well in excess of this amount.

The amendment of section 7043 of title 10, United States Code as provided in H.R. 7327, would clarify the situation and enable the Secretary of the Navy to maintain the position of academic dean at the Naval Postgraduate School and to establish an appropriate salary therefor.

The Department of Defense strongly supports the enactment of H.R. 7327 and urges your favorable consideration of this bill.

I wish to thank you for allowing me to appear before the committee today and I will be happy to attempt to answer any questions you might have on this subject.

Chairman RUSSELL. Admiral, thank you for your statement. I think we understand the bill. I want to ask you one question now. What would be the attitude of the Navy toward a limitation—I still do not like these open-end grants of authority, even if they are not abused—if we were to amend this by striking out the \$13,500 and inserting \$20,000; would you have any objection to it?

Admiral FREEMAN. Yes, sir; we would object to that. There is a limitation now prescribed which is at grade 18, and with the increasing salaries that go into Federal service as well as in the academic world, we think any arbitrary sum here, other than this classification would give us an inflexible position.

Chairman RUSSELL. Well, I do not agree with you because if we pass this, this is the last enactment, and it would say that the academic dean is entitled to such compensation for his services as the Secretary prescribes, and that might be construed to take precedence over this salary limitation that applies to the general faculty of the school. This would be the last congressional word on the subject of salaries, and it could leave open the salary of the academic dean.

Senator SALTONSTALL. Would the chairman yield on that?

Admiral FREEMAN. If the Secretary is not limited by the Classification Act to the grade 18, then I would agree that we should amend the language to say that it be so limited.

Chairman RUSSELL. That would be just as well, only it would be a little less than I suggested.

Senator SALTONSTALL.

Senator SALTONSTALL. Admiral, at the bottom of page 2 of your statement, and top of page 3, to carry out the suggestion of the chairman, is it not true now that under the Federal Reform Act they cannot go in excess of grade 18 or the General Schedule of the Classification Act, so that is a limitation now, is it not?

Admiral FREEMAN. This is my understanding, sir.

Senator SALTONSTALL. Can you give us the general figure that that would be?

Admiral FREEMAN. Well, under the latest Federal pay, this comes up to \$25,890.

Senator SALTONSTALL. Well, then, carrying out the chairman's idea, if we were going to put in a limitation, in your opinion, it ought to be as high as \$25,800.

Admiral FREEMAN. Yes, sir. But this would have the undesirable feature that if there is another 3-percent raise, as there was this current Congress, then we would be with a fixed number rather than having a floating ceiling that fits in with the situation.

Senator SALTONSTALL. To carry out the chairman's idea, why couldn't we put in a limitation somewhere along the general lines that the salaries shall not exceed the upper limit of that prescribed by the Federal Salary Reform Act of 1964?

Admiral FREEMAN. This would be entirely satisfactory, sir. I believe that already exists in the secretarial limitation by the other law, but if the chairman's interpretation, which I am not competent to question, is correct, then we should make the amendment.

Senator SALTONSTALL. Thank you, Mr. Chairman.

Senator CANNON (presiding). Senator Byrd of West Virginia.

Senator BYRD of West Virginia. I have no questions, Mr. Chairman.

Senator CANNON. Senator Smith.

Senator SMITH. I have no questions, Mr. Chairman.

Senator CANNON. Senator Inouye.

Senator INOUE. I have no questions.

Senator CANNON. Senator Byrd of Virginia.

Senator BYRD of Virginia. Mr. Chairman, I would like to ask one question of the admiral. How long has that \$13,500 limitation been in the law?

Admiral FREEMAN. That was enacted in 1955, sir.

Senator BYRD of Virginia. Thank you, Mr. Chairman.

Senator CANNON. Is it your contemplation that if this legislation were enacted you would immediately attempt to employ at the grade 18 level?

Admiral FREEMAN. Not precisely at the grade 18 level. The salaries of the professors, the instructors, are a separate schedule which parallel GS ratings, but are not identical, and actually we would have an employment at something less than the top salary of the GS-18.

Senator CANNON. What are your highest salaries paid at the Academy or School in Monterey?

Admiral FREEMAN. For our professors, as we stated in the paper here, the salary was \$18,000 for a 10-month year. Now, some of these people are employed for 12 months, so this brings their salaries up around \$21,600. The dean would get a salary above that.

Senator CANNON. And your highest salary now, though, is the \$21,600?

Admiral FREEMAN. We have one senior professor now whose highest salary is \$24,000—\$24,000 and some.

Senator CANNON. Well, then, if this is a professor, you would expect to employ a dean at a higher salary yet, wouldn't you?

Admiral FREEMAN. We would expect to employ him at the same rate as the senior professor.

Senator CANNON. At the same rate as the senior professor. So you are talking then, of \$24,000.

Admiral FREEMAN. \$24,000-plus.

Senator CANNON. Any further questions? Thank you, Admiral.

Admiral FREEMAN. Thank you, Mr. Chairman.

(Subsequently, in executive session, the committee voted to report H.R. 7327, with amendments, as covered by Senate Report 1423.)

H.R. 12031

Chairman RUSSELL (presiding). The next bill is H.R. 12031 authorizing the reappointment of a professor at the Military Academy, Col. William W. Watkin, Jr., as a lieutenant colonel on the promotion list of the Regular Army in the same position he would occupy if he had not been removed as a result of his appointment as a professor at the Academy.

(The bill, H.R. 12031, above-referred to, follows:)

[H. R. 12031, 89th Cong., 2d sess.]

AN ACT To authorize the appointment of Colonel William W. Watkin, Junior, professor, of the United States Military Academy, in the grade of lieutenant colonel, Regular Army, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the President may appoint Colonel William W. Watkin, Junior, O24664, professor, of the United States Military Academy, in the grade of lieutenant colonel, Regular Army, and enter his name on the Army promotion list in the place it would occupy had it not been removed from that list because of his appointment as a professor of the United States Military Academy on October 1, 1961. All service performed by Colonel Watkin as a professor of the United States Military Academy shall be deemed, for all purposes, to have been service as an Army promotion-list officer.

Passed the House of Representatives June 21, 1966.

Attest:

RALPH R. ROBERTS, *Clerk.*

Chairman RUSSELL. The witness for this bill is Lt. Col. F. G. Rockwell, from the Office of the Deputy Chief of Staff for Personnel, Department of the Army. You may proceed, Colonel Rockwell.

STATEMENT OF LT. COL. FREDERICK G. ROCKWELL, OFFICE, DEPUTY CHIEF OF STAFF FOR PERSONNEL, DEPARTMENT OF THE ARMY

Colonel ROCKWELL. Mr. Chairman and members of the committee, I am Lt. Col. Frederick G. Rockwell, Office of the Deputy Chief of Staff for Personnel, Department of the Army. The Department of the Army has been designated as the representative of the Department of Defense for this legislation. I represent the Department of the Army for that purpose.

I have a brief prepared statement which I would like to present to the committee. The purpose of the proposed legislation is to authorize the President to appoint Col. William W. Watkin, Jr., as a lieutenant colonel on the Army promotion list of the Regular Army in the same position he would occupy had he not been removed from that list because of his appointment as professor, U.S. Military Academy.

Colonel Watkin was promoted to the temporary grade of colonel on July 22, 1958, while serving in the U.S. Army Corps of Engineers, and continues to hold that temporary grade. From October 1, 1961, he has served as professor of earth, space, and graphic sciences at the U.S. Military Academy.

In accordance with section 3296 of title 10, such appointments remove an officer from the promotion list of the Regular Army. Colonel Watkin now considers that his interests lie in the career and assignments which an officer of his grade and branch could expect in normal line duty.

He has concluded that he can contribute more to the service in assignments of this type. Without enactment of the proposed legislation, Colonel Watkin cannot return to the Army promotion list. He has had a distinguished career and his training and experience can be most advantageously used at this time in a field assignment. It would be in the best interests of the United States to restore Colonel Watkin to the Army promotion list.

I have appreciated this opportunity of appearing before the committee and shall be happy to answer any questions you may have at this time.

Chairman RUSSELL. He would not obtain any pecuniary advantage over any of the people in his same category due to this in-and-out change; would he, Colonel?

Colonel ROCKWELL. No, sir; because, as the bill is written, he would then fall back in the same slot he would have held with his contemporaries prior to this time.

Chairman RUSSELL. I thought that Colonel Watkin had assumed his permanent grade in the Army and was now serving overseas.

Colonel ROCKWELL. That is correct, sir, although he had not assumed it in the sense that this legislation must be passed prior to that time.

Chairman RUSSELL. He just could not be promoted. There is nothing to prevent him from serving in that grade, but he could not be promoted; could he?

Colonel ROCKWELL. Well, sir, last August when this thing was originally presented to the Department of the Army, Colonel Watkin indicated a desire to return to line duty and, as a result, the Chief of Staff authorized his assignment while technically still professor at the U.S. Military Academy, and assigned him to Vietnam, and he has for the last year commanded the 937th Engineer Group, U.S. Army, Vietnam, and will return at the beginning of next month in normal rotation, sir.

Now, he served in this position, still as technically professor, U.S. Military Academy, but in agreement with the Chief of Staff, he was assigned to Vietnam.

Chairman RUSSELL. Senator Saltonstall.

Senator SALTONSTALL. Mr. Chairman, just one question. If we do this in the form that it is written in this law, does Professor Watkin

get his retirement allowances, his hospital allowances, his family allowances, and so on, that he would have if he had not been a professor during this period?

Colonel ROCKWELL. Sir, there is no distinction in this. He was receiving the same pay as a professor, colonel, U.S. Army, temporary grade, as he would have had he been on the Regular Army promotion list, so he is exactly in the same position he would have been had he not accepted the appointment as professor, U.S. Military Academy.

Senator SALTONSTALL. And that includes retirement allowances and everything else?

Colonel ROCKWELL. Yes, sir.

Senator SALTONSTALL. Thank you.

Chairman RUSSELL. Senator Cannon.

Senator CANNON. In other words, he will neither gain nor lose anything as a result of this legislation.

Colonel ROCKWELL. That is correct, sir.

Senator CANNON. Over the position he would have been in had he not gone to the Academy.

Colonel ROCKWELL. That is correct.

Chairman RUSSELL. Senator Smith.

Senator SMITH. No questions.

Chairman RUSSELL. Senator Inouye.

Senator INOUE. Just one question. When one is appointed as professor to the Military Academy does he have a choice of accepting?

Colonel ROCKWELL. No, sir; it is not mandatory. It is his desire.

Senator INOUE. Thank you very much.

Chairman RUSSELL. Senator Byrd of Virginia.

Senator BYRD of Virginia. No questions, Mr. Chairman.

Chairman RUSSELL. Thank you very much, Colonel.

Colonel ROCKWELL. Thank you, sir.

(Subsequently, in executive session, the committee voted to report H.R. 12031 without amendment, as covered by Senate Report 1419.)

H.R. 11980

Chairman RUSSELL. The last bill on the agenda is H.R. 11980, which would authorize the Secretary of the Army to donate two obsolete German weapons, an artillery piece and a tank, to the Federal Republic of Germany for display in the Germany Artillery School Museum, which is a rather paradoxical situation when we donate weapons to the German Artillery School Museum.

(The bill, H.R. 11980, above referred to, follows:)

[H. R. 11980, 89th Cong., 2d sess.]

AN ACT To authorize the Secretary of the Army to donate two obsolete German weapons to the Federal Republic of Germany

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Army is authorized to transfer to the Federal Republic of Germany, without compensation, one German gun, 21 cm K38, and one German tank, Pzkw III, with flamethrower, which are now the property of the United States in the custody of the Secretary of the Army. However, nothing contained in this Act shall authorize the expenditure

of any funds of the United States to defray any cost of transportation or handling incidental to such transfer.

Passed the House of Representatives May 16, 1966.

Attest:

RALPH R. ROBERTS, *Clerk*.

Chairman RUSSELL. The witness on this bill is Mr. Detmar H. Finke, from the Office of the Chief of Military History, Department of the Army.

STATEMENT OF DETMAR H. FINKE, OFFICE, CHIEF OF MILITARY HISTORY, DEPARTMENT OF THE ARMY

Mr. FINKE. Mr. Chairman and members of the committee, I am privileged to appear before you today in support of H.R. 11980, as a representative of the Department of the Army.

The Chief, Military Assistance Advisory Group, Germany, forwarded to the U.S. Army Chief of Staff a letter from the Commandant of the German Artillery School requesting assistance in obtaining German artillery items for display in the Artillery School Museum. One obsolete German gun, 21 cm K38, and one obsolete German tank Pzkw III, with flamethrower, presently located at Aberdeen Proving Ground, Md., are excess to U.S. Army needs. These weapons became the property of the United States as trophies of war and have an estimated value of \$1,288.

The purpose of this legislation is to permit the Secretary of the Army to donate these two weapons to the Federal Republic of Germany for display in the German Artillery School Museum. Presently, the military departments are without legislative authority to donate historical items located in the United States to foreign museums.

Precedent for this legislation can be found in the act of July 26, 1954, chapter 571 (68 Stat. 531) which authorized the Secretary of the Army to donate 28 German war paintings depicting Australian troops to the Australian War Memorial in Canberra, Australia.

All transportation and handling costs incidental to the transfer of these weapons would be met by the Federal Republic of Germany.

Thank you.

Chairman RUSSELL. Does this leave us for our museums any relics of this war in the form of artillery pieces and tanks?

Mr. FINKE. Yes, sir; a great number.

Chairman RUSSELL. It does not strip us?

Mr. FINKE. No, sir; it does not.

Chairman RUSSELL. All right.

Senator SALTONSTALL. Mr. Chairman, are you through, sir?

Chairman RUSSELL. Yes, sir. You may ask any questions you desire.

Senator SALTONSTALL. I just have one question. Mr. Finke, I have always heard that there was an old expression that you should not look a gift horse in the mouth. Why haven't the Germans got some guns of their own of this type? Have we got the only two pieces that they have of this type? Don't they have any of their own?

Mr. FINKE. No, sir. We made them scrap everything at the end of the war.

Senator SALTONSTALL. We destroyed them all?

Mr. FINKE. Yes, sir.

Senator SALTONSTALL. Then, if I may use the expression, it seems like carrying coals to Newcastle. [Laughter.]

Chairman RUSSELL. Senator Cannon.

Senator CANNON. No questions.

Chairman RUSSELL. Senator Byrd of Virginia.

Senator BYRD of Virginia. No questions.

Chairman RUSSELL. Senator Smith.

Senator SMITH. No questions.

Chairman RUSSELL. Thank you very much.

The committee will now go into executive session.

(Whereupon, at 11:20 a.m., the committee adjourned to proceed in executive session.)

(Subsequently, in executive session, the committee voted to report H.R. 11980, without amendment, as covered by Senate Report 1415.)

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