EXTENSIONS OF REMARKS

Special Recognition of the Outstanding Abilities of Hon. J. T. Rutherford, of Texas

EXTENSION OF REMARKS

OF

HON. RALPH YARBOROUGH

OF TEXAS

IN THE SENATE OF THE UNITED STATES

Friday, February 6, 1959

Mr. YARBOROUGH. Mr. President, the term "public servant" is sometimes overworked, but I rise today to pay special recognition to a man who has—by his wisdom and hard work—earned the right to this title in its finest sense.

I call attention to the outstanding abilities of the Honorable J. T. RUTHERFORD, Representative of the 16th Congressional District of Texas, who has humbly, conscientiously, and unselfishly worked for the best interests of his district, his State, and his Nation during his entire career.

A moment ago, I mentioned his outstanding abilities. Mr. RUTHERFORD's talents are particularly evident in the field of public finance. His efforts in the public interest as a member of the House Banking and Currency Committee have occasioned extremely high praise from his colleagues. He is an unusually able member of the House Interior and Insular Affairs Committee.

Mr. RUTHERFORD was capably serving his State prior to his election to the 84th Congress on November 2, 1954. From 1948 to 1952 he was in the Texas House of Representatives and then served a term in the Texas Senate from 1952 to 1954 when the voters around his home gave further praise to his work by electing him to the national Congress. The people recognized a man who would work for them and stand by his principles at all times. I knew Congressman RUTHERFORD during his years in the Texas Legislature, and have been gladdened by his progress.

Mr. President, in recognition of Mr. RUTHERFORD's fine work in the national interest, I request unanimous consent to have printed in the CONGRESSIONAL RECORD a portion of his weekly "Report to the People" which I believe shows his interest in bettering the public financial picture.

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

REPORT TO THE PEOPLE

(By Congressman J. T. RUTHERFORD)

Birthday greetings are usually reserved for individuals, but this week I would like to say "happy birthday" to a Government agency: The Federal Deposit Insurance Corporation.

There are many people who may not be aware of the existence of FDIC, nor familiar with its functions. I confess that my attention to the agency is brought about by my service on the House Banking and Currency Committee, which has jurisdiction over it. Yet, if you have a bank account, chances are your money is insured by FDIC.

The greatest tribute that may be paid to the organization is that this month it reached its 25th birthday without fanfare. It may be that FDIC has moved so firmly into history as one of the greatest financial reforms of the 20th century that no one feels the need to recall its basic beginnings. But 25 years ago, respected businessmen's and bankers' opposition to what they felt was Government banking was a bitter thing. Many well-meaning financiers and private citizens claimed the creation of FDIC would encourage recklessness among bankers, would discredit honesty and invite incredible abuses. Many of those former critics, still on the scene today, would probably like to forget their dire predictions but there are yellowed newspaper clippings around to remind them.

The purpose of the FDIC is simple: To insure us against bank disasters and to guarantee against the collapse of America's banking system as occurred inthe early thirties.

The system has worked well. Although perhaps a half-dozen banks will fail over the Nation this year (the current annual average), countless innocent families will not suffer and there will be no wild-eyed panic, because the accounts will almost surely be insured by Federal Deposit Insurance Corporation.

As of today, FDIC is insuring deposits of 13,383 of the Nation's 14,095 commercial and mutual savings banks. The insured banks hold 96 percent of all bank deposits in the Nation. (Of the 712 banks which aren't insured, about one-fifth fail to meet requirements, and the rest haven't joined because they resent the cost of the insurance or say they don't need it.)

The insurance maximum is $10,000 for each depositor, which means that if you have several accounts in different banks each will be insured up to that amount. Since approximately 98 percent of all accounts involve balances of less than $10,000 it is easy to see the vast majority of accounts are fully and completely insured.

In its 25 years, FDIC has built a nest egg of more than $1.8 billion. It raises funds by assessing member banks at the rate of one-twelfth of 1 percent of the insured bank's deposits, but has done so well it has been returning about 60 percent of the assessments. During its lifetime, the agency has paid out more than $343 million in insurance to about 1,500,000 depositors in 432 banks.

The spectacular success of FDIC has surpassed even the most enthusiastic predictions of its early supporters. And at the risk of using a poor pun, one might say its profits have made bad prophets of its detractors and former foes.

SENATE

MONDAY, FEBRUARY 9, 1959

The Chaplain, Rev. Frederick Brown Harris, D.D., offered the following prayer:

O Thou in whose will is our peace, our spirits are made solemn by the vastness of the vistas revealed through the clear windows of prayer.

Grant us such a vision of the amazing sweep of Thy purposes for all Thy children that we may be delivered from the stings of irritating trifles and be less agitated by the little annoyances which daily pressures bring.

Amid all life's changing scenes, may our ordered lives know the blessed fulfillment of Thy promise—"I will keep that man in perfect peace whose mind is stayed on Me."

In a day when all the most precious values are imperiled by powers of darkness, arouse and stir us from our selfish love of comfort. Drive us, we beseech Thee, by the compulsion of these volcanic times, from our too easy nests. Give us open eyes to see the momentous facts of our generation, and undergird us with courage to meet them, and dedicated intelligence to handle them.

We ask it in the Redeemer's name. Amen.

THE JOURNAL

On request of Mr. JOHNSON of Texas, and by unanimous consent, the reading of the Journal of the proceedings of Friday, February 6, 1959, was dispensed with.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Bartlett, one of its reading clerks, announced that the House had passed, without amendment, the bill (S. 961) fixing the representation of the majority and minority membership of the Joint Economic Committee.

TRANSACTION OF ROUTINE BUSINESS

Mr. JOHNSON of Texas. Mr. President, under the rule, there will be the usual morning hour for the introduction of bills and the transaction of other routine business. I ask unanimous consent that statements in connection therewith be limited to 3 minutes.

The VICE PRESIDENT. Without objection, it is so ordered.

COMMITTEE MEETING DURING SENATE SESSION

On request of Mr. JOHNSON of Texas, and by unanimous consent, the Juvenile Delinquency Subcommittee of the Committee on the Judiciary was authorized to hold hearings in New York City during the sessions of the Senate on February 12 and 13.

EXECUTIVE SESSION

Mr. JOHNSON of Texas. Mr. President, I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

The VICE PRESIDENT. If there be no reports of committees, the nominations on the calendar will be stated.

COAST AND GEODETIC SURVEY

The Chief Clerk proceeded to read sundry nominations in the Coast and Geodetic Survey.

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that these nominations be considered en bloc.

The VICE PRESIDENT. Without objection, the nominations will be considered en bloc; and, without objection, they are confirmed.

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

The VICE PRESIDENT. Without objection, the President will be notified forthwith.

LEGISLATIVE SESSION

Mr. JOHNSON of Texas. Mr. President, I move that the Senate resume the consideration of legislative business.

The motion was agreed to; and the Senate resumed the consideration of legislative business.

APPOINTMENTS BY THE VICE PRESIDENT

NATIONAL OUTDOOR RECREATION RESOURCES REVIEW COMMITTEE

The VICE PRESIDENT. The Chair announces the appointment of Mr. DWORSHAK and Mr. MARTIN as members on the part of the Senate of the National Outdoor Recreation Resources Review Committee, created by Public Law 470, 85th Congress, to fill the vacancies occasioned by the retirement respectively, of former Senators WATKINS, of Utah, and BARRETT, of Wyoming.

JOINT COMMITTEE ON CONSTRUCTION OF A BUILDING FOR MUSEUM OF HISTORY AND TECHNOLOGY FOR THE SMITHSONIAN INSTITUTION

The Chair announces the appointment of Mr. CARLSON and Mr. BENNETT as members on the part of the Senate of the Joint Committee on Construction of a Building for Museum of History and Technology for the Smithsonian Institution, pursuant to Public Law 106, 84th Congress, to fill the vacancies occasioned by the retirement, of former Senators SMITH of New Jersey, and MARTIN of Pennsylvania, respectively, from the Senate.

CORREGIDOR-BATAAN MEMORIAL COMMISSION

The Chair announces the appointment of Mr. SPARKMAN, of Alabama, and Mr. SCOTT as members on the part of the Senate of the Corregidor-Bataan Memorial Commission, created by Public Law 193, 83d Congress, to fill the vacancies occasioned by the resignations of Mr. DOUGLAS, of Illinois and Mr. GOLDWATER, of Arizona, respectively.

EXECUTIVE COMMUNICATIONS, ETC.

The VICE PRESIDENT laid before the Senate the following letters, which were referred as indicated:

AMENDMENT OF CAREER COMPENSATION ACT OF 1949, RELATING TO RESIDENCY REQUIREMENT OF DEPENDENT PARENTS

A letter from the Deputy Secretary of Defense, transmitting a draft of proposed legislation to amend the Career Compensation Act of 1949 with respect to the residency requirement of dependent parents and with respect to quarters allowance payable when both husband and wife are members of the uniformed services (with an accompanying paper); to the Committee on Armed Services.

REPORT OF ADMINISTRATOR OF VETERANS' AFFAIRS

A letter from the Administrator, Veterans Administration, Washington, D.C., transmitting, pursuant to law, a report of the activities of the Veterans' Administration, as of June 30, 1958 (with an accompanying report); to the Committee on Finance.

REPORT ON DISPOSITION OF FOREIGN EXCESS PERSONAL PROPERTY BY DEPARTMENT OF DEFENSE

A letter from the Assistant Secretary of Defense, transmitting, pursuant to law, the annual report of that Department relative to disposition of foreign excess personal property located in areas outside the continental United States, Alaska, Hawaii, Puerto Rico, and the Virgin Islands, for the fiscal year 1958 (with an accompanying report); to the Committee on Government Operations.

ADDITION OF CERTAIN LANDS IN NEVADA TO SUMMIT LAKE INDIAN RESERVATION

A letter from the Assistant Secretary of the Interior, transmitting a draft of proposed legislation to add certain public domain lands in Nevada to the Summit Lake Indian Reservation (with an accompanying paper); to the Committee on Interior and Insular Affairs.

AMENDMENT OF SECTION 4161 OF TITLE 18, UNITED STATES CODE, RELATING TO COMPUTATION OF GOOD TIME ALLOWANCES FOR PRISONERS

A letter from the Attorney General, transmitting a draft of proposed legislation to amend section 4161 of title 18, United States Code, relating to computation of good time allowances for prisoners (with an accompanying paper); to the Committee on the Judiciary.

GRANTING ADMISSION INTO THE UNITED STATES OF CERTAIN DEFECTOR ALIENS

A letter from the Commissioner, Immigration and Naturalization Service, Department of Justice, transmitting, pursuant to law, copies of orders entered granting admission into the United States of certain defector aliens (with accompanying papers); to the Committee on the Judiciary.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. WILEY:

S. 1003. A bill to authorize the Attorney General to compel the production of documentary material required in civil investigations for the enforcement of the antitrust laws, and for other purposes;

S. 1004. A bill to amend the Clayton Act by prohibiting the acquisition of assets of other banks by banks, banking associations, or trust companies when the effect may be substantially to lessen competition, or to tend to create a monopoly; and

S. 1005. A bill to amend the Clayton Act, as amended, by requiring prior notification of corporate mergers and acquisitions, and for other purposes; to the Committee on the Judiciary.

(See the remarks of Mr. WILEY when he introduced the above bills, which appear under a separate heading.)

By Mr. HOLLAND:

S. 1006. A bill for the relief of the Simpson Construction Co.; and

S. 1007. A bill for the relief of George P. Nelson; to the Committee on the Judiciary.

By Mr. FULBRIGHT (by request):

S. 1008. A bill to promote the foreign policy of the United States by strengthening and improving the foreign service personnel system of the U.S. Information Agency through establishment of a public affairs officer corps; to the Committee on Foreign Relations.

(See the remarks of Mr. FULBRIGHT when he introduced the above bill, which appear under a separate heading.)

By Mr. SPARKMAN (for himself, Mr. HUMPHREY, Mr. MORSE, Mr. BIBLE, Mr. RANDOLPH, Mr. JAVITS, Mr. JACKSON, and Mr. YARBOROUGH):

S. 1009. A bill to amend the Internal Revenue Code of 1954 so as to encourage the establishment of voluntary retirement plans by individuals; to the Committee on Finance.

(See the remarks of Mr. SPARKMAN when he introduced the above bill, which appear under a separate heading.)

By Mr. SPARKMAN (for himself, Mr. HUMPHREY, Mr. SMATHERS, Mr. MORSE, Mr. BIBLE, Mr. JAVITS, Mr. JACKSON, and Mr. YARBOROUGH):

S. 1010. A bill to amend the Internal Revenue Code of 1954 so as to permit the use of the new methods and rates of depreciation for used property; to the Committee on Finance.

(See the remarks of Mr. SPARKMAN when he introduced the above bill, which appear under a separate heading.)

By Mr. SPARKMAN (for himself, Mr. HUMPHREY, Mr. MORSE, Mr. BIBLE, Mr. JACKSON, and Mr. YARBOROUGH):

S. 1011. A bill to designate judicial precedents which shall be binding in the administration and enforcement of the internal revenue laws; to the Committee on Finance.

(See the remarks of Mr. SPARKMAN when he introduced the above bill, which appear under a separate heading.)

By Mr. CHAVEZ:

S. 1012. A bill for the relief of Belle Kligerman; to the Committee on the Judiciary.

By Mr. WILLIAMS of Delaware:

S. 1013. A bill to provide for a specific contribution by State governments to the cost of feed or seed furnished to farmers, ranchers, or stockmen in disaster areas, and for other purposes; to the Committee on Agriculture and Forestry.

(See the remarks of Mr. WILLIAMS of Delaware when he introduced the above bill, which appear under a separate heading.)

By Mr. DOUGLAS:

S. 1014. A bill for the relief of Pietro Corlo Costa; to the Committee on the Judiciary.

By Mr. ERVIN:

S. 1015. A bill for the relief of Continental Hosiery Mills, Inc., of Henderson, N.C., successor to Continental Hosiery Co., of Henderson, N.C.; to the Committee on the Judiciary.

By Mr. MORTON (for Mr. SALTONSTALL and Mr. PROUTY):

S. 1016. A bill to authorize a 5-year program of assistance to school districts in meeting the debt service on loans for construction of urgently needed elementary or secondary public school facilities, and for other purposes; and

S. 1017. A bill to assist institutions of higher education to market and retire bonds issued by them to finance the construction of college facilities; to the Committee on Labor and Public Welfare.

(See the remarks of Mr. MORTON when he introduced the above bills, which appear under a separate heading.)

By Mr. STENNIS:

S. 1018. A bill to authorize the donation of surplus property to certain agencies engaged in cooperative agricultural extension work, and for other purposes; to the Committee on Government Operations.

(See the remarks of Mr. STENNIS when he introduced the above bill, which appear under a separate heading.)

By Mr. PROXMIRE (for himself, Mr. YOUNG of Ohio, Mr. MOSS, Mr. HUMPHREY, Mr. MAGNUSON, Mr. WILEY, Mr. MCCARTHY, Mr. JAVITS, Mr. NEUBERGER, and Mr. HART):

S. 1019. A bill to extend the Farmers Home Administration operating loan program to bona fide fur farmers, and for other purposes; to the Committee on Agriculture and Forestry.

(See the remarks of Mr. PROXMIRE when he introduced the above bill, which appear under a separate heading.)

By Mr. MANSFIELD (for Mr. KENNEDY):

S. 1020. A bill for the relief of Stelios Katsikis; to the Committee on the Judiciary.

PRODUCTION OF DOCUMENTARY MATERIAL, ACQUISITION OF ASSETS OF OTHER BANKS BY BANKS, AND PRIOR NOTIFICATION OF CORPORATE MERGERS

Mr. WILEY. Mr. President, I introduce, for appropriate reference, three-point legislative program which was gotten out by the Attorney General.

The first of these proposals is a suggested "Antitrust Civil Process Act of 1959," which will give to the Department of Justice much needed authority to compel the production of documents during the investigative or precomplaint stage of civil antitrust proceedings.

As the Attorney General said in his letter of August 12, when he forwarded this proposal for possible staff study following the adjournment of the 85th Congress:

Effective antitrust enforcement requires full and comprehensive investigation before formal proceedings, either civil or criminal, are commenced. Yet, under existing law the Department has no authority to compel the production of documents during the investigative or precomplaint stage of civil antitrust proceedings. When criminal proceedings are contemplated, of course, the grand-jury process adequately enables the Department to effect the production of both documentary and oral evidence from noncooperative organizations. However, when only civil proceedings are indicated, the Department is completely dependent on voluntary cooperation in the investigative stage—and that is not always forthcoming. The grand-jury procedure is considered to be improper in such cases and, of course, is never available with respect to mergers under section 7 of the Clayton Act since no crime its involved in such instances. Charges of monopolization or illegal merger are most often brought on the civil side. In such cases, then, the Department must presently rely on the cooperation of prospective defendants either to give it the detailed information, or to permit access to their files to search for information indispensable to an accurate analysis of the situation in question. The proposed bill would end our dependence on such voluntary cooperation.

A second major proposal warranting early congressional consideration is one requiring that the Department of Justice and the Federal Trade Commission (or the appropriate commission or board vested with jurisdiction) be advised in advance of merger plans involving corporations having a combined capital structure in excess of $10 million. This dollar limitation eliminates any potential burden upon small business, while the measure provides a useful tool to enable the Government to learn of and evaluate proposed mergers which may have a significant effect upon the national economy. This bill will ease a most difficult investigative burden, and at the same time afford a more evenhanded enforcement of section 7 of the Clayton Act, relating to mergers. I should like to emphasize that the measure does not contemplate the barring of mergers by virtue of executive branch disapproval of merger plans. It does, however, permit the Government to evaluate the effect of a proposed merger on competition, and to indicate, for consideration by the companies involved, whether the Government will interpose objection in the courts. This should be of mutual benefit to business organizations and to the Government.

The third enclosed legislative proposal would amend section 7 of the Clayton Act, which section now generally prohibits corporations from acquiring either the stock or the assets of other corporations when such acquisition would substantially lessen competition or tend to create a monopoly. Insofar as banks are concerned, the section now reaches only mergers by virtue of stock acquisitions. Because increasingly large numbers of bank mergers are effectuated through asset acquisitions which may have serious anticompetitive effects, it seems most desirable that such mergers be brought within the scope of section 7.

Your particular attention is directed to page 53 of the Economic Report of the President, transmitted to the Congress on January 20, 1959 (H. Doc. 28, 86th Cong.), in which the three legislative proposals above described were recommended among improvements in our antitrust laws which would enhance the vigorous competition on which the "vitality of our economic system depends in large part."

The Bureau of the Budget has advised that there is no objection to the submission of these recommendations.

Mr. President, I ask unanimous consent that the bills be printed at this point in the RECORD.

The VICE PRESIDENT. The bills will be received and appropriately referred; and, without objection, the bills will be printed in the RECORD.

The bills, introduced by Mr. WILEY, were received, read twice by their titles, and referred to the Committee on the Judiciary, as follows:

S. 1003. A bill to authorize the Attorney General to compel the production of documentary material required in civil investigations for the enforcement of the antitrust laws, and for other purposes.

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 "Antitrust Civil Process Act of 1959."

DEFINITIONS

SEC. 2. As used in this Act—

(a) The term "antitrust laws", as used herein, is defined in section 1 of "An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes", approved October 15, 1914 (38 Stat. 730 (15, U.S.C. 12), as amended, commonly known as the Clayton Act.

(b) The term "antitrust investigator" means any attorney employed by the Department of Justice who is charged with the duty of enforcing any of the antitrust laws.

(c) The term "organization", means any corporation, partnership, firm, association, trust, foundation, company or other legal entity not a natural person.

(d) The term "documentary material" includes the original or any copy of any book, records, report, memorandum, paper communication, tabulation, chart, or other document in the possession, custody, or control of any organization.

CIVIL INVESTIGATIVE DEMAND

SEC. 3. (a) Whenever the Attorney General has reason to believe that any organization may be in possessión, custody, or control of any documentary material relevant to the subject matter of an investigation of a possible antitrust violation he may, prior to the institution of a civil or criminal proceeding thereon, execute and issue in writing, and cause to be served upon such organization, a civil investigative demand requiring such organization to produce such documentary material and permit inspection and copying.

(b) Each such demand shall—

(1) state the statute and section or sections thereof alleged violation of which is under investigation, and the general subject matter of the investigation;

(2) describe the class or classes of documentary material to be produced thereunder with reasonable specificity so as fairly to identify the material demanded;

(3) prescribe a return date which will provide a reasonable period of time within which the documentary material is to be produced;

(4) identify the antitrust investigator to whom such documentary material is to be made available for inspection and copying.

(c) No such demand shall—

(1) contain any requirement which would be unreasonable or improper if contained in a subpena duces tecum issued by a court of the United States in aid of a grand jury investigation of such alleged violation; or

(2) require the production of any documentary material which would be privileged from disclosure, or which for any other reason would not be required to be disclosed if demand by a subpena duces tecum issued by a court of the United States in aid of a grand jury investigation of such alleged violation.

(d) Any such demand may be served by any antitrust investigator or U.S. marshal or deputy marshal at any place within the territorial jurisdiction of any court of the United States.

(e) Service of any such demand may be made by—

(1) delivering a duly executed copy thereof to any executive officer of the organization to be served; or

(2) delivering a duly executed copy thereof to the principal office or place of business of the organization to be served; or

(3) mailing by registered or certified mail a copy thereof addressed to such organization to be served at its principal office or place of business.

(f) A verified return by the individual serving such demand, setting forth the manner of such service, shall be proof of such service. In the case of service by registered or certified mail, such return shall be accompanied by the return post office receipt of delivery of such demand.

(g) An organization upon whom a demand is served pursuant to the provisions of this section shall comply with the terms thereof unless otherwise provided by an order of court issued under section 5 hereof.

(h) Documentary material demanded pursuant to the provisions of this section shall be produced for inspection and copying during normal business hours at the principal office or place of business of the organization served, or at such other times and places as may be agreed upon by the organization served and any authorized employee of the Department of Justice.

SEC. 4. (a) No documentary material produced pursuant to a demand, or copies thereof, shall, unless otherwise ordered by a district court for good cause shown, be produced for inspection or copying by, nor shall the contents thereof be disclosed to, other than an authorized employee of the Department of Justice, without the consent of the organization who produced such material: *Provided*, That, under such reasonable terms and conditions as the Attorney General shall prescribe, the copies of such documentary material shall be available for inspection and copying by the organization who produced such material or any duly authorized representative of such organization. The Attorney General or any authorized employee of the Department of Justice may use such copies of documentary material as he determines necessary in the performance of his official duties, including presentation of any case or proceeding before any court or grand jury.

(b) When documentary material produced pursuant to a demand is no longer required for use in connection with the investigation for which it was demanded, or in any case or proceeding resulting therefrom, or at the end of eighteen months following the date when such material was produced, whichever is the sooner, such organization shall be relieved of the duty to hold such documentary material available for inspection and copying as required by section 3(a): *Provided, however*, That any district court in which a petition may be filed as set forth in section 5 hereof may, upon good cause shown, extend said period of eighteen months.

JURISDICTION OF DISTRICT COURT

SEC. 5. (a) The United States district courts are vested with jurisdiction to hear and determine any petition filed under this Act and to issue upon good cause shown any order which justice may require, including, without limiting the generality of the foregoing, the following:

(1) an order modifying or setting aside any such demand;

(2) an order requiring the Attorney General or any organization or individual to perform any duty imposed upon him by the provisions of this Act;

(3) an order extending the time within which any act allowed or required by this Act must be done, pursuant to a demand issued hereunder, or previous court orders.

(b) At any time before the return date specified in the demand, or within twenty days after the demand has been served, whichever period is shorter, a petition to modify or set aside a demand issued pursuant to section 3 may be filed in the U.S. district court for the district in which the principal office or place of business of the organization upon whom such demand was served is located, or in such other district as the parties may agree.

(c) A petition to require the Attorney General or any organization or individual to perform any duty imposed by the provisions of this Act, and all other petitions in connection with a demand, may be filed in the U.S. district court for the district in which the principal office or place of business of the organization involved is located, or in such other district as the parties may agree.

(d) To the extent that such rules may have application and are not inconsistent with the provisions of this Act, the Federal Rules of Civil Procedure shall apply to any petition under this Act.

PENALTY

SEC. 6. Any organization or individual who, with intent to avoid, evade, prevent, or obstruct compliance in whole or in part, by any organization with any civil investigative demand made under this Act, willfully removes from any place, conceals, withholds, destroys, mutilates, alters or by any other means falsifies any documentary material in the possession, custody or control of any organization or individual which is the subject of any demand duly served upon any organization shall be deemed guilty of an offense against the United States, and shall be subject, upon conviction in any court of the United States of competent jurisdiction, to a fine of $5,000 or to imprisonment for a term of not more than 5 years, or both.

SAVING PROVISION

SEC. 7. Nothing contained in this Act shall impair the authority of the Attorney General or any authorized antitrust investigator to (a) lay before any grand jury impaneled before any district court of the United States any evidence concerning any alleged antitrust violation, (b) invoke the power of any such court to compel the production of any evidence before any such grand jury, (c) file a civil complaint or criminal information alleging an antitrust violation which is not described in the demand, or (d) institute any proceeding for the enforcement of any order or process issued in execution of such power, or for the punishment of any organization or individual for disobedience of any such order or process.

S. 1004. A bill to amend the Clayton Act by prohibiting the acquisition of assets of other banks by banks, banking associations, or trust companies when the effect may be substantially to lessen competition, or to tend to create a monopoly.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That paragraphs 1 and 2 of section 7 of the Act entitled "An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes", approved October 15, 1914, as amended (64 Stat. 1125; 15 U.S.C. 18), are amended to read as follows:

"SEC. 7. No corporation shall acquire directly or indirectly, the whole or any part of the stock or other share capital and no corporation subject to the jurisdiction of the Federal Trade Commission and no bank, banking association, or trust company shall acquire, directly or indirectly, the whole or any part of the assets of one or more corporations engaged in commerce, where in any line of commerce in any section of the country, the effect of such acquisition of such stock or assets, or of the use of such stock by the voting or granting of proxies or otherwise, may be substantially to lessen competition, or to tend to create a monopoly."

S. 1005. A bill to amend the Clayton Act, as amended, by requiring prior notification of corporate mergers and acquisitions, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 7 of the Act "An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes," approved October 15, 1914, as amended (64 Stat. 1125; 15 U.S.C. 18), is amended by deleting the first three paragraphs and inserting in lieu thereof the following new paragraphs:

"No corporation shall acquire, directly or indirectly, the whole or any part of the stock or other share capital and no corporation subject to the jurisdiction of the Federal Trade Commission shall acquire, directly or indirectly, the whole or any part of the assets of one or more corporations engaged in commerce, where in any line of commerce in any section of the country the effect of such acquisition of such stock or assets, or of the use of such stock by the voting or granting of proxies or otherwise, may be substantially to lessen competition or to tend to create a monopoly.

"No corporation subject to the provisions of this Act shall acquire, directly or indirectly, the whole or any part of the stock, other share capital or assets of one or more corporations engaged in commerce, where the combined capital, surplus, and undivided profits of the acquiring and the acquired corporations are in excess of a book value of $10,000,000 until sixty days after delivery to the Commission or Board vested with jurisdiction under the first paragraph of section 11 of this Act and to the Attorney General of notice of the proposed acquisition. This notice shall include, separately as to the acquiring and acquired corporations: (1) the name and address; (2) the nature of business and products or services sold or distributed; (3) net sales for the last accounting year; (4) copy of last annual report and balance sheet; and (5) location of plants and trading area in which each product or service is sold. The parties shall furnish within twenty-five days after request therefor, such additional relevant information within their knowledge or control as may be requested within twenty-five days after delivery of notice of the proposed acquisition by the Commission or Board vested with jurisdiction under section 11 of this Act or by the Attorney General: *Provided*, That upon request of the parties the Commission or Board or Attorney General may extend the time for furnishing such additional relevant information. If any party to an acquisition which has been consummated, has willfully failed to give the required notice or to furnish the required information, such party shall be subject to a penalty of not less than $5,000 or more than $50,000, which may be recovered in a civil action brought by the Attorney General. No other person shall be entitled to sue either party to the acquisition for failure under this paragraph to give notice or to furnish the required information and such penalty shall be the sole remedy for willful failure to give notice or to furnish the required information. Any officer or employee of the Commission or Board vested with jurisdiction under section 11 of this Act or of the Department of Justice, who shall make public any information furnished to the Commission or Board or Attorney General pursuant to the provisions of this paragraph, without the authority of the Commission or Board or Attorney General, unless directed by a court, or unless such information has already been made public, shall be deemed guilty of a misdemeanor and upon conviction thereof, shall be punished by a fine not exceeding $5,000 or by imprisonment not exceeding one year, or both. Failure by the Federal Trade Commission, the Attorney General or other appropriate agency to request additional relevant information pursuant to this paragraph or to interpose objection to such acquisition within the sixty-day period shall not bar the institution at any time of any action or proceeding with respect to such acquisition under any provision of law. The Commission or Board vested with jurisdiction under section 11 of this Act, after consultation with and upon approval of the Attorney General, shall establish procedures for the waiver by the appropriate Commission or Board and the Attorney General and such Commission or Board and the Attorney General shall waive all or part of the waiting requirements in appropriate cases and in categories of cases where a waiting period is deemed unnecessary to effectuate enforcement of this section of this Act: *Provided, however*, That such procedures may be amended from time to time as the Commission or Board, upon the approval of the Attorney General, considers appropriate.

"The notification and waiting period provisions of the preceding paragraph shall not apply to the following:

"(1) Any acquisition of stock when the stock acquired or held does not exceed 10 per centum of the voting rights, as represented by the voting stock or other voting share capital, of the corporation in which the stock is acquired:

"(2) Any acquisition of stock in a single transaction or series of related transactions, unless the fair market value of the consideration paid for such stock in such transaction or transactions exceed $2,000,000;

"(3) Any acquisition of stock which does not increase, directly or indirectly, the acquiring corporation's share of voting rights in any other corporation;

"(4) Any acquisition, in a single transaction or series of related transactions, by one corporation of assets of any other corporation if the fair market value of the consideration paid for such assets in such transaction or transactions (after deducting the portion thereof comprising stock in trade used in the ordinary course of the transferring corporation's business, and transferred by such acquisition) does not exceed $2,000,000;

"(5) Acquisition by any corporation of bonds or other obligations without voting rights of any other corporation, securities issued by the United States, or by any State, Territory, or insular possession thereof, or by any political subdivision or public agency or instrumentality of one or more of any of the foregoing;

"(6) Any acquisition of real property, primarily for office space or nontransient residential use; any acquisition of an interest in land primarily for the purpose of constructing plants or other facilities for use in the conduct of business; or any acquisition of vacant industrial property;

"(7) Any acquisition of (i) stock or other share capital of a corporation, 75 per centum or more of the market value of the assets of which consist of undeveloped or partially developed mineral, mining, or timberland properties, or (ii) the whole or any part of such undeveloped or partially developed mineral, mining, or timberland properties;

"(8) Any acquisition by any corporation from the Government of the United States, or from the government of any State, Territory, or insular possession thereof, or from any political subdivision or public agency or instrumentality of one or more of any of the foregoing;

"(9) Acquisition, solely for the purpose of investment, of assets, other than voting stock or other voting share capital, by any bank, banking association, trust company, or insurance company, in the ordinary course of its business; acquisition by any bank, banking association, or trust company of the assets of another bank, banking association, or trust company;

"(10) Acquisition of stock, other share capital, or assets of any corporation, if the acquiring corporation, prior to such acquisition, owned, directly or indirectly, more than 50 per centum of the outstanding voting stock of the corporation whose stock, other share capital, or assets are acquired, or if more than 50 per centum of the outstanding voting stock of the acquiring corporation is owned, directly or indirectly, by a corporation which, prior to such acquisition, owned, directly or indirectly, more than 50 per centum of the outstanding voting stock of the corporation whose stock, other share capital, or assets are acquired, or if more than 50 per centum of the outstanding voting stock of the acquiring corporation is owned, directly or indirectly, by the corporation from which the stock, other share capital, or assets are acquired;

"(11) Any acquisition of stock, other share capital, or assets, solely for the purpose of investment, by any corporation engaged wholly in religious, educational, or charitable activities;

"(12) Any acquisition of stock, other share capital, or assets, solely for the purpose of investment, by any corporation engaged wholly in religious, educational, or charitable activities;

"(13) Any acquisition of stock, other share capital, or assets by any corporation in connection with financing, refinancing, borrowing, or underwriting transactions where title to such stock, other share capital, or assets is acquired solely for collateral, underwriting, or security purposes;

"(14) Any acquisition of stock, other share capital, or assets of any foreign corporation unless such foreign corporation: (1) transacts business in the United States, its Territories, or possessions, and has a permanent establishment in the United States, its Territories, or possessions; or (2) has a stock or other share interest in a corporation which transacts business in the United States, its Territories, or possessions;

"(15) Any acquisition of stock or assets which, under any specific provision of law, requires the approval in advance of a commission or board or other agency of the United States, and when so approved is exempt under any specific provision of law from the provisions of this section: *Provided, however*, That any commission, board, or agency of the United States which is authorized by law to approve the acquisition by one corporation of the stock or assets of another corporation where by virtue of such approval such acquisition is exempted from the provisions of this section shall promptly notify the Attorney General of any application or request for such approval.

"Except for the provisions of the second paragraph of this section, the section shall not apply to corporations purchasing stock solely for investment and not using the same by voting or otherwise to bring about, or in attempting to bring about, the substantial lessening of competition. Nor shall anything contained in this section prevent a corporation engaged in commerce from causing the formation of subsidiary corporations for the actual carrying on of their immediate lawful business, or the natural and legitimate branches or extensions thereof, or from owning and holding all or a part of the stock of such subsidiary corporations, when the effect of such formation is not substantially to lessen competition."

SEC. 2. The second paragraph of said section 7 as herein amended shall take effect one hundred and twenty days after enactment of this Act. The procedures for the waiver by the appropriate commission or board and the Attorney General of all or part of the waiting requirements in appropriate cases and categories of cases required by the second paragraph of said section 7, as herein amended, shall be established within one hundred and twenty days after enactment of this Act.

SEC. 3. Nothing contained in the first paragraph of said section 7 as herein amended shall be held to affect or impair any right heretofore legally acquired: *Provided*, That nothing in this section shall be held or construed to authorize or make lawful anything heretofore prohibited or made illegal by the antitrust laws, nor to exempt any person from the penal provisions thereof or the civil remedies therein provided.

PUBLIC AFFAIRS OFFICER CORPS, U.S. INFORMATION AGENCY

Mr. FULBRIGHT. Mr. President, by request, I introduce, for appropriate reference, a bill to promote the foreign policy of the United States by strengthening and improving the foreign service personnel system of the U.S. Information Agency through establishment of a Public Affairs Officer Corps. This bill was submitted to the Vice President by letter on February 2, 1959.

The proposed legislation has been requested by the Director of the U.S. Information Agency, and I am introducing it in order that there may be a specific bill to which Members of the Senate and the public may direct their attention and comments.

I reserve my right to support or oppose this bill, as well as any suggested amendments to it, when the matter is considered by the Committee on Foreign Relations.

I ask unanimous consent that the bill may be printed at this point in the RECORD, together with the letter from the Director of the U.S. Information Agency to the Vice President and an explanation prepared by that Agency with regard to the bill.

The PRESIDING OFFICER (Mr. CARLSON in the chair). The bill will be received and appropriately referred; and, without objection, the bill, letter, and explanation will be printed in the RECORD.

The bill (S. 1008) to promote the foreign policy of the United States by strengthening and improving the foreign service personnel system of the U.S. Information Agency through establishment of a Public Affairs Officer Corps, introduced by Mr. FULBRIGHT (by request), was received, read twice by its title, referred to the Committee on Foreign Relations, and ordered to be printed in the RECORD, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby established a category of officers of the United States Information Agency to be known as Public Affairs officers who shall, except as hereinafter provided, be subject to the provisions of the Foreign Service Act of 1946, as heretofore or hereafter amended (hereinafter referred to as the Foreign Service Act), and any other provisions of law which are or may become applicable to Foreign Service officers: *Provided*, That no person shall be eligible for appointment as a Public Affairs officer unless he meets standards and has passed examinations equivalent to those required for appointment as a Foreign Service officer under the Foreign Service Act: *Provided further*, That not more than 700 persons who have not served as Public Affairs officer in class 8 may be appointed as Public Affairs officer to classes 1 to 7, inclusive.

SEC. 2. Such authority as is or may become available by statute to the Secretary of State with respect to Foreign Service officers shall be available on the same basis to the Director of the United States Information Agency (hereinafter referred to as the Director) with respect to Public Affairs officers, except as otherwise provided in this Act.

SEC. 3. The following sections of the Foreign Service Act or portions thereof shall not apply to Public Affairs officers: 201 (Director General of the Foreign Service), 211 (a) (Board of the Foreign Service), 401(1) (chiefs of mission), 411 (chiefs of mission), the first three sentences of section 412 (classes of career ambassador and career minister), 421–422 (officers temporarily in charge), 431 (chiefs of mission), the last sentence of section 443 (designation of hardship posts), 501–502 (principal diplomatic representatives), the second and third sentences of section 517 (lateral entry), 518–519 (career ambassadors, career ministers, and chiefs of mission), 571(b) (eligibilty of Foreign Service officers to serve as Director General), and section 631 (retirement of career ambassadors and career ministers).

SEC. 4. (a) There are hereby established in the United States Information Agency (1) a Board composed of two senior officers of the Agency designated by the Director, and two senior officers of the Department of State designated by the Secretary of State, one of whom shall be designated Chairman by the Director, and (2) a Board of Examiners similarly composed and constituted, which Boards shall carry out with respect to Public Affairs officers of the Agency the functions vested by the Foreign Service Act in the Board of the Foreign Service and the Board of Examiners for the Foreign Service, respectively.

(b) Examining panels and selection boards established for the purposes of appointment and promotion of Public Affairs officers shall include an equal number of representatives of the Agency and of the Department of State, respectively.

(c) The Director shall obtain the concurrence of the Secretary of State with respect to recommendations made to the President for the appointment and promotion of Public Affairs officers.

SEC. 5. (a) The Secretary of State may, upon request of the Director, recommend to the President that Public Affairs officers be commissioned as diplomatic or consular officers, or both, in accordance with section 512 of the Foreign Service Act.

(b) The Secretary of State may, upon request of the Director, assign Public Affairs officers, commissioned as diplomatic or consular officers, to serve under such commissions in accordance with sections 512 and 514 of the Foreign Service Act.

SEC. 6. The Director shall establish and administer an independent retirement and disability system for Public Affairs officers in accordance with the provisions of the Foreign Service Act.

SEC. 7. Regulations prescribed by the Director with respect to appointments, promotions, assignments, separations, and the general administration of the Public Affairs officer personnel system, shall at all times be compatible with, and to the extent practicable, similar to those applicable to the Foreign Service officers.

SEC. 8. Nothing in this legislation shall be construed to authorize the Director to establish a Foreign Service Institute as provided in title VII of the Foreign Service Act.

The letter and explanation presented by Mr. FULBRIGHT are as follows:

U.S. INFORMATION AGENCY,
Washington, January 30, 1959.

The VICE PRESIDENT,
U.S. Senate.

DEAR MR. VICE PRESIDENT: I have the honor to transmit to the Congress a draft bill "to promote the foreign policy of the United States by strengthening and improving the Foreign Service personnel system of the U.S. Information Agency through establishment of a Public Affairs Officer Corps," which provides authority for the Agency to establish a career service for its Foreign Service personnel. Also enclosed is a detailed explanation of the bill, together with estimates of increased cost.

The Agency has unfortunately not had sufficient authority for this purpose since its creation in 1953, although proposals to establish a career service for Foreign Service personnel were submitted to both the 84th Congress and the 85th Congress. The most recent of these proposals, together with certain other amendments to the U.S. Information and Educational Exchange Act of 1948 proposed by the Agency and by the Department of State, was submitted to Congress in 1957 and subsequently was introduced in the Senate as S. 1583 (see pp. 7–10 of the bill). On the House side, the same career service proposal was substantially revised by the Subcommittee on State Department Organization and Foreign Operations of the House Committee on Foreign Affairs, and as thus revised was introduced, together with other Agency-proposed provisions, as H.R. 8081 (see pp. 2–6 of the bill). No further action was taken on either S. 1583 or H.R. 8081 during the 85th Congress.

The enclosed career service proposal is substantially the same as that submitted to the Congress in 1957, but includes certain changes embodied in H.R. 8081 which provide for equal representation by officers of the State Department and of the Agency on certain boards and panels. We believe that these changes represent improvements, and that they will tend to promote uniformity in the procedures of the Agency and of the Department of State with respect to the Foreign Service personnel of each.

This bill is not submitted as an amendment to the U.S. Information and Educational Exchange Act of 1948, as was the case in the past, but is proposed as entirely separate and independent legislation. There appears to be no logical reason for attaching a proposal authorizing a career Foreign Service personnel system to an act which is concerned with authority for the conduct of program activities in the fields of overseas information and international education exchange.

The Bureau of the Budget has advised that there is no objection to the presentation of this bill and explanation to the Congress.

Sincerely,

GEORGE V. ALLEN,
Director.

EXPLANATION OF PROPOSED BILL AND ESTIMATE OF INCREASED ANNUAL COST

GENERAL

The proposed legislation is designed to provide the statutory basis for an improved Foreign Service personnel system for the U.S. Information Agency. It provides authority for a career category of officers to be known as Public Affairs officers paralleling the Foreign Service officers corps of the Department of State. In general, the proposed legislation will place the foreign service of the Agency on a basis equivalent with that of the Department of State and subject to the same statutory requirements and limitations.

The legislative proposals, if enacted into law, will meet a need that was foreseen by the President at the time of establishment of the Agency in 1953 by Reorganization Plan No. 8. At that time the President recognized that the limited personnel authorities granted to the new Agency under Reorganization Plan No. 8 and implementing executive orders were not adequate. In his message to the Congress transmitting the reorganization plan, the President said:

"While these [personnel] arrangements will enable the new Agency to function with reasonable effectiveness from the outset, I do not consider them permanently suitable."

The present proposal will for the first time give the Agency the personnel authorities necessary to establish its Foreign Service personnel system on a career basis. The limited personnel authorities now available to the Agency under Reorganization Plan No. 8 are totally inadequate to provide a career service for its professional officers.

Section 1: The new category of officers to be established by the legislation will be known as Public Affairs officers. They will be required to pass examinations and to meet qualifications and standards for appointment equivalent to those required for Foreign Service officers of the Department of State under the Foreign Service Act.

This section also provides that not more than 700 persons who have not served as Public Affairs officer in class 8 may be appointed as Public Affairs officer to classes 1 through 7. The Agency now has approximately 1,000 officers who are either Foreign Service Reserve officers, classes 1–7, or Foreign Service staff officers in equivalent grades. These officers will be invited to apply and required to meet standards and pass examinations of the same nature as those required for lateral entry into the Foreign Service officers corps of the Department of State. The Agency will select those officers who meet these strict requirements and who possess the best qualifications and the broad experience desired for its Public Affairs officers.

The exact number of present staff and Reserve officers who will apply for admission and who will pass the strict qualification requirements for appointment cannot be determined in advance. It is the Agency's best judgment that 700 to 800 of its present officers will meet the requirements and standards equivalent to those established by the Department of State for entrance into the Foreign Service officers corps. The agency, therefore, regards the proposed limitation of 700 appointments of Public Affairs officers to classes 1 through 7 as an interim control to assure observance of the highest standards in selection, but anticipates that it may be necessary to request an adjustment in this figure. If, as the number of lateral appointments of fully qualified officers approaches the figure of 700, the Agency can demonstrate that there are additional equally well qualified officers who cannot be appointed solely because of the limitation, the Agency will request the Congress for an appropriate increase in the limitation. The agency would take such action only if it is fully justified by experience and the record of achievement under the new legislation.

Plans for the Public Affairs officer corps will provide for appointment of junior officers at class 8. The Agency proposes that these junior officer appointments should not be charged against the limitation of 700 appointments to classes 1 through 7, since the Agency desires to provide a continuing source of highly qualified young officers for the Public Affairs officer corps through appointments at the entrance class. For the past several fiscal years, the Agency has appointed approximately 30 junior officers a year. The Agency would continue to appoint approximately 30 junior officers a year for the next several fiscal years if the proposed legislation were enacted.

Section 2: This section provides that the same authority which is or will be available by statute to the Secretary of State with respect to Foreign Service officers of the Department is available to the Director, USIA, with respect to Public Affairs officers, except as provided in succeeding sections of the new legislation. (The Director also retains, of course, the authority made available to him by the President with respect to Foreign Service Reserve officers, Foreign Service Staff officers and employees, and alien clerks and employees, under Executive orders implementing Reorganization Plan No. 8.)

Section 3: Certain provisions of the Foreign Service Act applicable to Foreign Service officers of the Department are not pertinent to Public Affairs officers. This section specifies the authorities of the act available to the Secretary of State, which are not available to the Director, USIA, with respect to Public Affairs officers. These include various provisions of the act which pertain, for example, to the Director General of the Foreign Service, chiefs of mission, career ambassadors, and career ministers and officers temporarily in charge of posts. The authority to designate hardship posts, vested by the Act in the Secretary of State, is also not available to the Director. The section of the act which specifies the membership of the Board of the Foreign Service of the Department of State is made inapplicable, since the membership of the Agency Board is covered separately by section 4 of the proposed legislation. The limitations on the number of lateral appointments to the Foreign Service Officers Corps at classes 1 through 7 are also not applicable to lateral appointments to the Public Affairs Officers Corps at those classes, since section 1 of the proposed legislation places a limit of 700 on lateral appointments of Public Affairs officers at classes 1 through 7.

Section 4: Two Boards are established to perform with respect to the Agency's Public Affairs officers the functions vested by the Foreign Service Act in the Board of the Foreign Service and Board of Examiners for the Foreign Service. Each USIA Board will be composed of two senior officers of the

Agency and two senior officers of the Department. Examining panels and selection boards will also include an equal number of representatives of the Agency and the Department.

The direct participation of Department representatives will enable the Agency to benefit from the Department's long administration of a career officer system. It is believed that this participation will assure substantial uniformity between the two personnel systems, including such important aspects as examinations of personnel and standards for their selection and promotion.

Subsection (c) of this section also requires that the Director obtain the concurrence of the Secretary of State with respect to the Director's recommendations to the President for the appointment and promotion of Public Affairs officers. This requirement offers further assurance of uniformity between the Department and the Agency with regard to personnel administration.

Section 5: This section provides that the Director, when he considers it necessary to carry out the Agency's functions, may request the Secretary of State to recommend to the President that Public Affairs officers be commissioned to serve in a diplomatic or consular capacity. In this way, the Secretary of State retains responsibility for commissioning Agency personnel and for their assignment under such commissions in diplomatic or consular capacities. The Director retains authority over the assignment and transfer of Public Affairs officers in other than diplomatic or consular capacities.

These are the same procedures now followed in commissioning and assigning Foreign Service Reserve and Foreign Service staff officers of the Agency. No change in present arrangements is contemplated.

Section 6: Under this section the Director will establish and administer an independent retirement fund and system, pursuant to the provisions of title VIII of the Foreign Service Act, which creates a retirement system for Foreign Service officers. In setting up this system, the Agency will be guided by the experience of the Department of State and will follow to the greatest possible extent the regulations of the Department relating to its retirement system.

Section 7: As provided by this section, the Agency will take advantage of the experience of the Department in the administration of the Foreign Service officer corps and will pattern its regulations after those of the Department. Through the joint boards established under section 4 the Agency will maintain close coordination with the Department in regard to such matters as policies and precedures with respect to appointments, promotions, assignments, and separations. The Agency will continue to be bound by Government-wide regulations relating to allowances issued by the Department.

Section 8: Title VII of the Foreign Service Act is concerned with the establishment and operation of the Foreign Service Institute and with the general training and development of the personnel of the Foreign Service. This section makes it clear that the Agency will not have authority to establish an independent Foreign Service Institute to parallel that of the Department of State. The Agency will continue to make use of the facilities of the Foreign Service Institute of the Department under appropriate financial arrangements and will utilize those provisions of title VII which provide authority for the training and development of Foreign Service officers, in training and developing its Public Affairs officers. The provisions of title VII, which provide authority for the training and development of Foreign Service Reserve and Foreign Service staff officers, will continue to be available to the Agency under Reorganization Plan No. 8 and Executive Order 10477.

Estimate of increased annual cost, $125,000.

PROPOSED LEGISLATION RELATING TO SMALL BUSINESS TAXATION

Mr. SPARKMAN. Mr. President, during the 85th Congress the Senate Small Business Committee conducted a thorough study of the tax problems of small business. After extensive hearings, members of the committee introduced an omnibus small business tax adjustment bill.

Our bill provided the basis for much of the tax relief granted to small business by the Small Business Tax Revision Act of 1958. That act will, in my opinion, be very helpful to small business. However, it did only part of the job.

To give the Congress an opportunity to remove additional severe tax inequities toward small business, I am introducing separate bills that are directly related to four omnibus-bill provisions that were not written into law last year.

On January 9 I introduced S. 59, a bill that would permit small firms a deduction from taxable income for earnings plowed back into the business. This followed the principle of section 2 of last year's bill, but was not identical to it.

Today I am introducing three additional bills which are identical to sections 3, 5, and 8 in S. 3194 of the 85th Congress.

For myself, Senator HUMPHREY, Senator MORSE, Senator BIBLE, Senator RANDOLPH, Senator JAVITS, Senator JACKSON, and Senator YARBOROUGH, I introduce a bill written to eliminate one of the most severe areas of discrimination in the existing Federal tax structure. Under section 401 of the 1954 Internal Revenue Code, persons who are members of qualified pension, profit sharing, or stock bonus plans get great tax advantages in providing for retirement. They do not have to report as income funds placed in the plans by their company employer and treated by the company as a current expense. Only a small proportion of taxpayers and employees are favored with such treatment, and all other persons are at a substantial disadvantage in planning for their retirement.

The bill which I now introduce will extend an equal tax advantage to all taxpayers. It would permit all wage earners, employers, and self-employed persons not included in a section 401 plan to set up voluntary individual retirement programs by investing the lesser of 10 percent of taxable income or $1,000 in restricted bank accounts or insurance policies.

The PRESIDING OFFICER. The bill will be received and appropriately referred.

The bill (S. 1009) to amend the Internal Revenue Code of 1954 so as to encourage the establishment of voluntary retirement plans by individuals, introduced by Mr. SPARKMAN (for himself and other Senators), was received, read twice by its title, and referred to the Committee on Finance.

Mr. SPARKMAN. Mr. President, my next bill is concerned with depreciation. There is no area of tax administration whch has received so much criticism as depreciation policy. It is an area which probably can never be completely freed from ambiguity and inequity, but there is one discriminatory feature which can be removed to the benefit of the whole system.

In 1954, Congress permitted purchasers of new property to adopt alternative depreciation methods that permitted more rapid recovery of asset cost in the years immediately following purchase. The use of the new methods was denied to purchasers of secondhand or used property. Because small concerns are the major purchasers and users of secondhand equipment, they were the unintended victims of discrimination when the 1954 election was given to buyers of new property.

We believe that this privilege should be extended also to purchasers of used equipment. Needless to say, most of these purchasers are small business men.

For myself, Senator HUMPHREY, Senator SMATHERS, Senator MORSE, Senator BIBLE, Senator RANDOLPH, Senator JAVITS, Senator JACKSON, and Senator YARBOROUGH, I now introduce a bill which will extend the alternative methods of depreciation to purchasers of secondhand equipment. This would eliminate a most unfair discrimination against small business users of secondhand property.

The PRESIDING OFFICER. The bill will be received and appropriately referred.

The bill (S. 1010) to amend the Internal Revenue Code of 1954 so as to permit the use of the new methods and rates of depreciation for used property, introduced by Mr. SPARKMAN (for himself and other Senators), was received, read twice by its title, and referred to the Committee on Finance.

Mr. SPARKMAN. Mr. President, my final bill in this series of four would compel the Treasury to accept the decisions of Federal courts in tax matters or take an appeal. Now Treasury may nonacquiesce or formally disagree with a decision and force other taxpayers to refight old battles under the jurisdiction of different courts.

In past years, inconsistent interpretations of the Internal Revenue Code, resulting from the nonacquiescence of the Treasury in judicial rulings, have worked a great hardship on small business. In many cases involving small firms, the tax liability is relatively small, and, often, not worth the heavy expense of litigation. Taxpayers in such cases find it difficult to understand why the Treasury continues to press a position in defiance of a contrary ruling by the Tax Court or a United States court of appeals.

For myself, Senator HUMPHREY, Senator MORSE, Senator BIBLE, Senator RANDOLPH, Senator JACKSON, and Senator YARBOROUGH, I introduce an amendment to the Internal Revenue Code to compel acquiescence by the Treasury in judicial determinations of the Tax Court and the United States courts of appeals. Under this bill the Treasury would be protected by its right of appeal, and the taxpayers—both the one in litigation and others involved with the same question—would gain the advantage of finality and uniformity of treatment.

Mr. President, I cannot stress too emphatically that small business is in grave danger of becoming one of the unintended victims of our economic progress. Our admiration of bigness has almost become a national fetish. We tend to forget that our largest corporations, which today are household words, were at one time very small businesses indeed. Today growth is the key to business success. To stand still is to perish. One way to assure that our smaller companies can expand with the times is to make it possible for them to buy modern equipment, to modernize their factories and stores. Mr. President, they need money to do this and the best way to find this money is to be able to save a part of their profits to plow back into their businesses.

S. 59, which I introduced on January 9, provides for a tax allowance on a certain part of profits which are reinvested in the business. The bills which I have introduced today are further steps toward making it possible for our smaller companies to take advantage of much the same tax benefits which our largest companies enjoy.

The PRESIDING OFFICER. The bill will be received and appropriately referred.

The bill (S. 1011) to designate judicial precedents which shall be binding in the administration and enforcement of the internal revenue laws, introduced by Mr. SPARKMAN (for himself and other Senators), was received, read twice by its title, and referred to the Committee on Finance.

Mr. SPARKMAN. Mr. President, since I am sure that many Senators share these views, I ask unanimous consent that each of the three bills that I have just introduced lie on the table 1 week for additional cosponsors.

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

TAX ADJUSTMENT PROGRAM FOR SMALL BUSINESS—ADDITIONAL COSPONSOR OF BILL

Mr. SPARKMAN. Mr. President, in connection with the bill (S. 59) to provide a program of tax adjustment for small business and for persons engaged in small business, which I introduced on January 9, 1959, on behalf of myself and other Senators, I ask unanimous consent that the next printing or at the first opportunity, the name of the Senator from Florida [Mr. SMATHERS] be added as an additional cosponsor.

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

CONTRIBUTION BY STATE GOVERNMENTS TO COST OF FEED OR SEED FURNISHED FARMERS IN DISASTER AREAS

Mr. WILLIAMS of Delaware. Mr. President, I introduce, for appropriate reference, a bill the purpose of which is to require that in all emergency relief programs, such as drought relief, and so forth, underwritten by the Federal Government there shall be a minimum of 25 percent State or local participation.

Under the existing law the Federal Government is underwriting all of the cost of these emergency relief programs with the result that there is little incentive on the part of the State and local communities to supervise the distribution and to insure that the relief goes to those for whom it is intended.

It has been disclosed that under this program with non-State participation, millionaire ranchers, owners of racehorses, and other unqualified types of operations have been declared eligible for relief payments.

For instance, the fabulous King Ranch received several thousand dollars in relief with no objections being raised by the State administrators, presumably on the assumption that the Federal Government was assuming the cost anyway.

In another instance the owner of the racehorse Swaps even while his horse was winning the Belmont Sweepstakes was applying for and receiving relief payments.

One self-styled rancher with only a polo pony and a bird dog was drawing relief to feed his livestock.

Recognizing these abuses the administration in previous years strongly recommended this legislation but no action was taken.

This proposal should be enacted by Congress now. At the present time these programs are not being utilized; therefore, it would be much easier to make this correction now and be ready for a future situation should another emergency develop.

The outlining of a definite formula of State participation would put the State legislatures on notice as to the rules under which they could participate.

In the President's message to the Congress this year he again strongly recommended this proposal as being necessary from the standpoint of good administration as well as being a step toward turning back to the States those functions which can be best administered at local levels.

The PRESIDING OFFICER. The bill will be received and appropriately referred.

The bill (S. 1013) to provide for a specific contribution by State governments to the cost of feed or seed furnished to farmers, ranchers, or stockmen in disaster areas, and for other purposes, introduced by Mr. WILLIAMS of Delaware, was received, read twice by its title, and referred to the Committee on Agriculture and Forestry.

SCHOOL CONSTRUCTION ASSISTANCE ACT OF 1959 AND COLLEGE FACILITIES ACT OF 1959

Mr. MORTON. Mr. President, on behalf of the Senator from Massachusetts [Mr. SALTONSTALL], and the Senator from Vermont [Mr. PROUTY], I introduce, for appropriate reference, two bills entitled "School Construction Assistance Act of 1959" and "College Facilities Act of 1959."

The PRESIDING OFFICER. The bills will be received and appropriately referred.

The bills, introduced by Mr. MORTON (for Mr. SALTONSTALL and Mr. PROUTY), were received, read twice by their titles, and referred to the Committee on Labor and Public Welfare, as follows:

S. 1016. A bill to authorize a 5-year program of assistance to school districts in meeting the debt service on loans for construction of urgently needed elementary or secondary public school facilities, and for other purposes; and

S. 1017. A bill to assist institutions of higher education to market and retire bonds issued by them to finance the construction of college facilities.

Mr. MORTON. Mr. President, I ask unanimous consent that the bills lie on the desk through February 19 for the benefit of any Senators who may wish to become cosponsors.

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

Mr. MORTON. I also ask unanimous consent to have printed in the RECORD at this point as a part of my remarks a letter from Mr. Arthur S. Flemming, Secretary of Health, Education, and Welfare, and a statement by the Senator from Massachusetts [Mr. SALTONSTALL].

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

DEPARTMENT OF HEALTH,
EDUCATION, AND WELFARE,
Washington, D.C., February 9, 1959.

Hon. RICHARD M. NIXON,
President of the Senate,
Washington, D.C.

DEAR MR. VICE PRESIDENT: I enclose for your consideration two legislative proposals designed to strengthen American education in areas of recognized need.

One would assist States to overcome the persistent shortage of public elementary and secondary schools by making it possible for them to initiate up to $3 billion worth of construtcion, during the next 5 years, in communities which lack the resources to finance their own classroom needs.

The other, over the same period, would make it possible for institutions of higher education to accelerate construction of up to $2 billion worth of facilities which will be needed in the years immediately ahead to provide for the ever-increasing numbers of youth reaching college age.

Under the elementary and secondary school construction program, maximum annual Federal payments would be $85 million, and the aggregate potential cost would be about $2 billion over approximately 25 years. Under the higher education construction program, maximum annual payments would be $25 million for debt retirement assistance, and the aggregate Federal cost would be $500 million, payable over a 25-year period.

Our educational system is vitally related to the national strength and security. As we apply ourselves to the causes of security and peace, we must seek to develop our human resources to the fullest extent. We must make available for all our children and young people equal educational opportunities to realize their highest potential.

As a Nation, we must be willing to make the sacrifices which will be necessary to achieve these goals. We must redouble our efforts for adequate classroom facilities, improved quality of instruction, better status and salaries for teachers, and broadened support of education from the States, local governments, and private agencies.

Among our most critical educational problems, the one most readily resolved by vigorous action is the continuing shortage of adequate public schools and classrooms. There is no State in which this shortage is not felt in some degree. Adequate facilities for the education of our children must be provided in every State and every local school district.

In recent years, thousands of communities throughout the country have made strenuous efforts to meet their needs. Most of them are finding the means to eliminate their school construction backlogs and keep pace with expanding enrollments. Nevertheless, the nature and extent of the problem in many communities is such that they simply cannot meet their classroom needs from their own resources.

The population growth which has placed such a burden on our elementary and secondary schools is only beginning to make its impact felt in our institutions of higher education. Unless they greatly increase their current rate of construction and enlarge their capacity to absorb the oncoming wave of youths reaching college age, they will have to close their doors to many able young men and women in the years immediately ahead. Yet, many of these institutions do not have resources available for financing, without borrowing, the expansion of academic and housing facilities which must be begun now in order to meet the needs of the next decade. They are reluctant to add the burden of large scale indebtedness to the already heavy load they carry in meeting day-to-day operating expenses.

For our future progress and future survival, we must assure that our colleges and universities continue to produce highly educated men and women in sufficient numbers to meet the demands of our growing economy, maintain the vitality of our democratic processes, and uphold our position of leadership in the free world. The national interest demands that the opportunity for higher education will not be denied to any able young persons who may seek it.

In his budget message, the President stated his belief that the continued needs of colleges and universities should be considered within the framework of the general problems of education, and noted that this Department was concluding an exhaustive study of these problems. Accordingly, it is my privilege to transmit the legislative recommendations in the field of higher education arising from our study, together with our recommendations in the field of public elementary and secondary school construction. The enclosed draft bills would provide suitable and effective Federal assistance to assure the continued strength of American education.

I. PUBLIC ELEMENTARY AND SECONDARY SCHOOL CONSTRUCTION

A. The problem

According to the estimates of the States themselves, our public elementary and secondary schools today enroll almost 2 million pupils in excess of their normal capacity, while another 2 million pupils are housed in obsolete or inadequate buildings. These children are being shortchanged in their education by half-day sessions, seriously overcrowded classes, and makeshift facilities.

In addition to the thousands of classrooms needed to relieve currently overcrowded conditions, the States and local communities must find ways to construct several hundred thousand more classrooms in the years immediately ahead to accommodate increasing enrollments and replace obsolete structures.

If the present high rate of school construction could be maintained for the next 5 years, the national classroom deficit at the end of that period would still remain a national problem of major proportions. More than 2 million children would still be educationally underprivileged.

In our judgment, however, the current construction rate cannot independently be maintained. The present rate reflects the efforts of school districts with median or better-than-average resources—districts with the capacity to meet their classroom needs. Consequently, estimates of the construction backlog increasingly tend to represent the problems of communities that do not have resources commensurate with their needs. Such districts exist in every State. They will, by and large, remain unable to finance urgently needed construction in the immediate future.

It is no answer to say that, possibly, within the next decade or so, these districts may find ways to meet their needs. They must be helped to build now the classrooms which their children must have. The children cannot wait.

In focusing on the problem of the needy school districts, we propose a program that incorporates new and effective measures to assure that Federal aid is directed to those school districts which are urgently in need of additional classrooms that cannot be financed out of their own tax revenues.

B. The program

The program we propose is a 5-year emergency measure. Under the draft bill, the Federal Government would annually advance half of the funds required by needy school districts to pay the principal and interest charges (debt service) on bonds issued by the districts to finance school construction projects, if the States in which such districts are located undertake to advance the remaining half of the payments.

To participate in this program, the States would determine priorities among needy districts according to their relative need for facilities and financial assistance. In order to measure the capacity of the districts to finance their educational requirements, the States would establish standards for determining a "reasonable tax effort" for each applicant school district. The districts that qualify for assistance would be required to exert this effort each year for the life of their construction bonds and for 10 years thereafter, as assurance that they would continue to make the maximum contribution which they could reasonably be expected to make toward meeting their own needs from their existing and potential tax resources.

If at any time during the 20–30 year life of the construction bonds the tax resources of a community should increase or its other financial burdens diminish to such an extent that they become able to pay part or all of the debt service charges in a given year, Federal-State advances for that year would be reduced proportionately or discontinued. Likewise, in the 10-year period following retirement of the bonds, the district would apply half of any excess revenues which may be produced by exerting its "reasonable tax effort" to the repayment, with interest, of Federal advances previously made. Any Federal advances or interest which a district is unable to pay in this manner would be forgiven at the end of the 10-year period.

The proposed program would require relatively small annual appropriations by States which undertake, like the Federal Government, to advance half the annual debt service on amounts borrowed by their needy districts. Additional flexibility of financing would be achieved by a provision allowing the States to make capital grants in lieu of, or in combination with, debt service advances. Also, the States could either waive repayment of their advances after the retirement of the bonds, or could require repayment from excess revenues for any future period they may choose.

Under this bill, the maximum principal amount of bonded indebtedness which could be covered by Federal-State debt service commitments would be $600 million a year. This amount would be allocated to the States on the basis of school population, per capita income, and school financing effort. During the 5-year period in which commitments could be made, the program could thus initiate $3 billion worth of classroom construction in needy and deserving school districts. This total would contribute substantially toward meeting the critical needs of those districts which could not otherwise provide adequate educational facilities for their children.

In seeking to stimulate greater application of State and local resources toward the total solution of their educational problems, we have based this proposal on the fundamental principle that Federal assistance must not infringe upon the traditional responsibilities of the States and their communities for public education. The proposed bill assumes Federal responsibility only for temporary, emergency assistance to stimulate and hasten local action where the demand is most urgent. When school districts demonstrate that they can carry the burden unassisted, the Federal role ends.

II. HIGHER EDUCATION CONSTRUCTION

A. The problem

Our institutions of higher education—both public and private—are a vital national resource. We are dependent upon the existing colleges and universities to supply our national needs for highly trained manpower.

These institutions are experiencing mounting difficulties which markedly restrict the effectiveness of their vital national role. They must gradually replace the obsolete structures which make up a significant proportion of their total facilities. To attract and hold good faculties, they will have to increase salaries. It will be necessary for many of them to elevate, and for all of them to maintain, their standards of academic excellence. They must increase their output of qualified teachers, whose knowledge and skills are the indispensable elements of any sound educational system. Colleges and universities are presently straining their resources to satisfy the national demand for highly educated men and women in all walks of life. Now, they are asked in addition to prepare for the overwhelming enrollment increases expected in the next decade.

By 1970, the total number of qualified students seeking to enter our institutions of higher education will about double. This simple fact is the crux of the problem which the colleges and universities must confront and resolve if they are to continue to fulfill their national responsibilities.

To care adequately for these anticipated enrollment increases, they must almost double their present rate of construction. Few public or private institutions can pay for plant expansion out of available or readily procurable resources, and many are unwilling to undertake burdensome debt service costs in view of their other equally urgent educational priorities. Such institutions of higher education need help and encouragement to find ways to construct needed new facilities and replace those made unserviceable by obsolescence.

The example of the college housing loan program has already demonstrated that construction of facilities for higher education can be greatly stimulated by making it possible for the institutions to borrow on favorable terms and conditions to finance their capital outlay needs. Before the program was initiated in 1950, less than 30 percent of all college housing projects were financed by bond issues. In recent years, the level of construction contracted under the college housing program alone has risen to a plateau of $200 million a year, equaling 60 percent of the total annual rate of residential college construction. In contrast, borrowing accounts for only about 14 percent of the funds being raised for construction of academic facilities, which are not eligible for college housing loans.

B. The program

To accelerate construction of college and university facilities as required in the national interest, we propose new incentives for educational institutions to increase borrowing for construction equivalent to the incentives provided in the present college housing loan program. We also propose to broaden the base of Federal assistance to include the construction of vitally needed academic facilities—classrooms, libraries, laboratories, and related facilities for instruction, research or administration of educational or research programs—as well as housing facilities.

The draft bill would establish an emergency 5-year program which would include:

1. Federal guarantees of principal and interest on non-tax-exempt bonds sold by colleges to private investors to finance construction of housing, academic and related educational facilities. By assuring private lenders that debt service payments would be met as scheduled, the guarantee feature is expected to enable institutions that do not have the benefit of tax-exempt bond issuance to obtain a ready market for their bonds. The aggregate amount of guaranteed bonds outstanding at any one time would be limited to $1 billion.

2. Debt retirement assistance in the form of Federal commitments to pay 25 percent of the principal on long-term bonds issued by institutions of higher education to finance construction projects for needed housing, academic, or other educational facilities. Federal payments would be made in 20 equal annual installments. Debt retirement assistance would be limited to projects which would serve the national interest in increasing enrollment capacity or improving and expanding teaching and research in the sciences or engineering.

Aggregate Federal payments under the program would be limited to $500 million, representing 25 percent of a total principal construction cost of $2 billion. There would also be a $5 million limit on payments to any one institution. Only those institutions would be eligible which certify that they do not have resources available to finance their construction needs without borrowing.

The twofold program is expected to approximately triple the construction rate for academic facilities financed by borrowing, resulting in an annual rate equivalent to that of dormitory construction under the college housing loan program. Construction of college housing projects, meanwhile, would be expected to rise somewhat above the present level. By making long-term financing more readily available, this program would stimulate an aggregate of $2 billion worth of new and needed facilities constructed in time to enable our institutions of higher education to meet their national responsibilities in the years immediately ahead.

The legislative proposals I have outlined represent sound, progressive steps toward the solution of clearly defined educational needs. They are designed to promote a closer realization of the great goal of the American educational system: that all our citizens may have the opportunity to develop their talents to the fullest. Such a goal is an assertion of the basic faith of our democracy, that the Nation flourishes only through the free expression of human genius.

I recognize that fundamental differences of opinion exist as to the role of the Federal Government in education. I respect those differences. I am nonetheless convinced that these emergency proposals fully protect the traditional principle of State and local control of education, and are required by the particular necessities and urgencies of the educational task now confronting the Nation.

The enclosed summaries explain in greater detail the provisions of the proposed program. Also included are statements of cost estimates and personnel requirements which would be entailed, as required by Public Law 801, 84th Congress. I would appreciate it if you would refer the enclosed draft bills to the appropriate committee for consideration.

The Bureau of the Budget advises that enactment of the proposed legislation would be in accord with the program of the President.

Sincerely yours,

ARTHUR S. FLEMMING,
Secretary.

School Construction Assistance Act of 1959 (elementary and secondary public school construction)

	1960	1961	1962	1963	1964
Program funds:					
Maximum allocation authorization	$600,000,000	$600,000,000	$600,000,000	$600,000,000	$600,000,000
New obligational authority	$5,000,000	$34,000,000	$51,000,000	$68,000,000	$85,000,000
Expenditures		$28,000,000	$46,750,000	$63,750,000	$80,750,000
Administrative expenses:					
Obligations:					
Personal services	$225,000	$688,125	$1,057,500	$1,108,123	$1,108,125
Other	$75,000	$141,875	$202,500	$211,875	$211,875
Total (new obligational authority)	$300,000	$830,000	$1,260,000	$1,320,000	$1,320,000
Expenditures	$275,000	$790,000	$1,225,000	$1,315,000	$1,320,000
Man-years of employment	30	92	141	148	148

College Facilities Act

	1960	1961	1962	1963	1964
Guaranty contracts:					
Authorization	$200,000,000	$200,000,000	$200,000,000	$200,000,000	$200,000,000
New obligational authority					
Administrative and other expense:					
Man-years of employment	90	170	172	172	172
Revolving fund	$1,000,000	$500,000			
Debt retirement assistance:					
Maximum	$75,000,000	$87,500,000	$112,500,000	$112,500,000	$112,500,000
New obligational authority	$3,750,000	$8,125,000	$13,750,000	$19,375,000	$25,000,000
Expenditures		$7,031,250	$12,343,750	$17,968,750	$23,593,750
Administrative expenses:					
Obligations:					
Personal services	$177,500	$368,520	$380,950	$380,950	$380,950
Other	$69,400	$93,480	$89,050	$89,050	$89,050
Total (new obligational authority)	$247,000	$462,000	$470,000	$470,000	$470,000
Expenditures	$227,000	$445,000	$469,000	$470,000	$470,000
Man-years of employment	24	50	52	52	52

STATEMENT BY SENATOR SALTONSTALL

I think it is important that our country do what is necessary to assure that all our young people have an opportunity to obtain a first-rate education. This opportunity cannot exist unless we have adequate facilities at all levels of our educational system. The President has for several years been convinced that action by the Federal Government is necessary and desirable to help eliminate the present and predicted shortage of facilities.

This year's administration program to help overcome the shortage in elementary, secondary, and higher education facilities is designed to provide significant Federal assistance in such a way as to stimulate State, local, and private initiative and effort. The program is also designed to avoid any Federal Government interference in State, local, and private responsibility for education.

It is a program which deserves the thoughtful and sympathetic consideration of all of us who are concerned about American education.

Mr. MORTON. Mr. President, I ask unanimous consent to have printed in the RECORD at this point the two bills referred to, together with explanatory summaries.

There being no objection, the bills and summaries were ordered to be printed in the RECORD, 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 "School Construction Assistance Act of 1959."

ASSURANCE AGAINST FEDERAL INTERFERENCE IN SCHOOLS

SEC. 2. In the administration of this Act, no department, agency, officer, or employee of the United States shall exercise any direction, supervision, or control over the personnel, curriculum, or program of instruction of any school or school system.

AUTHORIZATION OF APPROPRIATIONS

SEC. 3. For the purpose of assisting school districts in financing the construction of urgently needed school facilities which they cannot, through exercise of a reasonable tax effort, finance from their own resources, there are hereby authorized to be appropriated for each fiscal year, beginning with the fiscal year ending June 30, 1960, such sums as may be necessary to make the payments provided in this Act.

ALLOCATIONS

SEC. 4. (a) (1) For each fiscal year during the five-year period beginning July 1, 1959, and ending June 30, 1964, such amounts, not to exceed $600,000,000, as may be specified for such year by appropriation or other law shall be allocated by the Commissioner among the States on the basis of the income per child of school age, the number of public school children, and the effort for school purposes, of the respective States. Subject to the provisions of section 5, such allocations shall be made as follows: The Commissioner shall allocate to each State for each fiscal year an amount which bears the same ratio to the total to be allocated among all States as the product of—

(A) the number of public school children in the State (determined as provided in section 5(c) (1) for such fiscal year), and

(B) the State's allocation ratio (as determined under subsection (b)),

bears to the sum of the corresponding products for all the States.

(2) A State's allocation pursuant to paragraph (1) shall remain available until the end of the fiscal year following the year for which the allocation is made for Federal debt

service commitments pursuant to section 7 with respect to obligations, to finance the construction of school facilities projects in such State, totaling the amount of such allocation. Such a commitment with respect to any obligations shall commit the Commissioner to make advances for payment of one-half the annual debt service on such obligations. Such obligations may be for the purpose of financing all or a portion of the construction of school facilities projects. The latest maturity date of obligations (in any issue) with respect to which a Federal debt service commitment is made under this Act may not be less than twenty years and not more than thirty years from the earliest date of any of such obligations and the first payment of principal thereon shall be due not later than the end of the third year following such earliest date.

(b) For purposes of this Act—

(1) The "allocation ratio" for any State shall be 1.00 less the product of (A) .50 and (B) the quotient obtained by dividing the income per child of school age for the State by the income per child of school age for the continental United States, except that (A) the allocation ratio shall in no case be less than .25 or more than .75, and (B) the allocation ratio for Hawaii shall be .50, and for Puerto Rico, Guam, and the Virgin Islands shall be .75.

(2)(A) The allocation ratios shall be promulgated by the Commissioner as soon as possible after enactment of this Act and again between July 1 and September 30 of the year 1961, on the basis of the average of the incomes per child of school age for the States and for the continental United States for the three most recent consecutive years for which satisfactory data are available from the Department of Commerce. The first such promulgation shall be conclusive for purposes of this Act for each of the fiscal years in the period beginning July 1, 1959 and ending June 30, 1962, and the second for each of the fiscal years in the period beginning July 1, 1962, and ending June 30, 1964.

(B) Promulgations made before satisfactory data are available from the Department of Commerce for a full year on the per capita income of Alaska shall prescribe an allocation ratio for Alaska of .75 and, for purposes of such promulgations, Alaska shall not be included as part of the "continental United States". Promulgations made thereafter but before per capita income data for Alaska for a full 3-year period are available from the Department of Commerce shall be based on satisfactory data available therefrom for Alaska for such one full year, or, when such data are available for 2-year period, for such years.

(3) The term "child of school age" means a member of the population between the ages of 5 and 17, both inclusive.

(4) The term "continental United States" does not include the District of Columbia.

(5) The term "income per child of school age" for any State or for the continental United States means the total personal income for the State and the continental United States, respectively, divided by the number of children of school age (in the State and continental United States, respectively).

MAINTENANCE OF STATE AND LOCAL SUPPORT FOR SCHOOL FINANCING

SEC. 5. (a) The allocation of any State under section 4 for any year shall be reduced by the percentage (if any) by which its State school effort index for such year is less than the national school effort index for such year. The total of such reductions shall be reallocated among the remaining States by proportionately increasing their allocations under section 4 for such year.

(b) For purposes of subsection (a)—

(1) The "State school effort index" for any State for a fiscal year is the quotient obtained by dividing (A) the State's school expenditures per public school child by (B) the income per child of school age for the State; except that the State school effort index shall be deemed to be equal to the national school effort index in the case of (i) Hawaii, Puerto Rico, the Virgin Islands, and Guam, (ii) Alaska, but only for years for which it is, under subsection (c)(4), not included in the "continental United States", and (iii) any State for which the school expenditures per public school child are not less than the school expenditures per public school child for the continental United States;

(2) The "national school effort index" for any fiscal year is the quotient obtained by dividing (A) the school expenditures per public school child for the continental United States by (B) the income per child of school age for the continental United States.

(c) (1) The school expenditures per public school child for any State for purposes of determining its State school effort index for any fiscal year means the quotient obtained by dividing (A) the total expenditures by the State and subdivisions thereof for elementary or secondary education made from funds derived from State or local sources in the State, as determined by the Commissioner on the basis of data for the most recent school year for which satisfactory data for the several States are available to him by (B) the number of children in average daily attendance in public elementary or secondary schools in such State, as determined by the Commissioner for such most recent school year.

(2) The school expenditures per public school child for the continental United States for purposes of determining the national school effort index for any fiscal year means the quotient obtained by dividing (A) the total expenditures by the States and subdivisions thereof for elementary or secondary education made from funds derived from State or local sources in the continental United States, as determined by the Commissioner for the same school year as is used under paragraph (1), by (B) the number of children in average daily attendance for such year in public elementary or secondary schools in the continental United States, determined as provided in paragraph (1).

(3) The income per child of school age for the States and for the continental United States shall, for purposes of subsection (b), be determined by the Commissioner on the basis of the incomes per child of school age for the most recent year for which satisfactory data are available from the Department of Commerce.

(4) The term "continental United States" shall not include Alaska for purposes of determinations made under this section before satisfactory data are available from the Department of Commerce for a full year on the per capita income of Alaska.

STATE PLANS

SEC. 6. Federal debt service commitments may be made under this Act with respect to obligations to finance the construction of school facilities in any State only if such State has submitted, and had approved under this section, a State plan. The Commissioner shall approve a State plan for purposes of this Act if such plan—

(a) provides that the State educational agency shall be the sole agency for administering the plan;

(b) provides that a local educational agency will be eligible for a Federal debt service commitment under this Act with respect to any obligations only if:

(1) such obligations are for financing, in whole or in part, the construction of school facilities needed to relieve or prevent overcrowding, double shifts, or unhealthful or hazardous conditions,

(2) such agency undertakes to exert the reasonable tax effort, determined for it under the plan, in financing its school construction needs,

(3) such agency will be unable, after exertion of such reasonable tax effort, and full utilization of other resources (whether from Federal, State, or local sources) available to it for financing its school construction needs and not taken into account for purposes of section 8(a), to pay the annual debt service on such obligations and other outstanding obligations of such agency for financing school construction,

(c) sets forth standards and procedures for determining the tax effort which each local educational agency applying for a Federal debt service commitment under this Act will be required, in order to be eligible, to exert in financing its school construction needs, which standards and procedures will assure that the tax effort so determined will be a reasonable one in the light of the resources actually or potentially subject to taxation by such agency, the relative local and State shares in financing school construction, and the tax effort exerted and the methods of financing used by other local educational agencies in the State;

(d) sets forth standards and procedures for determining the order of priority for projects under the plan in case the allocation of the State for any year under this Act is not adequate to permit the making, during the period for which such allocation is available, of all Federal debt service commitments requested by local educational agencies in the State; which standards and procedures shall assure (1) that the highest priority will be given to local educational agencies which are least able, solely because of lack of economic resources, to finance from the resources available to them the full cost of the school facilities needed to relieve or prevent overcrowding, double shifts, or unhealthful or hazardous conditions, and (2) that in other respects the order of priority will be based on relative need for financial aid in the construction of such school facilities and the relative urgency of the need for such facilities;

(e) provides for affording to every applicant whose application to be included in a State request under section 7 for a Federal debt service commitment is denied, an opportunity for a hearing before the State educational agency;

(f) provides for the establishment of standards on a State level for planning and construction of school facilities;

(g) provides that the State educational agency will make such reports to the Commissioner, in such form and containing such information, as are reasonably necessary to enable the Commissioner to perform his duties under this Act.

COMMITMENTS

SEC. 7. (a) In the case of each project for the construction of school facilities for a local educational agency to be financed by obligations for which the State educational agency requests a Federal debt service commitment under this Act, the State educational agency shall include in its request—

(1) a description of the school facilities project with respect to which the request is made and its estimate of the cost of construction of such project,

(2) the amount of the obligations which are to be covered by the commitment,

(3) a certification—

(A) that it has determined, in accordance with the standards and procedures in the State plan approved under section 6, that the local educational agency is eligible for such commitment with respect to such obligations and such project is entitled to priority over other projects within the State;

(B) that such project is consistent with any applicable State redistricting plans or policies and is in accord with applicable State construction laws and standards;

(C) if any portion of the cost of construction of such project is not to be met from the proceeds of such obligations, that the financing of such portion has been arranged;

(4) assurance, satisfactory to the Commissioner—

(A) that the local educational agency will take appropriate steps, including a public offering of the obligations, to secure the most favorable rate of interest and other terms for such obligations;

(B) that the local educational agency will, during each year in which such obligations are outstanding and for ten years thereafter, exert the reasonable tax effort, determined for it pursuant to the State plan, for financing its school construction needs, will certify to the Commissioner the amount of the revenues thereby produced, and will apply any surplus in such revenues to payment of the debt service on the obligations covered by such commitment or, after such obligations been have retired, will apply one-half of the surplus in such revenues to repayment of the Federal advances made under such commitment, plus interest on such advances, from the date the last one of such obligations (in an issue thereof) is retired, at the rate determined by the Secretary of the Treasury, with the other one-half of such surplus in such revenues being applied to repayment of the State debt service advances if and to the extent required by the State pursuant to section 8(b). For purposes of this subparagraph, (i) the existence and amount of any surplus in revenues produced by exercise of a reasonable tax effort shall be determined by adding to the revenues produced by the exercise of the reasonable tax effort any other resources available to the local educational agency for payments on account of debts incurred for construction of school facilities subtracting from the sum thereby obtained any payments made on account of debts incurred for such purpose, by the local educational agency before the request for the Federal debt service commitment here involved was filed by the State educational agency, and further subtracting therefrom any payments made on account of debts incurred for such purpose by the local educational agency after such filing but approved by the State educational agency upon a finding that the school facilities project for which such debts were incurred is needed to relieve or prevent overcrowding, double shifts, or unhealthful or hazardous conditions, and (ii) the rate of interest determined by the Secretary of the Treasury with respect to advances on any obligations shall be determined by him after taking into account the current average market yields on outstanding marketable obligations of the United States having maturities comparable to the period in which such advances are expected to be repaid.

(b) If the Commissioner finds that the request of a State educational agency for a Federal debt service commitment with respect to any obligations meets the requirements of subsection (a) and that the amount of such obligations does not exceed the amount remaining in the State's allocation or allocations available for the purpose, the Commissioner shall, subject to the provisions of section 8, make the Federal debt service commitment requested with respect to the obligations specified.

STATE DEBT SERVICE COMMITMENTS

SEC. 8. (a) No Federal debt service commitment may be made with respect to any obligations for financing, in whole or in part, the construction of a school-facilities project unless the State makes an equally binding commitment to pay one-half of the debt service on such obligations; except that the State may make a capital grant to cover part of the cost of such construction, in which case the Federal debt-service commitment with respect to so much of such obligations as do not exceed the amount of such capital grant shall be to pay the full annual debt service thereon.

(b) A State may, after the 10th year following the year in which obligations with respect to which a Federal debt service commitment has been made are retired, require repayment, with or without interest, of all or any portion of the amounts paid by the State pursuant to its debt service commitment and not already repaid, but only to the extent the local educational agency is able to do so through the exercise of the reasonable tax effort determined for it pursuant to the State plan and use of other resources available to it for payment of debts incurred for construction of school facilities.

STATES EXCLUSIVELY RESPONSIBLE FOR SCHOOL CONSTRUCTION FINANCING

SEC. 9. If exclusive responsibility for the financing of the construction of school facilities in any State, or in any portion of a State, has been assumed by the State, the Commissioner may, to the extent he deems such action necessary to achieve the purposes of this act, modify or make inapplicable to such State or portion thereof, as the case may be, any of the provisions of this act which he determines to be inappropriate by reason of the absence of a local educational agency or agencies responsible for such financing.

PAYMENT OF FEDERAL ADVANCES

SEC. 10. The Commissioner shall from time to time pay in advance or otherwise, to such agency or person or persons as may be designated in the request of a State agency pursuant to section 7 with respect to any obligations, the Federal advances for each year under the Federal debt service commitment under this act with respect to such obligations. Such advances for any year shall be reduced by the amount, if any, which the local educational agency issuing such obligations has applied, as provided in section 7(a)(4), to the annual debt service payments due in such year.

FAILURE OF LOCAL EDUCATIONAL AGENCY TO EXERT REASONABLE TAX EFFORT

SEC. 11. If any local educational agency with respect to whose obligations a Federal debt service commitment under this act has been made fails, during any period prior to the end of the 10th year after the year in which such obligations are retired, to exert the reasonable tax effort determined for it under the State plan, such agency shall be obligated to repay to the United States the additional amount it would have applied toward payment of the annual debt service on such obligations or toward repayment of the Federal advances (plus interest) as provided in section 7(a)(4), as the case may be, had such agency exerted such a tax effort.

ABANDONMENT OF PROJECTS

SEC. 12. If any project financed by obligations with respect to which a Federal debt service commitment has been made under this act, is abandoned or is not completed within a reasonable period, determined under regulations of the Commissioner, after such obligations have been sold, the United States shall be entitled to recover from the State in which such project is located or from the local educational agency issuing such obligations, or both, the amount of the advances which the United States made with respect to such obligations or such lesser amount as may be reasonable under the circumstances (as determined by agreement of the parties or by action brought in the Federal district court for the district in which such project is located.)

LABOR STANDARDS

SEC. 13. (a) The Commissioner shall not make any commitment under this act with respect to obligations to finance the construction of any school facilities project, except upon adequate assurance that all laborers and mechanics employed by contractors or subcontractors in the performance of work on such project will be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a–276a 5), and will receive compensation at a rate not less than one and one-half times the basic rate of pay for all hours worked in any workweek in excess of eight hours in any workday or forty hours in the workweek, as the case may be.

(b) The Secretary of Labor shall have, with respect to the labor standards specified in subsection (a) of this section, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F. R. 3176; 64 Stat. 1267), and section 2 of the Act of June 13, 1934, as amended (40 U.S.C. 267c).

ADMINISTRATIVE PROVISIONS

SEC. 14. (a) The Commissioner, in addition to other powers conferred by this Act, shall have power to agree to modifications of Federal debt service commitments made under this Act and of obligations with respect to which such commitments have been made and to pay, compromise, waive, or release any right, title, claim, lien, or demand, however arising or acquired under this Act; except that nothing in this subsection shall be construed to affect the power of the Attorney General in the conduct of litigation arising under this Act.

(b) Financial transactions of the Commissioner in making Federal debt service commitments, and payments with respect thereto, pursuant to this Act, and vouchers approved by the Commissioner in connection with such financial transactions, shall be final and conclusive upon all officers of the Government; except that all such transactions shall be subject to audit by the General Accounting Office at such times and in such manner as the Comptroller General may by regulation prescribe.

SUITS AGAINST THE UNITED STATES

SEC. 15. Any holder of obligations with respect to which a Federal debt service commitment has been made under this Act may bring suit against the United States to enforce any duty of the Commissioner under this Act or any undertaking of the Commissioner pursuant to a commitment under this Act. In any action arising under this Act to which the United States is a party, the district courts of the United States shall have jurisdiction, without regard to the amounts involved. Such action shall be brought in the district court of the United States for the judicial district in which the plaintiff, or any of the plaintiffs if there are more than one, resides, or has his principal place of business or, if he does not have his principal place of business within any such judicial district, in the District Court of the United States for the District of Columbia.

DEFINITIONS

SEC. 16. For purposes of this Act—

(a) The term "Commissioner" means the (United States) Commissioner of Education.

(b) The term "State" includes Hawaii, Puerto Rico, Guam, and the Virgin Islands.

(c) The term "State educational agency" means the State board of education or other agency or officer primarily responsible for the State supervision of public elementary or secondary schools, or (if different) the officer or agency primarily responsible for State construction or supervision of construction of such schools, whichever may be designated by the Governor or by State law.

(d) The term "local educational agency" means a board of education or other legally constituted local school authority having administrative control and direction of public education in a city, county, township, school district, or political subdivision in a State. If a separate local public authority has responsibility for the provision or maintenance of school facilities for any local educational agency or the financing of the construction thereof, thereof, such term includes such other authority.

(e) The term "debt service" means the aggregate amount required to pay the interest on and principal of each issue of obligations.

(f) The term "annual debt service" means the aggregate amount required to pay the interest on and principal of each issue of obligations becoming due in each successive twelve-month period, designated in accordance with regulations of the Commissioner.

(g) The term "school facilities" includes classrooms and related facilities for public elementary or secondary education; initial equipment, machinery, and utilities necessary or appropriate for school purposes; and interests in land (including site, grading, and improvement) on which such facilities are constructed. Such term does not include athletic stadiums, or structures or facilities intended primarily for events, such as athletic exhibitions, contests, or games, for which admission is to be charged to the general public.

(h) The terms "construct", "constructing", and "construction" include the preparation of drawings and specifications for school facilities; erecting, building, acquiring, altering, remodeling, improving, or extending school facilities; and the inspection and supervision of the construction of school facilities.

(i) The term "obligations" means any bonds, notes, interim certificates, debentures, certificates of indebtedness, or other evidence of indebtedness.

WITHHOLDING OF FUNDS AND JUDICIAL REVIEW

SEC. 17. (a) Whenever the Commissioner, after reasonable notice and opportunity for hearing to the State educational agency, finds that—

(1) the State plan approved under section 6 has been so changed that it no longer complies with the requirements of such section; or

(2) in the administration of the plan there is a failure to comply substantially with any such requirement; the Commissioner shall notify such State agency that no further Federal debt service commitments will be made under this Act with respective obligations to finance the construction of school facilities projects in the State (or, in his discretion, that further commitments will not be made for projects in the State affected by such failure), until he is satisfied that there will no longer be any such failure. Until he is so satisfied the Commissioner shall make no further Federal debt service commitments with respect to projects in such State under this Act, or shall limit commitments to projects with respect to which there is no such failure).

(b) (1) If any State is dissatisfied with the Commissioner's action under subsection (a) of this section, such State may appeal to the United States court of appeals for the circuit in which such State is located. The summons and notice of appeal may be served at any place in the United States.

(2) The findings of fact by the Commissioner, unless substantially contrary to the weight of the evidence, shall be conclusive; but the court, for good cause shown, may remand the case to the Commissioner to take further evidence, and the Commissioner may thereupon make new or modified findings of fact and may modify his previous action. Such new or modified findings of fact shall likewise be conclusive unless substantially contrary to the weight of the evidence.

(3) The court shall have jurisdiction to affirm the action of the Commissioner or to set it aside, in whole or in part. The judgment of the court shall be subject to review by the Supreme Court of the United States upon certiorari or certification as provided in title 28, United States Code, section 1254.

UTILIZATION OF OTHER AGENCIES

SEC. 18. In administering the provisions of this Act, the Commissioner is authorized to utilize the services and facilities of any agency of the Federal Government, in accordance with agreements between the Secretary of Health, Education, and Welfare and the head thereof. Payment for such services and facilities shall be made in advance or by way of reimbursement, as may be agreed upon by the Secretary and the head of the agency concerned.

DELEGATION OF COMMISSIONER'S FUNCTIONS

SEC. 19. The Commissioner is authorized to delegate any of his functions under this Act, except the making of regulations, to any officer or employee of the Office of Education.

APPROPRIATION FOR ADMINISTRATION

SEC. 20. There are hereby authorized to be appropriated for each fiscal year such sums as may be necessary for administration of this Act.

SUMMARY OF ELEMENTARY OR SECONDARY SCHOOL CONSTRUCTION PROPOSAL

GENERAL

The bill would authorize a 5-year program of assistance to needy school districts in meeting the debt service (i. e. annual installments of principal and interest) on bonds or other obligations issued to finance construction of urgently needed elementary or secondary public school facilities. This assistance would be in the form of Federal advances to pay one-half the annual debt service on such bonds, with the State's advancing the other half.

PROHIBITION AGAINST FEDERAL CONTROL

Federal interference, in the administration of the bill, with the personnel, curriculum, or program of any school would be prohibited.

ALLOCATIONS

The bill provides for allocating amounts each year among the States to serve as maximums on the school construction bonds on which the Federal Government would undertake to make advances. This maximum for a State would apply for the year for which the allocation was made, but any part of it not used in that year would be available for the same purpose for the next year (along with the new allocation for that year).

The total available for allocation among the States for this purpose for any year would be the amount, not exceeding $600 million, specified in appropriation or other law for such year.

The allocations to the States would be made on the basis of three factors—the relative State income per child of school age, the relative number of public school children, and the relative State effort for school purposes. Subject to adjustment on account of the State's school effort index, each State's allocation for the year would be equal to an amount bearing the same ratio to the total available for allocation for that year as the product of (1) the number of children in average daily attendance in public elementary or secondary schools in the State multiplied by (2) the State's allocation ratio, bears to the sum of the corresponding products for all the States.

A State's allocation ratio would depend on the income per child of school age for the State as compared with the income per child of school age for the United States, with the ratio for the State at the national average being 0.50 and the ratios for the other States varying inversely with their relative incomes per child of school age between a minimum of 0.25 and a maximum of 0.75.

The income per child of school age for any State would be the total personal income for the State divided by the number of school-age children in the State. The income per child of school age for the continental United States would be similarly computed.

The allocation ratios are to be promulgated as soon as possible after enactment of the bill and again in the third calendar quarter of 1961. They will be based on data averaged for the three most recent consecutive years for which satisfactory data are available from the Department of Commerce. The first promulgation will be conclusive for the period from July 1, 1959 through June 30, 1962, and the second for the period from July 1, 1962, through June 30, 1964.

Special provisions are provided for Alaska prior to the time satisfactory per capita income data are available for it. Before such data are available for a full year, Alaska's allocation ratio wil be 0.75.

STATE SCHOOL EFFORT INDEX

Allocations determined as provided above would be reduced by the percentage (if any) that the State's school effort index was less than the national index; and the total of the reductions would be added to the allocations of the States not so reduced, in proportion to their original allocations for the year, determined as provided above.

A State's school effort index would be determined on the basis of the ratio of school expenditures per child in average daily attendance in public elementary or secondary schools to the State's income per child of school age. The national index would be based on these figures for the continental United States (which excludes the District of Columbia and, for a temporary period, Alaska).

The State and national indexes would be deemed equal for Hawaii, Puerto Rico, the Virgin Islands, and Guam and for any State whose expenditures per child in average daily attendance in public elementary or secondary schools were not less than those for the continental United States. This assumed equality would also apply temporarily in the case of Alaska.

The school expenditures referred to above would include expenditures by States and subdivisions thereof for elementary or secondary education made from funds derived from State or local sources. These would be determined by the Commissioner of Education for the most recent school year for which satisfactory data from the States are available to him. The number of children in average daily attendance would be similarly determined.

The income per child of school age for the States and the continental United States (mentioned above) would be determined on the basis of data for the most recent year for which satisfactory data are available from the Department of Commerce.

STATE PLANS

Before the Commissioner could undertake to make Federal debt service advances on bonds or other obligations issued to finance the construction of schools in any State, the State would have to submit and have approved a State plan which provides for administration by the State educational agency.

The State plan would provide for limiting the Federal (and State) advances to local educational agencies which undertake to exert a reasonable tax effort (determined under the plan) in financing their school construction needs, and which would be unable, if they exerted this reasonable tax effort and fully utilized resources from all sources to pay the debt service on bonds issued to finance the buildings they need. Federal (and State) advances must also be limited to bonds issued to finance the construction of urgently needed schools, i.e., schools needed to relieve or prevent overcrowding, double shifts, or unhealthful or hazardous conditions.

The plan would set forth standards and procedures for determining a reasonable tax effort for each applicant local educational agency. The standards and procedures would assure that the tax effort so determined will be a reasonable one in the light of the taxable resources of the local educational agencies, the local and State shares in financing school construction, and the tax effort and methods of financing used by local educational agencies in the State. An approvable plan would also set forth priority standards and procedures which assure that the highest priority will be accorded to local educational agencies which are least able to finance the full cost of urgently needed school facilities, and that the order of priority will in other respects be based on relative need for financial aid in construction of such facilities and relative urgency of need for such facilities.

Finally, approvable State plans would provide for establishment of State standards for planning and construction of school facilities, for affording an opportunity for a hearing to unsuccessful project applicants, and for the making of the reports to the Commissioner of Education which he needs to administer the act.

DEBT SERVICE COMMITMENTS

For each local educational agency whose application is approved, the Commissioner would make a Federal debt service commitment obligating the Federal Government to make advances for payment of one-half of the annual debt service on the obligations covered. These obligations could be to finance all or a portion of the construction of a school facilities project. The latest maturity of obligations, in any issue thereof, would have to occur in 20 to 30 years, with the first payment of principal due before the end of the third year after issuance.

Applications of local educational agencies would be submitted by the State educational agency to the Commissioner with a request for a Federal debt service commitment. The State would certify that—

(1) the local educational agency is eligible for the commitment and the construction project is entitled to priority over other projects in the State under the standard priority standards and procedures in the State plan;

(2) the project is consistent with applicable State redistricting plans or policies and is in accord with applicable State construction laws and standards; and

(3) the financing of any portion of the cost of the project which is not to be financed from obligations covered by the commitment, has been arranged.

The State educational agency would also have to accompany its request for the commitment with satisfactory assurance that the local educational agency will take appropriate steps to secure the most favorable rate of interest and other terms for the obligations to be issued to finance the construction of the project, and that the local educational agency will, during the life of the obligations and for 10 years thereafter, exert the tax effort determined to be reasonable under the State plan and apply any surplus of revenues thereby produced to payment of the debt service on the obligations until they are retired.

After the obligations are retired, one-half the surplus produced during the next 10 years would have to be applied to repayment of the advances made under the Federal debt service commitment, plus interest from the date of retirement of these obligations, the interest rate to be based on the rate for Federal obligations having maturities comparable to the 10-year repayment period; if one-half the surplus produced during this period does not suffice to repay the Federal advances plus interest, repayment would be forgiven. The other one-half of the surplus would be used to repay the State debt service advances or would be retained by the local educational agency in case the State did not require repayment.

The amount of the "surplus" produced by the local educational agency's reasonable tax effort would be the amount which remained after applying the proceeds of this effort (and any other resources available to the agency for paying school construction debts) to payment of financing charges on school construction debts incurred prior to the request for Federal assistance, and on debts for school facilities projects incurred after the request but approved by the State educational agency as being needed to prevent or relieve overcrowding, double shifts, or unhealthful or hazardous conditions.

STATE MATCHING REQUIREMENTS

No Federal debt service commitment could be made under the bill to advance half the debt service on any obligations unless the State made an equal commitment to advance the other half. However, instead of so committing itself, the State could make a capital grant covering a portion of the cost of the construction project; in such case the Federal debt service commitment would be to pay the full annual debt service on so much of the obligations issued to finance the rest of such cost as did not exceed the amount of the capital grant by the State. The Federal Government and the State would share equally in the annual debt service payments on any remaining obligations.

The State educational agency could make its commitment to advance one-half the debt service on obligations of a local educational agency without requiring any repayment by the latter. Or it could require that all or any part of its advances of debt service to be repaid (with or without interest), after the obligations have been retired, from the surplus proceeds produced by exercise of a reasonable tax effort and the use of other resources available for school construction financing purposes. During the first ten years after retirement of the obligations, of course, this repayment would be made through sharing with the Federal Government in the surplus proceeds of the local educational agency. Thereafter the full surplus could be applied to repayment of the State advances.

PAYMENT OF FEDERAL ADVANCES

Advances by the Commissioner of Education on the Federal Government's one-half of the annual debt service on obligations covered by any Federal debt service commitment would be made by the Commissioner from time to time, in advance or otherwise, to the agency, person, or persons designated in the State educational agency's request for the Federal debt service commitment. As previously indicated, advances in any year would be reduced to the extent of any surplus revenues produced through exercise of the required reasonable tax effort and applied toward such debt service.

STATES EXCLUSIVELY RESPONSIBLE FOR SCHOOL CONSTRUCTION FINANCING

In some States or Territories, a State agency may have exclusive responsibility for financing the construction of school facilities. In others, a State agency may have exclusive responsibility for financing such construction for particular areas, such as unorganized territory. The Commissioner would be authorized to modify or make inapplicable to such State, or area of a State, any provisions of the bill which he determined to be inappropriate by reason of the absence of a local educational agency or agencies responsible for school construction financing, to the extent he deemed such action necessary in order to achieve the purposes of the bill.

FAILURE TO EXERT REASONABLE TAX EFFORT

If any local educational agency with respect to whose obligations a Federal debt service commitment has been made fails, in any period during the life of the obligations and the 10 years thereafter, to exert the reasonable tax effort required pursuant to the State plan, it would be obligated to repay to the United States the additional amount it would have paid toward the annual debt service (or toward repayment of the Federal advances, plus interest) for the period involved had it exerted the required reasonable tax effort.

ABANDONMENT OF FACILITIES

The Federal advances (or such lesser amount as may be determined to be reasonable by agreement or Federal district court suit) would have to be repaid to the United States if the construction of facilities financed by obligations with respect to which the Federal advances were paid is abandoned or not completed within a reasonable time.

LABOR STANDARDS

The Commissioner would not be able to make a Federal debt service commitment for financing the construction of school facilities except upon assurance that labor standards, relating to payment of prevailing wages and overtime pay for work in excess of 40 hours per week or 8 hours per day, would be observed in such construction.

ADMINISTRATIVE PROVISIONS

The Commissioner would be authorized to agree to modifications of Federal debt service commitments and of the obligations with respect to which commitments have been made. He would also be authorized to waive or compromise claims. His financial transactions under the bill, while subject to audit by the General Accounting Office, would be conclusive on all other Government officials.

COURT ACTION

Suits would be authorized in the district courts of the United States by any person holding bonds covered by a Federal debt service commitment, to enforce any undertaking of the Commissioner under the commitment.

DEFINITIONS

A number of terms used in the bill are defined. These terms are Commissioner, State, State educational agency, local educational agency, debt service, annual debt service, school facilities, obligations, and construct, constructing, and construction.

WITHHOLDING OF FUNDS AND JUDICIAL REVIEW

Notice and hearing to the State educational agency would be required before Federal debt service commitments to the State could be suspended for failure to comply with the required provisions of approved State plans. A State agency dissatisfied with such suspension could obtain judicial review thereof in the Federal circuit court of appeals.

MISCELLANEOUS

Utilization of other Federal agencies in administration of the bill would also be authorized, as would be delegation of the Commissioner of Education's functions under the bill to personnel of the Office of Education.

S. 1017

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 "College Facilities Act of 1959".

GUARANTY CONTRACTS

SEC. 2. (a) The Commissioner of Education (hereafter referred to as the "Commissioner") may, prior to June 30, 1964, enter into a contract, to be known as a Debt Service Guaranty Contract, pursuant to which the Commissioner may guarantee the payment of the principal of and interest on the bonds of an educational institution if the income from such bonds is subject to Federal taxation and the bonds are to be issued and sold to investors other than the United States in financing the development cost of housing, academic, or other educational facilities. The Debt Service Guaranty Contract shall obligate the Commissioner, so long as such bonds are outstanding, to pay to a trustee or other designated depository under an indenture securing the bonds, such amounts which, when added to the moneys available from the revenues or funds pledged by such institution as security for the bonds (including all reserve funds therefor), may be needed to make the payments due on the bonds. The aggregate principal amount of such guaranteed bonds outstanding at any one time shall not exceed $1,000,000,000.

(b)(1) There is hereby established for the purposes of this section a fund to be known as the College Facilities Guaranty Fund.

(2) All fees received in connection with guaranties issued under this section, all funds borrowed from the Secretary of the Treasury pursuant to subsection (d), all earnings on the assets of the College Facilities Guaranty Fund, all appropriations for carrying out functions under this section, and all other receipts of the Commissioner in connection with the performance of his functions under this section, shall be deposited in the Fund. All payments to trustees or other designated depositories under subsection (a), repayments to the Secretary of the Treasury of sums borrowed from him pursuant to subsection (d), and all administrative expenses and any other expenses of the Commissioner in connection with the performance of his functions under this section shall be paid from the Fund. Moneys in the Fund may be invested in bonds or other obligations of the United States, or in bonds or other obligations guaranteed as to principal and interest thereby, or in obligations which are lawful investments for fiduciary, trust, or public funds, the investment or deposit of which is under the authority and control of the United States or any officer or officers thereof. Such obligations may be sold and the proceeds derived therefrom may be reinvested, as herein provided, if deemed advisable by the Commissioner. Income from such investment or reinvestment shall be deposited in the Fund.

(c) The Commissioner is authorized to charge and collect a fee, as a consideration for the Government's guaranty of the loan, to cover administrative and other expenses in carrying out his functions under this section and to establish a reserve for losses. Such fee may be included in the amount of the bonds guaranteed.

(d) To carry out the purposes of this section the Commissioner is authorized to issue to the Secretary of the Treasury from time to time notes or other obligations for purchase by the Secretary of the Treasury in amounts sufficient, together with any funds in the College Facilities Guaranty Fund, to meet obligations of the Fund including payments of principal and interest on all bonds guaranteed under this section in accordance with the debt service guaranty contract. Such notes or other obligations shall be in such forms and denominations, have such maturities, and be subject to such terms and conditions as may be prescribed by the Commissioner with the approval of the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average market yields on outstanding marketable obligations of the United States having comparable maturities. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations of the Commissioner issued under this section and for such purpose is authorized to use as a public-debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under such Act, as amended, are extended to include any purchases of such notes and other obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public-debt transactions of the United States.

(e) In the performance of, and with respect to, the functions, powers, and duties vested in him by this section, the Commissioner, notwithstanding the provisions of any other law, shall—

(1) prepare annually and submit a budget program as provided for wholly owned Government corporations by the Government Corporation Control Act, as amended; and

(2) maintain an integral set of accounts which shall be audited annually by the General Accounting Office in accordance with the principles and procedures applicable to commercial transactions as provided by the Government Corporation Control Act, as amended, and no other audit shall be required: *Provided*, That such financial transactions of the Commissioner as the making of debt service guaranty contracts and vouchers approved by the Commissioner in connection with such financial transactions shall be final and conclusive upon all officers of the Government.

(f) In the performance of, and with respect to, the functions, powers, and duties vested in him by this section, the Commissioner, notwithstanding the provisions of any other law, may—

(1) prescribe such rules and regulations as may be necessary to carry out the purposes of this section;

(2) sue and be sued;

(3) foreclose on any property or commence any action to protect or enforce any right conferred upon him by any law, contract, or other agreement, and bid for and purchase at any foreclosure or any other sale any property in connection with which he has made a debt service guaranty contract pursuant to this section; in the event of any such acquisition, the Commissioner may, notwithstanding any other provision of law relating to the acquisition, handling, or disposal of real property by the United States, complete, administer, remodel and convert, dispose of, lease and otherwise deal with, such property: *Provided*, That any such acquisition of real property shall not deprive any State or political subdivision thereof of its civil or criminal jurisdiction in and over such property or impair the civil rights under the State or local laws of the inhabitants on such property;

(4) enter into agreements to pay annual sums in lieu of taxes to any State or local taxing authority with respect to any real property so acquired or owned;

(5) sell or exchange at public or private sale, or lease, real or personal property, and sell or exchange any securities or obligations, upon such terms as he may fix;

(6) obtain insurance against loss in connection with property and other assets held;

(7) subject to the specific limitations in this section, consent to the modification, with respect to the rate of interest, time of payment of any installment of principal or interest, security, or any other term of any contract or agreement to which he is a party or which has been transferred to him pursuant to this section; and

(8) include in any contract or instrument made pursuant to this section such other covenants, conditions, or provisions as he may deem necessary to assure that the purposes of this section will be achieved.

(g) Section 3709 of the Revised Statutes shall not apply to any contract for services or supplies on account of any property acquired pursuant to this section if the amount of such contract does not exceed $1,000.

DEBT RETIREMENT ASSISTANCE

SEC. 3. (a) The Commissioner may, prior to June 30, 1964, make a commitment, to be known as a debt-retirement assistance commitment, to an educational institution to pay an amount equal to 25 percent of the principal of any bonds which (1) are issued and sold by such institution to investors other than the United States to finance the development cost of housing, academic, or other educational facilities, (2) are to be repaid by the institution over a period of not less than 20 years or more than 50 years, and (3) are to be repaid in installments of principal and interest which, during the first 20 years after the principal first becomes repayable, are substantially equal. The debt-retirement assistance commitment shall obligate the Commissioner to pay to the institution (or, if the institution so requests, to a trustee or other designated depository, under an indenture securing the bonds) such 25 percent in 20 equal annual installments, except that he may discontinue such installments after any year in which the institution accelerates repayment of such bonds under circumstances which would, in his judgment, defeat the purposes of this section. The Commissioner shall not make any debt-retirement assistance commitment unless the amount of annual payment required under such commitment, plus the aggregate of the annual payments required under all debt-retirement assistance commitments entered into previously, does not exceed the specific limitations on such payments provided in appropriation acts. The aggregate payments which may be made under this section shall not exceed $500 million, and the aggregate payments which may be made with respect to the bonds of any one educational institution shall not exceed $5 million.

(b) An institution shall be eligible for a debt-retirement assistance commitment only if the Commissioner finds—

(1) that the construction (including any land acquisition or site improvements in connection therewith) with respect to which the commitment is made, (A) alone, or together with other construction to be undertaken within a reasonable time, will substantially expand the student enrollment capacity of such institution, or (B) is needed to prevent a substantial decrease in such capacity, or (C) is for facilities for instruction or research in the natural sciences or engineering.

(2) that such construction and any land acquisition or site-development in connection therewith, and the financing thereof, will be undertaken in an economical manner, and that such construction will not be of elaborate or extravagant design or materials.

(3) that the institution has certified that it cannot by using resources already available to it for financing its construction needs finance any portion of the development cost of such construction, for which portion it seeks debt retirement assistance under this section, except through borrowing on terms meeting the conditions specified in the first sentence of subsection (a).

DEFINITIONS

SEC. 4. For the purposes of this Act:

(a) "Housing" means (1) new structures suitable for dwelling use, including single-room dormitories and apartments, and (2) dwelling facilities provided by rehabilitation, alteration, conversion, or improvement of existing structures which are otherwise inadequate for the proposed dwelling use.

(b) "Educational institution" means (1) any educational institution which (A) admits as regular students only persons having a certificate of graduation from a secondary school, or the recognized equivalent of such a certificate, (B) offers at least a two-year educational program, and (C) is a public educational institution, or is a private educational institution no part of the net earnings of which inures to the benefit of any private shareholder or individual, (2) any hospital operating a school of nursing beyond the level of high school approved by the appropriate State authority, or any hospital approved for internships by recognized authority, if such hospital is either a public hospital or a private hospital, no part of the net earnings of which inures to the benefit of any private shareholder or individual, (3) any corporation (no part of the net earnings of which inures to the benefit of any private shareholder or individual) (A) established by any institution included in clause (1) of this subsection for the sole purpose of providing housing, academic, or other educational facilities for students or students and faculty of such institution without regard to their membership in or affiliation with any social, fraternal, or honorary society or organization, and (B) upon dissolution of which all title to any property purchased or built from the proceeds of any loan for which a guarantee or commitment is made under this Act will pass to such institution, and (4) any agency, public authority, or other instrumentality of any State established for the purpose of providing or financing housing, academic, or other educational facilities for students or faculty of any public educational institution included in clause (1) of this subsection, but nothing herein contained shall require an institution included in clause (1) of this subsection to obtain loans through any instrumentality included in this clause of this subsection.

(c) "Development cost" means costs of the construction of the housing, academic, or other educational facilities and the land on which it is located, including necessary site improvements to permit its use for housing, academic, or other educational facilities.

(d) "Faculties" means members of the faculty and their families.

(e) "State" shall include the several States, the District of Columbia, and the Territories and possessions of the United States.

(f) "Construction" means erection of new structures, or rehabilitation, alteration, conversion, or improvement of existing structures.

(g) "Other educational facilities" means (1) new structures suitable for use as cafeterias or dining halls, student centers or student unions, infirmaries or other inpatient or outpatient health facilities, and for other essential service facilities, and (2) structures suitable for the above uses provided by rehabilitation, alteration, conversion, or improvement of existing structures which are otherwise inadequate for such uses.

(h) "Academic facilities" means (1) new structures for use as classrooms, laboratories, libraries, and related facilities (including initial equipment, machinery, and utilities) necessary or appropriate for instruction, research, or administration of the institution's educational and research programs, and (2) structures for such purposes provided by the rehabilitation, alteration, conversion, or improvement of existing structures for such uses if such structures are otherwise inadequate for such uses.

(i) "Bonds" means any bonds, notes, interim certificates, certificates of indebtedness debentures or other obligations.

ADMINISTRATION

SEC. 5. (a) The Commissioner is authorized to delegate any of his functions under this Act, except the making of regulations, to any officer or employee of the Office of Education.

(b) Notwithstanding any other provisions of this Act, the fiscal, architectural, and engineering services required in the administration of section 2 and section 3(b)(2) shall be performed by the Housing and Home Finance Administrator under agreements entered into with the Secretary of Health, Education, and Welfare.

(c)(1) The Commissioner shall not make any debt retirement assistance commitment under this Act with respect to bonds to finance the construction of any facilities, except upon adequate assurance that all laborers and mechanics employed by contractors or subcontractors in the performance of work on such construction will be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a-5), and will receive compensation at a rate not less than one and one-half times the basic rate of pay for all hours worked in any workweek in excess of eight hours in any workday or forty hours in the workweek, as the case may be.

(2) The Secretary of Labor shall have, with respect to the labor standards specified in paragraph (1) of this subsection, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267), and section 2 of the Act of June 13, 1934, as amended (40 U.S.C. 276c).

(d) There are hereby authorized to be appropriated such sums as may be necessary to carry out the purposes of this Act.

SUMMARY OF HIGHER EDUCATION CONSTRUCTION PROPOSAL

Section 1. Short title: This would be the "College Facilities Act of 1959."

Section 2. Guaranty contracts: This section would establish a program of Federal guarantees of bonds of educational institutions, the income of which is subject to Federal taxation, to assist these institutions in financing housing, academic, and related educational facilities.

Under this program the bonds issued by educational institutions to finance the construction of these facilities would be backed by the credit of the United States through the medium of debt service guarantee contracts pursuant to which the Commissioner of Education would guarantee payment of the debt service on such bonds as long as they remained outstanding. By assuring private lenders that the debt service payments would be met as scheduled, the proposed legislation, if enacted, is expected to be helpful in assisting these educational institutions to obtain funds in the private market on reasonable terms.

Subsection (a) would authorize the Commissioner of Education, for the period ending June 30, 1964, to enter into contracts pursuant to which he would undertake to guarantee payment of the debt service on bonds sold by eligible colleges and universities to investors other than the United States. The guarantee would cover the debt service on such bonds, to the extent that the pledged revenues prove inadequate. The aggregate amount of such guaranteed bonds outstanding at any one time would be limited to $1 billion.

Subsection (b) would establish a revolving college facilities guarantee fund which would be used by the Commissioner to finance the costs, including administrative expenses, involved in carrying out the bond guarantee program. All receipts of the Commissioner in carrying out his function under this new program would be deposited in this fund and all expenses of the program would be paid from the fund. Moneys in the fund not immediately needed in the operation of the program could be invested in obligations of the United States or obligations which are guaranteed by the United States or obligations which are lawful investments for federally supervised fiduciary, trust, or public funds.

Subsection (c) would authorize the Commissioner to charge and collect a guarantee fee to cover all expenses of the program and to establish a reserve for possible losses. Such fee may be included in the amount of the bonds guaranteed.

Subsection (d) would authorize the Commissioner, in case moneys in the fund are insufficient to meet the obligations of the fund, to borrow from the Secretary of the Treasury the additional amounts needed to meet the fund's obligations, including the principal of and interest on bonds guaranteed pursuant to the provisions of the debt service guarantee contract. The interest rate on Treasury borrowings would be determined by the Secretary of the Treasury, taking into consideration yields on outstanding marketable obligations of the United States with comparable maturities.

Subsections (e), (f), and (g) are technical provisions directing or authorizing the Commissioner to perform functions necessary in the administration of the guarantee program. These provisions are modeled upon similar provisions in the college housing title (title IV) of the Housing Act of 1950, directing or authorizing the Housing and Home Finance Administrator to perform similar functions necessary in the administration of the Federal loan program under that title.

Section 3. Debt retirement assistance: This section would establish a program of Federal payments to assist educational institutions in retiring long-term bonds (that is, assist in repaying the principle and interest on such bonds) issued by them to finance the construction of housing, academic, or other educational facilities. Because of the special national interest in increasing the enrollment capacity of institutions of higher education and in improving and expanding teaching and research in the sciences or engineering at such institutions, the program is limited to facilities which will serve these national objectives. Through such assistance, institutions which must borrow on a long-term basis in order to finance their construction needs, will be encouraged and helped to do so.

Subsection (a) would authorize the Commissioner of Education prior to June 30, 1964, to make commitments to educational institutions to pay one-fourth of the principal of any amounts borrowed by them (other than amounts borrowed from the United States) to finance housing, academic, or related educational facilities.

The loans with respect to which Federal commitments may be made, must be repayable in not less than 20 or more than 50 years, and the installments of principal and interest which come due in the first 20 years of repayment must be substantially equal. Federal payments would be made in 20 equal installments, but if during the 20-year period covered by these installments the institution becomes able to and does accelerate repayment of the loan by paying more than it is required to pay in any year, future Federal installment payments would be discontinued if the Commisisoner finds that such acceleration would defeat the purposes of this program; he would so find if the acceleration indicated that the institution could have financed some of the construction through cash or short-term loans in the first instance, or if the funds available to the institution for acceleration should have been used by the institution to finance its other construction needs. These requirements and the requirements at section 3(b)(3) are designed to limit the program to institutions which, in order to construct the facilities they need, must borrow on terms involving low annual debt service charges.

There would be a ceiling of $500 million on the aggregate Federal payments which may be made under the program, and a ceiling of $5 million on payments to any one institution; these ceilings would permit Federal assistance in the financing of $2 billion worth of new construction over the 5-year period of the program, and assistance in the financing of $20 million of construction in the case of any one institution. In addition, the bill authorizes the establishment, in acts appropriating funds for the program for any fiscal year, of a ceiling upon the amount of new commitments which may be undertaken in each year.

Subsection (b) limits the Federal assistance to construction which will substantially increase (or prevent a substantial decrease in) the student enrollment capacity of the institution. However, in view of the national interest in the improvement, as well as the expansion, of science and engineering teaching and research in institutions of higher education, the Federal payments will be available for construction of facilities for these purposes, whether or not a substantial increase in enrollment capacity will result.

This subsection would also limit the Federal payments to institutions which certify that they do not have cash or other resources which they could use to finance all or any portion of the construction in lieu of borrowing on a long-term, level debt service, basis.

Section 4. Definitions: With the exceptions noted below, these definitions are the same as the definitions of similar terms in the college housing title (title IV) of the Housing Act of 1950, with the result that the draft bill would apply (with these exceptions) to the same types of institutions, the same types of facilities, and the same types of construction costs, as those covered by the existing college housing program.

The first exception is in clause (1) of subsection (b), which defines "educational institution" to mean a public or nonprofit institution which admits as regular students only persons who have graduated from high school or had an equivalent education, and which offers courses of instruction of at least 2 years' duration. The corresponding clause under the college housing programs is more restrictive, requiring that the institution offer courses of instruction which are creditable toward a baccalaureate degree. The broader definition in the draft bill will permit participation in the program of certain 2-year technical institutes and similar institutions which offer only 2-year courses not creditable toward academic degrees but which are essential to the national interest in meeting the Nation's need for trained technicians. In all other respects the definition of "educational institution" is the same as that used under the college housing program.

The second exception is the addition of a new definition of "academic facilities," so as to include within the purview of the bill (in addition to the housing and certain other educational facilities covered by the existing college housing program) classrooms, laboratories, libraries, and related facilities for instruction, research, or administration of the institution's educational and research programs. Facilities such as athletic stadiums, fieldhouses, and buildings serving purposes other than instruction, research, and administration would be excluded.

Also, this section contains a new definition of the term "bonds," to include notes, interim certificates, certificates of indebtedness, debentures, and other evidences of indebtedness.

Section 5. Administration: This section authorizes the Commissioner to delegate his authority to subordinates and provides for performance of certain fiscal, engineering, and architectural services by the Housing and Home Finance Agency. In addition, this section would preclude the Commissioner from making any Debt Retirement Assistance Commitment with respect to bonds to finance the construction of any facilities except upon assurance that labor standards, relating to payment of prevailing wages and overtime pay for work in excess of 40 hours per week or 8 hours per day, would be observed in such construction. The section also authorizes appropriations to carry out the bill.

AVAILABILITY OF SURPLUS PROPERTY TO STATE AND COUNTY EXTENSION SERVICES

Mr. STENNIS. Mr. President, I introduce, for appropriate reference, a bill to authorize the Cooperative Extension Service to receive surplus Federal property. The State and county extension services are actually a basic part of our agricultural program. They are financed jointly by the Federal Government on a 50–50 basis with State and local governments.

Present law does not permit the State and county extension services to receive surplus Government property directly. Under certain circumstances, they can obtain a limited amount of surplus property, provided they can meet qualifications established by the Department of Health, Education, and Welfare, and provided property is still available after normal distribution. In many States this procedure has been inadequate. It is my understanding that existing procedures, and rightly so, require that excess property be first offered to Federal agencies. After a list has been circulated among Federal agencies, remaining surplus property is then offered to educational, public health, and civil defense agencies at State level. If it cannot be utilized by these agencies, it is then cataloged and offered at public sale, bringing a price which is usually a fraction of the purchasing cost.

The bill which I have introduced would place the Cooperative Extension Service on the same basis as HEW, Civil Defense, and other agencies now receiving surplus property. The Secretary of Agriculture would be required to issue regulations and determine the type of property which would be usable and necessary for extension work, and such property would be allocated on the basis of need. Under this procedure, the State and county extension services would request, through the authorized State agency, office equipment and other items needed for carrying out their educational programs.

The major items which are needed and which would be made available under this bill would include office equipment, such as desks, chairs, tables, file cabinets, duplicating machines, adding machines, and so forth; demonstration materials, such as photograph equipment; and teaching aids and other surplus items adaptable to extension work.

Mr. President, this bill would provide a means whereby the cooperating States could carry out work authorized by the Congress, utilizing facilities of General Services Administration in meeting a part of their property needs. It would make possible the obtaining of property which has become surplus to the needs of other Federal agencies.

Extending this authority to other than Federal agencies is not setting a new precedent. State foresters, employed in cooperation with the Forest Service of the Department of Agriculture, are permitted to utilize GSA facilities in conducting cooperative work. Likewise, agreements have been made for soil-conservation districts, working with the Soil Conservation Service of the Department, to obtain and procure needs through GSA. The effect of this bill would be to extend to the Extension Service somewhat the same authority that will enable this important educational agency to obtain surplus property which they critically need and at a possible saving to the Federal Government.

This bill is also designed to solve another pressing problem confronting the Extension Service. At the present time, county extension services occupy Federal space controlled by the Post Office Department or General Services Administration in over 500 county locations. The furnishings included in these offices consist of desks, chairs, tables, and supply and file cabinets owned by the Post Office Department or GSA. It is my understanding that a move is under way to have this property returned to the Post Office Department or GSA. If this policy is adopted, the Extension Service would then be forced to purchase replacement property. To correct this situation, my bill would authorize the Post Office Department and General Services Administration to transfer this property to State or county extension services without cost.

Mr. President, our State and county extension service program is an outstanding example of Federal and State cooperation. This agency is making a lasting contribution to agriculture. They can utilize to a great advantage surplus office equipment and other property, and they should be authorized to receive surplus items which they critically need. The bill which I have introduced provides a sound approach for making the best possible use of surplus property, and I hope that our Agriculture Committee will give full consideration to this bill at the earliest possible date.

The PRESIDING OFFICER. The bill will be received and appropriately referred.

The bill (S. 1018) to authorize the donation of surplus property to certain agencies engaged in cooperative agricultural extension work, and for other purposes, introduced by Mr. STENNIS, was received, read twice by its title, and referred to the Committee on Government Operations.

LOANS FOR FUR FARMERS

Mr. PROXMIRE. Mr. President, on my own behalf, and for Senators YOUNG of Ohio, MOSS, HUMPHREY, MAGNUSON, WILEY, MCCARTHY, JAVITS, NEUBERGER, and HART, I introduce, for appropriate reference, a bill to extend the Farmers Home Administration operating loan program to bona fide fur farmers.

I have a brief statement describing this bill for which I ask unanimous consent to have printed in the RECORD at this point.

The PRESIDING OFFICER. The bill will be received and appropriately referred; and, without objection, the statement will be printed in the RECORD.

The bill (S. 1019) to extend the Farmers Home Administration operating loan program to bona fide fur farmers, and for other purposes, introduced by Mr. PROXMIRE (for himself and other Senators), was received, read twice by its title, and referred to the Committee on Agriculture and Forestry.

The statement presented by Mr. PROXMIRE is as follows:

STATEMENT BY SENATOR PROXMIRE

This bill would extend the same privileges to fur farmers as are enjoyed at present by other family-sized farm operators in respect to operating loans from the Farmers Home Administration. At present, fur farm operators are denied access to this type of farm credit.

The bill would amend section 21(a) of the Bankhead-Jones Farm Tenant Act, as amended, to include fur farmers. It would authorize loans to family-sized fur farmers such as are now available to other farmers for the purpose of purchasing livestock, seed, feed, fertilizer, equipment, supplies, and other farm needs, to reorganize the farming operations to permit more diversified or more profitable operations, to refinance existing indebtedness, and for family subsistence.

Loans would be at an interest rate of 5 percent, for a period of 7 years from the date of the initial loan. A maximum of indebtedness of $10,000 per farm operator would be permitted, except that 10 percent of the total funds available for such loans could be used for larger total amounts up to $20,000.

Fur production is an important agricultural enterprise in several States. Mink are the major fur crop at present.

Following is a list of the 12 top mink-producing States, with the number of kits produced in each in 1957:

Wisconsin	1,580,000
Minnesota	372,000
Michigan	270,000
Utah	245,000
Oregon	237,000
Illinois	235,000
Washington	228,000
New York	199,000
Iowa	161,000
Pennsylvania	156,000
Ohio	131,000
Massachusetts	130,000

The National Board of Fur Farm Organizations, at its annual meeting in Boston, Mass., August 20–22, 1958, endorsed this bill. Following are the comments published in its proceedings on the matter of farm loans for fur producers:

FEDERAL LOANS FOR FARMERS

The U.S. Department of Agriculture in its administration of a farm loan law has excluded fur farmers from the classification of family-type farms. During the 2d session of the 85th Congress certain Senators requested an opinion from the national board as to whether or not, in the interests of its members, it was desirable to amend the Federal farm loan law to specifically provide that fur farmers fall within the definition of a family-type farm.

This question was discussed by the executive committee at which time it was determined the subject would be presented for action to the directors at the 15th annual meeting of this association.

After lengthy discussion and after all aspects of the question had been explored the board of directors passed a resolution which reads as follows:

"*Be it resolved,* That the executive committee of the National Board of Fur Farm Organizations, Inc., seek proper legislation or Federal regulation which will permit fur farmers to qualify for loans under the Farm Home Loan Administration."

AMENDMENT OF FEDERAL COAL MINE SAFETY ACT—ADDITIONAL COSPONSOR OF BILL

Mr. CLARK. Mr. President, I ask unanimous consent that the name of the senior Senator from Wyoming [Mr. O'MAHONEY] may be added as an additional cosponsor of the bill (S. 743) to amend the Federal Coal Mine Safety Act in order to remove the exemption with respect to certain mines employing no more than 14 individuals, introduced by me on January 28, 1959, the next time the bill is printed.

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

EFFECT OF WITHDRAWALS OR RESERVATION OF PUBLIC LANDS ON CERTAIN WATER RIGHTS—ADDITIONAL COSPONSORS OF BILL

Under authority of the order of the Senate of February 2, 1959, the names of Senators MOSS, CHAVEZ, HRUSKA, CANNON, YOUNG of North Dakota, BARTLETT, and CASE of South Dakota were added as additional cosponsors of the bill (S. 851) to provide that withdrawals or reservation of public lands shall not affect certain water rights, introduced by Mr. O'MAHONEY (for himself and other Senators) on February 2, 1959.

COMMISSION ON EQUAL JOB OPPORTUNITY UNDER GOVERNMENT CONTRACTS—ADDITIONAL COSPONSORS OF BILL

Under authority of the order of the Senate of February 5, 1959, the names of Senators JAVITS, CAPEHART, SCOTT, KEATING, CURTIS, and ALLOTT were added as additional cosponsors of the bill (S. 942) to establish a Commission on Equal Job Opportunity Under Government Contracts, introduced by Mr. GOLDWATER (for himself and Mr. CASE of New Jersey) on February 5, 1959.

CHANGE OF REFERENCE

Mr. YOUNG of North Dakota. Mr. President, on January 8 the senior Senator from North Dakota [Mr. LANGER] and I introduced Senate bill 147, a bill having to do with the modification and reauthorization of the Garrison diversion irrigation project. The bill was referred to the Committee on Public Works. In checking, I find it really belongs to the Committee on Interior and Insular Affairs, since it is wholly a reclamation project.

I have discussed this matter with the distinguished senior Senator from New Mexico [Mr. CHAVEZ] and the distinguished senior Senator from Oklahoma [Mr. KERR], who is chairman of the subcommittee handling this type of legislation. They agree it should be rereferred to the Committee on Interior and Insular Affairs.

I ask unanimous consent that the bill be so referred.

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

ADDRESSES, EDITORIALS, ARTICLES, ETC., PRINTED IN THE RECORD

On request, and by unanimous consent, addresses, editorials, articles, etc., were ordered to be printed in the RECORD, as follows:

By Mr. MORSE:

Statement entitled "Youth Conservation Act of 1959," prepared by him, together with editorial "A New CCC?" published in the Medford (Oreg.) Mail Tribune of January 14, 1959.

By Mr. MANSFIELD:

Article entitled "Interview With Senator GREEN—An Elder Statesman at 91 Looks at the World Today," published in the February 13, 1959, issue of U.S. News & World Report.

NOTICE OF HEARING ON NOMINATION OF FRANKLIN D. MURPHY TO BE A MEMBER OF ADVISORY COMMISSION ON EDUCATIONAL EXCHANGE

Mr. FULBRIGHT. Mr. President, as chairman of the Committee on Foreign Relations, I desire to announce that the Senate received today from the President of the United States the nomination of Franklin D. Murphy, of Kansas, to be a member of the U.S. Advisory Commission on Educational Exchange for a term of 3 years expiring January 27, 1962, and until his successor has been appointed and qualified.

Notice is given that the Committee on Foreign Relations, at the expiration of 6 days, in accordance with the committee rule, will give consideration to this nomination.

U.S. GOVERNMENT PROCUREMENT POLICY ON ELECTRICAL GENERATING AND DISTRIBUTION EQUIPMENT

Mr. WILEY. Mr. President, one of the very serious problems confronting our country today is the matter of America's maintenance of her own market within this country. This morning we discussed the subject in part in the Judiciary Committee. Today, many of the imports are having a serious impact upon our economy. This matter requires study.

I hold in my hand a manuscript, prepared by the Allis-Chalmers Co., in which that company states that from the standpoint of national defense, it is most important that hydraulic turbines, hydraulic turbine generators, large transformers, and large circuit breakers which are used in our country be built in the United States.

Recently, while I was in Wisconsin, the TVA awarded a contract to a Swiss concern which had underbid the Allis-Chalmers Co. by a little more than $1 million. That meant 400,000 man-hours of unemployment in our country.

I am submitting, for printing in the RECORD, certain material which was forwarded to me. Certainly we must now give consideration to the tremendous impact of foreign cheap labor and the crisis resulting from the use of foreign products such as I have mentioned. We are informed that from the standpoint of defense it is necessary that American-produced turbines, circuit breakers, transformers, and so forth, be used at such installations in our country.

Mr. President, I ask unanimous consent that the memorandum to which I have called attention be printed at this point in the RECORD.

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

ELECTRICAL GENERATING AND DISTRIBUTION EQUIPMENT U.S. GOVERNMENT PROCUREMENT POLICY

I—The issue

The issue between NEMA and the Government is the adverse effect on U.S. national security of Federal procurement policy.

The issue is limited to only 4 classes of equipment of over 80 apparatus classes in the electrical industry. These are:

1. Hydraulic turbines.
2. Hydraulic turbine generators.
3. Transformers, 10,000 kilovolt-amperes and above.
4. Circuit breakers, 1,000 megavolt-amperes interrupting capacity and above.

Especially significant is whether the loss of new business to foreign bidders threatens to impair the ability of domestic suppliers of hydraulic turbines and hydraulic turbine generators to make new units or repair existing units in event of emergency. Sixty percent of the hydraulic turbines and generators installed in the United States are bought by the Federal Government. If foreign suppliers take over this part of the market, it may not be practicable for American producers to remain in this business.

II—The legal bases of the petitions

The authority of the Director of Civil Defense and Defense Mobilization to decide the issue is definite. The legal bases for his authority are:

1. Section 3(d) of Executive Order 10582, relating to the Buy American Act—to direct procurement agencies concerning circumstances in which they should reject foreign offers because it is necessary to protect essential national security interests.

2. National plan for civil defense and defense mobilization of October 1958 requiring agencies of the Federal Government to plan, prepare, and undertake actions for the execution of that plan under the Director, Office of Civil Defense Mobilization.

3. Section 8 of the Trade Agreements Extension Act of 1958 requiring Director, Office of Civil Defense Mobilization, to determine effects on national security of imports of items as petitioned, or on his own motion, and take necessary action.

Executive Order 10582 and the Trade Agreements Extension Act were designed to promote foreign trade. Section 3(d) of the former and section 8 of the latter were included by Congress and the President despite arguments that they would adversely affect trade relations and political friendship with foreign countries. These are the principal arguments of foreign suppliers.

III—The petitioners

Three petitions now pending before the Director, Office of Civil Defense Mobilization, were presented by—

1. General Electric Co., of March 7, 1958.
2. Transformer section, NEMA, of March 13, 1958.
3. National Security Committee, NEMA, of May 1958.

A statement in support of the NEMA petitions was made by Westinghouse in September 1958.

IV—Arguments of the petitioners

The arguments are wholly concerned with national security. They do not include any economic issues. They are basically concerned with—

1. The fact that a continuous and uninterrupted power supply is essential to national security.
2. The fact that power centers have been recognized as prime targets for sabotage or attack since the Second World War.
3. The growing concentration in key U.S. power systems of heavy electric power equipment produced overseas.
4. The absence of adequate policy guidance in procurement of foreign equipment in respect to national security.
5. The effect of delay or disruption in deliveries of foreign equipment on the supply of electric energy.
6. The fact that rapid restoration of power service in the event of multiple outages is more feasible if equipment is of domestic origin.

These arguments are supported by detailed case histories.

V—Arguments of foreign suppliers

Their arguments are largely economic and political. The few arguments specific to the issue can be demonstrated to be irrelevant.

VI—Precedents

Precedents exist for favorable action on these petitions. They are:

1. Agreement by the Director, OCDM in March 1957 to review the issue for hydraulic turbines by individual case.

The first two cases the Director, OCDM, decided were awarded to American bidders.

2. The Central Electric Authority of Great Britain has stated that for procurement of heavy power generating and distribution equipment "it would be unwise * * * to be dependent upon foreign manufacturers for spares and maintenance."

3. The Berry amendment to the Defense Appropriations Act generally limits Defense Department procurement to textiles and foods to those produced in the United States.

4. In March 1958 the President limited purchase of crude petroleum and petroleum products for reasons of national security to those produced in the United States, unless imported products comply with the voluntary oil import program.

HEAVY ELECTRICAL MACHINERY BIDS LOST TO FOREIGN FIRMS BY U.S. FIRMS

Transformers 10,001 kv.-a. and up, 1952–58

89 contracts lost covering 279 transformers of various ratings for which U.S. bids were	$50, 256, 373
A–C had low U.S. bid on 5 contracts covering 12 transformers in amount of	2, 932, 037
Foreign firms bids awarded totaled	1, 858, 655

Federal Government awards in dollars for transformers in recent years to foreign firms by amount and percentage of foreign awards to total awards:

Year	Amount	Percent
1952	$1, 956, 650	27
1953	4, 043, 240	50
1954	1, 211, 523	40
1955	5, 666, 651	60
1956	3, 269, 393	81
1957	1, 763, 868	46

In the period 1956–58, U.S. firms lost 33 contracts for 136 transformers of various ratings. The U.S. bids for these units totaled $17,625,225. The foreign bids amounted to $15,053,231.

HYDRAULIC TURBINE-DRIVEN GENERATORS OF VARIOUS SIZES 1951–58

Eight contracts covering 16 units lost to United States.

U.S. bids amounted to	$12, 806, 651
Foreign bids awarded were	9, 927, 339
A–C lost 1 contract for 3 units, being low U.S. bidder at	4, 290, 180
Brown-Boveri won with bid of	2, 639, 000

TENNESSEE VALLEY AUTHORITY, WILSON DAM HYDRAULIC TURBINE GENERATORS, WAIVER OF REQUIREMENTS FOR FOREIGN BIDDERS

The bid invitation includes TVA Form 9699 (foreign bidder questionnaire) which states: "If award is made to a bidder whose manufacturing facilities are located outside the United States, general conditions, domestic materials, nondiscrimination (TVA Form 9660), and Walsh-Healey Act (TVA Form 1847A) do not apply."

The domestic materials provision is based on the Buy American Act. Generally it requires American bidders to supply items manufactured only in the United States.

The nondiscrimination provision is based on Executive Order 10557. It requires a contractor not to discriminate against any employee because of race, religion, color, or national origin.

The Walsh-Healey Act authorizes the Secretary of Labor to regulate hours, wages, and working conditions of employees working on Government contracts in excess of $10,000. Its minimum wage provision is not applicable because no minimum wage determination has been made for the electrical equipment manufacturing industry; however, the Fair Labor Standards Act does have a minimum wage provision applying to electrical equipment manufacturers.

The Walsh-Healey Act also requires work in excess of 8 hours per day or 40 hours per week to be paid at time and one-half.

The act prohibits manufacturers from employing child labor, and operating under conditions which are unsanitary, hazardous, or dangerous to health as defined by the inspection laws of the State.

We are also subject to Wisconsin's minimum wage law which applies only to women and minors. As in the case of the Fair Labor Standards Act, the minimum is well below that actually paid.

PUBLIC REACTION TO ALLIS-CHALMERS' POSITION ON TVA AWARD OF GENERATORS FOR WILSON DAM TO A FOREIGN SUPPLIER

Positive

Reaction to Allis-Chalmers' stand was swift and generally positive. Within 24 hours, union locals at the West Allis Works sent telegrams to Wisconsin Congressmen urging them to demand a review of the award by TVA and a congressional investigation of the TVA action. A number of businessmen wrote the company, citing their problems with foreign competition and praising Allis-Chalmers for its stand. Editorials appeared in many newspapers around the country, criticizing the TVA action. Said the Milwaukee Sentinel: "It's time for the Tennessee Valley Authority, a Government agency, to live by the Government's set of standards." The Knoxville Journal said: "* * * does it make sense for U.S. workers to be without jobs and manufacturers to lose business such as this because U.S. workers get more pay and the U.S. Government demands taxes of our own citizens which it cannot collect from the foreigner?" A news release was sent to U.S. Senators and Representatives and a number of them promised to look closely at the problem and perhaps introduce corrective legislation. Wisconsin's congressional delegation asked TVA for an explanation and fullest consideration of the Allis-Chalmers bid. The news release also went to utilities across the Nation. Several of them gave the full release to local papers and more editorials supporting our position resulted. A utilities' advertising association prepared a news release from our release for us in whatever way members wished. Chambers of commerce in plant cities sent protests to

Members of Congress. A Milwaukee electrical engineering firm telegraphed Wisconsin Congressmen protesting the award and reproduced the wire in an ad in Milwaukee papers.

Negative

There were exceptions to the Allis-Chalmers position, such as editorials which supported TVA for buying generators at lowest cost and in support of world trade. From the Milwaukee Journal: "If American industry wants to compete abroad, and get fair treatment as against domestic competition there, can it justly demand privilege treatment * * * over foreign competition in the United States?" The Journal cited our 1957 annual report which reported increased export trade sales and noted that the United States is committed to a policy of broadened world trade. The Chattanooga Times said: "TVA was right and should be supported in its decision to buy * * * from a Swiss firm at a substantially lower price than the competitive bid from an American firm." The Danville (Va.) Register: "The TVA directors would have had a come uppance coming had they squandered $4.29 million for generators they can purchase for $2.5 million and probably help international trade in so doing." Of letters to the editor in various newspapers, only a few were negative to our position, all of them taking the line that other nations must sell to the United States in order to buy from us.

ICE AGE PARK AND TRAIL FOUNDATION OF WISCONSIN, INC.

Mr. WILEY. Mr. President, recently I introduced a bill to establish, in Wisconsin, an Ice Age National Park, to preserve significant areas of moraines formed by glacial action thousands of years ago.

The Wisconsin moraines—about a 500-mile-long area, including formations of rock, hills, valleys, and rocks of scientific and geological significance—represent the most unique of the glacial-sculptured topographical features in the country.

It will be recalled that, upon introduction of the bill, I commented on the work of a number of conservation-minded enthusiasts who are supporting this program.

I am pleased to report that one of the major enthusiasts for this Ice Age Park, Mr. Raymond T. Zillmer, of Milwaukee, has organized a foundation to assist the local, State, and Federal Governments in its work for preserving the Wisconsin moraines. As it meets its stated objectives, this foundation, I believe, will perform a real public service.

I am happy to report, also, that the project has the enthusiastic support of veterans, civic, and other organizations in Wisconsin. As an illustration, recently I received a resolution, adopted by the Veterans of Foreign Wars of the United States, Department of Wisconsin, in support of this project.

I ask unanimous consent that a brief statement on the purposes of this foundation and the resolution adopted by the Wisconsin VFW be printed in the RECORD.

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

ICE AGE PARK AND TRAIL FOUNDATION OF WISCONSIN, INC.

Nowhere in the United States are there available for public use glacial remains of the ice age equal in variety and beauty to those in Wisconsin.

PURPOSE OF FOUNDATION

1. The foundation will assist the Federal, State, and local governments in establishing and preserving a public park for future generations in the glacial formations of Wisconsin, 500 miles across the entire State.

2. It will assist in establishing in this park a parkway drive following a curved line and the natural contours wherever possible, together with picnic-spot waysides on the parkway for public use.

3. It will assist in establishing a trail for hikers and skiers with shelters in the nature of the Appalachian and John Muir Trails.

4. It will foster the education of the people, especially the young people, in the beauties and wonders of nature and its spiritual and healthgiving values so that they will make greater use of such areas, as well as other outdoor areas, with a view to developing men and women who are strong and healthy—physically, mentally, and spiritually.

The last is the most important purpose and is a long-range objective of 1, 2, and 3, as a constructive solution of the juvenile problem.

* * * * *

THE USE OF PROCEEDS

The money will be used, after expenses of administration, to promote the above purposes of the foundation, by giving land or money to the governmental unit establishing the park. If anyone is interested in developing a particular area, the funds will be used as indicated. However, conferences should precede any specific allocation so that it may fit into the general plan of the foundation. Direct gifts to the governmental units involved may be made, but these should not be made until after conferences to ascertain suitability for the general purpose and plan of the foundation, and then only through the foundation which will supervise the gift to see that the donors' wishes are carried out. Funds for specific units or purposes will be set aside in separate special accounts, or in trust accounts if desired.

RESOLUTION NO. 7

Resolution supporting establishment of Wisconsin Moraine National Park

Whereas a bill has been introduced in the 86th Congress of the United States calling for the creation of a national park in Wisconsin from the meandering glacial moraines located in some 26 counties of the State, the nucleus of this area being the Kettle Moraine State Park; and

Whereas the last of the four great glaciers was called the Wisconsin Glacier because in no other place in America did the glacier leave clearer evidence of its existence; and

Whereas this natural feature of our State should be perpetuated in the form of a national park; and

Whereas Wisconsin does not have a national park; and

Whereas this moraine area has no economic value because of the very thin topsoil and underlying gravel, but is ideal for recreational purposes, such as skiing, hiking, camping, etc.; and

Whereas as this proposed park, 500 miles long, about one-fourth mile wide, and totaling 125 square miles or 70,000 acres, will enhance the recreational scenic and business aspects of the State; and

Whereas it is well established that recreation areas must be set aside now to take care of the needs of our increasing population: Now, therefore, be it

Resolved by the Council of Administration, Department of Wisconsin, Veterans of Foreign Wars of the United States, duly convened at its midwinter conference at Sheboygan, on January 23, 24, and 25, 1959, That we go on record to enthusiastically support the Wisconsin Moraine National Park proposal, that we urge all posts and auxiliaries to write to their respective Representatives in Congress expressing support of such a national park in Wisconsin, and that a copy of this resolution be sent to Senators ALEXANDER WILEY and WILLIAM PROXMIRE, and to all Wisconsin Congressmen.

WHY MORE DELAY IN LIMITING PETROLEUM IMPORTS

Mr. SCHOEPPEL. Mr. President, I ask unanimous consent that at this time I may proceed for not more than 4 minutes to make a brief statement.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the Senator from Kansas may proceed.

Mr. SCHOEPPEL. Mr. President, for several months, a Special Cabinet Committee has been studying the oil-import problem. The President on December 22, 1958, announced that a decision by the committee has been delayed, and that the present, ineffective voluntary effort to restrict oil imports is to be continued to March 1, 1959. This delay in reaching a firm and effective solution to the oil-import problem is alarming.

While these studies and discussions continue, oil imports increase.

More than three years ago the Congress became concerned about the oil-import problem and the damaging effect foreign oil was having on the domestic industry. In 1955 the Congress passed the defense amendment, giving the President authority to limit imports in the interest of national security. At that time the Congress was alarmed at the injurious effects being caused by oil imports of 1 million barrels daily. Now, more than 3 years later, after taking action which we had every reason to believe was fully adequate to take care of this problem, oil imports during recent weeks have been averaging nearly 2 million barrels daily.

Last year, when Congress approved the extension of the trade law, it was agreed by the executive branch, the Congress, and the domestic petroleum industry, that imports of foreign oil must be held at a reasonable level. To remove any doubt as to the adequacy of the President's authority to limit oil imports, Congress strengthened the defense amendment as a part of the new trade law. Now, after 6 months, we still do not have any implementation of the new law. For that matter, no real and effective action has been taken to limit total oil imports since the defense amendment was adopted in 1955. True enough, under the voluntary program inaugurated in 1957, imports of crude oil have been somewhat reduced. But there has been no attempt to restrict imports of oil products. As a result, product imports have run amuck, now averaging nearly 800,000 barrels daily, which is 50 percent above the level at this time last year. Every barrel of petroleum product displaces 1½ to 2 barrels of domestic crude production, and thus the large product increases have more than offset any limitations on crude oil imports.

It is damaging to permit a domestic industry which is so closely tied to our national defense as the petroleum industry to grow weaker and weaker as a result of increasing imports. Growth of this industry for future peacetime and emergency needs has been stagnated. Since 1956 we have seen drilling decline 15 percent, geophysical and core drilling crews down 18 percent, and wildcat or exploratory wells down 26 percent. While the domestic industry retrenches, imports increase year after year.

As a matter of national policy, the President's Cabinet Committee declared in July 1957 that "If we are to have enough oil to meet our national security needs there must be a limitation on imports that will insure a proper balance between imports and domestic production." Yet we are now confronted with more delay in bringing about an effective program that will establish a proper balance between imports and the domestic industry, and thereby alleviate the deterioration being suffered by the domestic industry. It is frightening to contemplate that as foreign oil imports continue to increase and take a larger and larger share of the domestic market, the availability of these imports is becoming less and less stable. What has taken place recently in Venezuela, coupled with the Suez and Middle East crises, should convince even the most ardent advocate of foreign oil that as a Nation we cannot afford to become dependent upon these sources.

I urgently and respectfully implore the President and his Cabinet Committee to reconsider their recent action and immediately implement the defense amendment with a workable and effective program to limit imports of foreign oil.

Mr. DIRKSEN. Mr. President, I ask unanimous consent that the distinguished Senator from Kansas may have 1 additional minute, so that I may make a comment on his statement.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and the Senator from Kansas may proceed for an additional minute.

Mr. SCHOEPPEL. I yield to the distinguished minority leader.

Mr. DIRKSEN. I am delighted to commend the interest of my distinguished colleague from Kansas in this matter. A good deal of testimony on this and related items was brought out as a result of the Suez controversy several years ago. At that time we went into the international import picture, which brought into focus the whole import program. Before too long, as a result of the interest of President Eisenhower and the administration, there was established the Cabinet Committee, and voluntary quotas were put into effect. I have kept up with the problem. I know of the abiding interest of the President in it, and that of a good many others. Our colleague, the Senator from Kansas [Mr. CARLSON], has also been interested in the problem. I hope we can follow through on the matter, find out precisely what the situation is since we have been under the voluntary quota system, and ascertain what is necessary in order to arrive at a workable, feasible, effective solution of the problem, so that our independent producers can look with some degree of assurance to relief from their problem. Goodness knows how many there are; at least 1,500 belong to the association. I commend the distinguished Senator from Kansas for his vigilant interest.

Mr. SCHOEPPEL. I appreciate the remarks of the distinguished minority leader. He has put his finger on a very important situation. Seemingly, from the viewpoint of the independent oil operator, it looks as if there has been an extremely longer delay than should have taken place in working toward a solution. We hope that as a result of the work of the Cabinet Committee and related agencies that are responsible for working on the problem we can find that something constructive can be done, because the industry is getting into a bad state of affairs. I am very appreciative of what the distinguished Senator from Illinois has just said.

Mr. CARLSON. Mr. President, I should like to concur in the remarks made in the colloquy between the distinguished minority leader and my colleague from Kansas in regard to the need for getting early action on what should be a program of the Federal Government and our Nation with respect to oil imports. I cannot stress too seriously how the problem affects our individual States, oil operators, and our national defense as a whole. Therefore, I appreciate the statement made by the senior Senator from Kansas [Mr. SCHOEPPEL].

Mr. YARBOROUGH. Mr. President, I desire to commend the distinguished senior Senator from Kansas [Mr. SCHOEPPEL] on his remarks this morning with reference to the flood of foreign imports which are doing so much to depress the petroleum industry in the United States. I associate myself with the remarks which the distinguished Senator from Kansas has made. I think it very timely that he called to the attention of this body the serious national problem involved.

TENTH INTERNATIONAL PANCAKE DAY RACE AT LIBERAL, KANS.

Mr. CARLSON. Mr. President, our Nation is always interested in programs that promote world friendship and good will among the peoples of the earth.

Tomorrow in Liberal, Kans., the 10th annual International Pancake Day race will be run. This race is sponsored by the junior chamber of commerce of Liberal, Kans., for the promotion of international relations between England and the United States.

The race has an interesting historical background and is based on competition between the young ladies of Olney, England, and Liberal, Kans. The background, historically, is this:

In old England, it was customary for the housewives to drop whatever they were doing and hurry to the church at the tolling of the bell to be shriven of their sins. In 1445, a wife in Olney, England, started baking her pancakes, and they were not quite done when the church bell rang, but she hurried off to the church, carrying her griddle and pancakes with her. Thus an annual sporting event was born.

In Liberal the housewives heard of the 500-year event of pancake racing over a 415-yard course from the town pump to the church, and in 1950 a challenge from them for a contest was accepted by Rev. R. C. Collins, vicar of Olney. In the running of the International Pancake Day race over identical courses, times of the winners in both Liberal and Olney are compared by trans-Atlantic telephone.

The junior chamber of commerce and citizens of Liberal are to be commended for arranging a program and providing for the competition, which will bring about increased good will and relations between our Nation and England.

Mr. President, as one who has attended these pancake day races, I can assure my colleagues of the great interest in it. Girls or ladies in the United States have won in about 50 percent of the contests.

KANSAS STATE FARM BUREAU VIEWS ON AIRPORT CONSTRUCTION AND FEDERAL HOUSING LEGISLATION

Mr. CARLSON. Mr. President, the Kansas State Farm Bureau wrote me expressing their views on Senate 1, a bill providing Federal aid for airport construction and the recently approved Federal housing legislation.

I did not have the letter, which was signed by W. I. Boone, president, when these bills were before the Senate, and therefore I ask unanimous consent that extracts from the letter be made a part of my remarks today.

The letter states that the Kansas Farm Bureau recognizes the need for extending airport runways to accommodate faster planes and facilities to improve operational safety, but they firmly believe that the Federal Government should not be a contributing party to the rivalry between cities in the construction of impressive terminal buildings.

The Kansas Farm Bureau Federation also express their views concerning a balanced budget, and urge Congress to take no steps that will further increase the inflationary pressures.

The PRESIDING OFFICER. Is there objection to the request to have extracts from the letter printed?

There being no objection, the extracts were ordered to be printed in the RECORD, as follows:

We are deeply concerned with the apparent haste in the Senate to push through with limited hearings the aid to airport construction and the greatly expanded Federal housing programs.

In our judgment the announced intention by committee chairmen to press for quick enactment of S. 1 contains the threat of establishing early in this Congress a spending pattern which makes even a near balanced budget or any brake on inflationary forces a nebulous dream of the distant future.

We can understand why cities feel that all taxpayers through the Federal Government should participate in the cost of such programs. We recognize the need for extending airport runways to accommodate faster planes and facilities to improve operational safety. We believe, however, the responsibility of the Federal Government should be limited primarily to these expenditures on a matching basis.

We do not believe the Federal Government should be a contributing party to the rivalry between cities in the construction of impressive terminal buildings. Collection of appropriate user charges would further reduce need for appropriated funds.

Continued inflation threatens the destruction of the whole economic and political structure. But of immediate concern is the cost-price squeeze on farmers. With little prospect of quick improvement in agricultural prices to further raise agricultural costs through inflation only makes the squeeze more critical.

BENSON-ADMINISTRATION FARM PROPOSAL WOULD FORCE MORE FARMERS OFF THEIR FARMS

Mr. YARBOROUGH. Mr. President, the approach of Secretary of Agriculture Ezra Benson and the administration to the national farm problem has moved from the incredible to the ridiculous.

It was incredible that this antifarmer administration should seek to solve the agriculture surplus problem by cutting price supports. This move simply forced every dirt farmer to try to produce more in order to earn enough income on which to live. As our farmers sought to keep above water in the face of depressed prices and higher costs of living, our Nation's agricultural surpluses mounted to record highs.

During this period, the farmers—particularly the small family farmer—got poorer, and those folks sometimes characterized as the "ones who farm the farmers" got more and more of the food dollar. The farmer now receives only 40 cents of the food dollar.

But the administration's Bensonism does not change easily. Now the administration has come up with a ridiculous new farm proposal aimed at further cutting price supports. The new Benson plan would abandon the parity concept for farm prices and figure supports on the basis of open market prices. Department of Agriculture figures show that this open market formula could result in a drop of as much as 38 cents a bushel in wheat price supports and as much as 61 cents a hundred pounds in milk price supports.

Mr. President, this morning I was talking with woolgrowers from my home State, who are now receiving 40 cents a pound for wool. In 1936, at the bottom of the depression, these woolgrowers were receiving 42 cents a pound for wool. The price is now less than it was at the bottom of the depression, but in the meantime the prices these woolgrowers have to pay have risen to sometimes 3 times as high as they were in 1936, and in other cases they are 10 times as high as they were 1936.

Mr. President, adoption of the Bensonism proposal would be compounding the farm tragedy. It would mean that many hundreds of thousands more little farmers would be driven off their land. It would mean more depressed areas, more pockets of poverty across the Nation.

In his message to the Congress, President Eisenhower recounted the vast expenditures under the agriculture program and told us the program is not working. Surely all of us agree that under Bensonism this program has grown progressively worse. But I resent the implication that through price supports farmers are getting an unfair advantage. Over the past 50 years, for every $1,000 this country has spent for subsidies the American farmer has received only $5. Governmental aid also goes to airlines, petroleum interests, shipping, and many other industries. Why, then, should the administration single out farm expenditures as a great loss and suggest that we continue down the same trail of depressed farm prices, greater stacks of surpluses, and, most important, greater hardship for a majority of the farm people of America?

Regardless of the administration's proposal, it is mandatory that we turn our back on this proposed road to financial ruin for more farmers. Instead we must have the vision, courage, intelligence and determination to initiate a bold new approach to the problems besetting the agriculture industry. The farmer is not to blame for his present plight.

Last week Mr. J. L. Johns, manager of the Upshur-Rural Electric Cooperative Corp. of Gilmer, Tex., sent me an outstanding editorial on this subject. Mr. Johns, like the thousands of Rural Electrification Association leaders who are now in convention here and others across the Nation, is keenly aware of the farm problems and has worked diligently for their solution. He sent me an editorial recently published by the Tyler, Tex., Morning Telegraph and noted:

> It is the first newspaper in our area to my knowledge that had editorially presented the facts on the farm situation.

I regard this as one of the finest editorials I have ever read on the farm problem. Tyler is located in the heart of the traditional east Texas farm belt, and with the lessening of oil production there, farming is becoming more important.

Mr. President, I request unanimous consent to have printed in the RECORD an editorial from the Tyler Morning Telegraph of Monday, February 2, 1959, under the heading: "Don't Blame Farmers."

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

DON'T BLAME FARMERS

Sometimes the only way to get the real feel of the other fellow's side of the argument is to put the shoe on the other foot.

And it now seems about time for that shoe swap to be made, in effect, in considering the ups and downs of the farmer. The result could be to relieve the farm order of things from a lot of criticism, especially from the town folks who feel that folks in the country are having it extra easy under the Government supports program.

And that criticism often includes the feeling that the cost of grocery store food would drop to easier levels for the consumers if much of the Government money were cut off in its flow to the farmers. Besides, it is often said, the whole farm supports program is costing the taxpayers a lot of money.

All that's familiar, isn't it? And the best rebuttal comes from the Capper's Farmer magazine, which has put its defense of the farmer in pamphlet form and printed several thousand copies.

The core of the farm problem, says Capper, is this: In any normal peacetime year farmers can produce more than the market will take at prices fair to everyone concerned. The reason is that we have, through research, created a whole application of mechanical power to agriculture, created a whole new way of producing farm products. The revolution is still going on. In the past 18 years farmers have boosted their efficiency as much as in the preceding 120 years.

City workers have helped bring this increased efficiency on the farms, by providing tractors, chemicals, fertilizers, fuels, and an abundance of other facilities and services. Result: Since the early 1940's the combined per acre yield of 18 leading field crops has increased by a dramatic 40 percent. But producing food is only part of it.

The food business is a chain with farmers at one end. In between farms and shelves of supermarkets is the marketing system. The off-farm operations are handled by some 6 million persons, says Capper, who are producing for and servicing farmers and around 10 million who are distributing farm products. Adding these to around 8 million farm operators and farmhands makes about 24 million persons.

This combination of functions is called agribusiness. It's the Nation's largest business, accounting for 37 percent of the U.S. working force. In their part of it, farmers are a $14-billion-a-year customer of industry and labor—not counting the billions farm people spend for consumer goods.

Are farmers to blame for high food prices? Well, Capper says that last year some 60 cents out of every dollar we spent for food went to the people who bought, handled, sold, processed, transported, and packaged farm products. A little less than 40 cents went to farmers.

Consider also that although they make up 12 percent of the population and produce 65 percent of the raw materials for industry, farmers in 1957 got only 4 percent of the national income. And during all that time the cost of all the farmers' tools of production increased. Capper says that "cost-price squeeze" has put a lot of farmers out of business. That sad fact is stressed in these figures from the U.S. Department of Agriculture: In 1950, for example, 25,058,000 people lived on farms. That's 16.6 percent of all of us. Now, 8 years later, though population has increased, there are some 5 million fewer farmers—and they represent only 12 percent of the U.S. population.

And, Capper reminds, many of those left on the farm have to work off the farm to make ends meet. It's estimated that about a third of the farm population are doing off-the-farm work, full-time or part-time.

Capper grants you that help is given through farm subsidies, but reminds that Government aid is also given to airlines, schools, the petroleum industry, housing, shipping, and so on. It would be pretty hard, the magazine says, to name a business that is not receiving some kind of Government aid.

And we are also reminded that in the past 50 years, for every $1,000 this country has spent for subsidies, the American farmer has received only $5. That's why, we're told, farmers get awfully tired of city newspapers headlining the cost of farm subsidies.

Not all of the money in the Federal farm budget goes to the farmers. A considerable part of it goes to business for storage of products and other costs.

Farmers, as much or more than anybody else, would like to solve the problem of surpluses, but how? It would be easy to solve the problem by cutting down on production by say some 10 percent if farming were concentrated as big agriculture. But it isn't, says Capper, in calling attention to some 4½ million farmers over the Nation. The farmer is an individual in a great sea of competition. He is a price taker, not a price setter.

And Capper adds that the farmer works "with an uncontrollable business partner—nature. Sun, wind, and rains control his cash register like a fickle bookkeeper.

"No single farmer can do much about changing the supply of food, fiber, and tobacco coming to market. And collectively, farmers can't produce just exactly what our Nation demands. Agriculture is a biological process which cannot be greatly accelerated or retarded in any short time."

Working out a satisfactory farm program is no easy chore. By nature the farmer is independent, or would like to be, and that has caused some farmers and farm leaders to strike out for more freedom in agriculture, freedom from Government controls. To that end they are pressing for lower price supports and greater freedom of operation, including what has been called a free market. They want to outgrow Federal programs by gradually strengthening the farm economy.

At the same time, as Capper shows, farmers realize we live in an era characterized by the minimum wage and generally stabilized industrial prices. Farmers want to protect themselves against the increasing costs of production and distribution. They want to mobilize their strength to bargain on a more equal basis with highly organized industry and labor.

Capper has done a commendable public service in presenting a side of the agriculture picture that seldom comes to the surface. It becomes plain that the farmers' problems belong to all of us, and that the farmers would like to solve these common problems just as much as anybody else. There's no argument against the Capper magazine's claim that the important thing is to make wise decisions, now and in the future. And many people feel that before we drop everything in our farm program for something new, we should demonstrate that there is a roadback if new plans fail.

Mr. YARBOROUGH. Mr. President, on this subject, I also request unanimous consent to have printed in the RECORD an article from the New York Times of Sunday, February 8, 1959, under the heading "Farm Props Slash Seen in New Plan."

The PRESIDING OFFICER. Is there objection to the request of the Senator from Texas?

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

FARM PROPS SLASH SEEN IN NEW PLAN—DROP IN FEDERAL SUPPORTS EXPECTED—U.S. SURPLUS SPENDING AT RECORD

WASHINGTON, February 7.—Department of Agriculture figures show that Federal farm price supports would be cut sharply under administration recommendations for major revision of farm law.

By abandoning the longtime parity concept for farm prices and changing to a formula geared to open market prices, wheat support levels could drop as much as 38 cents a bushel and milk as much as 61 cents a 100 pounds from existing Federal guarantees.

The Government also reported this week that its investment in surplus farm commodities had climbed to a peak of more than $9 billion.

The Department of Agriculture said that heavy loans made under Federal price support operations in January on cotton, wheat, corn, and other grains from the record crop production of 1958 had raised the investment to the present level.

The new peak compared with the previous record of $8,900 million reached in February 1956. The Department reports that as of December 31, the total investment in surplus products was $8,716,071,371.

NET LOSS OF $367 MILLION

It said the net realized loss on price support operations for the 6 months that ended December 31 was $367,923,679 compared with $547,857,702 in the same 6 months of 1957. The net loss for the fiscal year that ended last June 30 was $1,006,548,967.

In his special farm message to Congress last month, President Eisenhower estimated the Government's investment in surplus farm products would total $10,500 million by June 30, 1960. Other officials have estimated that the investment would climb between $10 billion and $13 billion in the next 5 years.

The Commodity Credit Corporation, the Government's price support agency, has authority to borrow up to $14,500 million for its operations. As of December 31, the CCC had in use $12,955,627,000. Actual borrowing totaled $12,153 million and obligations to purchase loans financed by private lending agencies amounted to $802,627,000, leaving a statutory borrowing authority of $1,544,373,000.

Under the administration's revision plan butter, which now is supported at 56.6 cents a pound, could fall to a Federal prop level of 44 cents a pound. Similar reductions were calculated on other crops, including cotton, rice, peanuts, and tobacco.

Senator WILLIAM PROXMIRE, Democrat of Wisconsin, called on the administration this week to produce estimates by career economists on how much farm prices would be cut through the changes proposed by President Eisenhower in his special farm message to Congress last week.

In a letter to Mr. Benson, Senator PROXMIRE said that he believed the President's proposal would result in an immediate 10- to 25-percent drop in prices received by farmers for so-called basic commodities.

The basic crops are corn, wheat, cotton, rice, peanuts, and tobacco. Price supports are mandatory for this group of crops. Other crops for which price supports at specific levels are mandatory include milk and butter, wool, honey, and tung nuts. On other crops price guarantees are permissive within the discretion of the Secretary of Agriculture.

In his farm message, President Eisenhower urged Congress to scrap the 25-year-old system of price supports tied to parity, a formula aimed at assuring farmers the same purchasing power they enjoyed in a past favorable period when crop supplies and demand were regarded in favorable balance.

THREE-YEAR PERIOD SEEN

Instead of the parity formula, the President proposed substituting supports on the products for which props are mandatory geared to the average market prices during a period preceding any given crop-year. He did not suggest a period, but administration thinking has been for a 3-year term.

The President also proposed that the Secretary of Agriculture be given discretion to set supports between 75 and 90 percent of the average market prices. This range is the same as currently existing for supports under the parity concept.

The parity price of wheat as of January 15 was $2.36 a bushel. The Federal support level is 75 percent of parity. This figures out to a $1.81 a bushel national average Federal price support this year.

The Agriculture Department's figures show that the market average for the last years, 1956, 1957, and 1958 was $1.91 a bushel. If the 75 percent Federal support was applied, the market formula guarantee would be $1.43 a bushel, or 38 cents a bushel lower than guaranteed by the parity system.

Using the ceiling of 90 percent support suggested by the President, the price guarantee level for wheat on the market average system would be about $1.72 a bushel, still 11 cents a bushel below the present floor for the grain.

One of the major reasons advanced by the President for changing the Federal price support system was that the parity concept was outmoded by modern agriculture and its yielded price incentives for farmers to produce for Government storage rather than for the market.

BUDGET ESTIMATES AGAINST APPROPRIATIONS

Mr. JOHNSON of Texas. Mr. President, apropos of the discussion we had on the floor a few days ago, I ask unanimous consent to have printed in the RECORD at the conclusion of my brief statement this morning a summary of the President's budget estimates and the appropriations of the Congress, showing how much each of those budget estimates has been decreased by the Congress in the years the incumbent President has held that office.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Texas? The Chair hears none, and it is so ordered.

(See exhibit 1.)

Mr. JOHNSON of Texas. Mr. President, I congratulate the distinguished chairman of the House Appropriations Committee, as well as the distinguished chairman of the Senate Appropriations Committee [Mr. HAYDEN], who is on the floor at this time, for their record of prudent service to this Nation throughout the years. Both men are frugal men. Both men are thrifty men. Both men have required the Executive to give adequate justifications for funds appropriated.

The record shows that the Congress has reduced the budget estimate in each one of the last 6 years. The total appropriation was $22,637,703,518 less than the Congress was asked to appropriate—$22 billion less than was requested. If we average it out by years, Mr. President, there was an average reduction in the budget of more than $3,772 million a year.

Mr. President, I ask unanimous consent to have printed in the RECORD a brief paragraph on new obligational authority, as published in the Washington Post and Times Herald this morning.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Texas? The Chair hears none, and it is so ordered.

(See exhibit 2.)

Mr. JOHNSON of Texas. Mr. President, in order to have a complete picture, I desire to point out, with regard to the budget for fiscal year 1960, that the administration estimates that there will be a balance unobligated at the end of fiscal year 1959 of some $10,314 million; money which has been appropriated and will be unobligated as of the end of fiscal 1959.

I also suggest, though I have not explored this carefully, that the Committee on Appropriations give consideration to the possibility of conducting inquiries into the unobligated balances, so that if it appears that certain rescissions be made, the committee can so recommend to the Congress.

As I have stated many times, Mr. President, I do not think that either party should be labeled as "the party of the savers," or "the party of the spenders," but the record does show that the Congress as an institution has been much more saving in its appropriations than the Executive has been in his requests for appropriations. As I have stated, the Executive requested $22 billion more than was appropriated in the last 6 years.

I am convinced each bill will be thoroughly examined with a fine tooth comb. The President's requests will be given sympathetic and sincere consideration, fair and objective consideration.

Some of the requests will be granted in toto, without the dotting of an "i" or the crossing of a "t."

Reductions in substantial amounts, no doubt, will be made in some of the requests, because, Mr. President, the Congress should know that in one bill alone the Executive this year is asking for $825 million more than the Congress appropriated for the program last year—almost a billion dollars more to go overseas than the Congress was willing to give last year.

In some cases no doubt the Congress will reduce the President's requests. We will make additions to some, as we did with respect to veterans' housing the other day, in the amount of $35 million for next year; and for the airports it may be an extra $35 million next year. There will be a few million here and a few million there. The Congress will express its judgment, because it is not a "me, too" Congress. Congress will add to some requests and in regard to others it will agree with the proposal. As to still other matters Congress will make real, substantial reductions.

I believe that before the year is over—if the people will look at the record, as Al Smith used to say, which has been made for 6 years—the people will find they can depend on the Congress to follow a course of prudent progressivism. The President can depend upon the Congress to meet him more than halfway, to cooperate with him wherever it feels he is right, and to oppose him only when it thinks he is wrong, and then to oppose him only on principle, and not on the basis of personalities.

EXHIBIT 1

Congress, session and fiscal year	Budget estimates	Appropriations	Decreased by Congress
83d Cong., 1st sess., fiscal year 1954	$77,190,083,590	$65,156,254,797	$12,033,828,802
83d Cong., 2d sess., fiscal year 1955	60,770,315,686	58,160,445,563	2,609,870,123
84th Cong., 1st sess., fiscal year 1956	66,023,089,195	63,947,281,321	2,075,807,874
84th Cong., 2d sess., fiscal year 1957	73,298,859,629	73,041,364,417	257,495,212
85th Cong., 1st sess., fiscal year 1958	78,108,417,112	73,064,958,328	5,043,458,784
85th Cong., 2d sess., fiscal year 1959 [1]	81,737,060,999	81,119,818,276	617,242,723

[1] Excludes permanent appropriations for refund of taxes and sinking fund and other debt retirement funds.

NOTE.—Total budget cuts by Congress in the last 6 fiscal years, $22,637,703,518. Average budget cut by Congress for each year of the last 6 fiscal years, $3,772,950,586.33.

EXHIBIT 2

Democrats are not taking the administration label of spenders lying down.

Chairman CLARENCE CANNON, Democrat, of Missouri, of the House Appropriations Committee prodded Maurice H. Stans, Director of the Budget, to admit that President Eisenhower actually has asked Congress for more money than it has been willing to give him.

In the 6 fiscal years 1954 through 1959, the President requested new obligational authority totaling $407,174 million, but Congress in those 6 years voted $403,270 million—or $3,904 million less than the President requested.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. JOHNSON of Texas. I yield.

Mr. MANSFIELD. For the record, I should like to know the answer to certain questions. I am seeking information, because I do not know the answers, and I am glad the chairman of the Appropriations Committee is present.

I am told that during each of the 6 years of the Eisenhower administration, during two of which the Republicans were in control of Congress, and during four of which the Democrats were in control of Congress, the Congress reduced the President's overall budget request. Is that correct?

Mr. JOHNSON of Texas. That is correct, according to the table I have just placed in the RECORD. Let me go over the record by years. These are round figures.

For the fiscal year 1954, the reduction was $12 billion.

For the fiscal year 1955, it was $2,609,000,000.

For the fiscal year 1956, it was $2,075,000,000.

For the fiscal year 1957, the reduction was $257,000,000, the lowest figure in the series.

For the fiscal year 1958, the Congress made a reduction of $5,043,000,000. That was the year I was discussing the other day.

In the fiscal year 1959, the Congress made a reduction of $617,036,000.

The total for the 6 years amounts to $22,637,703,518 below the budget requests. That includes all supplemental bills and all other requests. It does not include appropriations for refunds of taxes, sinking fund and debt-retirement fund. They are not calculated in these totals.

I think it should be clear that there is no better way to judge the future than by the past. Congress has been very careful with the taxpayers' dollars, and will continue to be.

Mr. DIRKSEN. Mr. President, will the Senator yield?

Mr. JOHNSON of Texas. I yield.

Mr. DIRKSEN. The matter to which the majority leader alludes was the subject of a colloquy the other day during our consideration of the housing bill. I reserved the right to obtain authority to insert in the RECORD at the appropriate time what I think is the full story, including everything related to the budget. Those items are now in preparation, and in due course—I trust probably yet this week—we shall have them in shape so that they can be submitted for the RECORD, in order that the entire fiscal picture may be brought to the attention of the country.

I concur in the observation made by the distinguished majority leader with respect to our distinguished friend from Arizona [Mr. HAYDEN], chairman of the Committee on Appropriations. He is fair. He is realistic. He has excellent perspective, and he always thinks in terms of the national interest. I salute him for the great and forbearing job he has done.

When it comes to the chairman of the Appropriations Committee of another body, I cannot help but remark that the President's 1960 budget was called a propaganda budget. It was called a Republican boobytrap. The chairman of the Appropriations Committee in the other body referred to it as a spenders' budget. So evidently we are out of line; and if we go further out of line, it will be even more of a spending budget.

I have said, with respect to authorization bills, that I do not want the Congress or the country to commit fiscal suicide on the installment plan.

I never think of the fiscal situation without being reminded of a Government project out home many years ago. It was a make-work project. There was a huge hole in the street. When the work had been finished and the hole filled, there was a great mound of earth, which constituted a traffic hazard. The gentlemen wielding the shovels did not know what to do. Finally they held a conference on the curb. Someone said, I will tell you how to get rid of that mound of earth. We will just dig the hole deeper. [Laughter.]

I do not want to be digging the hole deeper, bill after bill and bill after bill. The budget which came to us was in balance, even though it was a rather thin and precarious balance. But I want to be sure that in no case do we cross the line and wind up at the end of the year with a budget out of balance.

It is interesting to note that although the Congress makes reductions in the budget, partly because of the recession in revenue and partly because of extra spending, it has been estimated that on June 30 there will be a deficit of $13 billion. I wish that term could be made more understandable and palatable. I freely admit that it is a deficit of my administration—$13 billion for 365 days. It does not make me happy.

Mr. JOHNSON of Texas. Would the Senator be as free to admit that we appropriated less for the administration to spend than the administration asked us to appropriate?

Mr. DIRKSEN. I will admit anything that the figures finally disclose.

Mr. JOHNSON of Texas. The Senator is aware of the figures, is he not?

Mr. DIRKSEN. I am aware of the figures.

Mr. JOHNSON of Texas. The fact is that in the 85th Congress we appropriated almost $6 billion less than the administration asked us to appropriate. Which course is more likely to lead us into national fiscal suicide—a course in which we add $6 billion, or a course in which we reduce spending by $6 billion?

Mr. DIRKSEN. Sometimes the Appropriations Committee is bypassed. We received some testimony on that point when the Budget Director was before the committee last year. I have the hearings before me, but I prefer to place the entire picture in the RECORD in one piece when the time comes, so that the story will be complete.

I have lived here long enough to know that in a given year we have been accustomed to chop money out of an appropriation bill only to find, in January, that the agency comes forward with a supplemental request. A classic example is the money we took from the Veterans' Administration 2 years ago. In the committee I said, "We shall have to give it back. This represents a contract with the veterans. These costs are established in the law. The findings and awards have been made. Now we eliminate certain amounts from the bill. The agency will be back in January."

It was back. I know that a supplemental request can be made in the next fiscal year, but it must go into the overall budget picture. I wish to show the entire picture in the RECORD.

Mr. JOHNSON of Texas. I point out that the material which the Senator from Texas has inserted in the RECORD includes all requests, and all supplemental requests over a long period of 6 years of the great crusade. During that 6-year period the net result was as I have stated. The Senator from Illinois does not have to give Congress credit if he does not wish to do so. Congress has trimmed the budget estimates over that period by $22,637,703,518. The facts cannot be glossed over. We cannot draw the curtain over them, or forget them, because the RECORD is before us. It includes all supplemental requests and appropriations.

Mr. DIRKSEN. I do not want to forget it. The first budget under which Dwight Eisenhower worked was not an Eisenhower budget at all. It was a Truman budget.

Mr. JOHNSON of Texas. That is included in my figures, I will say to the Senator.

Mr. DIRKSEN. When the Truman budget came up, that was Harry's last Christmas present. It was $9 billion in the hole. I have seen 18 deficits out of 20 years when my party was not in power. I was here during all but 2 years, and on the Appropriations Committee all the time.

Mr. JOHNSON of Texas. How many deficits has the Senator seen since his party has been in power?

Mr. DIRKSEN. There have been deficits.

Mr. JOHNSON of Texas. How many?

Mr. DIRKSEN. I do not exactly recall.

Mr. JOHNSON of Texas. There have been deficits in 4 of the 6 years. The only 2 years when there was no deficit was when there was a Democratic Congress.

Mr. DIRKSEN. The President led the way. With respect to the Truman budget, he said, "Slash it."

Mr. JOHNSON of Texas. Congress reduced the budget $8,609 million for the fiscal year 1953, the last year Mr. Truman was in office; and I remind the Senator that the Congress cut the next budget, for 1954, by $12 billion.

Mr. DIRKSEN. I am glad it did.

Mr. JOHNSON of Texas. So am I.

Mr. DIRKSEN. All this ruckus arose over the budgets for the fiscal years 1958 and 1959. The statement was made that "We cut this out," and "We cut that out." It occurred to me that the $5 billion amount was applicable to 2 years instead of 1.

There was further information in the Appropriations Committee. We will get it all in shape, so that the Comptroller's office and the Bureau of the Budget will know the factors which probably would not be disclosed in the figures which come from the Appropriations Committee.

Mr. JOHNSON of Texas. Mr. President, will the Senator yield?

Mr. DIRKSEN. I yield.

Mr. JOHNSON of Texas. I should like to remind the Senator from Illinois that the reduction for fiscal year 1958 was $5,043 million, and for fiscal year 1959 it was $617 million. I said that for the 85th Congress it was roughly $5,600 million. In other words, it was a reduction of $5 billion for the first session, and a reduction of $600 million for the next session. However, even if it were no more than $1, the point is that Congress reduced the budget estimate.

Mr. DIRKSEN. Well, Congress can reduce the budget estimate, of course, but if we still get the money out of the Treasury, the effect is just the same as if it had been $10 billion.

Mr. President, I do not wish to carry this discussion any further. I wish to get my ducks in a row. I want to gather my figures. I have not had an opportunity to do it thus far. Then my beloved friend from Texas and I will get all the facts on the line, to find out where we are. I can appreciate his feelings in the matter. He is a great citizen, and I know that he will not get very sensitive if I should become rather energetic on this subject, as I must, because I believe we are in a position where we can defend what has been done, and do it in a big, glorious way.

Mr. JOHNSON of Texas. Both Congress and the administration can.

Mr. DIRKSEN. Yes.

INTERNATIONAL DEVELOPMENT ASSOCIATION

Mr. FULBRIGHT. Mr. President, I ask unanimous consent to insert in the RECORD a letter from the Secretary of the Treasury, dated January 16, 1959. This letter contains a report of the current status of the study being made by the National Advisory Council for International Monetary and Financial Problems into the proposed International Development Association, the subject of the Monroney resolution which was adopted by the Senate in 1958.

The Banking and Currency Committee report on Senate Resolution 264 requested that an interim report on the current status of the study be made at the end of 1958, and this letter constitutes the interim report.

This report shows that the proposed International Development Association has been studied within the National Advisory Council, and has been the subject of informal discussions with the representatives of other governments, particularly at the annual meeting of the Fund and the Bank at New Delhi.

The committee is glad to have this report, brief though it is, and is glad to know that the study is proceeding. We will look for further reports as the study progresses.

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

THE SECRETARY OF THE TREASURY,
Washington, January 16, 1959.

Hon. J. W. FULBRIGHT,
Chairman, Committee on Banking and Currency, Senate Office Building, Washington, D.C.

MY DEAR SENATOR: Pursuant to Senate Resolution 264, 85th Congress, the National Advisory Council on International Monetary and Financial Problems is currently studying the feasibility of establishing an International Development Association. The report of your committee recommending the adoption of the resolution stated that "if the study is not completed by December 31, 1958, the committee would expect to be furnished with an interim report." The purpose of this letter is to supply such an interim report.

In August 1958, an exchange of letters took place between President Eisenhower and the Secretary of the Treasury dealing with increases in the resources of the International Monetary Fund, the International Bank for Reconstruction and Development, and consideration of an International Development Association. In substance, the President directed me, as U.S. Governor of the Fund and the Bank, to propose consideration of these matters at the annual meeting of the two institutions in October. Copies of these letters are attached for your information.

On October 6, 1958, in addressing the opening joint session at the annual meeting of the International Monetary Fund and the International Bank at New Delhi, in my capacity as Governor of the Fund and Bank for the United States, I included the following:

"I should also like to say something about the International Development Association to which President Eisenhower referred in his August letter. We are now studying this proposal in my own Government. I have no blueprint to offer at this time for such an association. Essentially, however, it would be an affiliate of the International Bank which would make long-term loans for economic development repayable in whole or in part in the currency of the borrowing country. As I have said, the U.S. Government is making its own studies of the feasibility and desirability of establishing an IDA. We hope that other countries will at the same time be giving thought to the matter, and we shall look forward to having informal conversations with you. If these informal studies and conversations lead to encouraging conclusions, it would be appropriate to undertake more formal study and negotiation looking to the establishment of such an association."

Under Secretary of State for Economic Affairs, C. Douglas Dillon, Alternate Governor for the United States, at the discussion of the bank's annual report on October 9, 1958, at New Delhi, stated:

"In his remarks at the opening session of this conference, Secretary Anderson referred to a proposal which is being studied in the U.S. Government for an International Development Association. While our Government does not as yet have a detailed plan to submit with reference to such an association, we believe that any plan should take account of the following factors:

"1. As is well known, loans from the International Bank have to be repaid in hard currencies. We understand that in a number of cases the bank has had to disapprove applications for loans, not because the development project involved was without merit, but because repayment of the loan entirely in hard currency would have placed an undue strain on the borrowing country to repay. Now, if a percentage of the cost of such projects could come from a new institution affiliated with the bank which could make loans repayable at least in part with softer currencies, projects such as these might well become feasible.

"2. Our suggestion that member governments of the bank study the possibility of an International Development Association does not mean that the United States would favor any lessening of the technical lending standards of the bank. Projects submitted to the International Development Association would be considered by precisely the same management and staff which now examines projects for the bank. In other words, while an International Development Association would provide capital on more flexible terms, in a balance of payments sense, than are now possible under International Bank standards, the establishment of an International Development Association as an affiliate of the bank would assure that the new lending authority would be in the hands of skilled financial management.

"3. We ourselves are actively studying the ways and means in which an International Development Association might operate, and hope to arrive at our own conclusions within the next few months. We would meanwhile welcome the thinking of our associates in the bank on this subject. It is, of course, essential to the success of such an institution that it receive broad financial support from the industrialized countries which are members of the International Bank. Only in this way could it become an effective international instrument for development. If encouraging conclusions emerge from these studies and informal conversations, it will then be appropriate to undertake more formal negotiations.

"I would like to emphasize our belief that the difficult and complex problems of development require that all of us contribute together to their solution both financially and with our best thinking. Only in this way can we make progress toward the goal of a better living for all the peoples of the world. No one country and no small group of countries can do the job alone."

In addition, informal discussions of the International Development Association were begun with representatives of a number of governments at the annual meeting of the fund and the bank. Meanwhile, study has also been given to the International Development Association proposal within the structure of the National Advisory Council. This study is not completed and, of course, cannot be until we know more closely the views of other governments who might be interested in the creation of an International Development Association.

When further progress has been made in our discussions with foreign governments and in our own studies, we will report again to your committee.

Sincerely yours,

ROBERT B. ANDERSON,
Chairman, National Advisory Council on International Monetary and Financial Problems.

OUR ECONOMIC POLICIES

Mr. FULBRIGHT. Mr. President, I hold in my hand three articles from three separate but distinguished sources. The first of these articles is one by Walter Lippmann entitled "The Duty of Rich Nations." The second is in the Atlantic Monthly for February by Barbara Ward, entitled "A New Economic Strategy." And the third is a report in the Washington Post and Times Herald of this morning by J. A. Livingston, which refers to a decision of the U.S. Government to reject a bid submitted by an English firm for turbines at the Greers Ferry Dam on the Little Red River in Arkansas, a bid which was 19 percent lower than the one submitted by an American firm. In other words, the American taxpayers are paying 19 percent more for the turbines at the Greers Ferry than would have been necessary had we been willing to operate on an international competition basis.

I ask unanimous consent that these articles may appear in the RECORD at this point.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the New York Herald Tribune, Jan. 29, 1959]

THE DUTY OF RICH NATIONS

(By Walter Lippmann)

The President of Argentina, Mr. Frondizi, has come to Washington and gone. Unlike Mr. Mikoyan's visit, his was a state visit in which the whole ritual for such occasions was observed. But Mr. Frondizi has left behind him for the American people to ponder what can fairly be called the most poignant, and it might be the most embarrassing, question in our foreign relations.

The question is whether we are ready to recognize the principle that rich nations in the world community, like rich individuals in their own communities, have a duty to help the poor to raise themselves out of poverty. "We cannot ignore," said President Frondizi to Congress, "the harsh fact that millions of beings in Latin America suffer from misery and backwardness * * * When there is misery and backwardness in a country not only freedom and democracy are doomed but even national sovereignty is in jeopardy."

This principle—that the rich have a duty to the poor—is not now part of our official philosophy of foreign aid. The United States has made substantial contributions, and not all of them have been wisely and effectively spent. But in relation to our wealth the contributions have not been very great. What matters most, however, is that Congress has voted these contributions on what is humanly speaking a self-defeating principle. They have not been voted on the principle that the rich have a duty to the poor but on the theory that we are subsidizing our allies in the cold war. Because Latin America has not been in the front line of the cold war, we have done comparatively little about the misery and backwardness of Latin America.

This theory—that foreign aid is an instrument of the cold war, and would not otherwise be necessary or desirable—was challenged by President Frondizi. On this point, there were as he spoke, men in high places who were prepared to understand him. Notable among them was Mr. Douglas Dillon, who is the Under Secretary of State in charge of economic affairs. On January 16 before the Foundation for Religious Action, Mr. Dillon made a speech which had little attention at the time but is of great and far-reaching consequence.

After saying that there was no need before that audience to spell out the full dimensions of the Soviet challenge, Mr. Dillon went on "to examine with you the demands being made upon our resources and upon our consciences to help raise the living standards of the peoples of Asia, Africa, Latin America. These are the areas where most of mankind lives and where the struggle between freedom and totalitarianism may ultimately be decided. The need to help these peoples forward on the road to economic progress would confront us even if communism and the Sino-Soviet bloc simply didn't exist."

Why? For the same fundamental reasons, which is at once a matter of morals and/or prudence, that we have learned to accept the view that within a nation great extremes of poverty and riches are intolerable to our consciences and subversive of the social order. We now live in a world community, and the most portentous fact about the age in which we live is that the gap between the rich peoples of Western Europe, North American and Australasia on the one hand, of Asia, Africa, and Latin America on the other, is enormous. Worse still, the gap is widening. Rich peoples are getting richer faster than the poor peoples are overcoming their poverty.

The rich countries, with a total population of about 400 million, have an average income per capita of about $1,000 a year. In the United States it is more than $2,000 a year. The underdeveloped countries, leaving out Communist China, have a population of over 1 billion and an average income of only $60 a year. During the past 50 years, the per capita income in the West has doubled, and it is rising appreciably each year. In the poorer countries, the per capita income has increased very little, and in many places it has deteriorated.

These are, I believe, the overriding facts of the times we live in and of the world in which we have to play so big a part. It is not too much to say that on our response to these facts will depend—if we do not all go up in the smoke of a world war—our prospects in the cold war, and our position in the decades to come as a world power. This does not mean, and no one should be so silly as to suppose that it does, that we who are only about 7 percent of the world's population, can eliminate the immemorial misery of half of the human race. What we can do is to raise considerably the amount we invest or lend to the key countries in Asia, Africa, and Latin America. Thus we can well afford to set aside something in the order of 5 billion annually for development and reconstruction. For that would not be much more than 1 percent of our gross national product.

The way we make our contribution is at least as important as the amount of the contribution. For insofar as we treat the contributions as a subsidy to buy allies in the cold war, they do as much, probably more, harm than they do good. For then we present ourselves in the guise of a great imperial power seeking to buy dependents, and that is a principle reason why with all the fuss about our foreign aid programs, we have been losing, not gaining, friends in the world.

The whole operation of foreign aid would wear a different face if it were founded on the principle, laid down by Mr. Dillon—that we make a contribution because it is the simple duty of the rich to help the poor. It would be a noble act, which would pay big dividends in self-respect at home and goodwill abroad, if the Government would declare the principle that to fight against poverty is a duty, not an instrument of our military strategy.

I do not myself think it is wishful thinking to believe that Congress and the people, who are now bored with foreign aid as it is presented and administered, would respond much more readily if it were inspired by a big idea, rather than by small and calculating notions of how to score points in a contest.

[From the Atlantic Monthly, February 1959]

A NEW ECONOMIC STRATEGY

(By Barbara Ward)

A year ago, in the disturbance of Western policy after the appearance of the sputniks, much hope was pinned upon the Paris meeting of the Atlantic powers. From this conference, it was widely believed, there would come a new initiative, a new policy to snatch the advantage back from the Communists. It would be a new starting point and mark the return to positions of strength.

Can one say that the hopes were fulfilled? In the strategic and political sense, clearly, no very cheerful conclusions can be drawn from a year that includes Iraq, Lebanon, Cyprus, the renewal of hostilities in the Formosa Strait, and the stalemate in Europe. But has there not at least been some recovery in the vital sphere of economic strategy? The signs are not unpromising. Individual statesmen have spoken of the need for a new, concerted approach to world economic problems. An impressive number of reports has appeared, all pointing to the same main components of a broad policy for world development: higher monetary reserves, stabler primary prices, a greater flow of international lending. And out of these preliminaries has come an American-sponsored proposal to increase both the reserves available to the International Monetary Fund and the lending powers of the World Bank.

These are steps which could lead to sustained international development policies on a more adequate scale. One could add to this hopeful pointer the United States new readiness to consider establishing a development bank for the Americas, the passage by Congress of the Reciprocal Trade Act, and joint action by the United States, Britain, West Germany, and other creditors to stave off the acute crisis which arose last summer in India's balance of payments.

Yet these moves, however promising, leave wide open the question whether they are to lead on to a program at once large enough and permanent enough to deserve the name of a new economic strategy. The proposals for the international agencies are modest compared with the genuine scale of world need. The Indian arrangements were strictly limited and took no account of the long-term problems facing the modernization of the Indian economy. And when one turns to the possible future source of funds for any bold economic program—the parliamentary assemblies of the Western Powers and their electorates—there is no trace of the intensive preparation and education necessary if money is to be forthcoming on an adequate scale. In fact, in Congress, majority opinion was not particularly well disposed either to the enlargement of the Development Loan Fund or to the separation of economic from military aid. Yet both moves are clearly of first importance in any sustained program of economic development.

Moreover, the evidence suggests that the West's somewhat greater readiness to sponsor new economic policies in recent months does not spring from any considered Western estimate of world need, but—like the Lebanon landings or the reinforcements in Formosa—is one more reaction to Communist pressure. Three years ago, 2 years ago, the talk was in the main of ending foreign aid and getting the world back to normal economic methods—whatever "normal" may mean in the atomic age. The changed mood of today reflects the piling up of evidence on the scale and purposiveness of the Soviet economic offensive. Western action is not so much a strategy in its own right as a reaction to someone else's. The initiative, as in the military sphere, rests elsewhere.

How has this curious situation arisen? For curious it is that the Western Powers, led by America, should today be mainly acting and reacting to Communist maneuvers when, not much more than a decade ago, America stood at the peak of its power while Russia was decimated by invasion and slaughter and China struggled in the last throes of 50 years of revolution and civil war. So violent a change in political fortunes is not fortuitous. It points to profounder causes than any temporary confusion of policy or failure in diplomatic tactics. In fact, it can be argued that the loss of initiative in recent years springs from two of the deepest conceivable misconceptions any state or group of states can entertain. In the first place, they mistake the nature of the world in which they have to live and act. In the second place, as a result of this misjudgment, they have no real desire to act at all. If the Western Powers have lost the initiative, basically it is because they have had no desire or have seen no need to keep it. Thus, before there is any discussion of the kind of concrete policies that the West might pursue to restore its position vis-a-vis communism, there is a more fundamental issue at stake. It is to persuade leaders and voters in the West that the world, far from being a cozy self-regulated world which would roll merrily along were it not disturbed by meddlesome Communists, is on the contrary a world of violence, catastrophe, and deepening revolution and one in which whole societies will founder if they try to rely simply on the sailing charts for calm weather. Only if this reality is accepted can the Western Powers push safely on through the hurricane.

For a hurricane it is. Let us look first at the scale of the contemporary revolution. Perhaps it would be more accurate to speak of the five or six revolutions, all of which are going on simultaneously over the face of the earth. The scientific revolution, the industrial revolution, the technological revolution, the national and popular revolution—begun and now more or less tamed in the Atlantic arena—are violently at work everywhere else and under conditions which, far from taming them, inflame them further.

In the West, the industrial revolution slightly preceded the stupendous medical revolution of lengthened life and lowered infant mortality rates. Resources and births have increased together. In Asia and Africa, and to some degree in Latin America, the surge of births has come first. By the year 2000, whatever steps are taken to discourage further expansion, the present population of the world will have more than doubled—in itself an astounding fact, since it means that in 4 decades humanity will increase by the number it has taken a hundred millenniums and more to produce. The bulk of this expansion, 1.3 billion to 3.6 billion, will occur in Asia, where the pressure of population on resources is already at its heaviest.

The only hope of avoiding catastrophe in the wake of such expansion is a rapid modernization and industrialization of the rest of the world economy. But the obstacles are formidable indeed. In the Atlantic area, margins for the saving needed to underpin industrialization were available, in part because of a vast endowment of coal and iron, in part because of a dynamic agriculture and large reserves of empty land. In Asia—outside Siberia—the mineral endowment is on a smaller scale; there is no spare land; agriculture is profoundly conservative. Savings, the basis of all industrialization, are thus incomparably more difficult to accumulate.

Again, in the West, industry and science did not break in overnight almost as revelations. They grew up steadily in a society of widespread means and education. A middle class of savers, entrepreneurs, and savants existed before the technological revolution began. In Asia and Africa and large parts of Latin America, this preparation has been almost wholly lacking. The new ideas and possibilities strike into feudal or tribal societies with the force of an earthquake, throwing down old patterns and ways of thought, tearing out the familiar psychological landmarks, and creating a havoc of both hope and fear.

Above all, modern industrial society was built in the West when Western power and prestige were virtually unchallenged. At the turn of the 19th century, all but a few parts of the globe were under one form or another of Western control. Western prosperity expanded in a world made one by its ideas and its commerce. There never was a time when so wide a political order rested on such an unobtrusive and inexpensive foundation of power. For an expanding America, in particular, it was world order at no cost at all.

But Asia and Africa do not have to modernize among the ruins of the old system. They have to do so between the competing enmities of the cold war, the catchcries of propaganda, the restless probings of one set of powers, the uncertain ripostes of the other. Only now, when local order and stable rule have come into question, as they have in Indonesia or Burma, can one see the relevance to economic development of internal security and steady government.

There is some realization in the West of all these separate, interwoven upheavals. What is lacking is a full appreciation of their profoundest effect. We are witnessing today a world which, thrown into such a furnace of stress and change, has become plastic, fluid, moldable to an almost inconceivable degree. At a time when everything seems to be changing, the old shapes lose their power to hold; old pieties dissolve; loyalties snap; regimes fall between midnight and morning; and one has the impression of whole societies given over to formless energies which seek some new mold to contain and channel them.

Such periods are not new in history. The collapse of medieval Christendom released energy into the new nation state. The fall of the absolute dynasties let loose the liberal and popular ideals of the American and French Revolutions. What is new is the scale of the restlessness, the degree of the upheaval, the extent to which no aspect of human existence—political, economical, social, philosophical—is left untouched. If ever the revolutionary energies of man were running free of the ancient ways and seeking to scour out new channels, the time is now, and if men in the West will only listen, they will hear everywhere the roar of troubled waters and the gale of the world rising to hurricane force.

This is the context within which to assess the true challenge of communism. Communism is the cause of none of the world's contemporary revolutions. Technology, medical advance, science, industrialization, rationalism, the national idea, popular claims and aspirations—all of these were invented and launched in the West and would be remaking the world even if Marx had never left the Rhineland. The significance of communism is that at a time of extreme flux—in power, in thought, in technology—it offers the world a series of molds or patterns into which the released energies may flow. It offers formative ideas to the inchoate energy of change.

To nations facing the hard choices of industrialization, communism presents the pattern of forced-draft savings and investment worked out in the Soviet plans. To the masses stirred by the hopes of a more abundant life, it preaches social revolution and economic equality. To nations chafing at their poverty and lack of influence, it recalls the bogy of Western imperial control and offers its own trade and aid "without political strings or concessions." Above all, the leaders of communism link all these separate cajoleries together within a broader picture of world liberation and unity and brotherhood and derive from it, as from a religious faith, the energy and dedication to include all people of mankind within the scope of their plans and efforts.

Wherever there is an opening for influence or trouble, there the Communists are at work: with arms and dams for Egypt, with aid and barter for Burma and Ceylon, with recognition and offers of capital for Guinea on the eve of independence, with massive offers of trade and credits in Latin America. More pertinent even than the aim itself is the unrelenting perseverance with which it is pursued. There are no isolationist Communists. The troubled, changing, violent, catastrophic, contemporary world is their chosen field of operation. Indeed, they welcome the chaos on which they can more easily stamp the pattern of their faith. The prophets of materialism are, in the last analysis, the most profoundly devoted to the triumph of the idea.

Here is matter enough for the ironists of history. But there is a greater irony still. The Western Powers themselves launched every one of the world's contemporary revolutions. They carried them across the oceans and round the world. They set in motion the vast forces of contemporary change and in doing so never doubted that what they did was of profound concern to the entire human race. Yet today, wealthy, complacent, unimaginative, they appear indifferent to the stirring, protean world of change and revolution in which three-quarters of the human race is struggling for the forms of a new life. There is not a single Western initiative that embraces change, not one idea or policy for which the sustained Western dedication is forthcoming. In our contemporary world, in short, the idealists of the West appear to think of nothing beyond their material interests, while the materialists of the East seek to remake the face of the earth by the force of their ideas.

The present Western failure in energy and dedication is tragic and ironic not only in comparison with Communist effort and vision. A further irony is that it contradicts the lessons of the West's most recent diplomatic experience. Wherever, since the war, an element of vision and generosity has appeared in Western policies, the outcome has been effectiveness and achievement. The Marshall plan recreated Western Europe and laid the foundations on which a new supernational unity may now be built. British readiness to grant independence peaceably has set up a multiracial family of nations in the face of the old imperial control. So long as France did nothing but fight for its colonies, it lost them; but General de Gaulle's vision of an interdependent community may yet remake France and its African provinces together. Only where Western policy has been purely defensive and traditional, as in the Baghdad Pact, has it been a total failure. Even NATO is unstable, because it contrives to be a military alliance and nothing more.

But the greatest irony of all is that if the Western Powers could bring themselves to see the need of recovering the initiative, they would have little difficulty in evolving an effective policy for doing so. The fact is that much of the theoretical groundwork has already been completed, for the simple reason that the revolution in process all around the world today practically determines by its nature the sort of policy that could be pursued.

The root of the revolution is the world's growth of population. Only intensive modernization can create the resources to feed and clothe and house the new multitudes. Modernization in turn depends entirely upon the ability to save, to accumulate more capital than is consumed in daily living or by a growing birth rate. Here, then, is the core of policy—to help the world to save and, in political terms, to do so without the Draconian discipline of communism. The sources of saving, which vary from land to land according to its conditions and environment, include rising export incomes, dynamic agriculture, infra-structure—roads, ports, public utilities, and the even more vital investment in education and training—and all the various forms of industrial growth. Effective international programs need therefore to cover trade, investment, and training.

There is nothing new in all this. Virtually every element of an effective international policy has been discussed repeatedly in the last 10 years, and much invaluable experience has been gained in a great variety of experiments. Simply to pick out the main heads of agreement already reached gives the framework of a workable strategy. In the field of trade, the need is for higher working reserves to underpin world commerce—for example, by tripling or quadrupling the sums available to the International Monetary Fund—and for a bolder approach to tariff policy. Between industrialized nations it could take the form of further low tariff or free trade areas. Between industrialized and primary producing groups it could concentrate on giving greater relief to the primary producers, who at present are subject to discrimination all along the line, through revenue taxes on such exports as tea and coffee, through quotas on minerals and restrictions on farm products, and through high protection against cheap textiles, which are usually the first manufactured exports emergent economies such as India can produce.

In the sphere of capital the need is to assess the underdeveloped nation's need for external assistance, over and above its own capacity to save and to provide capital through appropriate agencies—public, private, or international—and in appropriate forms, among them commercial loans; World Bank advances, low-interest-rate, long-term credits; and some direct grants. At the moment the emergent territories could not usefully absorb much more than $3 billion a year in development loans, though their absorptive capacity will increase. Certainly if the wealthier nations contributed 1 percent of their national incomes each year to world development, they could comfortably cover all present needs, and, if the percentage were maintained while their own incomes rose, future needs could be met as well.

The field of training is not yet well explored, and possibly a preliminary report on needs and opportunities would have to be completed before new decisions could be taken. But existing training schemes and the various technical missions scattered over the world could provide invaluable experience. In this, as in other fields, the pilot plans already exist. In short, there is enough material for action—if action is the aim. One comes back to the central point that the missing element is not the content of policy but the decision to have one. Once the decision is taken, however, there are useful precedents upon which to act. For instance, the U.S. Government might repeat the technique which was used successfully in the case of a previous experiment in international cooperation: the United Nations, arranging a meeting of interested nations, led them to agree on aims and objectives and persuaded those who could afford it to pledge 1 percent of national income to finance the organization which was to restore the ravages of war.

This approach is preferable to the preliminaries of the Marshall plan, for then only America could afford to be a contributor, whereas the principle of any present plan should be that all the wealthy states of the world—most of them in the West—play their part. But in another sense the Marshall technique is a sound analogy, for the precedent of an expert inquiry into needs and possibilities, which was adopted in 1948, might be followed again today. True, the pattern could not be so definite nor the time limit so precise; to restore a single, developed, industrial region is one thing, to encourage the beginnings or the expansion of modernization in many different parts of the world is quite another. Yet the technique of setting experts to work on a priority plan is a sound one, and it is hard to think of any other method that could launch the new policy with greater clarity and effect.

Would the new effort require new institutions as did UNRRA or the Marshall plan? There is some danger in proliferating agencies in a world already cluttered up with so many, but methods can be evolved whereby the multiplication of extra machinery could be avoided. For instance, the conference convened by the United States might take the form of a special meeting of the United Nations General Assembly, and the commission of experts could be appointed by the Assembly itself. This approach would have the incidental advantage of compelling the Russians to make their attitude clear. If, as Mr. Khrushchev says, they do not "give a kopeck for cooperating with the imperialists," they will be obliged to withdraw. If, on the other hand, they hesitate to flout world opinion and decide to stay in, the result will be at least some measure of international control over their program of assistance. Either way, the nations of the world will know more clearly where they stand. A further advantage of using a primarily international approach is that it would make such experienced institutions as the World Bank and the International Monetary Fund the chief agents of policy. It would probably be necessary to create one new agency—an International Development Authority—to cover long-term, low-interest-rate loans which lie outside the scope of the World Bank, but in most other fields an appropriate agency exists already. The new policy itself would probably require no more new machinery than a small permanent steering committee, possibly of the General Assembly, which would work on the same lines as did the Organization for European Economic Cooperation (OEEC) within the Marshall plan.

An international approach on these lines does not preclude nations from continuing their own direct aid programs over and above the relatively small sum of 1 percent of national income pledged to the international experiment. It interfers in no way with private business arrangements. Rather it encourages them by giving businessmen the assurance of a steadily expanding world economy.

But the international approach does play an indispensable part in what may well be the new policy's most vital aspect. So long as any scheme or strategy can be twisted to represent nothing more than Western patronage or largess or, worse still, Western self-interest and self-defense, it will fail in its most urgent aim—that of projecting new ideas, new possibilities, and new visions into our confused and searching world. What the new program should represent, at the deepest level of meaning, is the recognition by the Western Powers of their solidarity with the human race.

Nothing is harder to project. For 300 years we in the West have ridden roughshod over the world and have emerged from this dominance wealthy beyond most people's dreams and with an unhealthy reputation for racial arrogance and cultural complacency. All this—which is the staple of Communist propaganda—represents a formidable obstacle to human communication and, hence, to the projection of Western concepts of a free society, of law, of private initiative, of generosity and justice and personal responsibility. If, however, the central purpose of Western policy were now to work side by side with other peoples in the revolutionary tasks of modernization, sharing experience with them, working out jointly the strategy of progress, matching their labor with capital, opening wide the doors for training and education, then, indeed, the climate of world opinion could be remade and the Western Powers might even seem to be what their Christian ethic has always told them they should be—united among themselves and bound by a common spirit of brotherhood to all mankind.

[From the Washington Post and Times Herald, Feb. 6, 1959]

THE PECCADILLO AT GREERS FERRY

(By J. A. Livingston)

"The Peccadillo at Greers Ferry." In that kindly fashion, the London Economist refers to the award of a turbine contract to the Baldwin-Lima-Hamilton Corp., outside Philadelphia, instead of the English Electric Co., which submitted a 19 percent lower bid.

The turbines were for the Greers Ferry Dam on the Little Red River in Arkansas. The U.S. Government decided to keep the business at home for reasons of national defense. The Economist calls that "transparent cant," and suggests that the real reason was to "safeguard employment" in an area in which unemployment has been high.

Nevertheless, the Economist pardons the decision as "part of a familiar pattern," in which American politicians give an inch to save a yard. The award was made just before "a decision has to be reached on the much bigger demand by a group of American producers for a complete ban on the import of certain types of electrical machinery, against which it is vastly more important that Washington should stand firm."

MARKETS, NOT LOANS

But a larger question arises: How good is American policy at making friends and influencing peoples?

"The distinguishing feature of liberal Americans today (liberal Republicans as well as liberal Democrats)," says the Economist, "is their welcome recognition that, provided there is no thermonuclear war, the whole future balance of international manpower is likely to depend on one factor: on whether the poorer nations can be offered the prospect of getting richer within the free world's economic and political system than they would within the Communist one. But the delusion of western politicians is that, to achive this prospect, the main problem is * * * to lend these countries money; instead * * * it is * * * to open markets to them."

In the struggle with Soviet Russia for the loyalty of the uncommitted nations of the world, we repeat to ourselves and other nations that if people have more food, clothing, and shelter—a stake in living—they'll resist communism. So we try to help countries with low living standards to produce for themselves.

BITTER LESSON FOR THE FREE WORLD

But, says the Economist, "if once [nations] are industrialized [and] they find that their cheap labor goods are shut out by the advanced countries of the West (as Japan's were shut out), then the free world will soon learn a bitter lesson: that the peoples most likely to be tempted toward communism are not the very poor, very dormant and illiterate but the half awake, and half educated who feel that they are being prevented by recognizable capitalists from becoming richer as quickly as their capabilities ought to allow."

America is a country of immense, diverse and conflicting interests. To the city of Philadelphia, an award of a contract to Baldwin-Lima-Hamilton Corp. is immediately helpful. It means jobs, payrolls, retail sales. But Philadelphia is a seaport. Anything that throttles international commerce is detrimental to Philadelphia in the long run.

We, in the United States, have grown strong industrially on foreign trade. In early days, we exported our wheat and cotton; we purchased manufactures. Then, when we developed manufactures of our own, we exported them. We had to export. Exports paid off the foreign debt.

FEATHERBEDDING OUR INDUSTRIES

Today we are a creditor Nation. We have high living standards and pay high wages. The twin historic justifications of such high wages are alert, skilled workingmen who give an honest day's work for an honest day's pay and the most modern machinery for the workingmen to use.

We comfort ourselves by saying we can compete with any manufacturers anywhere because of our technological skills and our equipment. But if we do not submit industrial firms to the rigors of price competition, how will they be under pressure to get costs down? It is not only against Great Britain that we must compete. In the world of tomorrow, we'll have to compete with Soviet Russia as well as other countries. We can't do that by featherbedding our industries.

Peccadilloes are tolerable only if they don't become precedents. Exceptions are acceptable only if they don't become the rule.

Mr. FULBRIGHT. Mr. President, I think the time has come for Americans to realize that the international economic policies of this Nation may well prove to be more disastrous to our future than the alleged neglect of our missile program. Miss Ward in her article in the Atlantic Monthly points out that the world revolution we face today is not a Communist revolution primarily but is in fact one arising out of "technology, medical advance, science, industrialization, rationalism, the national idea, popular claims, and aspirations," all ideas which were "invented and launched in the West and would be remaking the world even if Marx had never left the Rhineland." The world in which we live, even if there were no Communists would be a world of violence, catastrophe, and deepening revolution and one in which whole societies will founder if they try to rely simply on the sailing charts for calm weather."

And that is precisely what we are doing in this country. Since the war every time the Nation has shown an element of vision for "generosity as appeared in Western policies, the outcome has been effectiveness and achievement," suggests Miss Ward. It is only when "Western policy has been purely defensive and traditional, as in the Baghdad Pact, that it has been a total failure."

The "Peccadillo at Greers Ferry" which Mr. Livingston describes in his article is a classic example of an economic policy which is not consistent with American traditions of free enterprise. We seem unwilling to face the rigors of price competition. We turn inward to protect ourselves when we should be looking abroad for opportunities of expansion.

Miss Ward suggests that "if the wealthier nations contributed 1 percent of their national incomes every year to world development, they could comfortably cover all present needs." She suggests, and here I am inclined to agree, that the missing element is not that we do not know what to do, but that there has been no decision and no leadership toward a solid policy to live and to lead in an economically revolutionary world.

Mr. Lippmann in his column makes the point that "the rich have a duty to the poor." He observes that this is "not now a part of our official philosophy of foreign aid."

Mr. President, the American people may not be ready as yet to go as far as to make this a cardinal concept of foreign policy.

I suggest that if the time has not come for us to accept this as a philosophy of our foreign policy, we should at least be able to recognize and live with the kind of competition we developed and which is basic to our system that is illustrated in the Greers Ferry contract.

ORDER FOR ADJOURNMENT TO 10:30 A.M. ON THURSDAY NEXT

Mr. JOHNSON of Texas. Mr. President, I ask unanimous consent that when the Senate concludes its business today, it stand in adjournment until 10:30 a.m. on Thursday next. By way of explanation, I should like to say that we will have a joint session of the two Houses on that day at 11 a.m. in the House Chamber, in commemoration of the 150th anniversary of the birth of Abraham Lincoln. My reason for desiring that the Senate shall meet at 10:30 is so that we may have a brief morning hour, have a quorum call, and proceed to the other House.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Texas? The Chair hears none, and it is so ordered.

LEGISLATIVE PROGRAM

Mr. JOHNSON of Texas. Mr. President, I should like to state that at the conclusion of the morning hour today we expect to bring up by motion two noncontroversial measures, which are now on the calendar. One of them was introduced by the Senator from Florida [Mr. HOLLAND], and has been reported by the Committee on Labor and Public Welfare, headed by the distinguished Senator from Alabama [Mr. HILL]. The other measure is a Senate concurrent resolution which was submitted by the Senator from Montana [Mr. MURRAY], and was also reported by the Committee on Labor and Public Welfare.

THE DIRECTOR OF THE INTERNATIONAL COOPERATION ADMINISTRATION

Mr. FULBRIGHT. Mr. President, I have read with considerable interest a newspaper article in the New York Times of last Saturday, written by Mr. E. W. Kenworthy, and a column this morning by Mr. Joseph Alsop in the Washington Post and Times Herald, concerning the case of Henry Labouisse. I ask unanimous consent that these two articles be inserted in the RECORD at this point.

There being no objection, the articles were ordered to be printed in the RECORD, as follows:

[From the New York Times, Feb. 7, 1959]

MR. SMITH LEAVES WASHINGTON AFTER ALCORN REVISES SCENARIO

(By E. W. Kenworthy)

WASHINGTON, February 6.—The Republican National Committee was grinding out a sequel today to "Mr. Smith Goes to Washington," and party managers hoped it would do well at the party's box office.

Mr. Smith—in this case Mr. James H. Smith, Jr.—quietly left Washington for his home in Aspen, Colo., last Saturday. This was a few hours after he had turned in his resignation as Director of the International Cooperation Administration.

Mr. Smith went home, it was understood, a disappointed man, unlike the Mr. Smith of the film success of the 1930's, who managed to survive the political pitfalls of Washington.

The present Mr. Smith had not received the appointment to succeed his friend, Thomas S. Gates, Jr., as Secretary of the Navy as he had confidently expected and as the administration has confidently planned.

Mr. Smith had taken the ICA job in the summer of 1957 on the understanding that he would leave it in January 1959. He was highly regarded in the administration for his performance in the post, and for his prior service as Assistant Secretary of the Navy.

The barrier was placed in Mr. Smith's path, administration and party officials agreed today, by Meade Alcorn, Republican national chairman. Mr. Alcorn was also said to be blocking the appointment of a Connecticut Democrat as Mr. Smith's successor.

Republican politicians made no secret of the fact that Mr. Alcorn had put a big black mark against Mr. Smith more than a year ago, shortly after Mr. Smith became head of the ICA, the foreign aid agency.

At that time, it was said, Mr. Smith and Mr. Alcorn had a frank talk during which time Mr. Smith told Mr. Alcorn that he was not going to give jobs to Republicans simply because they were Republicans.

Since then, several little black marks have been set against Mr. Smith's name in the book kept at party headquarters at 1625 I Street.

ACCEPTED AND REJECTED

One of these involved a person working at party headquarters—a trained professional worker, it was said—who applied for a job at ICA and was accepted. When Mr. Smith learned that this person had been working at Republican headquarters, it was related, he refused to approve the appointment.

One party official summed up today Mr. Alcorn's attitude toward Mr. Smith:

Jimmie Smith was unnecessarily neutral.

A further development in Mr. Smith's story, it was reported, concerned Henry R. Labouisse, a long-time Government official. C. Douglas Dillon, Under Secretary of State for Economic Affairs has been suggesting Mr. Labouisse as the new director of ICA.

SERVED U.N. IN NEAR EAST

Mr. Labouisse retired last June as director of the United Nations relief and works agency for Palestine refugees. Prior to his 4 years in the Near East, he had held several State Department posts connected with foreign aid.

Because of this professional experience Mr. Dillon wanted Mr. Labouisse. This choice had been cleared all the way up to the White House, officials said today.

However, Mr. Labouisse comes from Connecticut—the home State of Mr. Alcorn, and he registered there as a Democrat in 1941. An associate explained today that this was more than Mr. Alcorn could be expected to endure without outcry.

Mr. Alcorn's outcries, it was said, have induced a sympathetic response from Senator PRESCOTT BUSH, Republican, of Connecticut.

Senator BUSH has said that if the administration is "looking for a professional" to head International Cooperation Administration it can find him in Leonard J. Saccio, now the agency's Deputy Director.

Mr. Saccio comes from Connecticut. He is a Republican.

Associates of Mr. Smith gave this account of how he came to Washington and left it.

When he took the ICA job, it was said, he was led to believe, these officials said, that in due time he would succeed Robert Cutler as Special Assistant to the President for National Security Affairs.

However, Mr. Cutler resigned for health reasons last June, too soon for Mr. Smith to take his post. As a consequence Gordon Gray, head of the Office of Defense Mobilization, was appointed to succeed Mr. Cutler.

Some time ago Secretary Gates, who was planning to resign, approached his Under Secretary, William F. Franke, and asked if it were true, as he had been informed, that Mrs. Franke did not wish a promotion to Secretary for health reasons. Mr. Franke, according to officials, said this was so.

Thereupon, it was said, Mr. Gates undertook to get the appointment for his friend, Mr. Smith.

According to associates of Mr. Smith, Mr. Gates told Mr. Smith that everything was set. But Mr. Gates also told others the same thing, and the appointment got in the papers before the White House had given the final word.

Thereupon, it was said, Mr. Alcorn got busy. Mr. Franke was persuaded to change his mind.

Mr. Smith left Washington last Saturday. On Monday Mr. Gates' resignation was announced, effective next June. His successor will be Mr. Franke.

[From the Washington Post, Feb. 9, 1959]

THE CASE OF HENRY LABOUISSE

(By Joseph Alsop)

Henry Labouisse is a genial, unassuming, deceptively ordinary seeming man who belongs to a very special category, the category of Americans to whom every citizen of this Republic ought to feel personally indebted.

In the early stages of his career, in the Foreign Service, and for a time in the foreign aid administration, he turned in a most notable performance; but it was not this which created the debt each one of us owes to him. The debt began to be incurred when Labouisse accepted one of the most difficult and heart rending posts in the world today, the directorship of the United Nations Relief Agency for the tragic Arab refugees from Palestine.

There was no need for Labouisse to leave everything friendly and familiar, and go to the Middle East with his beautiful and brilliant wife, the former Eve Curie. By any ordinary standard, the appointment Labouisse accepted was both repellent and terrifying.

The million uprooted Arabs who are condemned to the grim death-in-life of the refugee camps were then suffering from extreme mass neurosis. Their resentment against the world's injustice was too bitter; their suspicions were too inflamed. They would begin one of their wolfish riots on almost any pretext. The refugee problem was, in fact, a gigantic ulcer, on the very point of bursting with unforeseeable consequences.

When Henry Labouisse took over, it was physically dangerous for the U.N. personnel to enter some of the refugee camps. As an American, a representative of the nation held responsible for sponsoring the Palestine partition, Labouisse was under extra suspicion. Yet by tact and humor and cool courage, by wonderful improvising from small resources, by model administration under the worst conditions, and above all, by back-breaking, unending, gruelling hard work, Labouisse won the day.

He could not cure the ulcer that is the refugee problem. No one could do that. But he won the confidence and even the affection of these tragic people. He improved conditions in the terrible camps in many different ways. He reduced the inflation of the ulcer, by these means, to a point that was no longer acutely dangerous. And all this he did without any great increase of the niggardly pittance of a few cents per person per day that the United States and the other contributing nations gave to the U.N. for refugee care.

Such, then, was the achievement of Henry Labouisse when he came home at last some months ago. Such, then was the man whom Deputy Under Secretary of State Douglas Dillon requested to take over the International Cooperation Administration, when Dillon learned that the foreign aid job was about to be vacated by James H. Smith.

The foreign aid job is notoriously the hardest major post to fill in the Government today; and it was something of a sacrifice on Labouisse's part to agree to leave his well-earned retirement for this new post. Secretary John Foster Dulles and the whole State Department high command were enthusiastic for the appointment. Labouisse's name went to the White House with the highest recommendations.

At the White House, however, the nomination ran, head-on, into the peculiar situation created by President Eisenhower's positive detestation of his secondary role as leader of the Republican Party. Despite his semiannual exhortations to the party rank and file to get out and work, the President notoriously avoids the normal political tasks of his office. But in order to justify this avoidance and to control the party officials, the President has done something that his most politically active predecessors never did. He has given the Republican National Committee and its chairman, Meade Alcorn, a right of veto over all appointments.

Alcorn's files of jobseekers of course contain no remotely suitable candidate for the foreign aid job. A score of men were begged to take the job and refused it, before James

H. Smith was finally induced to serve. And above all officials, the foreign and chief needs to enjoy bipartisan confidence on Capitol Hill.

Despite these important considerations, Alcorn furiously vetoed the Labouisse appointment on the sole ground that the wholly a-political Labouisse was not a Republican. The President, despite his repeatedly professed enthusiasm for the foreign aid program, has been too remote from the struggle, too little interested in the problem, too busy quail-shooting with George Humphrey, to bother to overrule the national committee chairman. When you recall the great public servants Harry S. Truman recruited from Republican ranks, it seems a little odd to see the Eisenhower crusaders enforcing the crudest rules of old-fashioned pork-and-patronage politics, with certain detriment to the public service of the United States.

Mr. CLARK subsequently said: Mr. President, I wish to refer briefly to the article entitled "The Case of Henry Labouisse," written by Joseph Alsop, and published today in the Washington Post. I have been informed that permission has already been granted, at the request of one of my colleagues, to have the article printed in today's CONGRESSIONAL RECORD.

Therefore, at this time I should like to say that I wish to vouch for and affirm everything Mr. Alsop states in the article. I believe it shows a shocking condition of political partisanship; and I hope we shall soon put an end to the business of not allowing fine, first-class public servants to do the work, for the benefit of their country, which they are so eminently qualified to do.

Mr. FULBRIGHT. Mr. President, the essence of these articles is that the Republican National Committee and its Chairman Meade Alcorn have in effect been able to force Mr. Smith, the just resigned Director of the ICA, to leave Washington, and to veto the nomination to that post of Mr. Henry Labouisse. Mr. President, I have no intention of trying to deny the interest of any national committee in political appointments. It seems to me the Labouisse case is going too far, however.

Members of the Committee on Foreign Relations have for some years been concerned with the poor quality of some of the appointments which have been made to ambassadorial posts and to high posts in the Department of State and related agencies. I ask unanimous consent to have printed in the RECORD at this point a letter which Chairman GREEN wrote to Secretary Dulles on April 3, 1957.

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

APRIL 3, 1957.

The SECRETARY OF STATE,
Washington, D.C.

DEAR SECRETARY DULLES: I desire to express to you in a completely nonpartisan spirit my deep concern about ambassadorial appointments.

In view of the heavy responsibilities of the United States throughout the world and the importance to us of relations with other countries, we should have first-rate ambassadors in every post. We choose ambassadors both from the ranks of the career service and from outside the Government service, and the benefits of this practice can be readily demonstrated. We should not, however, accept the conclusion that some years of satisfactory service, either in the Foreign Service, or in some nongovernmental activity, automatically qualify a man to be a good ambassador. The test in every case should be whether a nominee for a particular post is the American who can best serve the interests of this country there.

There are special problems arising from the fact that certain posts are very expensive. I am glad to have the Department's letter of March 6, 1957, stating that a study of the matter is underway. The Committee on Foreign Relations will no doubt give sympathetic consideration to such recommendations as you may make.

It is generally known that Presidents and Secretaries of State of both political parties have been under pressure from those who feel that an ambassadorship is a reward for past service or help. In my opinion, we can no longer afford to give way to such pressure in appointment-making.

The Committee on Foreign Relations has always recognized the primary responsibility of the Executive in making such appointments and has been reluctant to refuse consent to a nomination unless there is an obvious reason to do so. The committee has on occasions given the benefit of the doubt to nominees. It seems to me, however, an insufficient reason that there is no real objection to the nomination, there should also be an affirmative reason for it—namely, that the nominee has outstanding qualifications for the position. It should be obvious in each case, whether the nominee is a career man or not, that his record, his intelligence, his background, and his attitude are such that he will ably serve our country in his assignment.

I have made this letter the subject of discussion in executive session by the Committee on Foreign Relations and it represents the consensus of the views of all the members of the committee.

Sincerely yours,

THEODORE FRANCIS GREEN,
Chairman.

Mr. FULBRIGHT. Mr. President, in this letter Chairman GREEN said:

It is generally known that Presidents and Secretaries of State of both political parties have been under pressure from those who feel that an ambassadorship is a reward for past service or help. In my opinion, we can no longer afford to give way to such pressure in appointment-making.

Mr. President, on February 5 I wrote to the Secretary reiterating the point made in Senator GREEN's letter of April 3, and asked that the executive branch furnish the committee with certain additional information prior to its consideration of nominations. The important paragraph from this letter reads as follows:

It has seemed to me that if the committee is properly to exercise its advice and consent function in connection with ambassadorial appointments, it is important that it have not only the usual biographic data and statement regarding security clearances, but that it also receive for its confidential use certain other information which the President must consider prior to filling one of these important posts. Frankly, I do not know precisely what form this information may take. I would assume, however, that prior to submitting such appointments, the Department and the President must have information before them of the kind which would normally be utilized by a corporation—or perhaps a college president—prior to filling important positions. With respect to ambassadorial appointments, for example, I would think the authorities concerned with the appointments would want to know of the candidate's language ability, his ability as an administrator, his ability to make friends, the nature and depth of his interest in foreign affairs generally, as well as specifically in the country to which he is being sent, the interests which may be brought to bear on him in his post, and similar matters.

I hope, Mr. President, that the Department of State and the President will be able to resist pressures from any national committee which tends to put partisan considerations above those of the national interest.

BALANCING THE BUDGET

Mr. WILLIAMS of Delaware. Mr. President, I was very much interested in the speeches just made by both the majority leader and the minority leader, in which they expressed their enthusiastic support of a balanced budget. I was particularly interested in the debate as to which of the two political parties has been the best supporter of a balanced budget. There is nothing unusual about such debates. We have heard them on the floor of the Senate frequently during the past several years. We have read the same promises in every political platform. In every political platform adopted in the past 20 years both parties have enthusiastically endorsed and pledged support of a balanced budget. But the real question is not which political party talks the loudest but rather which party when in power carries out its promises.

Mr. President, if speeches and platforms meant anything unquestionably the Democratic Party would win the argument. They talk big, but unfortunately they never carry out their promises. No political party ever made a stronger pledge for a balanced budget than that which was made by the Democratic Party in its platform of 1932. I think it might be well to read that part of the Democratic platform for 1932 in which a balanced budget was advocated:

Remember, this was the platform under which the New Deal party was elected. I quote:

We advocate an immediate and drastic reduction of governmental expenditures by abolishing useless commissions and offices, consolidating departments and bureaus, and eliminating extravagance, to accomplish a saving of not less than 25 percent in the cost of Federal Government * * * and we call upon the Democratic Party in the States to make a zealous effort to achieve a proportionate result.

We favor maintenance of the national credit by a Federal budget annually balanced on the basis of accurate executive estimates within revenues, raised by a system of taxation levied on the principle of ability to pay.

We believe that a party platform is a covenant with the people to be faithfully kept by the party when entrusted with power, and that the people are entitled to know in plain words the terms of the contract to which they are asked to subscribe.

That, Mr. President, was the balanced-budget plank in the Democratic platform of 1932. With that platform the Democratic Party overwhelmingly took control of the Government.

Then what happened? They promptly forgot it.

Instead of balancing the budget they launched the wildest spending program that our country has ever witnessed. Instead of economy and balanced budgets the New Deal slogan of the day became tax, spend, and elect.

Going back and examining the record of the two political parties since 1900, we find that the Democratic Party has had control of the Government in 26 years out of 59. In arriving at the 26 years, I have eliminated from the Democrats' responsibility the Republican 80th Congress because none other than President Truman, who was in the White House at that time, disclaimed any responsibility for anything which happened during the 80th Congress. He said that those 2 years were the sole responsibility of the Republican Party. As one who was a Member of the 80th Congress, I am proud to accept the responsibility for what was done in those 2 years. So I am transferring those 2 years from the Democratic side of the ledger and assigning them to the Republican Party. That leaves the Democratic Party responsible for 26 years and the Republican Party for 33 years since 1900.

First, let us consider the 26 years in which the Democratic Party had control of the Government. We find that, notwithstanding their promises in their platform of 1932 for a balanced budget, the Democratic Party has lived within its income in only 3 years since 1900. At no other time since 1900 has the Democratic Party lived within its income on a national level.

In the face of this deficit spending record in 1948 we find the Democratic Party still promising a balanced budget. I quote from their 1948 platform:

We pledge the continued maintenance of those sound fiscal policies which under Democratic leadership have brought about a balanced budget and reduction of the public debt.

But the New Deal promises of a balanced budget have in the past been ignored just as they are in the voting record of the 1959 New Dealers. Only last week they raised two authorization bills enough over budgetary estimates to destroy any chance for a balanced budget for 1960.

Certainly there is merit to some of these programs, and it is not pleasant always to be put in the position of saying "No" to the requests for increased appropriations. Each increase individually may not seem so important, but when added together they spell deficits.

Mr. President, in spite of all the Democrat talk about the need for a balanced budget, during the 26 years in which they had control of the Government they showed a surplus in only 3 years. One of the surpluses was in 1916, a surplus of $48,487,346. In 1920 they showed a surplus of $291 million. In 1951 they showed a surplus of $3,500 million.

When one takes into consideration the total of the surpluses in those 3 years in which the Democratic Party operated within its income and subtracts them from the deficits which they accumulated during the other 23 years they were in control of the Government, the record will show that the Democratic Party spent a total of $265 billion more than it took in during the 26 years it had control of the Government. That $265 billion represents our national debt, about which we hear so many cries and see so many crocodile tears shed. But that Democratic debt costs the American taxpayers $8 billion in interest annually.

The Senate was treated to a lecture the other day about the need for the American people to spend many more billions of dollars in order to reach outer space. I do not belittle the need for studying those problems dealing with the exploration of space, but it is interesting to note that if the $265 billion deficit which the Democratic Party has accumulated during their 26 years were converted into dollar bills, the bills would form a blanket 15 feet wide reaching from the earth to the moon.

Now, let us examine the record of the Republican Party. During the 33 years since 1900 when the Republican Party has had control of the Government, the Republicans have had a balanced budget in 22 years. In only 11 years has the Republican Party operated our Government at a deficit.

When one takes the accumulated totals of the deficits of the Republican Party for 11 years and subtracts from them the total of the accumulated surpluses he will find that the Republican Party spent only $2.1 billion over and above what was taken in during their 33 years of operations. I am not boasting about a deficit, but certainly it is a record to be proud of when it is compared with the $265 billion which was spent by the Democrats beyond the income in their 26 years of operation.

In all fairness it should be pointed out that the deficit of the Republican Party does not include the estimated deficit for 1959. This deficit is estimated to be from $10 billion to $12 billion.

It is well to point out that during the time since 1900 the record clearly shows that the only political party which can properly boast of having carried its promise of a balanced budget has been the Republican Party. All that the New Deal members of the Democratic Party have ever done in this connection is talk.

Mr. President, I ask unanimous consent to have printed at this point in the RECORD a table showing the record of deficits and surpluses under both parties since 1900.

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

Year	Republican		Democrat	
	Deficit	Surplus	Deficit	Surplus
1900		$46,380,005		
1901		63,068,413		
1902		77,243,984		
1903		44,874,595		
1904	$42,572,815			
1905	23,004,229			
1906		21,782,168		
1907		86,731,544		
1908	57,334,413			
1909	89,423,387			
1910	18,105,350			
1911		10,631,399		
1912		2,727,870		
1913			$400,733	
1914			408,264	
1915			62,675,975	
1916				$48,478,346
1917			853,356,956	
1918			9,032,119,606	
1919			13,362,622,819	
1920				291,221,548
1921		509,005,271		
1922		736,496,251		
1923		712,507,952		
1924		963,366,737		
1925		717,043,353		
1926		865,143,867		
1927		1,155,364,766		
1928		939,083,301		
1929		734,390,739		
1930		737,672,818		

Year	Republican		Democrat	
	Deficit	Surplus	Deficit	Surplus
1931	$461,877,080			
1932	2,735,289,708			
1933			$2,601,652,085	
1934			3,629,631,943	
1935			2,791,052,100	
1936			4,424,549,230	
1937			2,777,420,714	
1938			1,176,616,598	
1939			3,862,158,040	
1940			3,918,019,161	
1941			6,159,272,358	
1942			21,490,242,732	
1943			57,420,430,365	
1944			51,423,392,541	
1945			53,940,916,126	
1946			20,676,170,609	
1947 [1]		$753,787,660		
1948 [1]		8,419,469,844		
1949			1,811,440,048	
1950			3,122,102,357	
1951				$3,509,782,624
1952			4,016,640,378	
1953	9,449,213,457			
1954	3,116,966,256			
1955	4,180,228,921			
1956		1,625,553,403		
1957		1,595,571,550		
1958	2,819,000,000			
Total	22,993,015,616	20,820,897,490	268,553,291,738	3,849,482,518

[1] Republican 80th Cong. President Truman disclaimed all responsibility.

Source: 1957 Report of the Secretary of the Treasury, pp. 336-339.

Mr. WILLIAMS of Delaware. Mr. President, this table was compiled from the 1957 Report of the Secretary of the Treasury to Congress, pages 336–339.

Mr. President, I ask Senators on the other side of the aisle who are so enthusiastically supporting the principle of a balanced budget to join the Republican Party in votes to support that objective. After all, speeches alone do not mean anything. It is how we vote that counts. During the last 2 weeks we have listened to many speeches advocating a balanced budget in principle. But on the first two occasions when a showdown came, the votes were for substantially increased spending and against balancing the budget. The American people are interested in the ultimate result, and not in hearing a lot of political speeches and seeing crocodile tears.

Mr. CLARK. Mr. President, I am happy to see my good friend, the distinguished Senator from Delaware, on the floor. I came in during his comment about the so-called radical spenders in the Democratic ranks. I know he is one of those who are as anxious to balance the budget as I am. He happens to be one of the Members of the Senate who, I believe I am correct in saying, would be glad to see many loopholes in the tax laws closed, which, if done, would result in balancing the budget.

I know that my friend, the Senator from Delaware, has previously indicated his interest in reducing the oil-depletion allowance, and I am sure there are many other tax loopholes which he also would be happy to see closed, so that the budget can be balanced—a goal which I have as much at heart as does he.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator from Pennsylvania yield?

The PRESIDING OFFICER. (Mr. McGEE in the chair). Does the Senator from Pennsylvania yield to the Senator from Delaware?

Mr. CLARK. I yield.

Mr. WILLIAMS of Delaware. For the last 10 years I have been trying to have the oil-depletion allowance rate lowered, and I appreciate the support of the Senator from Pennsylvania in the attempt to close that tax loophole.

I say in all fairness that we shall not pick up enough to offset the extra money appropriated in the last few days.

Mr. CLARK. But the Senator from Delaware agrees, does he not, that that gap should be closed?

Mr. WILLIAMS of Delaware. Yes, it should be. I hope the political party which is in control of the Congress will work in that direction, and I hope that enough support can be obtained from this side of the aisle, so that Congress will pass this measure, which in my opinion should have been enacted long ago.

There are many other loopholes which we are trying to close; and I shall certainly join the Senator from Pennsylvania in attempting to do that. I trust that we shall be able to obtain sufficient votes for that purpose. However, let us not kid ourselves. This in itself will not balance the budget.

Mr. CLARK. I thank the Senator from Delaware.

Mr. President——

The PRESIDING OFFICER. The Senator from Pennsylvania.

TELEVISION CHANNEL 12, AT WILMINGTON, DEL.

Mr. CLARK. Mr. President, on February 4, my colleague, Mr. SCOTT, introduced Senate bill 924, cosponsored by the Senator from New Jersey [Mr. CASE] and myself, to amend section 307 of the Federal Communications Act by adding the following clause:

> In considering any applications for a license for a television broadcasting station operating in a very high frequency channel in an area where there is no such channel reserved for noncommercial educational use nor any noncommercial educational station operating in any such channel, priority shall be given to any applicants proposing to operate such station for noncommercial educational purposes.

At the time when the bill was introduced, the Senator from Delaware [Mr. FREAR] asked whether the bill would cover the pending applications for channel 12 in Wilmington, Del.; and the Senator from Pennsylvania [Mr. SCOTT] informed him that the bill was broad enough to cover the channel 12 situation. The Senator from Delaware [Mr. FREAR] then indicated that he would oppose the bill because it was part of an attempt to shift channel 12 from Wilmington, Del., to the Philadelphia area.

On February 6, 1959, the Senator from Delaware [Mr. WILLIAMS] indicated, by an insertion in the RECORD, that he shared the belief that Philadelphia was trying to obtain that channel.

Mr. President, that simply is not so. There is no attempt on the part of any civic group interested in obtaining educational television to shift channel 12 from Wilmington to Philadelphia, to the best of my knowledge.

The basis for this allegation may be found in the fact that an Atlantic City Broadcasting Co. has requested that channel 12 be shifted to the Atlantic City area, for commercial broadcasting there. The civic groups which are trying to obtain a standard broadcasting band—VHF—for educational television purposes have no interest in moving the channel from the Wilmington area. Most persons who live in the Philadelphia area or in southeastern Pennsylvania can receive channel 12 clearly.

It is a fact, as my colleague stated when he introduced the bill, that in the area south of New York, comprising New Jersey, eastern Pennsylvania, Delaware, and a portion of Maryland, no VHF channel has been assigned for educational television purposes. The assignment of channel 12, in its present location, to an educational television group would be of immense benefit to the estimated six million persons who live within the area which it now covers. I hope our colleagues from Delaware, who, I feel sure, are as interested in educational TV as are the rest of us, will not oppose this worthwhile civic attempt to have channel 12 in Wilmington reserved for educational television purposes, because of fear that there is afoot a move by the educational groups to shift the channel to Philadelphia. No such shift is being sought.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator from Pennsylvania yield?

Mr. CLARK. I am happy to yield.

Mr. WILLIAMS of Delaware. I may say to the Senator from Pennsylvania, in commenting on the statement he has just made—and in this respect I believe I can speak also for my colleague [Mr. FREAR]—that we have no objection whatsoever if Pennsylvania wishes to establish a television channel for educational purposes, provided those interested use one of the presently operated channels. Pennsylvania now has 10 or 11 VHF channels; and if Pennsylvania wishes to use 1, 2, or 3 of those channels for educational purposes, that is the business of Pennsylvania, and we would not interfere.

Delaware has only one VHF channel; it is channel 12. This is the only one Delaware has. We will not go along with the support of a bill by the Senators from Pennsylvania which will have the effect of telling Delaware what to do with the only television channel Delaware now has. That channel belongs to Delaware: If we who live in Delaware wish to use that channel for educational purposes, that is our business. But it is not the business of Pennsylvania to tell us what to do with the only television channel assigned to our State. We insist that this channel be allocated to someone who will guarantee to keep its facilities and plan its programs for the benefit of the citizens of our area.

Mr. CLARK. Mr. President, in reply, let me say very briefly that in southern Pennsylvania we have only three channels, which also serve the State of New Jersey——

Mr. LANGER. Mr. President, I rise to a parliamentary inquiry: Is not the Senate still proceeding in the morning hour, under the 3-minute limitation?

The PRESIDING OFFICER. That is correct.

Mr. CLARK. Mr. President, have I exceeded the 3-minute limitation?

The PRESIDING OFFICER. The time available to the Senator from Pennsylvania has expired.

TAX-COST SQUEEZE PUTS MANY STATES IN DILEMMA FOR 1959

Mr. CLARK. Mr. President, on another subject, I ask unanimous consent to have printed at this point in the RECORD, in connection with my remarks, an article entitled "Tax-Cost Squeeze Puts Many States in Dilemma for 1959," which was published this morning in the New York Times. The article in terse form states far more clearly than many of us have been able to do in the last few days of debate on the airport bill and the housing bill, the impossibility of expecting the States, particularly the great industrial States, to raise the funds necessary in order to take care of the obsolescence in the public sector of their economy.

I hope this matter will be given careful consideration by all Members of the Senate, because, to my way of thinking, it demonstrates very clearly indeed the reasons why the Federal Government has to make these appropriations in order to take up the slack in the public sector of our economy which the finances of the States do not permit them to provide for.

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

TAX-COST SQUEEZE PUTS MANY STATES IN DILEMMA FOR 1959—SURVEY FINDS ALBANY IS NOT ALONE IN HAVING PROBLEMS—RECESSION BLAMED—DEFICITS ARE PREVALENT—MICHIGAN CITED AS FACTORY AREA WITH LAG IN INCOME DUE TO UNEMPLOYMENT

(By Russell Porter)

New York is not the only State government that faces the choice between tax increases and reduced spending in 1959.

A nationwide survey by correspondents of the New York Times shows a number of other States to be having similar financial problems in varying degree.

The States are being squeezed between rising costs, particularly in school, road, and welfare programs, and declining tax receipts. In some States budget deficits have occurred or are threatened. The squeeze is particularly evident in big industrial areas most affected by the 1957 recession and continuing unemployment.

Like New York, many States are planning to increase taxes.

RECORD TAX RISE ASKED

Governor Rockefeller has asked the New York Legislature to approve a record rise of $277 million in State taxes for the fiscal year 1959–60.

Under his program the State's personal income tax would be put on a withholding basis and other changes would be made to increase its yield by $150 million a year. The yield on cigarette taxes would be raised by $47 million and on estate taxes by $10 million. His request for a $69,500,000 rise in the gasoline tax had already been granted.

The Governor also proposed the use of $100 million in bond issues and $47 million in reserve funds to help finance a record $2,041 million budget, the first in the State's history to exceed $2 billion.

Spending in the first Rockefeller budget runs $240 million higher than in former Gov. Averell Harriman's last budget, now in effect. About $190 million of the increase is in larger State aid to local governments. The largest single item of increase is $64,500,000 in aid to education.

Following are reports on the financial problems of other representative States:

CALIFORNIA

Gov. Edmund G. Brown submitted last week a 1959–60 budget of $2,100 million. It is designed to meet a deficit he estimates at $68 million inherited from the previous Republican administration, and to balance at a record level.

Mr. Brown, a Democrat, is seeking $256 million in new or increased levies. These include higher income taxes in brackets over $10,000; taxes on cigarettes and tobacco; and higher taxes on beer, horse racing, petroleum products, and corporations.

Many critics want to spend surplus moneys in various State funds before raising taxes. They point to an investment fund of $170 million representing tideland oil royalties, $14 million in the fair and exposition fund, $10 million in a flood control reserve and about $20 million in other surplus or reserve funds.

The State Chamber of Commerce said more taxes would retard the business upswing. It demanded stricter economies and opposed experimental proposals.

COLORADO

Gov. Stephen L. R. McNichols has proposed a $68,800,000 general fund budget for the next fiscal year, about $5,500,000 higher than the current budget.

The Governor has suggested closing of tax "loopholes." He said this could raise $9 million to cover the new funds required and provide added money for needed educational buildings.

Legislators expect proposals for some new taxes, including a cigarette tax, a tax on premiums paid to Colorado-based insurance companies, and a tax on trading stamps. A higher tax on beer is also expected.

Another proposal being considered is to allow the State to take bank accounts and matured insurance policies unclaimed for 7 years.

FLORIDA

Florida's estimated deficit for the fiscal year ending June 30, 1959, is $17,500,000. Agencies and institutions have asked for appropriations totaling increases of $134 million in the next 2 years.

The budget commission has recommended a 2-year spending program of $725 million. This is $4 million less than one revenue estimate, but $9 million more than another.

Gov. LeRoy Collins has said there will be demands for more tax money, but he would recommend economies, including centralized purchasing.

Controller Ray Green has indicated he may suggest broadening the 3-percent sales tax to raise an additional $14 million by removing exemptions on whisky and beer. They are now exempt when sold for consumption off the premises. Others have proposed removal of exemptions on groceries, medicine, and clothing, and an increase in the gasoline tax.

MASSACHUSETTS

The Massachusetts Legislature voted and Gov. Foster Furcolo signed a law last week that authorized a withholding system for collecting personal income taxes.

Thousands who are said to have never filed a State tax return are expected to be uncovered by the withholding system. It is expected to bring in $60 million more in tax receipts this year, of which $12 million will go to State aid for local government.

Governor Furcolo has also proposed a 3-percent sales tax. The budget for the present fiscal year is $405,573,661. An increase of $110 million is expected in the budget for the next fiscal year, beginning in July.

Of the increase, $35 million is to cover an expected deficit in the present budget, $20 million in pay increases for 30,000 State employees, and the rest is for inflationary increases in costs.

MICHIGAN

Industrial Michigan, hard hit by the recession, will end the fiscal year with a deficit of about $110 million.

Gov. G. Mennen Williams has proposed a general purpose budget of $423,900,000, or $44,400,000 more than the current budget. The increase is for higher education, State school aid and civil-service pay increases.

The Governor has asked for $140 million in new revenues to balance the budget and start paying off the deficit. He has called for a 5 percent corporate profits tax (7 percent on financial institutions) to raise $110 million, and a personal income tax with rates from 2 to 6 percent, to produce $100 million.

His program also recommends repeal of the corporate franchise and intangibles tax and a credit of 15 percent of personal property taxes against taxes on business activities and corporate profits.

It suggests a mortgage on the veterans' trust fund to provide $38 million for the University of Michigan, Michigan State University, and the State teachers pension fund.

MINNESOTA

Gov. Orval L. Freeman, Democrat-Farmer-Labor, is expected to introduce this week a tax bill to produce $470 million in the 2 years beginning July 1. This is $83,500,000 more than in the current fiscal biennium and $51 million more than appropriations for the 2-year period ending this June.

He will seek a 1-percent increase in all individual income tax brackets and attempt to introduce a withholding system of collecting income taxes. The three-term Governor is also planning increases in taxes on iron ore, cigarettes, liquor, tobacco, and inheritances and gifts. He would also end the deductibility of Federal taxes for corporate income taxpayers.

The income-tax provisions face a rough time in Minnesota's heavily Conservative senate. Business groups are pressing for a 3-percent sales tax linked with $10 individual credits against income-tax liability. But no Republican or Conservative legislator is taking the initiative on this.

MONTANA

Legislative leaders expect a budget of $78 million for the next 2 years, $14 million more than the present budget. The State now has a $5 million deficit in its general fund.

Numerous tax bills have been introduced in the legislature. Some would provide new taxes, such as taxes on bowling and the sale of soft drinks. Others would raise rates on personal and corporation incomes. Still others would remove exemptions and deductions.

NEBRASKA

Nebraska has a surplus expected to be more than $26 million for the 1957–59 biennial budget, but has a financial problem just the same.

Its problem is to raise $4 million for the next biennium to cover increased funds asked by State-supported educational institutions and other growing needs. State officials are trying to get the money without raising the property tax, which is the only tax Nebraska has for the support of the State government. This tax is now $7.97 a $1,000 of assessed value.

Gov. Ralph G. Brooks has called for stricter enforcement of the existing tax law. He said enough additional property could be put on the tax rolls to raise the $4 million. Others have suggested a tax up to 6 percent on parimutuel horse racing.

OREGON

A surplus estimated at $30 million on June 30, 1959, is expected to be used up in the following 2 years. The proposed budget for the next biennium calls for expenditures of $299 million, or $22 million more than the present budget. Since the new budget was proposed, bills calling for the spending of $29 million more have been introduced in the legislature.

Gov. Mark Hatfield has announced he will present a tax program to the legislature today. He has already proposed broadening the income tax base. Speculation has centered on the possibility of a 1 percent gross income tax, a cigarette tax, a real estate transfer tax, and removal of the personal property credit from the corporation net income tax.

PENNSYLVANIA

The Pennsylvania Legislature faces the prospect of raising $500 million in new taxes to balance the budget for the 1959–61 fiscal biennium beginning in June.

Gov. David L. Lawrence's first budget is expected to approximate $2,500 million. The current budget is $2 billion, and a $100 million deficit is expected by the end of the fiscal period.

The Governor had ordered spending cut to the bone with no vacant jobs to be filled except on his approval. He is awaiting a report from a tax study committee before announcing a tax program.

However a 1-cent increase in the gasoline tax, now 5 cents, is expected. This would yield $31 million additional. And $5 million would come from an expected $1 increase in the cost of an auto license tag or driver's license. A 1-cent increase in the present 5-cents-a-pack tax on cigarettes, and elimination of a number of exemptions in the sales tax are also considered.

SOUTH DAKOTA

Gov. Ralph Herseth has proposed a budget of $63,500,000, which is $8 million higher than any previous budget in the State. Most of the increase is for educational purposes. The increase exceeds by $1 million the $7 million surplus in the State's general fund.

The Governor has recommended increasing the cigarette tax including liquor, hotel and motel bills and various exempted service in the sales tax, and imposing a new bottle cap tax on soft drinks.

TEXAS

Gov. Price Daniel has proposed a tax program to wipe out a deficit of about $65 million in the State operating fund and provide $72,800,000 a year in new revenue.

A decline in oil tax revenues is blamed in large part for the deficit. In addition, the Governor has recommended a new budget that raises total State spending by 17 percent. The 2-year budget calls for $2,311,434,306.

The tax proposals include a new severance beneficiary tax on natural gas at 3 percent of value, revision of the corporation franchise tax formula, increased taxes on motor vehicle sales, liquor and cigars; elimination of exemptions on sales of cigarettes and beer on military reservations, and a tightening of tax collection machinery.

Another proposal calls for the State to take over property unclaimed for 7 years, such as bank deposits, dividends and royalties.

VERMONT

Gov. Robert T. Stafford, a Republican, has proposed a $52,905,000 budget for 1959–60, compared with $56,365,630 for the current financial year. The State faces a deficit estimated at close to $4 million as of June 30.

The incoming administration was pledged to avoid new taxes, but some are recommended in the Governor's proposal. One calls for a 20-percent tax on all other tobacco products to match the existing 20 percent tax on cigarettes. There would also be a 5-percent tax on meals costing more than $1 and on rooms in public lodging places.

The Governor has not called for a sales tax. Its chances of passage had earlier been considered problematical. Vermont already has a graduated income tax that takes 7 percent of net incomes over $5,000.

WASHINGTON

The most controversial tax measure in Gov. Albert D. Rosellini's proposed general fund budget of $835,500,000 is a proposed sales tax on services, from attorneys to shoeshine boys. Opponents say it would overlap the present business and occupation tax of eight-tenths of 1 percent on all gross income over $3,600.

The Governor is also facing rough going on proposals for a State income tax and for a 5 percent tax on the gross of parimutuel betting. He would also raise the present 10 percent tax on hard liquor and beer to 30 percent.

In defending his budget Governor Rosellini said he had trimmed $71,750,000 from the original requests of State agencies but had added $18 million in salary increases. Revenue measures would provide tax increases totaling $135 million.

One of the principal increases would come from an increase in the sales tax to 4 percent from its present 3⅓ percent.

WEST VIRGINIA

The West Virginia Legislature is expected to authorize a budget increase of $18 million to $20 million, including $10 million for roads and the rest for education, mental health and public welfare. The current budget is $118,262,778 for the year ending June 30, 1959.

The State has been hard hit by unemployment, especially in the coal fields. This has resulted in declining tax revenues, particularly from the State sales tax. The Board of Public Works recently cut spending to assure completion of the fiscal year without a deficit.

Tax proposals include raising the gasoline tax from 6 to 7 cents, increasing drivers' license fees from $1 to $5 quadrennially, higher charges for auto and truck license plates, elimination of gasoline tax exemptions to railroads and airlines, a gasoline or diesel fuel tax on interstate truckers, and removal of certain exemptions from the consumers sales tax.

MODERNIZATION OF OUR FEDERAL AIRPORTS

Mr. SYMINGTON. Mr. President, last Friday the Senate passed Senate bill 1, to amend the Federal Airport Act.

This action shows clearly that the Senate believes this country means to be a progressive part of the 20th century.

I congratulate the junior Senator from Oklahoma [Mr. MONRONEY], who did the Nation a great service in handling this bill in committee and on the floor with such understanding and ability.

In the framework of this sound legislation and the practical leadership of Senator MONRONEY, the country should fully realize that it cannot afford to do less than to act promptly and effectively toward modernization of our airport facilities.

DESTRUCTION OF AMERICAN TRANSPORT PLANE BY RUSSIAN FIGHTERS

Mr. LAUSCHE. Mr. President, my remarks at this time are prompted by an article, written by Roscoe Drummond, which was published this morning in the Washington Post. In the article Mr. Drummond gives a recitation of the chain of events which has developed since the unarmed American transport plane was found charred and destroyed on Russian territory, with the bodies of 6 Americans in the plane, and with 11 of the crew missing.

Last weekend Radio Moscow made a statement alleging that the U.S. Government manufactured a recorded tape which contained an exchange of information and directions had between pilots of Russian planes which shot down the American transport.

I repeat what I said on the floor of the Senate last week dealing with the exchange I had with Mr. Mikoyan while he was at lunch with members of the Foreign Relations Committee. I asked Mr. Mikoyan, "What about the 11 men who were in that plane which the Soviet said it found on Russian territory?" His answer was that they knew nothing about them; they knew that a charred and destroyed plane was found on the territory of the Soviet; that six dead bodies were in it; and it so informed our Government.

I said to him, "There is a mystery attached to the explanation that has been given about the manner and the method in which that plane was found." He said to me, "You obviously do not have any faith in us."

I said, "That is not the issue. There has been no adequate explanation given about what happened and where the other 11 bodies are." He then gave this significant answer: "Hereafter if your Government will notify my Government of the presence of an American plane over our land, the number of persons in the plane, and the purposes of the mission, incidents of this type will not happen."

I submit to my colleagues that that statement, by implication, definitely carries the judgment that there was a relationship between the plane being on Russian territory and the failure of our Government to notify the Soviet. He impliedly stated that, "If you had told us that your plane was over our land, that plane, which contained the six American bodies within it, now would not be on the ground, charred and destroyed."

I submit to my fellow Ohioans back home that a reading of the record of what took place will show these facts:

No. 1, it took 10 days before the Soviet disclosed what they alleged had happened.

No. 2, the Soviets refused to allow American inspectors to examine the remains of the fallen plane.

No. 3, when Menshikov was asked to listen to the recorded tape, he refused to do it, asserting that he did not understand the technicalities of the proposition.

Those three facts definitely point to concealment and to a set of facts which are inconsistent with the explanation given by the Soviet about what happened.

Finally, I say that Mikoyan, by his own statements, implied that the plane did not fall, but that it was brought down by the guns of the Soviet.

It will take more than Radio Moscow, and it will take more than the word of the Soviet and Communist officials, to make the people of the world, the people of the United States, and, finally, the people of Russia themselves, believe that the Communists are telling the truth and that we are telling the falsehood. In my judgment, the people of the Soviet will not believe their own leaders on this subject.

MIKOYAN STOLE UNITED STATES SECRETS

Mr. BRIDGES. Mr. President, I ask unanimous consent to have printed in the body of the RECORD a column by Victor Riesel entitled "Mikoyan Stole U.S. Secrets," published in the January 12, 1959, edition of the Manchester Union Leader.

Mr. Riesel should be commended for the distinct public service he has performed in documenting, so that all may read it, the espionage activities of Anastas Mikoyan. This is only part of the record, but it is sufficient to enable anyone to realize that a man with such a background as Mikoyan could not change his inner thinking and philosophy to match the sweetness and light exterior he now exhibits. I, for one, am not taken in by it, and I will continue to do my utmost to see that the American people shall be informed of the true character and the true purpose of this man.

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

MIKOYAN STOLE U.S. SECRETS

Those who are not being beastly to Mikoyan, second in command of the Soviet Union, should know that our intelligence agencies have the visiting tovarish listed as a former chief of economic espionage specializing in the United States.

Bluntly and brutally, the visitor now being feted in our best places was under assignment from Joseph Stalin to steal our basic research and newest industrial secrets in the war's final years. Working under Mikoyan were spy rings about which the public never learned. But from these rings Mikoyan funneled some of the industrial developments which have enabled the Russians to beat us into outer space. Mikoyan was not just another member of the Soviet Union's Politburo making general policy.

The visitor wrote the espionage orders himself. He handed them to secret agents for transmittal to America in Soviet diplomatic pouches.

These were, in turn, handed to Comintern representatives as well as hundreds of lesser Soviet officials in the United States. Some of the orders were passed on to pro-Soviet labor leaders, long since exposed. Those men, Americans and Russians, were working daily right in the innards of our most guarded industries. That was in the days when Mikoyan officially was the Soviet Union's Foreign Trade Minister.

To get some of this pedigree on the man now here for a "soft sell" of the Soviets to the American people, you need not have access to any cloak-and-dagger bureau dossier. You need only find one man, still active in Washington and New York. He is one of Mikoyan's former aides, Victor Kravchenko by name.

Back in the war years, Kravchenko was economic attaché of the U.S.S.R. Purchasing Commission in Washington. But he chose freedom. He broke with the Soviets. Later, in April 1947, he swore under oath publicly to what he had secretly told our counterintelligence agencies during the intervening years. Kravchenko told the House Un-American Activities Committee:

"One more fact. Mikoyan, this Foreign Trade Minister, sent an order, a very secret order.

"All the responsible, prominent members, the Soviet representatives in the United States (telling them) how to carry on economic espionage and on what special problems in the United States" Kravchenko said, describing the Mikoyan order. "This document was delivered to special secret agents in Washington and, it goes without saying, was delivered, thanks to diplomatic immunity. In the same way secret party orders were delivered to Washington from the central committee of the party.

"I must state in general that no person holding an important position in connection with the economic, political, and military organizations and arriving in the United States from the Soviet Union arrives without a special assignment as to the collection of secret information."

All this is known in detail to the top AFL-CIO leaders at their Washington headquarters. They were, therefore, surprised, chagrined, and some of them bitter and angered when they learned late last Monday evening that James Carey, a member of the AFL-CIO's eight-man executive committee, had invited Mikoyan to a special creamed chicken lunch at his union headquarters.

Some of the labor leaders assumed no undue subtlety in telling this to Carey when he personally telephoned Monday evening and Tuesday morning to ask them to sit with the Soviet official.

Among those who turned Carey down were AFL-CIO president, George Meany, and the machinists' leader, Al Hayes. They said they would not sit with a representative of the nation under whose guns hundreds of working people die each day. There were those who resented this hospitality to Mikoyan because he arrived in the midst of violent anti-semitic and anti-Catholic propaganda campaigns inside the Soviet Union.

Mr. Carey, president of the International Union of Electrical Workers, also attempted to interest Lewellyn Thompson, U.S. Ambassador to Moscow, who now is in Washington. Mr. Thompson said, in effect, "It's all yours, Jim. I wouldn't touch him."

Just what does it take on the Soviets' part for some of our people to treat them as we treated the Nazis—of which they are but a different hue?

CERTIFICATION OF FOOD COLOR ADDITIVES

Mr. HILL. Mr. President, there are two measures on the calendar to which there is no objection. I ask that we now proceed, under the rule, to the consideration of those two measures.

The PRESIDING OFFICER (Mr. YOUNG of Ohio in the chair). Is there further morning business? If not, morning business is closed.

Is there objection to the present consideration of Calendar No. 47, Senate bill 79?

There being no objection, the Senate proceeded to consider the bill (S. 79) to amend the Federal Food, Drug, and Cosmetic Act to permit the temporary listing and certification of Citrus Red No. 2 for coloring mature oranges under tolerances found safe by the Secretary of Health, Education, and Welfare, so as to permit continuance of established coloring practice in the orange industry pending congressional consideration of general legislation for the listing and certification of food color additives under safe tolerances, which had been reported from the Committee on Labor and Public Welfare with amendments on page 1, after the enacting clause, to strike out "That paragraph (c) of section 402 of the Federal Food, Drug, and Cosmetic Act is amended by repealing the second and third provisos to such paragraph, and by inserting before the period at the end of such paragraph a new proviso as follows: *'Provided further,'* " and insert "That (a) the second proviso of section 402(c) of the Federal Food, Drug, and Cosmetic Act is amended by striking out 'March 1, 1959,' and inserting in lieu thereof 'May 1, 1959,'."; on page 2, at the beginning of line 6, to insert "(b) The third proviso of section 402(c) of such Act is amended to read as follows: *And provided further,*"; in line 16, after the word "as", to strike out "packing house elimination" and insert " "packing house elimination" "; at the beginning of line 24, to insert "September 1, 1961, and to"; and on page 3, after line 6, to strike out:

SEC. 2. This act shall take effect upon the date of enactment, except that the repeal of the second proviso of section 402(c) of the Federal Food, Drug, and Cosmetic Act shall not become effective with respect to oranges the skins of which are colored before March 1, 1959, in accordance with such proviso.

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 (a) the second proviso of section 402(c) of the Federal Food, Drug, and Cosmetic Act is amended by striking out "March 1, 1959," and inserting in lieu thereof "May 1, 1959,".

(b) The third proviso of section 402(c) of such Act is amended to read as follows: *And provided further,* That, without regard to the requirements of sections 406(b) and 701(e), the Secretary shall promptly establish, and may from time to time amend, regulations (1) prescribing the conditions (including quantitative tolerance limitations) under which the coal-tar color known as Citrus Red No. 2 (more particularly to be defined in such regulations) may be safely used in coloring the skins of oranges which are not intended or used for processing (or, if so used, are oranges designated in the trade as "packing house elimination"), and which meet minimum maturity standards established by or under the laws of the States in which the oranges are grown, (2) providing for separately listing such color solely for such use on such oranges, and (3) providing for the certification of batches of such color, with or without harmless diluents, for such restricted use; and such oranges, if colored prior to September 1, 1961, and to the enactment by the Congress (subsequent to the date of enactment of this proviso) of general legislation for the listing and certification of food color additives under safe tolerances, in conformity with this proviso and such regulations, with Citrus Red No. 2 from a batch certified in accordance with such regulations, shall not be deemed to be adulterated within the meaning of this paragraph."

The amendments were agreed to.

Mr. HILL. Mr. President, the bill was introduced by the distinguished Senator from Florida [Mr. HOLLAND]; and was considered by the Senate Committee on Labor and Public Welfare. The committee had before it the Senator from Florida [Mr. HOLLAND]; Mr. Harvey, the Deputy Administrator of the Food and Drug Administration; and Mr. Ellenbogen of that Administration. The Senator from Florida [Mr. HOLLAND] and these gentlemen were in full agreement as to the bill and the amendments which the committee reported. The bill has the approval of the Food and Drug Administration; of the Department of Health, Education, and Welfare; and of the Bureau of the Budget. I ask that the bill be passed.

Mr. HOLLAND. Mr. President, I want to express my very great appreciation to the distinguished chairman of the Senate Committee on Labor and Public Welfare in regard to this matter. A hearing was held by the full committee, and the bill was unanimously reported. The distinguished Senator has stated accurately that the amendments were discussed and agreed to not only by the sponsor of the measure, the Senator from Florida, but also by the representatives of the Food and Drug Administration and by counsel for that Administration. The bill as amended was also agreed to by the Department of Health, Education, and Welfare, and representatives of the citrus industry.

Mr. YOUNG of North Dakota. Mr. President, will the Senator yield?

Mr. HOLLAND. I yield.

Mr. YOUNG of North Dakota. Has the bill been discussed with the Republican leadership?

Mr. HOLLAND. The bill has been discussed with the Republican leadership. I personally talked to the distinguished minority leader, the Senator from Illinois [Mr. DIRKSEN] who, I will say, sat in on the hearings and joined in the unanimous reporting of the bill.

Mr. YOUNG of North Dakota. I have no objection.

Mr. HOLLAND. I asked the minority leader this morning if he would consent to having the bill taken up today, and he gave me his assurance that it would be proper and met with his approval.

Mr. YOUNG of North Dakota. I have no objection.

Mr. HOLLAND. Mr. President, I ask unanimous consent that excerpts from the able report of the committee, which clearly set forth the situation, be printed in the RECORD at this point.

There being no objection, the excerpts were ordered to be printed in the RECORD, as follows:

The Committee on Labor and Public Welfare, to whom was referred the bill (S. 79) to amend the Federal Food, Drug, and Cosmetic Act to permit the temporary listing and certification of Citrus Red No. 2 for coloring mature oranges under tolerances found safe by the Secretary of Health, Education, and Welfare, so as to permit continuance of established coloring practice in the orange industry pending congressional consideration of general legislation for the listing and certification of food color additives under safe tolerances, having considered the same report favorably thereon, with amendments, and recommend that the bill do pass.

EXPLANATION

The practice of using artificial color to color the skins of fully mature, sound oranges has prevailed in Florida and Texas for many years. Such coloring is necessary because fully mature fruit from those areas in many instances may be greenish and nonuniform in color.

Formerly the coloring material employed was coal-tar color F.D. & C. Red No. 32. Under the provisions of the Federal Food, Drug, and Cosmetic Act this color was certified by the Food and Drug Administration as is authorized by law under provisions that require it to be harmless and suitable for use. In 1955 the Food and Drug Administration developed evidence that F.D. & C. Red No. 32 is not harmless since, under some circumstances and in some quantities, it is capable of causing harm when fed to laboratory animals under properly conducted tests. Because of these findings the Administration caused the color F.D. & C. Red No. 32 to be removed from the list of colors certifiable for use in foods, which had the effect of prohibiting its use for coloring oranges.

In the 84th Congress legislation was passed, Public Law 672, which provided for the temporary continuation of certification and use of the color previously known as F.D. & C. Red No. 32, solely for the purpose of coloring skins of oranges, it having been determined that this would involve no known danger to the public health. This legislation expressly provided an expiration date of February 28, 1959, or sooner if a harmless substitute were developed and listed. It was implicit in the understandings that, during the period thus allowed, every effort would be made by the interested industries to develop a coal-tar color for use on oranges which would meet the criteria of harmlessness and permit its certification under the Federal Food, Drug, and Cosmetic Act.

The studies undertaken led to the development of the color known as Citrus Red No. 2, which is chemically 1-(2,5-dimethoxyphenylazo)-2 naphthol. The committee has been assured that the toxicity level of Citrus Red No. 2 is significantly lower than that of F.D. & C. Red No. 32.

At feeding levels considerably higher than those required to color oranges, Citrus Red No. 2 can harm test animals; therefore it is not eligible for certification for food use under present law. But in the quantities necessary to color the skin of oranges it is without hazard to man.

In order to provide an available color which will be useful in the coloring of mature oranges upon the expiration of the effective existing law, Public Law 672, this bill provides authorization for the listing and certification under safe tolerances of Citrus Red No. 2 solely for use in coloring mature oranges. It provides that under such qualitative tolerance limitations, and pursuant to regulations to be established by the Department of Health, Education, and Welfare, each batch of such color employed in the coloring of mature oranges shall be certified. Since it will require a period of approximately 60 days for the color Citrus Red No. 2 to be manufactured, certified, and available to orange packers, the bill further provides that the effective date for the termination of Public Law 672 shall be May 1, 1959. This has the effect of extending the period in which the color formerly known as F.D. & C. Red No. 32 may be employed to color oranges 2 months, and thus allow a period for the new color authorized in this bill to become available under the conditions and restrictions heretofore stated.

The committee has concluded from the evidence presented that enactment of this bill will in no wise be detrimental to the public health or introduce into the food supply an unsafe color. It is further concluded that enactment of this bill will not result in increasing the price of colored oranges to the consumer inasmuch as the competition between colored and uncolored oranges would have the effect of precluding passing on the cost of coloring to the consumer.

The enactment of this bill is entirely consistent with the provisions of the Federal Food, Drug, and Cosmetic Act generally. It is specifically provided that the provisions of this bill will become inoperative on September 1, 1961, or before that time if general legislation affecting coloring materials for food is enacted by the Congress. The reason for the time limit is that this is emergency legislation, which will meet the immediate needs of the citrus industry without permanently engrafting on the basic Food, Drug, and Cosmetic Act a new principle of tolerances for coal-tar colors which is not applicable to foods generally. The expiration date has been so fixed as to allow the Congress ample time to consider the application of this principle to all foods.

COMMITTEE AMENDMENTS

The amendments which the committee has made in the bill and which have been approved of by the Department of Health, Education, and Welfare are as follows:

1. As introduced, section 1 of the bill would repeal the second proviso to section 402(c) of the Federal Food, Drug, and Cosmetic Act, which had been enacted by Public Law 672, 84th Congress, so as to permit the coloring of the skins of oranges, until March 1, 1959, with the color formerly known as F.D. & C. Red No. 32. Section 2 of the bill is a saving clause to the effect that the repeal of the second proviso of section 402(c) of the Federal Food, Drug, and Cosmetic Act shall not become effective with respect to oranges colored before the March 1, 1959, cutoff date.

The first committee amendment substitutes for this part of section 1 of the bill and for section 2 a provision amending the second proviso of section 402(c) of the act by striking out the cutoff date of "March 1, 1959," and inserting in lieu thereof "May 1, 1959,". The effect of this amendment is to extend the cutoff date for coloring oranges with F.D. & C. Red No. 32 for about 2 months, so as to permit an orderly transition from the use of the color formerly known as F.D. & C. Red No. 32 to Citrus Red No. 2 for coloring the skins of oranges. It will require about 2 months to manufacture and distribute the new color after enactment of the bill.

This committee amendment has been recommended by the sponsor of the bill and by the industry, and the committee has been advised by the Department of Health, Education, and Welfare that it has no objection to the amendment.

2. Section 1 of the bill as introduced also would repeal the third proviso to section 402(c) of the Federal Food, Drug, and Cosmetic Act, which now provides that the second proviso, above described, shall have no further effect if prior to March 1, 1959, another coal-tar color suitable for coloring oranges is listed under section 406.

The committee amendment, instead of repealing this proviso, would amend it so as to substitute for its present provisions all of the provisions of the bill relating to the listing and certification of Citrus Red No. 2 for coloring the skins of oranges. This is purely a technical amendment.

3. The third committee amendment would insert on page 2, line 16, of the bill, after the words "prior to", the phrase "September 1, 1961, and to".

The effect of this amendment is to insert a definite time limit, i.e., September 1, 1961, in the bill in addition to the indefinite time limit now specified, so that oranges could be colored with Citrus Red No. 2 under the provisions of the bill only until September 1, 1961, or earlier should the Congress enact general legislation for the listing and certification of food color additives under safe tolerances before that date.

This amendment, suggested by the Department of Health, Education, and Welfare, makes the measure temporary emergency legislation to be effective for a period which is expected to be adequate for congressional consideration.

DEPARTMENTAL REPORTS

The reports of the Secretary of Health, Education, and Welfare and the Director of the Bureau of the Budget are as follows:

DEPARTMENT OF HEALTH,
EDUCATION, AND WELFARE,
January 29, 1959.

Hon. LISTER HILL,
Chairman, Committee on Labor and Public Welfare, U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: This letter is in response to your request of January 13, 1959, for a report on S. 79, a bill to amend the Federal Food, Drug, and Cosmetic Act to permit the temporary listing and certification of Citrus Red No. 2 for coloring mature oranges under tolerances found safe by the

Secretary of Health, Education, and Welfare, so as to permit continuance of established coloring practice in the orange industry pending congressional consideration of general legislation for the listing and certification of food color additives under safe tolerances.

As you know, March 1, 1959, is the expiration date of emergency legislation (Public Law 672, 84th Cong.), enacted in 1956, which, notwithstanding the general provisions of the Federal Food, Drug, and Cosmetic Act, permits the temporary continued use, on mature oranges, of a coal-tar color which was formerly on the food color list established under the act but which is now, because of its toxicity, only on the list of colors certified for use in drugs and cosmetics intended for external application to the human body. (The color, formerly known as F.D. & C. Red 32, is now listed as External D. & C. Red 14.) The provisions of Public Law 672, 84th Congress, did not require us to attempt to establish a tolerance limitation to govern the use of that color on oranges during the emergency period, nor would the available data have furnished a scientific basis for the establishment of such a tolerance.

The present bill (S. 79) is designed to permit continuation of the industry's coloring practice for mature oranges (primarily oranges from Florida and Texas), but only with a recently developed substitute coal-tar color, Citrus Red No. 2, and subject to regulations prescribing the conditions, including tolerance limitations, under which the color may be safely used.

For the reasons discussed below, we feel constrained to recommend against enactment of S. 79 in its present form, because the actual terms of the bill, despite the title of the bill, give no real assurance that it would in fact be only temporary emergency legislation pending congressional consideration of general legislation to permit use of toxic food colors under tolerance limitations and other appropriate safeguards. The bill would, however, be acceptable to us if this objection were removed by an appropriate amendment along the lines suggested in this report.

Under the provisions of the present law, a food is deemed to be adulterated if it bears or contains a coal-tar color, unless the color is from a batch certified in accordance with regulations issued under section 406(b) of the act. Section 406(b) permits the listing and certification of coal-tar colors for use in or on food only if the color is "harmless and suitable for use in food." This provision precludes us from listing any color for use in or on food unless the color is harmless substance, i.e., without potentiality of harm when permitted to be used in foods generally without restriction. We have no power to fix tolerances for toxic coal-tar colors so as to permit their safe use in or on food, or to limit the use of coal-tar colors to specified foods, or to a specified manner of application to food. For this reason, and on the basis of this view of the law, we were constrained to "delist" for food use F.D. & C. Red 32, a color which had long been used in coloring a large part of the Florida and Texas mature orange crop and which had theretofore been on the list on the erroneous assumption that the color satisfied the criteria above mentioned. The segment of the orange industry involved, and makers of this color, challenged our interpretation of the law in the courts, but the Supreme Court, on December 15, 1958, sustained the delisting order and our view of the law (*Flemming* v. *Florida Citrus Exchange,* 79 Sup. Ct. 160 (decided December 15, 1958)).

The delisting of this color, the only one known at that time to be suitable for the purpose, created an emergency for the segment of the orange industry involved because large quantities of Florida and Texas oranges are green in color when harvested in their mature state, and because such oranges, when not artificially colored, have met strong consumer resistance and the coloring practice had thus become an economic necessity for this part of the industry. In view of these facts and the fact that the evidence so far available did not establish any likelihood of injury from such use of this color, Congress enacted the above-mentioned emergency legislation, with a view to giving the industry a reasonable period of time to make tests and studies necessary to determine the precise toxicity of Red 32 and to develop a harmless substitute if possible. The industry, since then, has developed a proposed substitute coal-tar color, known as Citrus Red No. 2, which, although not a harmless color which could be listed under the present act for use in or on food, has lower toxicity and at the same time greater tinctorial power than Red 32. On the basis of the data furnished us by the industry, we believe that Citrus Red No. 2 is suitable for use in coloring the skins of oranges and that, if authorized, we would be able to establish a safe tolerance for such use.

The question remains whether, in view of these facts, the enactment of the special legislation proposed by S. 79, in its present form, is warranted.

In reporting on July 29, 1958, on S. 3595 (85th Cong.) which proposed permanent legislation to require us to prepare a special list of color additives for use on certain mature oranges (under safe tolerances if necessary), we expressed the view that it "would be unwise and discriminatory to enact permanent legislation of this nature on the basis of a single food commodity to the exclusion of other food products." And we stated that we would therefore be constrained "to recommend that, rather than proceeding with consideration of [such special legislation], the Congress give consideration to legislation dealing with the question of artificial coloring in all foods. The enactment of such broader legislation along sound lines would establish uniform criteria applicable to all foods and would at the same time accomplish the objectives of S. 3595." We included with our report on that bill a copy of our report on H.R. 8945 (a comprehensive color bill) to the House Committee on Interstate and Foreign Commerce, which indicated that we favored the principle of allowing the safe use of added toxic colors in foods, drugs, and cosmetics under proper safeguards, including appropriate tolerance limitations, and subject to properly framed transitional provisions relating to coal-tar colors listed as certifiable at the time of enactment of the amendment. An extra copy of our reports on S. 3595, together with our report on H.R. 8945, is herewith enclosed for your convenience.

We realize that the statutory expiration date of March 1, 1959, fixed for the use of Red 32 by Public Law 672, 84th Congress, foreshadows an emergency for the Florida and Texas growers involved, since Citrus Red No. 2, the substitute color developed by the industry, is not "harmless" and cannot be listed under the present act and since Congress could hardly be expected to enact by that date general legislation to permit the listing and certification of toxic food colors under safe tolerances. We would therefore not object to the enactment of legislation to permit the use of Citrus Red No. 2 under safe tolerances on a temporary emergency basis, i.e., until the adjournment of the first regular session of the next Congress or, if a definite date is desired, until September 1, 1961, thus affording ample time for Congress to consider and enact general legislation on this subject, which, we assume, would supersede the emergency legislation.

Under S. 79, however, the proposed "temporary" legislation would terminate only upon the "enactment by the Congress * * * of general legislation for the listing and certification of food color additives under safe tolerances." This would mean that if, contrary to our hope and expectation, the 86th Congress—and, indeed, future Congresses—should turn down the proposed new principle of establishing tolerances for toxic food colors, the use of Citrus Red No. 2 on oranges under tolerances prescribed by the Secretary would, nevertheless, be permitted, thus converting the so-called temporary legislation into permanent legislation. This could lead to further special statutes engrafting upon the act one special exception after another for this or that food, or this or that color or use of color, and without certain safeguards which, we believe, should be contained in general color legislation.

Thus, S. 79 is subject to the basic objection raised by us in our report of July 29, 1958, on S. 3595, and we are therefore likewise constrained to object to the enactment of S. 79. If, however, the bill were amended along the lines above indicated, the bill would be acceptable to the Department as reasonable emergency legislation. An amendment which would accomplish this would be to amend the phrase "prior to the enactment by the Congress (subsequent to the date of enactment of this proviso) of general legislation for the listing and certification of food color additives under safe tolerances,'" which appears on page 2, lines 16–19, of the bill, by inserting within the parentheses after the word "proviso" the phrase "and prior to September 1, 1961,". Enactment of the bill as so amended, would, we believe, adequately serve the industry's purpose without being open to the objection that it would indefinitely give favored treatment to one industry in resolving a public-health problem in a way which, if valid for one is valid for all.

The Bureau of the Budget advises that it perceives no objection to the submission of this report to your committee.

Sincerely yours,

ARTHUR S. FLEMMING,
Secretary.

EXECUTIVE OFFICE
OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D. C., February 2, 1959.

Hon. LISTER HILL,
Chairman, Committee on Labor and Public Welfare, U.S. Senate, Washington, D.C.

MY DEAR MR. CHAIRMAN: This is in reply to your request of January 13, 1959, for the views of the Bureau of the Budget on S. 79, to amend the Federal Food, Drug, and Cosmetic Act to permit the temporary listing and certification of Citrus Red No. 2 for coloring mature oranges under tolerances found safe by the Secretary of Health, Education, and Welfare, so as to permit continuance of established coloring practice in the orange industry pending congressional consideration of general legislation for the listing and certification of food color additives under safe tolerances.

This bill is designed to permit continuation of the industry's coloring practices for mature oranges, a practice which would otherwise expire on March 1, 1959, under the terms of the existing Food, Drug, and Cosmetic Act, as amended by Public Law 672, 84th Congress. Unlike Public Law 672, which authorized the use of Red 32, S. 79 would authorize the use of a substitute coal-tar color, Citrus Red No. 2.

We recommend against enactment of S. 79 in its present form inasmuch as the bill provides for an indefinite rather than temporary extension of the use of coal-tar color practices on mature oranges. We concur with the view presented in the report of the Department of Health, Education, and Welfare to the effect that it would be unwise and discriminatory to enact permanent rather than temporary legislation of this nature on the basis of a single food commodity to the exclusion of other food products. We agree with the Department that some kind of time limitation should be included in S. 79 in order to make it clear that the authority for the use of Citrus Red No. 2 would be of a temporary emergency type.

If the bill were amended along the lines indicated above, however, the Bureau of the Budget would have no objection to its enactment.

Sincerely yours,

PHILLIP S. HUGHES,
Assistant Director for Legislative Reference.

Mr. HOLLAND. Mr. President, I should like to say first that we are quite content, in the orange-growing industries of Florida and Texas, which use the process, to rely upon the administration of the bill by the Food and Drug Administration, which has affirmatively stated not only that it approves the bill but also that it can administer such a law under rules of tolerance which the Department will prescribe in such a way as to continue to well serve the industry and completely protect the consuming public of the Nation.

I will say that the industry has about $200 million a year involved in the sale of the product and depends upon the good will of the consuming public of this Nation. The industry would be the last group in the Nation to want to do anything to undermine the usefulness of the product and its availability to be safely consumed by the public.

I will say, very briefly, that to be qualified for the use of the color-added process our oranges have to be of the premium quality; that is, their content must well exceed the standard of maturity and usefulness required both by the Federal Government and by the State of Florida for the ordinary use of citrus fruit. As a matter of fact, it is in the way of a badge of distinction to be able to carry upon the fruit to words "color added."

Mr. President, we are extremely grateful not only to the committee but to the Senate for allowing this quick handling and passage of the bill, because we are working against a deadline. The present law expires on February 28, so Senators will realize prompt handling and approval of the bill are required under the circumstances.

I again thank my distinguished friend, the Senator from Alabama.

Mr. YARBOROUGH. Mr. President, I desire to commend the distinguished senior Senator from Florida for his able handling of the bill. It was my privilege to be on the committee which heard the bill. The bill passed the committee unanimously, after the Senator's presentation.

I represent an area which produces some oranges and citrus fruit, but unfortunately no real percentage as compared to the great production of the great State of Florida. We join in this request that the Senate pass the bill to give this opportunity to the growers of our citrus fruit.

The citrus industry is a great industry in this country. The quantity of land available for citrus fruit is constantly shrinking, due to the cutting up of the orange groves in southern California and the sale of those orange groves for residence lots. That is curtailing the acreage which is available for citrus fruit production in the United States, so it becomes increasingly important that great care be given to this phase of our domestic agricultural production. This is a part of our agriculture which is not in a distressed state. This part pays its own way and makes money. It is becoming increasingly prosperous.

Passage of the bill now before the Senate will help expedite the marketing of the crop which is to come from the trees. I again commend the distinguished senior Senator from Florida for his able, expeditious, and knowledgeable handling of the bill. The Senator knows the subject more thoroughly than any other man I know in a legislative body anywhere, and has presented it extremely well before the committee.

Mr. HOLLAND. Mr. President, I certainly thank my distinguished friend, the Senator from Texas. While our great neighboring State of Texas may produce fewer oranges than we produce, surely I would not lay claim to the fact that our oranges are any better than their oranges, which are certainly good, palatable, and delightful to consume. I hope the State of Texas may reach the day when the industry will be larger, because I am sure it will be of increasing profit to the State of Texas and to the Nation for that to be the case.

Mr. YARBOROUGH. Mr. President, modesty forbade me from telling how good are the Texas grapefruit. No one can challenge their superiority on the market, I will say.

The PRESIDING OFFICER. If there be no further amendments to be proposed, the question is on the engrossment and third reading of the bill.

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

BEST WISHES OF CONGRESS TO THE AMERICAN DENTAL ASSOCIATION

The PRESIDING OFFICER. The clerk will state the next measure on the calendar.

The LEGISLATIVE CLERK. A concurrent resolution (S. Con. Res. 7) extending best wishes of Congress to the American Dental Association on the centennial of its founding.

Mr. HILL. Mr. President, this resolution has been cleared with both the majority leadership and the minority leadership. The resolution is sponsored by some 80 Members of the Senate. The resolution extends best wishes of the Congress to the American Dental Association on the centennial of the founding of that association.

The PRESIDING OFFICER. Is there objection to the consideration of the concurrent resolution?

There being no objection, the Senate proceeded to consider the concurrent resolution.

Mr. HILL. Mr. President, I ask unanimous consent that at this point in the RECORD the statement made by me in reporting the resolution from the Committee on Labor and Public Welfare to the Senate be printed in the RECORD.

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

The Committee on Labor and Public Welfare on many occasions has had representatives of the American Dental Association appear before it in connection with legislation concerned with health matters. The committee has invariably found the representatives of the association to be most cooperative and exceedingly helpful in aiding the committee in its efforts to see to it that such legislation would be so designed as to best advance the health of our Nation. Members of the committee are also well aware of the selflessness and devotion with which the American Dental Association has repeatedly sponsored programs which have contributed greatly to the dental health of the people of America and, indeed, of peoples throughout the world. In consequence, the members of the committee are unanimous in believing that the tribute which the Congress would pay the American Dental Association through the passage of this resolution is richly deserved.

The PRESIDING OFFICER. The question is on agreeing to the concurrent resolution.

The resolution (S. Con. Res. 7) was agreed to, as follows:

Resolved, That the felicitations and best wishes of the Congress of the United States are hereby cordially extended to the American Dental Association on its many and varied contributions to the health of the people and upon the occasion of the one hundredth anniversary of the founding of the association.

The preamble was agreed to.

WATERSHED MANAGEMENT RESEARCH IN OREGON

Mr. MORSE. Mr. President, on February 6 I received a letter from Mr. Arthur K. Roberts, secretary, Oregon division of the Izaak Walton League of America, Inc., containing as an attachment a resolution adopted by the Oregon division at its State convention last November.

Because of the public service which this organization has rendered over the years to the cause of sound water, timber, and game management, I feel that the Senate should have the views of the Oregon division placed before it. I ask unanimous consent that the resolution to which I have made reference be printed at this point in my remarks.

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

PROPOSED RESOLUTION FOR WATERSHED MANAGEMENT RESEARCH IN OREGON

Whereas our national progress and economic security are vitally dependent upon adequate supplies of usable water; and

Whereas wise use of water-source areas is dependent upon principles of watershed management involving integration of water production with recreational uses; growing and harvesting of timber; and grazing of domestic stock and game animals; and

Whereas deteriorating watershed conditions in the State of Oregon have led to many forms of damage to economic and esthetic values, including flooding, sedimentation of stream channels, and destruction of fish habitat; and

Whereas techniques of sound watershed management have not been developed because of insufficient research, particularly in the Pacific Northwest: Now, therefore, be it

Resolved, That the Oregon division of the Izaak Walton League: (a) Promote an expanded program of research on forest and range watershed lands; and (b) advise members of Oregon's congressional delegation of the need for these investigations and encourage support of increased funds for upstream watershed research by the Forest Service in Oregon; and be it further

Resolved, That copies of this resolution be sent to the Secretary of Agriculture, the Chief of the U.S. Forest Service, chairman of the Subcommittee on Interior and Related Agencies of the House Committee on Appropriations, and to Members of the Oregon congressional delegation.

BALANCED BUDGETS

Mr. MORSE. Mr. President, we heard considerable discussion in the Senate this morning from both sides of the aisle about balancing the budget. With that general proposition I think there is more or less agreement among us, if we could first agree on what budget we are talking about.

It has been very interesting to note that in much of the discussion the proponents of a balanced budget forget to tell the American people that before we talk about balancing it, we ought to have a sound bookkeeping budget, called by the budgeteer experts a capital budget, the type of budget for which the Senator from Oregon has been pleading on the floor of the Senate, as the spokesman of many great industrialists in America, great business leaders, since 1947.

I have been their spokesman since 1947, because I have been pleading for the adoption of the budget report for 1947 of the Committee for Economic Development, a committee composed of great industrial leaders, a committee on which there is not a single governmental official. Since 1947, those leaders of American business represented on the Committee for Economic Development have been telling us, in effect, that we really are misleading the American people on the entire question of balancing the budget—and truly we are—because we do not get the information out to the American people, first, that the budget which is sought to be balanced is a type of budget under which no American corporation would think of operating an American business.

In the present Federal budget, there are lumped or merged together the operating costs, the administrative costs of our Government, and all the capital investments that Uncle Sam owns, including investments which are self-liquidating and wealth-producing. It is said, for example, that we should include in balancing the budget expenditures for Grand Coulee or Bonneville Dam, and the other great wealth-producing capital investments of the country.

CAPITAL BUDGET WOULD ENABLE EVALUATION OF EXPENDITURES

If we should ever adopt what some of us have been pleading for in the Senate, namely, a capital budget, a sound bookkeeping budget, the politicians, of course, would lose much of the basis for demagogic appeals to the fears of the American people. There would not be as much political propaganda with which to scare the American people into thinking that Uncle Sam is about to lose his shirt, and that he is ready for the poorhouse. They would recognize the great fiscal soundness of Uncle Sam, and the fact that our governmental wealth has been going forward by leaps and bounds.

If we look at the capital investments, the capital wealth, of Uncle Sam, we find that his wealth has been increasing at such a rapid rate over the years that I do not become alarmed when I listen to politicians talk about a balanced budget. I am perfectly willing to go along with a program which seeks to eliminate great waste from governmental expenditures; but this is one United States Senator who is not frightened by an unbalanced budget, if that budget bears a sound relationship to the wealth of the United States, and calls for further investments on the part of Uncle Sam which will turn into the Treasury of the United States income from great wealth-producing projects which we should be developing, but which we are not developing at the present time. There seems to be a great tendency in this Congress to soft-pedal them, because the politics of the moment seem to be the politics of a balanced budget.

Mr. CLARK. Mr. President, will the Senator yield?

Mr. MORSE. I yield.

Mr. CLARK. I commend the Senator from Oregon for the statement he has made about the necessity of keeping a capital budget for the U.S. Government. I invite his attention to the fact that there is not a single first-class city in America today which does not conduct its finances by having a separation of the capital budget and the operating budget. There has been a tendency to sneer a little at the governments of our cities in America. I think the sneering has been quite unjustified. If the Government of the United States were to take a leaf from the book of some of our better governed cities and create a sound capital budget system, I think we would all be better off.

I thank my friend for his very pertinent remarks on the subject.

Mr. MORSE. The Senator from Pennsylvania is quite correct. I appreciate his comments.

The Committee on Economic Development has been pointing out the situation to us for years. What worries me is that the American people are greatly concerned about the security of their Nation. The greatest defense weapon the United States has is our economy and its potentialities.

I do not intend to sit at this desk and go along with one Dwight D. Eisenhower in the kind of budget he is presenting to the Congress this year, under the political "hokum" that he is presenting a balanced budget, when he is cheating future generations of American boys and girls out of the heritage to which they are entitled in the development of the resources of the country for an expanded economy, so that America can fulfill her destiny.

As this Congress proceeds, I shall speak on this subject at some length. In this Congress I will dedicate myself, so far as the budget is concerned, to a demonstration of the shortsightedness of the President of the United States in regard to the matter of developing the resources of America so that the United States can become stronger and more secure.

I shall pinpoint the demonstration with recommendation after recommendation in the President's budget—for example, a proposal to recommend not one red cent for proceeding with the construction of Green Peter Dam in my State. I mention that project merely because I know all the facts about it, but there are developments in other States that are equally deserving.

Millions of dollars' worth of the topsoil belonging to future generations of American boys and girls is being washed away because of the shortsightedness of our generation. We should be following a conservation program essential to protecting the source of a future food supply for generations of American boys and girls yet unborn. The food experts testifying before us these days are concerned over the question as to where the boys and girls of the year 2000 in the United States are going to get enough food on which to survive.

The difference between politics and statesmanship impresses itself upon me more and more, year by year, as I serve in the Senate. How could a President of the United States bring forward a budget which fails to take into account the matter of capital investment; which fails to recognize that when we invest in a project such as Green Peter Dam, which will provide flood control in the Willamette Valley of my State, for example, and save the rich topsoil which, once washed away, is gone for all time, we are making a great capital investment; which fails to recommend a single cent for capital investment in a greatly needed dam to give us the hydroelectric power essential in order to expand the economy and create the wealth from which new tax dollars will flow into the Treasury of the United States and repay its cost time and time again? I am at a loss to understand even the politics of such a short-sighted policy, although I have long since ceased to expect any statesmanship from the White House.

Mr. PROXMIRE. Mr. President, will the Senator yield?

Mr. MORSE. I shall be glad to yield in a moment. We have a proposal in the budget of only $20 million, to proceed on the John Day Dam, which is under construction. The construction companies are there. Anyone who knows anything at all about the construction business knows that there is no economy in starting and stopping, starting and stopping. When we start a great construction project, economy dictates that we drive through as rapidly as possible until the project is finished; then we start to collect the income from the wealth which is produced by the project.

The Corps of Army Engineers have told the Oregon delegation this year that they could spend $40 million during the next year, and could spend the money efficiently and effectively. Yet the President, under the plausible label of a balanced budget, recommends only $20 million.

I wonder if he knows the difference between a capital budget and a budget that mixes together capital investment and operating administrative costs of the Government. Someone must be willing to stand up and lead with his chin, as we say in politics, and point out to the American people: "You are being taken for a ride by the Eisenhower administration in connection with the so-called balanced budget political propaganda that they are feeding you."

The administration took such a whipping in 1958 that now, in desperation, they are trying to convince the American people that they are in for fiscal trouble if we do not stop the development of these capital investments, which are so essential to keep this Nation of ours secure. I now yield to the Senator from Wisconsin.

Mr. PROXMIRE. I should like to congratulate the Senator from Oregon on this extremely important point. It is difficult to estimate how much the country has suffered and is continuing to suffer and will suffer in the future because of the absence of a capital budget.

I should like to ask the distinguished Senator from Oregon to tell the Senate what would happen to any corporation which failed to use that concept in its accounting procedure, by failing to distinguish between capital investment and operating expenses.

Mr. MORSE. Once the stockholders got word of it and started to take into account their losses, they would get a new board of directors.

Mr. PROXMIRE. Exactly.

Mr. MORSE. Of course I have been suggesting that we need a new national board of directors.

Mr. PROXMIRE. I have been making the same suggestion, of course.

I have had some experience with a small corporation that I headed. It is a growing corporation, because we have made the right kind of investments to help us grow. The only way that a business can expand and do so effectively is by recognizing its duty, if it has the opportunity, to invest in capital resources, when such investments seem most likely to earn a profit. In our private enterprise system a private company must invest if it is to compete. And it must either compete or die.

I should like to suggest to the distinguished Senator from Oregon that our country's economy is in very serious competition with the Soviet Union. It is enormously important that we make the right kind of capital investments. It is no accident that the Soviet economy is growing very rapidly and that our economy is not growing as rapidly as some Americans and some Senators believe it should. One of the reasons for it is that whenever a proposal for investment is made, either in the Senate or in the House, an investment which will pay off in future years, it is classified as an expenditure—as spending—as a subtraction from the budget.

I should like to point out also, that we have a tax structure in this country, administrated by the Internal Revenue Service, which makes it very clear that every taxpayer must distinguish between the investments he makes and the expenditures he makes. Anyone who thinks that is not the case, should try to charge off as a tax expense the investments he makes in capital equipment. The Internal Revenue Service will bring him to court—and rightly so—if he tries to do that.

If that is proper and legal procedure for a private business and for private enterprise, it should likewise be the proper procedure for a Government enterprise.

Mr. MORSE. Mr. President, the Senator from Wisconsin is indisputably right. I appreciate his support. As the Senator knows, last year I introduced a capital budget bill. The same kind of bill is now being perfected again, and I shall have it ready for introduction within the next few weeks. I hope that this year we not only can have hearings held on this proposal, but that we can get a bill reported by the committee and can take it up on the floor of the Senate for action.

Such a proposal was proposed by the first Hoover Commission as one of its principal recommendations. So far as I know, almost every economic group which has conducted any studies in regard to the fiscal problems of our country has ended up with a recommendation for a capital budget. I certainly hope we can proceed to get such a budget adopted.

The Senator from Wisconsin pointed out the competition we are in with the Soviet Union. The Senator from Louisiana [Mr. ELLENDER] was one of the first, in one of his early reports on his travels in Russia, to warn us of the great competition we face from Russia in so-called heavy industry. He pointed out to us, in one of his early reports, that Russia was well on its way toward the completion of 3 or 4 hydroelectric dams, each one of which is at least twice as large and several of which are larger than the largest dam we have ever built in the United States.

Mr. President, there is no combination of American industry which can build such dams. These are multipurpose dams. They are dams which go to navigation benefits, to flood control, irrigation, and recreation in addition to power. That kind of capital investment always will have to be built by the Government. We can work out an arrangement with private industry for the use of the facilities of such projects in the interest of the people of this country.

What concerns me is that we have such a timid administration in regard to such matters as this. I am mentioning this subject this morning because I believe it is a very fit introduction to some comments I wish to make about the book written by Drew Pearson and Jack Anderson, recently off the press, called "U.S.A.—Second Class Power?"

I spent a part of the weekend reading this book, as sometime before I had read another book, written by another columnist, Marquis Childs, published last August and entitled "Eisenhower, Captive Hero."

These two books are very remarkable for many reasons. One of the reasons that they are remarkable is that we are beginning now, at long last, to find some courageous men in American journalism who are lifting the veil on the Eisenhower administration. We are beginning now to get the record which some of us for some years have warned the American people was the record which would have to be written of this administration when the final appraisal of the sorry record of failure in this critical period becomes the judgment of history.

The interesting thing is that when there is published such a book as Marquis Childs' "Eisenhower, Captive Hero," setting forth in cold print for history to read what many of us from the beginning knew were the shortcomings of this administration, it is treated pretty much by the tactic known as "thunders of silence."

Some attention was paid the Childs book, but not nearly enough. Now we have the Pearson-Anderson book dealing with this all-important question of the security of America under the interesting title: "U.S.A.—Second Class Power?"

There are certain pages of the book I shall refer to in a moment, because it is a thought-provoking and disturbing book. As one reads the book, one is inclined to say to himself, as I did, "Pearson and Anderson, I certainly hope you are dead wrong."

In my judgment, as a member of the Committee on Foreign Relations, there are certain charges, arguments, allegations, and presentations of information between the covers of the book which the Committee on Foreign Relations had better look into, because if they can be substantiated the American people had better be apprised before it is too late.

Before I discuss any of the contents of the book, I wish to make a comment on my impressions and reactions following a series of briefings to which I have listened as a member of the Committee on Foreign Relations since this session of Congress convened. The first one was of some 2 hours' duration, and was by the Secretary of Defense and the Chairman of the Joint Chiefs of Staff. The second was by General White, of the Air Force, and General Taylor, of the Army. The briefings dealt with the question of our Nation's security and destiny. Much of it was top secret, even though a great part of it had appeared from time to time in the press before we were even briefed. Nevertheless, I shall not be a party to disclosing what we were told in those briefings.

But I want the record to show my impression and my forewarnings. When we were finished with the second briefing, I had listened to all the testimony about whether we were ahead on this or Russia was ahead on that, whether our overall defenses were adequate to maintain the deterrent strength that we must have if there is any hope for us to work out of the morass in which mankind finds itself—and let me make it perfectly clear, as I did in the committee in colloquy with those heads of our Defense Establishment:

"Show me a need for an appropriation for any program which is essential for deterrent strength, and you have my vote."

I have been a Member of the Senate going on 15 years. I know the repetitive pattern of the Pentagon Building. One can almost chart it. Just before the debate on every appropriation bill starts, or in preparation for a debate on an appropriation bill, we get scare arguments out of the Pentagon Building that the country is just about to collapse if we do not proceed to appropriate billions of dollars more. I will vote for the billions if I can be shown the need; but I should like to have someone come from the Pentagon Building sometime and give us some testimony as to the hundreds of millions of dollars which they have saved and which they can save in eliminating obsolescence in the Military Establishment; in eliminating inexcusable waste in the Military Establishment; and bringing to an end the need for the hundreds of millions of dollars which the experts who have studied American military foreign aid have shown to the Committee on Foreign Relations can be saved. I should like to have some testimony, once, that the Pentagon has given a little thought to the American taxpayer by way of eliminating some waste, because that, too, would make our country more secure.

When we are presented with the findings of the Comptroller General on this subject, and when the Senate spends more than $240,000, as we did about 3 years ago, for contracts entered into with great research institutions such as the University of Chicago, the Massachusetts Institute of Technology, Columbia University, the Brookings Institution, and two or three other private research institutes, to give us a study of the workings of American military and economic foreign aid, and they return with a series of findings which show the wastes, I happen to think that the Pentagon Building has an obligation to do something to bring about the saving.

So again this year I shall offer the amendments which seek to implement the findings of the experts in this field, and I shall raise the question with the Pentagon officials: "What do you propose to do about it?"

Mr. McNAMARA. Mr. President, will the Senator yield?

Mr. MORSE. I yield.

Mr. McNAMARA. The Senator from Oregon referred to the book "U.S.A.—Second Class Power?" The book contains a chapter entitled "Profits Versus Patriotism." It deals with scores of corporations who are charged by name, not by insinuation, with questionable practices. It is particularly pointed out in the book that many retired generals and admirals have been hired, who seem to have no qualifications for the jobs for which they are hired except that they have contacts with the Pentagon.

Mr. MORSE. I was about to comment on that subject specifically. That part of the book deals with the subject "Profits Versus Patriotism." It is a very shocking chapter to read. The Committee on Foreign Relations and the Committee on Armed Services owe it to the American people to look into the charges.

If the charges cannot be substantiated, then the American people ought to know it. But if they can be substantiated—and let me say the authors go a long way to make a prima facie case in the book—then it is about time the Pentagon, the White House, and Congress did something about it. I shall have more to say about this problem later.

Mr. McNAMARA. I do not want to anticipate the Senator's remarks, but I am particularly impressed with one particular chapter. In connection with questionable practices, it seems, according to the book, that some corporations are accused of going so far as to sell plans of our planes and submarines to foreign powers. The book mentions the prices paid for the plans. This is going pretty far. The contractors are still continuing to get the major portion of the contracts which the Pentagon has been letting.

I think, speaking generally, that the book sums up the matter in such a way as to indicate that there is a failure to use well-established business practices. This is a pretty serious charge. It is bad enough that this has been happening in past years, but the book concludes in this chapter with the statement that these practices are now being carried over by some companies into our missile program, for which we are now spending billions of dollars.

It seems to me these are serious charges. As the Senator has said, in many cases they have been well documented. If the Pentagon does not answer these charges, if the Pentagon does not make some response, inasmuch as the book has been mentioned here on the floor by several Senators, it seems to me that it will be up to the congressional committees to go into this matter and determine the facts, because these are serious charges of waste of the money of the taxpayers.

Mr. MORSE. Mr. President, I completely agree with the Senator from Michigan. In a moment, after I have yielded to the Senator from Missouri, I shall comment in greater detail on this matter.

At this time let me say that I agree with the Senator from Michigan that the charges should be answered. They should not be met, as in the past, with the thunders of silence which have typified the attitude of so much of the press in the case of the Eisenhower administration ever since it has been in office, and which have led me to say that in many cases the American press has done a better "snow" job for the Eisenhower administration than Pravda has done for Khrushchev.

Mr. SYMINGTON. Mr. President——

Mr. MORSE. I yield to the Senator from Missouri.

Mr. SYMINGTON. I thank the Senator from Oregon for yielding to me. His courtesies to me here remind me of the courtesies he invariably extended to me some years ago when he was a very able and hard-working member of the Armed Services Committee, and I was with the Air Force.

Mr. MORSE. Let me say that at that time—as now—we always obtained from my friend facts, not propaganda.

Mr. SYMINGTON. I thank the able Senator from Oregon.

I have read "U.S.A.—Second Class Power?" It is worth the reading of anyone interested in our national defense.

Today, in this country—thanks to such patriotic citizens as the distinguished senior Senator from Oregon [Mr. MORSE] and the able Senator from Pennsylvania [Mr. CLARK] the people of the United States are more interested in just where we stand in our defenses, as against that of the possible enemy.

After reading the book—which I did with great interest—I am sure anyone interested in the subject of defense can find some of the answers. I congratulate the authors of the book on the effort they have made to ascertain facts in the defense field.

Mr. President, I also thank my good friend, the Senator from Oregon, for yielding to me, inasmuch as it is necessary that at this time I leave the floor.

Mr. MORSE. Mr. President, I am glad to have that contribution by the Senator from Missouri, because so many parts of the book supply support for the work done here on the floor of the Senate by the Senator from Missouri during the past several years when he has been trying to warn the American people that the Eisenhower administration has not been giving our country the military protection it must have in order to keep the country secure from the standpoint of deterrent strength. The Senator from Missouri knows the high regard I have for him because of the statesmanship he has demonstrated—sometimes when he was almost alone, here on the floor of the Senate—in crossing swords with the President of the United States, when the Senator from Missouri charged that either the President was uninformed in regard to the plight in which our country found itself from the standpoint of air support, or the President was willing to take a calculated risk.

Mr. President, we have no time, in my judgment, to justify the taking of a calculated risk, so far as the security of our Nation is concerned. In my judgment, the Senator from Missouri stands out as the leader in the United States today, who has dared stand up on the floor of the Senate, during the past several years, and to raise questions regarding the fallibility of the occupant of the White House in the military field.

Mr. SYMINGTON. Mr. President, I am very grateful to my friend from Oregon for those undeserved but deeply appreciated comments.

Mr. CLARK. Mr. President, will the Senator from Oregon yield?

The PRESIDING OFFICER (Mr. Moss in the chair). Does the Senator from Oregon yield to the Senator from Pennsylvania?

Mr. MORSE. I yield.

Mr. CLARK. Mr. President, the distinguished Senator from Oregon and the equally distinguished Senator from Missouri are, respectively, members of the Foreign Relations Committee and the Armed Services Committee of this body. I have been looking at the book entitled "U.S.A.—Second-Class Power?" with great interest, too. I wonder whether my two colleagues will agree with the one-paragraph summary of the condition which confronts us with respect to our national security and foreign policy which I now read from page 329 of the book:

Any cold analysis of the American position in the world today must reach the unpleasant conclusion that we have three alternatives. We can precipitate a preventive war, and hope to win it. We can reconcile ourselves to becoming definitely and permanently a second-class power. Or we can tighten our belts for a long and self-sacrificing attempt to prove that capitalism is better than communism, that our science can be better than Communist science, our education better than Communist education, our dedication more determined than that of the Soviet Union.

We don't believe the American people will long hesitate in making this choice.

Then the authors of the book state that they believe the American people will choose the third alternative.

I wonder whether the Senate will agree with that statement.

Mr. SYMINGTON. Mr. President, will the Senator from Oregon yield once more?

Mr. MORSE. I am happy to yield.

Mr. SYMINGTON. Let me say that perhaps I disagree with part of that statement as read by the able Senator, because I do not think the possible enemy would long let our country be a second-class power.

Rather we would be either a fourth-class or fifth-class power, or whatever word would properly classify a Communist satellite. I do not think we would have the choice of being a second-class power at all. In view of the developments of today, I think we are now faced with the problem of survival.

In that connection, recent testimony before our committee by Dr. von Braun and others is interesting.

Again, may I point out that much constructive information regarding our national defense is contained in the book in question.

I thank the Senator from Pennsylvania and the Senator from Oregon.

Mr. MORSE. Mr. President, my comment on what the Senator from Pennsylvania has said is that I have no doubt as to what will be the decision of the American people on this or any other great emergency problem, once they understand the facts. What I protest so much is the frightening turn in America toward government by secrecy, in that the people are not given the facts, and are not in the position to evaluate American foreign policy, because they do not know what it is; they are not in a position to evaluate America's defense posture, because they do not know what it is—although when we asked one of the witnesses who was before us, the other day, "Have you told us anything which in your opinion the Russian leaders do not already know?" we obtained from him the admission that probably they already know everything he had told us. But the people of this country do not know that much.

Of course we cannot always be sure, and I do not favor making secrets available to the Russians. But, Mr. President, the American people are entitled to know a great deal more than they are being told, so they can develop their own foreign policy. Under our Constitution, foreign policy belongs to the people of this country, not to the President of the United States and the Secretary of State. A great fallacy, which is referred to in debate in this Chamber a great deal of the time, is that the President and the Secretary of State develop our foreign policy. Of course that is entirely incorrect; and, if carried to its logical conclusion, the President and the Secretary of State would be the dictators of American foreign policy. Of course that is pure nonsense.

They are the administrators of a foreign policy to be developed under the advice and consent clause of the Constitution of the United States, by means of which, under our system of checks and balances, the legislative representatives of the people check a President and a Secretary of State in the development of foreign policy. But the people cannot do that unless they know much more about our foreign policy than they do now.

So I think the information which is being made available by means of the book—again, subject to check—is a great service to the people of America; and I think we must investigate these allegations, we must determine what is factual, and must proceed from there.

Mr. CLARK. Mr. President, at this point will the Senator from Oregon yield again to me?

Mr. MORSE. I yield.

Mr. CLARK. I should like to make two brief observations: First, I am in accord with the Senator from Oregon that there is a conspicuous lack of leadership in telling the American people the truth about the deadly peril in which we live. Second, my own strong conviction is that we cannot measure up to this challenge unless we get more revenues for the Federal Government and, in my judgment, in order to do that and still balance the budget, we need to start to close the unjust and inequitable tax loopholes. Closing these loopholes would enable us to balance the budget and still provide for the cost of our national security and the money necessary to take care of the obsolescence in the public sector of our economy.

Mr. MORSE. Mr. President, as the Senator from Pennsylvania knows, I am a soldier in the ranks in that battle, and I am quite prepared to join him in that fight to close up the tax loopholes.

Mr. PROXMIRE. Mr. President——

Mr. MORSE. I yield to the Senator from Wisconsin.

Mr. PROXMIRE. Mr. President, I have read in the CONGRESSIONAL RECORD some critical comments about this book, "U.S.A.—Second Class Power?" by Drew Pearson and Jack Anderson. The criticism was that the book, in part, engages in criticism in terms of President Eisenhower's painting and recreation. I agree that the burden and theme of the book is so enormously important that it might be better that the book should be concerned with the effectiveness or ineffectiveness or our military policies exclusively. In fact it does so almost exclusively. And it does an extremely useful job.

I should like to cite one specific instance of a serious allegation that I think has been documented and which I think the Congress of the United States should investigate. It occurs in chapter V, which is entitled "Slum in the Sun." It relates to the situation at Cape Canaveral in Florida. Very serious questions are raised about the efficiency and management of the vitally critical installation there, particularly the basis on which management of that installation was transferred from the Air Force to Pan American.

According to the authors, the Air Force officer who was principally responsible for the contract which made Pan American responsible for management, later turned up, very shortly after this occurred, in a highly paid position with Pan American.

In view of the very serious questions which have been raised as to the efficiency of the installation at Cape Canaveral, it seems to me this incident alone warrants very careful scrutiny by the Congress of the United States.

Mr. President, I ask unanimous consent that the disclosures about this matter be printed in full at this point in the RECORD. The account appears on pages 45, 46, 47, 48, and through the first full paragraph on page 49 of the book.

There being no objection, the extracts were ordered to be printed, as follows:

SLUM IN THE SUN

On July 8, 1947, a decision was taken that was to transform a scrubby, mosquito-infested sandbar, jutting out into the Atlantic from Florida's sunny east coast, into the most crucial installation in our defense complex. The name of that sandbar is Cape Canaveral, starting point of the missile test range that stretches 5,000 miles to a bleak, volcanic island called Ascension, deep in the South Atlantic.

What goes on at Canaveral, known less formally as the Cape, is vital to the free world. Upon the success of the missiles tested there, upon the efficiency of its operations, largely depends the answer to that terrifying question: Can the United States catch up with Russia in the race to dominate outer space? All our strategic missiles, from the ocean-leaping Atlas to the under-ocean-launched Polaris, must pass through the Cape. Every hour squandered there represents an equivalent gain for Russia—a gift of time on a platter of dollars.

At first the range was operated by all three Armed Forces, an arrangement bedeviled by interservice rivalry. But on May 15, 1950, the Air Force took charge of the nest and began adding island bases to test and track missiles in flight. To patrol the watery space between the islands, a fleet of white picket ships was acquired. A dozen electronic outposts, backstopped by as many floating stations, trace the great metal birds during their supersonic migrations from the Cape.

Suddenly in 1953, just as the Air Force had settled down to a highly efficient operation of this all-important testing ground, its management quietly passed to a private contractor, as curious a cuckoo as ever invaded any nest: Pan American Airways.

Immediately Pan American began recruiting missile managers on a jobs-for-buddies basis, hiring former pilots, mechanics, ticket agents, and baggage handlers. Its motives weren't alone patriotic. The contractor was paid a fixed fee as its profit for managing the base, and this fee quickly jumped to a million dollars a year. The company also foresaw a commercial future in the missile business. "Indeed," its literature happily boasts, "when guided missiles open the way for space travel, Pan Am's Guided Missile Range may emerge as the pioneer of commercial space-lines."

Pan Am advertises that it is "the world's most experienced airline," and beyond any question it is second to none in its champagne-and-orchids service to travelers. But whether it should be allowed to cut its space-age teeth on so critical a project as the missile-launching base from which we must compete with Russia is another matter. The record so far revealed shows that Pan American Airways and the operation of Cape Canaveral must accept some responsibility for America's drastic drop in power.

The Air Force justified the Pan Am contract in a confidential memo, composed by Lt. Gen. Orval Cook and dated October 26, 1953: "The Air Staff favors contractor operation at the Air Force Missile Test Center because of the conviction that a more efficient and effective operation will result. (Private) contractors are able to obtain better quality and stability of personnel than the Air Force. * * * They do not depend on proselyted Air Force personnel to fulfill their requirements." Cook added another ominous argument: "Ineptness or inefficiency in testing could have dire consequences not only from the cost standpoint, but also in the effectiveness of the weapons as finally adopted."

The warning was sadly prophetic. After the Soviet sputniks had humbled American pride almost to the panic point, one of the authors investigated conditions at the Cape. Unhappily, Pan Am's rule of the range has not fulfilled Air Force hopes. Its management has been plagued with the very ineptness and inefficiency the Air Force was trying to avoid. Its motley staff does not qualify as better personnel. The turnover rate, exceeding 50 percent a year, is far worse than the Air Force average, far worse also than that of the average industrial plant. It does not provide better stability of personnel.

Pan Am may not have been proselyting Air Force personnel, but it has ended up with a startling number of retired colonels and generals. These pastured officers, who enjoy the Florida sunshine and the opportunity to supplement their pensions with Pan Am paychecks, got their jobs through Pentagon cronies whom the company wanted to please. This nepotism has reached such proportions and produced such inefficiencies that even Pan Am is worried.

How did a commercial airline, whose only claim to missile know-how is the coincidence that both airplanes and missiles fly, end up operating the free world's most important missile center? The evidence indicates that an important factor was reward for a worthy Republican contractor.

The Secretary of the Air Force who turned the missile range over to Pan American Airways was the late Harold E. Talbott, one of the most likable rough-and-tumble businessmen ever to serve in the Pentagon, but also one of the worst misfits. He owed his appointment under Eisenhower to the fact that he was one of the most indefatigable money-raisers for the Republican Party, just as Louis Johnson owed his appointment as Secretary of Defense under Truman to the fact that he was an ardent money-raiser for the Democratic Party.

Talbott had been eastern chairman of the Republican finance committee in 1934 at about the same time another young money raiser, Samuel F. Pryor, of Connecticut, later a top executive for Pan American Airways, was emerging in Republican ranks. Pryor was eastern treasurer of the Republican National Committee from 1936 to 1938, then became Republican National Committeeman from Connecticut and manager of Wendell Willkie's eastern campaign headquarters. Harold Talbott served as chairman of the Metropolitan New York GOP Finance Committee and then became chairman of the overall Republican National Finance Committee for the 1948 campaign that almost elected Tom Dewey, but didn't. It was a terrible blow to Talbott. He had been promised the job of Ambassador to the Court of St. James', and his daughters had all but picked their court dresses.

During these years, both Talbott and Pryor helped raise thousands of dollars for the Grand Old Party and, like all political money raisers, believed that to the victor belongs the spoils. One of the most lucrative spoils was defense contracts, and Talbott did not hesitate to try to cancel an aluminum-extrusion-press contract with Kaiser Aluminum at Halethorpe, Md., in favor of the Harvey Aluminum Co., which had contributed handsomely to the Republicans. He did not hesitate to cancel the military-plane contract with Kaiser in favor of his old friend Grover Loening and Fairchild Aircraft. And he also suddenly switched an Air Force heating contract to a newly organized, completely inexperienced company formed by the brother of Gov. J. Caleb Boggs of Delaware.

Talbott had been forced to resign from the Aircraft Procurement Office of the War Production Board during the Roosevelt administration and had been severely castigated by Charles Evans Hughes as guilty of conduct of a reprehensible character in connection with the award of airplane contracts during World War I. The airplane scandal was so serious that Woodrow Wilson appointed Hughes, former Governor of New York and candidate for President of the United States, to investigate. Despite Hughes' scathing indictment of Talbott and his father, of Charles Kettering, and of Col. Edward Deeds, head of Delco Battery, which became part of General Motors, Talbott was picked by Eisenhower to head the Air Force.

Such is the power of political campaign funds.

Eventually, Talbott's partisanship toward favored companies, particularly Paul B. Mulligan & Co., in which he was a partner, brought a Senate investigation and forced his resignation as Secretary of the Air Force. But in the interim, he had switched Cape Canaveral from operation by the Air Force to private-contract operation under his old political comrade in fund raising, Sam Pryor of Pan American Airways.

Curious facts about this contract have been dug out of Pentagon files. The man directly concerned with the negotiations under Talbott was Assistant Secretary Roger Lewis, who received General Cook's memo quoted earlier. In his own handwriting, Lewis scrawled his approval of the memo: "I concur in General Cook's endorsement of contractor operation as opposed to AF (Air Force). Have some questions about contract details however." Finally, on December 21, 1953, Lewis signed the order authorizing General Cook to draw up the contract.

From his office in the Pentagon, Lewis watched the bustle going on down at the Cape as the airline took over. On September 21, 1955, he resigned from the Air Force and the very next day joined Pan American Airways as executive vice president.

His starting salary was a comfortable $28,000 per year plus bonuses, almost double his Air Force pay. He was also let in on a company plan that permitted him to buy 15,000 shares of Pan Am stock over a 10-year period at the market value on December 6, 1955. Only three vice presidents, all company veterans, were offered this amount of stock. Other vice presidents who had been with the company several years were offered as little as 6,000 shares.

Outlining Lewis' new duties, Pan American president Juan T. Trippe wrote: "Your initial assignments will include supervision of company projects relating to the national defense, including operating supervision of the guided missile range project." Trippe was careful to add that Lewis would not participate in any negotiations with the Air Force. It was an obvious and minimum caution. Anything less would probably have landed the airline in legal difficulties.

Trippe has since sworn that Lewis had no discussions with Pan Am while he was considering the missile-range contract and that Lewis had actually submitted his resignation to the Air Force before he was invited to join the company. These protestations, however, have not dispelled the cloud that hangs over the strange transfer of Cape Canaveral to Pan American Airways.

Mr. MORSE. Mr. President, I recognize that the Senator from Louisiana [Mr. ELLENDER] is about to make a major address on another matter. I shall proceed to the conclusion of the discussion about this book.

In the briefings with the Secretary of Defense and the Joint Chiefs of Staff and General White and General Taylor I came to certain conclusions in regard to the seriousness of the defense situation as I see it. I had pointed out I would vote for whatever can be shown is needed to maintain the deterrent strength of my country against the military threat of Russia, because there is a threat. If the time ever came when Russia thought she would have anything to gain by a military course of action, I think she would follow it. But I recognize that the greatest threat of Russia during the next 100 years is not a military threat, but an economic threat; and I do not think we are taking the steps necessary to develop the economical potential of our country to meet that threat in the field of foreign policy, or domestically, either, for that matter. That is why I have made this point about the failure of the Eisenhower administration to recognize that capital investments in wealth-creating objectives do not involve merely Government expenditures, but involve sound business.

I listened to the officials of the Pentagon building raise the question as to whether we were ahead of Russia in this or that field, and I listened to one of them say over and over again in his testimony that the trouble with the American people is that they are not cynical enough, that they must be more cynical about the Russians, that they must recognize we cannot negotiate with the Russians, that the Russians will participate in negotiations only if they are going to be to their advantage. After listening to that cynicism, I was satisfied what the end of the road would be if the country followed this general's philosophy. The chairman of the committee then asked me, when it come my turn to ask questions, if I had any questions, and I said, "Before I ask a question I want to make a comment that sets forth my impressions of the testimony to which I have been listening:" I said, "One of the witnesses said we should be more cynical. I want him to know I am so cynical that his views are unadulterated optimism in comparison. He has been warning us about what is going to happen to our country if we do not do this or that to keep up in the present armament race. He has been asked the rhetorical question as to whether Russia is ahead on this, or the Nation is ahead on that. I want to tell him, as I have listened to the Secretary of Defense, as I have listened to the Joint Chiefs of Staff, and as I have listened now to the head of the Air Force and the head of the Army, I am satisfied that the only ones who would be ahead would be the archeologists a thousand years from today."

When they come to dig up this transcript, then history will record who was ahead. I want to say, surely, we will vote for what is necessary for deterrent strength, but too often that approach seems to make deterrent strength the end rather than a means toward peace. I would suggest to the generals that they need to read some history and recognize that our period in the history of civilization will be no different from that of past periods, if we blindly proceed with a mad armament race with Russia.

The end would be the end of our whole era of civilization. I would say to the officials in the Pentagon building that this mad armament race being participated in by Russia and the Western Powers, including my own country, is an armament race which is bound to end in disaster for Russia and the United States and our western allies, because the testimony itself shows what the destruction will be on both sides if a full nuclear war should break out.

Unpopular as it is in a time of fear, Mr. President, it nevertheless needs to be said: Russia and the Western Powers, including the United States, are in violation of the moral law; and the history of civilization teaches that when any nation for long violates the moral law, it writes its own destruction. One cannot proceed with the immorality of a nuclear armament race if he believes in a God, and expect his civilization to survive. That is why I say, Mr. President, it is so important that, in the midst of our voting funds for whatever is necessary for deterrent strength, we completely discard the notion that we cannot negotiate. We have to negotiate; not on any basis of appeasement but on the basis of getting the facts to the people of the world.

As I said to the generals in the Committee on Foreign Relations the other day, "I will tell you who is going to take care of the United States and of our western allies and of Russia and the Communist segment of the world. It will be those millions of people in Asia and Africa who recognize already the immorality of our position and of Russia's position."

That was evidenced by the question I asked the generals, "What have you to tell the committee about known facts as to the danger to the health of future generations of people for the next several hundred years if we continue in increasing amounts the testing of nuclear weapons?" What did one of the generals say? He said, "Oh, but the experts are in disagreement as to what the effects will be." The record will show I replied, "Am I to therefore conclude there is no danger, because the scientists are in disagreement?"

I then suggested to the chairman of the committee that the Disarmament Subcommittee of the Committee on Foreign Relations of the Senate owes it to the American people to proceed this year with the most thorough investigation yet conducted into the effects upon the health of generations unborn of a continuation of the letting loose in the atmosphere of the fallout of nuclear testing.

The interesting thing, Mr. President, is that there is agreement among the scientists that if Russia and the Western Powers involve themselves in a nuclear war the radiation which will be let loose from that war not only will destroy millions of our generation but also will bring havoc upon the world for hundreds of years to come on all forms of life, as life struggles again out of the depths of a new dark ages to the light of a new civilization.

I made those comments, Mr. President, because I think they are very closely related to the contents of the book. In the interest of time, but so that there will be some documentation in the RECORD today in support of the comments I have made about the book, I ask unanimous consent to have printed in the RECORD what the publishers have to say on the flyleaf of the book in regard to the book's purpose, as well as the material on the back of the flyleaf.

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

"U.S.A.—Second Class Power?" is the shocking story of how we have let ourselves fall behind scientifically and militarily in the age of earth satellites and missiles. It tells precisely where we stand today in relation to the Russian achievements and what we must do to insure our survival.

When the first Russian sputnik began circling the globe on October 4, 1957, our country woke up to the fact that we had fallen dangerously behind in scientific research and defense preparedness. The Russians had successfully carried through a crash program in rocket development that called for a reappraisal of their whole scientific achievement and potential. At the same time, thinking Americans demanded to know what had gone wrong with our defense program, just how bad off we were, and how we could catch up.

This book gives the answers. It tells how our rocket research began, how the Government has withheld vital information, how budget-cutting and bickering and business rivalry have been added to indecision and shortsightedness to bring on the crisis.

In their tireless pursuit of the truth, the authors use much confidential information that needs to be made known to the American people. They are outspokenly critical, in the way for which Drew Pearson has become famous, on this subject of vital interest to every American—his own survival.

U.S.A.—SECOND-CLASS POWER?

What has been the reason for our downhill skid in power and prestige? The Gaither report puts the blame on bickering between the Armed Forces. This, of course, was true but it is an understatement. There are many reasons. They go back to the terrorism of the McCarthy era when we drove scientists out of Government. They go back to the easygoing complacency of our educational system, our concentration on football and snap courses rather than science, and our failure to pay teachers a living wage. They go back to the passionate budget-cutting of Secretary of the Treasury George Humphrey and his willingness to put a balanced budget ahead of national security. They go back to the scramble for orders by the defense contractors who have almost more influence inside the Pentagon than the President of the United States and who, consciously or unconsciously, have sometimes put profits ahead of patriotism. They also go back to the dangerous American political system of raising tremendous amounts of money to elect candidates and then paying off the contributors with defense contracts. They involve personal jealousy and rivalry of the type that almost prevented Adm. Hyman Rickover from building our first atomic submarine. They involve the genial personality of a Secretary of Defense who wanted to be loved more than he wanted to crack military heads together.

But perhaps as much as any other fact, the reasons why we fell behind Russia go back to the personality of the Commander in Chief. He too wanted to be loved. And during the course of his military career in Europe and his campaigning for the Presidency, he had built up a public love and devotion and prestige that amounted to a father image. Because of that image and because of his long service in the Army, the Nation trusted him. He could do no wrong. They did not know that he was complacent, easygoing, unwilling to spend the long hours of grueling grind which any President must spend if he is to lead the Nation. That Dwight D. Eisenhower was not willing to do these things, that he honestly believed he could serve as a part-time President, that he did not have the courage to deal forcefully with his old buddies in the Pentagon or the budget cutters in the Treasury Department is one of the chief reasons why the United States today finds itself in the gravest danger in all history.

And to the press of the United States, which failed to report both the inadequacies of our national defense and the inadequacy of our Commander in Chief, must go part of the blame. (From chapter II, "Gravity of the Crisis.")

Mr. MORSE. I also ask unanimous consent to have printed in the RECORD what the publishers of the book have to say about the background of the two authors, Mr. Pearson and Mr. Anderson.

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

ABOUT THE AUTHORS

Drew Pearson was born in Evanston, Ill., and educated at Phillips Exeter Academy and Swarthmore College. Following a period of relief work with the American Friends Service Committee, he taught at the University of Pennsylvania and Columbia University. He was a roving foreign correspondent for several years before settling in Washington. His first book, "Washington Merry-Go-Round," written with Robert S. Allen, led to the daily newspaper column of that name published since 1932, and currently syndicated in the Washington Post, the New York Mirror, the Chicago American, the Los Angeles Mirror, and more than 600 other newspapers. He has sponsored the Friendship

Train, helped to organize the Freedom Balloon campaign, and in 1948 was named Father of the Year. Though he works under high pressure at his office in Georgetown and his Maryland dairy farm, his quiet, almost retiring personality shows no trace of the hardboiled reporter.

Jack Anderson, a native of Salt Lake City, studied at the University of Utah and George Washington University. He began working with Drew Pearson in 1948, following 2 years with the Stars and Stripes in Chungking and Shanghai, China. He is the coauthor, with Ronald May, of "McCarthy: The Man, the Senator, the Ism."

Mr. MORSE. Mr. President, in the foreword of the book the authors say:

We will go one step further and venture the opinion that the American who states that Russia's emergence as a first-class power may be a healthy stimulus to the United States runs the risk of being considered a betrayer of the American way of life and an admirer of the Soviet system. He may even come under scrutiny by the FBI. Yet if we are frank with ourselves, we have to admit that for too long have we been confident, fat, and complacent. Too long have we put self-interest ahead of national interest, ease before duty, luxury before sacrifice, golf before decisions, Thunderbirds before missiles, Madison Avenue camouflage before truth.

Mr. President, I ask unanimous consent that the entire foreword of the book be printed in the RECORD at this point in my remarks.

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

It is inescapable that this book will arouse a great deal of criticism. We hastily add that it was not written for that purpose. It is only human to prefer praise to criticism, and the authors, despite some things said about them, are not inhuman. But they are convinced that the emergence of Russia from the wheelbarrow age to the atomic age is the greatest miracle of modern times. And while the American who says this publicly is likely to be blasted as pro-Communist by the Un-American Activities Committee, yet if America doesn't recognize this fact, it is likely to get blasted off the face of the earth.

We will go one step further and venture the opinion that the American who states that Russia's emergence as a first-class power may be a healthy stimulus to the United States runs the risk of being considered a betrayer of the American way of life and an admirer of the Soviet system. He may even come under scrutiny by the FBI. Yet if we are frank with ourselves, we have to admit that for too long have we been confident, fat, and complacent. Too long have we put self-interest ahead of national interest, ease before duty, luxury before sacrifice, golf before decisions, Thunderbirds before missiles, Madison Avenue camouflage before truth.

It is sometimes difficult to face the truth. It is much easier to accuse a critic of our shortcomings of not telling the truth, to brand him a liar or a headline hunter, or even a pro-Communist, if he comes up with unpleasant facts about the waning power and prestige of the United States of America. Yet it is a fact that for some time we have been slipping. Not only have we been slipping, but we have been afraid to admit the fact that we were slipping. The shameful desertions and surrenders of American troops in Korea were the first sign that something had gone wrong. They were also the first sign that we were afraid to face the degree to which we had put materialism ahead of patriotism. The American public still does not know that the shocking confessions made by American prisoners in Korea were by no means all exacted by torture; that Turkish, British, Canadian, and other United Nations troops did not turn their backs on their countries to anywhere near the same degree. The American public does not know that Gen. William F. Dean, captured commander of the 7th Infantry Division, gave 12 different statements to the enemy. Never in all history have so many Americans, including high-ranking officers, disgraced the uniform of the country which spawned them, protected them, and gave them the freedoms of which they should have been proud—but which they took for granted.

After the Korean war came a deluge of defeats, diplomatic and otherwise, culminating with the events of 1957–58 when the world woke up to find Russia occupying outer space while the United States occupied Central High School in Arkansas.

The world recognized our defeats, but, generally speaking, the American people did not. We played up defeat in Korea as if it were a victory. We pussyfooted so long in Indochina that most of it went Communist. We bungled so badly in the Near East that its vast oil reserves are slipping through our fingers. We have affronted and antagonized and alienated our allies in Western Europe until the North Atlantic Treaty Organization has become a military shell. The world knows this, but we do not.

It is not pleasant to criticize the United States of America. He who does so is accused of losing faith in his country. But the American people cannot meet the challenge of the powerful, tireless government that threatens them if they are fed sugar-coated half-truths and soothing syrup. They must know the facts.

We cannot sit back and wait for bickering inside the Kremlin to deliver Russia into our hands. The walls of the Kremlin are not like the walls of Jerico. They will not come tumbling down after seven statements by John Foster Dulles. Nor will they yield to a civilization in which an Elvis Presley makes more than the President of the United States, in which truckdrivers in Chicago are paid more than many schoolteachers, in which one-third of all prescriptions filled at drugstores are for tranquilizing pills. The road to Miltown is not the road to victory over the vigorous and unscrupulous government that rules Russia. We cannot win the battle for freedom or the great goal of peace if we keep our heads in the sands of ignorance.

The ingredients of greatness, however, have not gone out of the bones of the American people. They are equal to great challenge—if they know the facts. It is in order that they may know the facts that this book is written.

The material that has gone into its chapters has been obtained from scores of Army, Navy, and Air Force officers, civilian defense experts, scientists, and diplomats who have the welfare of their country at heart. The material is also based on several years of covering foreign affairs and the defense news of Washington. It is based on six trips abroad during the past 2 years.

We are indebted to many for advice and guidance in the preparation of this book—to the former Secretary of the Air Force, now Senator from Missouri, Stuart Symington; his assistant Edward Welch; to Senators Estes Kefauver of Tennessee and Henry Jackson of Washington of the Senate Armed Services Committee; to Senator William Fulbright of Arkansas of the Foreign Relations Committee; to Trevor Gardner, the former Assistant Secretary of Defense; Wernher von Braun of the Army Ballistic Missile Agency; Lt. Gen. James Gavin; Adm. Hyman Rickover; Dr. Harold Urey of the University of Chicago, former Senator William Benton of Connecticut; John Kennedy, publisher of the Sioux Falls (S. Dak.) Argus-Leader, who gave us the results of his several trips to Russia; Eric Berghaust, editor of Missiles and Rockets; Clay Blair, author of The Atomic Submarine; Louis Johnson, former Secretary of Defense; Tom Wilcox, formerly of the Air Office of Scientific Research; Don Ludlow, Washington correspondent for the London Mirror; Herschel Schooley, formerly of the Defense Department; Capt. William Chamliss, U.S.N.; and Col. John R. Nickerson, whose explosive memo first revealed some of the basic defects of our missile program.

Finally, we are indebted to a hundred or so officers of the armed services who cannot speak out in public but who believe that without imitating the Soviet Union as to methods we can meet its challenge; who believe that the United States does not have to become a second-class power.

To that end, this book is written.

Mr. MORSE. I wish to especially emphasize the paragraph which reads:

It is not pleasant to criticize the United States of America. He who does so is accused of losing faith in his country. But the American people cannot meet the challenge of the powerful, tireless government that threatens them if they are fed sugar-coated half-truths and soothing sirup. They must know the facts.

To give only an example to appeal to the appetite of the reader, I invite attention to a paragraph or two in the book which deals with the U.S. Maginot Line, particularly as stated on page 42:

When the Great Wall of China was constructed along the Manchurian border north of Peking, historians record, it lulled the people of China into a false sense of security. And when the city of Peking finally fell, it was the rocket, first forerunner of the modern missile, which finally subdued that mighty fortress.

Today it is Russian missiles which can make the most modern and ramified defense system ever conceived by man just as out of date as the Great Wall of China.

The authors go on to make some comments on the false security we may be laboring under with respect to our foreign bases, and whether those bases give us the security the Pentagon experts in fact are testifying to. I ask unanimous consent that certain paragraphs from that chapter be printed in the RECORD at this point in my remarks.

There being no objection, the paragraphs were ordered to be printed in the RECORD, as follows:

When the Great Wall of China was constructed along the Manchurian border north of Peking, historians record, it lulled the people of China into a false sense of security. And when the city of Peking finally fell, it was the rocket, first forerunner of the modern missile, which finally subdued that mighty fortress.

Today it is Russian missiles which can make the most modern and ramified defense system ever conceived by man just as out of date as the Great Wall of China.

Wheelus Air Force Base in Libya is the biggest American air base in the world outside the United States. But it could be wiped out in just a few minutes. It could be wiped out not by an air attack, as the Japanese attacked Pearl Harbor, but by intermediate-range missiles based just behind the Iron Curtain in Bulgaria.

Russia has the missiles and she has the bases. While the United States argued as to which missiles to build and who should build them, the Soviet proceeded to turn out several thousand ballistic missiles with a range of 1,000 to 1,800 miles. Carrying, as they do, hydrogen warheads, one missile could wipe out an entire base. And Russia has enough missiles to fire more than one missile at each base.

There is nothing the lonely watchers in the Arctic DEW line can do to warn of missile attacks. Their approach is too fast. The elaborate machinery, the intricate electronic equipment, the phone lines, the snowbank houses of the northern Maginot line costing a total of $18 billion, all are now mere monuments to our frantic, futile search for safety.

Nothing the heroic Air Force pilots who scramble into their jets every dawn could do would save Wheelus. Nothing the 7,000 airmen who dutifully go about their job of supporting a little piece of America in north Africa could do would save Wheelus. Its wooden barracks and concrete installations, its hangers and its gas tanks, its theaters and its churches, its officers' club with the bougainvillaea climbing over the veranda, its neat rows of married men's quarters with gay marigolds in front and children's perambulators on the back porch—all would go up in a pillar of smoke over the desert.

This is a desert where 15 years ago a German general named Rommel wheeled and maneuvered. For months he dodged, ducked, and eluded the British. But even in the brief period since then, warfare has changed. In this same desert, a whole tank corps once could hide. But not any more. The ancient rocket which once humbled the Great Wall of China and the city of Peking has come back, sleek, modernized, armed with a hydrogen warhead, to revolutionize military power and make obsolete the American Maginot line.

The water of the Mediterranean is blue and beautiful along the north African coast. Men swim along the beaches—when they can duck modern man's habit of fouling his nest with his own sewage. But blue and beautiful as that water is, it harbors the possibility of even greater danger than the IRBM; namely, Russian submarines. It is only about 100 feet from the sea to the home of the commander of Wheelus Airbase. The entire base is built along the sea. One missile from a submarine lying low in the blue and beautiful Mediterranean could knock Wheelus out. The sub wouldn't even have to surface. And it wouldn't have to come all the way from Russian waters. As Harry Truman remarked, "For 200 years the Czars wanted to penetrate down through the Bosporus to the Mediterranean, but failed. Today the leaders of the Kremlin have three submarine bases in the Mediterranean—one in Albania, one in Syria, and one in Egypt. Stalin must be laughing in his grave."

Further west in Morocco, our big bomber bases at Sidi Slimane are 2,000 miles away from the Iron Curtain and out of range of Russian IRBM's. But feverishly in the little country of Albania the Kremlin is constructing three huge missile bases—launching sites for new IRBM's to be aimed squarely at Sidi Slimane and the row of sleek windswept B-47's lined up on the runway, each guarded by an air policeman with cocked revolver and each carrying a hydrogen bomb the equivalent of all the explosives dropped in World War II. When those Albanian bases are finished, when those new IRBM's are installed, those B-47's will not be able to remain on the runway anymore.

When the Russian sputnik was first launched on October 4, 1957, and when the first dread news seeped in on the American public that Russia had developed an intercontinental ballistic missile, President Eisenhower took pains to emphasize the importance of our Strategic Aid Command and the ring of bases surrounding Russia which make up the American Maginot line. His was a public statement.

But privately Gen. Thomas D. White, Chief of Staff of the Air Force, simultaneously warned Secretary of Defense McElroy that our Strategic Air Command was falling apart. He predicted Russia would surpass us in strategic bombing power by the end of 1958. He begged for more big bombers until such time as American ballistic missiles would be in production. Secretary McElroy gave him the alternative of 52 more B-52's or 47 faster, short-range B-58's. White insisted the Air Force needed both. The Secretary of Defense claimed there wasn't enough money in the budget. Reluctantly, White chose the B-58's, but with a warning that by 1959 Russia will be ahead of the United States in both bombers and missiles, able to destroy all overseas bases with a shotgun salvo of atomic-tipped missiles.

Mr. MORSE. There has been a great controversy in the political debate recently with regard to the part the President has played with respect to the ICBM program, as to whether he gave it the support it should have received, and as to whether he was responsible for the slowdown in the advancement of the program.

I ask unanimous consent to have certain paragraphs starting on page 57 of the book printed as a part of my remarks, without taking the time to read them.

There being no objection, the paragraphs were ordered to be printed in the RECORD, as follows:

The MX-774, as the big ballistic baby was known in 1947, belonged technically to the Army, whose chief overlord was Gen. Dwight D. Eisenhower. He had come back from the Supreme Allied Command in Europe to replace General Marshall in the most important military post in the continental United States of America, Chief of Staff of the Army. It was a time of postwar reductions when he and most of the American people were more concerned with budgets than ballistics. The world was hoping for peace. So, less than 6 months after the speedup order, reverse instructions were delivered to slow down the MX-774. Convair was told that it would have to get along for 2 years on the funds allotted for 1 year. This brought a written objection from Albert Lombard, a project engineer, that the MX-774 "must receive backing financially on a scale somewhat of the magnitude of the German (rocket) activities at Peenemunde."

This objection is one of the secret papers that has arisen from the dead files of the Pentagon to haunt the planners charged with keeping the United States ahead of Russia. The tragedy is that component parts of the first MX-774 missiles were already in the machine shops when, on July 1, 1947, their death notice arrived from Washington. Economy was in the air. Because of it, the air generals decided that they could concentrate on only one intercontinental missile and that a slower, air-breathing missile, subsequently called the Snark, would be easier to construct and surer of success. Work had already been started on the Snark. It had wings and therefore was more comprehensible to the men who believed in wings.

It was General Eisenhower, then Chief of Staff, who approved the order killing off project MX-774. He acted, of course, on the advice of his experts who faced budget cuts.

Mr. MORSE. Mr. President on page 121 we find a very interesting account of the activity of the Madison Avenue advertisers and the relationship between their programs and campaign contributions. I ask unanimous consent that certain paragraphs from that section of the book be printed in the RECORD at this point.

There being no objection, the paragraphs were ordered to be printed in the RECORD, as follows:

Those who give Jim Hagerty sole credit for building up the Eisenhower myth forget the help he has had from Madison Avenue and the advertising agencies whose tentacles reach into the highest board rooms of magazines, newspapers and television. When the Democratic National Committee wanted to find an advertising agency to handle its national publicity, it could discover only one, William H. Weintraub, Inc., which was Democratic. Most of the others were not only Republican, but their executives had contributed to the Republican Presidential campaign of 1956 as follows:

Batten, Barton, Durstine & Osborn	$5,000
Benton & Bowles	1,500
Biow-Beirn-Toigo (now Biow Co.)	2,000
Campbell-Ewald Co	11,350
Dancer-Fitzgerald-Sample	1,000
D'Arcy Advertising Co	1,500
Foote, Cone & Belding	500
Geyer Advertising	500
J. Walter Thompson Co	12,600
Kenyon & Eckhardt	3,000
Kudner Agency	500
Lennen & Newell	2,000
Leo Burnett Co	500
MacManus, John & Adams	500
Maxon, Inc	500
McCann-Erickson	1,650
Ruthrauff & Ryan	500
Sullivan, Stauffer, Colwell & Bayles	1,000
William Esty Co	3,000
Young & Rubicam	2,500

When Eisenhower appointed Jock Whitney as Ambassador to London, the American public did not know that, besides contributing with his wife $47,100 to Eisenhower's campaign fund, Whitney owned TV stations in Tulsa, Galveston, Houston, Indianapolis, and Fort Wayne, Ind. Whitney could, and did, influence important segments of the American public. Or when Eisenhower appointed Clare Boothe Luce to be Ambassador to Italy, most people did not fully comprehend the fact that her husband's magazines, Time, Life, and Fortune, not only made subservient obeisance before the Eisenhower pedestal, but also owned television stations in Salt Lake City, Denver, Minneapolis, Indianapolis, and Grand Rapids, all of them influencing public opinion, and all of them contributing to the complacency of the American public regarding our missile-satellite defeat.

Mr. MORSE. Mr. President, starting on page 138 there is a detailed account of the controversy which has been waged in this country with regard to defense contracts in connection with the Vanguard program and the part that American big business has played in this matter. I ask unanimous consent that certain paragraphs be printed in the RECORD at this point.

There being no objection, the paragraphs were ordered to be printed in the RECORD, as follows:

Part of the story revolves around Dr. Richard Porter, an amiable six-foot scientist with a full shock of white hair, who since 1937 has been on the payroll of General Electric as a rocket expert. Simultaneously, he has been advising the United States Government on rocket matters. His history is strung together on the strong cord of loyalty to his company.

As the Allied armies rolled back the Nazi war machine in 1944–45, Porter was hurried to Germany to analyze German rocket research. Although he wore an Army uniform and reported to the Army, he remained a civilian on GE salary. It was not unusual at that time for companies to loan technical experts to the military. Porter remained in Germany five months, at one time helping to round up the families of German scientists and rush them out of the Soviet Zone before the Iron Curtain could clamp down on them.

On his return home, Porter turned over his technical reports not only to the Army but also to General Electric. The Army next put him in charge of firing the captured German V-2 rockets at White Sands, N. Mex. Again Porter made the results of his research available to General Electric, which, benefiting by this information, got a contract to build the first ballistic missiles for the Army. As chief engineer, Porter designed the engines which General Electric installed in those early A-1, A-2, and A-3 missiles.

What he did was improve the V-2 motor and call it the Hermes engine. Some technical experts claim this GE-brand Hermes engine was unsatisfactory. Others explain that the A-1, A-2, and A-3 missiles were designed to hurl large atomic warheads, which because of the development of small warheads became obsolete. In any event, the Army canceled the A-1 and A-2 missiles, and although General Electric developed a more refined motor for the A-3, this too was wiped out in 1951. Meanwhile, the Army decided to go all out for missiles on its own at its arsenal at Huntsville. This left GE holding the bag. It had a considerable missile investment but no place to use it.

Naturally Dr. Porter owed it to his company to find new outlets for these multimillion-dollar rocket facilities. A scientist of great ability, he rose in astronautical circles to become president of the American Rocket Society. Serving under him, as chairman of the Space Flight Committee, was Milton Rosen, in charge of the Navy's Viking rocket program.

The Viking, designed by the Martin Company, already had an engine built by Reaction Motors. But Dr. Porter sold Rosen on the idea of developing an improved Viking with a GE motor. They talked of using it as a satellite launcher, a possibility which they pursued through the Rocket Society; and on November 24, 1954, Rosen summed up the arguments for an earth satellite in a technical report to the society. Apparently he did not known that the Orbiter team had already presented blueprints to the Defense Department for a satellite project.

Dr. Porter, who shared Rosen's dream of sending a satellite into space aboard an improved Viking, powered by a GE engine, forwarded the report to the National Science Foundation, which was preparing for the International Geophysical Year. The IGY Committee, eager to exploit this great scientific occasion, was persuaded by the report to go ahead with a satellite program. So impressed was the Committee, in fact, that it invited Porter to head the satellite panel.

The chief problem in launching a satellite is getting enough force to break through the crust of atmosphere surrounding the earth. To heave this sort of scientific shotput into space, therefore, the IGY scientists needed rocket power that could be found only in the Defense Establishment. Their appeal to the Pentagon resulted in the January 1955 decision to let the Army and Navy go ahead with Project Orbiter. Porter, Rosen, and company, however, had other ideas about getting the rocket power to launch a satellite.

They became the storm center of a scientific uproar over using military weapons as satellite launchers. For the sake of pure science, they preferred building special research rockets. Disgruntled whispers were also heard regarding the Army's use of imported German scientists. There was talk of making the satellite an "all-American" project, thus ruling out Dr. von Braun's team.

The agitation against Project Orbiter reached such a pitch that Donald Quarles, as the Pentagon's research chief, formed a secret nine-man committee to review proposals from all three services. He selected as chairman Dr. Homer Stewart, of the California Institute of Technology. Also named to the committee was none other than General Electric's Dr. Porter, who as IGY satellite chief was in a unique position to influence his colleagues.

The existence of the committee has never been officially acknowledged. Dr. Stewart refused to admit that he had anything to do with it, even though it came to be called by his name.

"I can't talk," he said, when queried by the authors.

"My instructions don't permit me to comment at all," he said when pressed further.

"You can't even comment as to whether you are chairman of the Stewart committee?"

"No; I can't comment on whether I am chairman of the committee. All I can say is that I've served on several committees."

This locking of the stable door after the horse was stolen was to cover up error, not protect security. The satellite project, as emphasized by no less than President Eisenhower, was a scientific, not a military project. Regardless of this secrecy, here are the censored facts as to what happened inside the Stewart committee.

Three alternatives were placed before its members. They were:

1. The Army proposed to continue with Project Orbiter. Dr. von Braun of the Army gave a flat promise that he could launch a 15-pound satellite in a year. This would have put the launching date in mid-1956, well ahead of the International Geophysical Year, which began July 1, 1957, and during which Russia was expected to launch a satellite.

2. The Navy supported Rosen's proposed new Viking, which, it claimed, would be a more sophisticated rocket and could launch a 40-pound satellite. The Navy later admitted that it could launch a satellite of only half that weight.

3. The Air Force proposed an ambitious plan to launch a supersatellite with equipment from its intercontinental-ballistic-missile program, even though that equipment was still undeveloped.

There is little doubt that Dr. Porter played a powerful part in working out the final decision, which adopted the Navy's Viking rocket with the General Electric motor, thereby scuppering the Army's Orbiter. He was supported by Dr. Joseph Kaplan, chairman of the IGY Committee, who admitted knowing little about guided missiles but who argued that more instruments could be packed in a 40-pound than a 15-pound satellite. Voting with them were Dr. Charles C. Lauritsen, of Cal Tech; Professor John Rosser, of Cornell; Gerald M. Clemence, of the Naval Observatory; and Admiral Paul Smith, secretary of the committee.

Only three men voted for Orbiter: Dr. Stewart, the chairman; Dr. Robert McMath, University of Michigan; and Dr. Clifford Furnas, University of Buffalo, who later succeeded Quarles as Assistant Defense Secretary in charge of research. They argued that speed was the most important consideration and that the Army project offered the best chance to beat Russia into space.

The arguments which sent Orbiter back to the shelf paid little attention to the harsh facts of Russian competition and the damage to national prestige of a Soviet first in the satellite race. The Army was fully conscious of this peril and wanted to get a satellite up ahead of Russia, even by rough-and-ready means. But the Stewart committee seemed determined that Orbiter should never get off the ground. It not only voted for the Navy project but as a second alternative recommended going ahead with the Air Force proposal. Orbiter was kicked into a corner.

The day after the committee's decision, Dr. Stewart confided to Von Braun, "We have pulled a great boner." It was not until January 31, 1958, 3 years later, as the United States finally put a 30-pound Orbiter satellite renamed the Explorer into space 4 months behind Russia, that Dr. Stewart was to see his prophecy fully confirmed.

Back in July 1955, it must have been gratifying to Porter when the Martin Co., obeying the Navy's specifications, switched from Reaction to GE engines to launch the new satellite. The name, too, was changed, from Viking to Vanguard. Friends claim that Dr. Porter did not realize the Vanguard would use GE motors and that he would never put his company's interest ahead of his country. When the authors asked Dr. Porter about the fact that his company benefited from the switch of motors, he replied, "I don't know anything about the contract."

In a subsequent conversation he was more candid. Apologizing for having been previously evasive, Dr. Porter said, "I knew the Vanguard would be using GE engines when I voted for it, but this did not influence my decision. Our recommendation was made strictly on the basis of technical factors."

Mr. MORSE. Mr. President, let me make a final comment on what the Senator from Wisconsin said with regard to the relationship between defense contracts and what some of us think to be the inexcusable shortcomings of the Eisenhower administration in the successful prosecution of a program which would give to our country the adequate defenses to which the people have been and are entitled.

Businessmen do not like to hear it mentioned, Mr. President, but the fact is there happens to be no economic group in our country which is such a beneficiary of Government subsidy than the big business group engaged in defense contracts, out of which big business is making tremendous profits, as some of the figures in the Pearson-Anderson book show, which figures have been supported by a good many other sources.

What do Senators suppose would happen to large segments of American business if we stopped giving them the subsidy benefits of defense contracts for manufacturing materials which are of no real benefit to the domestic economy so far as civilian life is concerned, although of great benefit to our security? I have a great deal of difficulty justifying, on moral grounds, such large profits in the form of defense subsidies. I am always amused when some of the business leaders become so excited and agitated because a subsidy to the food producers of this country, which is pigmy in proportion, goes to the farmers. We read propaganda from the National Association of Manufacturers and the United States Chamber of Commerce which would lead us to believe that we are far down the road to socialism because of a farm subsidy program.

Where do Senators think those businessmen would be if it were not for the subsidies they are enjoying from defense contracts?

I close by saying that when a Senator finishes reading the Anderson-Pearson book and sits at his desk in the Senate, he must realize that we have a duty to take a look at what is happening in the field of defense contracts, and eliminate what I am satisfied is a considerable amount of waste in the administration of such defense contracts.

This book deserves attention because sometimes when we are confronted with the journalistic tactic of coverup it becomes necessary to use every vehicle of public information available in order to direct the attention of the American people to a writing as significant to the welfare of the American people as this book, entitled "U.S.A.—Second Class Power?"

Mr. CHURCH subsequently said:

Mr. President, earlier today some of my colleagues addressed themselves to the book "U.S.A.—Second Class Power?" written by Drew Pearson and Jack Anderson.

Mr. President, I am now reading that book. Having not yet had an opportunity to complete reading the book, I am not in a position to pass judgment on it. However, I have already been struck by the scope of the work and the ambitious undertaking of the authors in apprising us of the thinking that underlies our current military program.

Although this program is properly in the hands of professional military men, I think it would be error to discount civilian appraisal of our military planning. Rather, I think the very fact that the book is the work of civilians ought to commend it to us for especially careful attention. I say this because it seems to me that we have no basis whatever to evaluate or appraise the present course of military policy except in the context of opposite alternatives.

I think one of the contributions made by the authors of this book is that of presenting to us other possible alternatives which give us a basis for evaluating the present course of action.

Now, Mr. President, I respect professional military judgment, but I do not think it is infallible, nor do I think history would support the contention that it is infallible. We remember that it was back as far as the American Revolutionary War when Yankee ingenuity brought forth the first submarine. Yet it took the Germans, a century later, to demonstrate to us the devastating effectiveness of the submarine as a weapon of war.

Likewise, the industrial economy of the United States in turning out massive numbers of automobiles was perhaps better able to develop and produce in mass numbers tanks and vehicles of mechanized warfare than any other economy of any other nation, yet again it was our sad experience in the second World War that the Germans had to demonstrate the validity of the blitzkrieg theory, which as discounted by the military people both in the United States and in western Europe, to our great peril. Fortunately we had time to recoup in that war, to reorient our military thinking, and to rebuild our forces along different lines from what our professional military people had theretofore advised.

Just a few months ago, it was my pleasure to go to Pearl Harbor and revisit the scene of the infamous attack by the Japanese naval air forces which led to our participation in the Second World War. Anybody who goes there will be reminded in a most dramatic and unforgettable way of the success of the attack against what was then regarded as the backbone of the American naval power, the battleship fleet. The attack was 90 percent successful. As a result, not only did we lose the battleship *Arizona*, but, in addition, the battleships *Nevada*, *Oklahoma*, *California*, *West Virginia*, *Pennsylvania*, *Maryland*, and *Tennessee* were so seriously damaged that none was put into effective service for many months following the attack. Despite that, in a few short months we were able in the battle of Midway to turn the course of the Pacific war with planes from aircraft carriers.

I think the naval history of that war will support me in the statement that submarines and aircraft carriers, not battleships, contributed principally to our success in the Pacific. Once again I am sorry to say this happening was in conflict with the most respected professional naval thinking, which long had based American naval strength upon the battleship.

I therefore submit that we not only need civilian appraisal of military policy, but we should commend those who undertake it. I feel that in this particular case Mr. Pearson and Mr. Anderson are deserving of our commendation in the effort that they have made, and I think their book and their conclusions are entitled to the most careful study by the Members of the Senate.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. CHURCH. I am happy to yield to the distinguished Senator from Montana.

Mr. MANSFIELD. I wish to join with the Senator from Idaho in the remarks he has just made. I have read the book. It gives one an unhappy feeling. It raises a lot of questions, and I think that the answers should be forthcoming. It is my hope that the Senate Preparedness Subcommittee will investigate into some of the details as to questions raised in the book, and that the answers which we do not seem to have at the present time will be forthcoming.

There is a great deal of confusion, I am sure, in the minds of the American people, because there certainly is confusion in the minds of the Senators, as to where we stand in the field of missiles, for example. We should like to know exactly what the true story is, insofar as it is possible to tell it to us, so that we can, with that ingenuity which the distinguished Senator from Idaho has mentioned, put our shoulders to the wheel, so to speak, and try to overcome the discrepancy and the degree of inequality which seems to exist between the United States and the Soviet Union.

This is a book worth reading. It is not a book one has to agree with, but it is a book one has to think about. I hope its effect will be felt. I hope the questions it raises will be considered, so that all of us, I repeat, can have a better idea than the confused one we have at the present time of the state of the defenses of our country.

I thank the Senator from Idaho.

Mr. CHURCH. Mr. President, I wish to express my appreciation to the distinguished Senator from Montana for his remarks and for his contribution to the discussion of this important and timely subject.

SENATOR ELLENDER'S REPORT ON HIS INSPECTION TOUR IN SOUTH AND CENTRAL AMERICA

Mr. ELLENDER obtained the floor.

Mr. SMATHERS. Mr. President, will the Senator yield to me before he begins his speech? I know what he is about to discuss, and, for the general information of the entire Senate, I should like to suggest the absence of a quorum.

Mr. ELLENDER. I yield for that purpose, provided I do not lose the floor.

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

The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

Mr. SMATHERS. 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. ELLENDER. Mr. President, when Congress recessed last year, I again undertook an inspection tour of some of our operations abroad under the auspices of the Senate Appropriations Committee, of which I am a member.

On four of my journeys, which were made between the years 1946 and 1952, I did not file formal reports. I merely made verbal reports. Since 1952 I have been making formal reports and the committee print, a copy of which is on each Senator's desk, is the seventh consecutive formal report I have made to the committee.

Mr. President, I also wish to say that I have traveled alone on all investigation trips I have made since 1952. I have had no secretaries accompany me to help me with this work. The same situation, of course, applies to the report I have submitted this year to the Committee on Appropriations. My own office staff helped compile the report.

However, in a late reading of the recommendations I made, I find that I overlooked a very important one, one dealing with the Inter-American Highway. Mr. President, I strongly urge that this highway be completed as soon as possible. Details dealing with completed mileage and the present condition of the highway can be found beginning on page 185 of my report.

The entire Inter-American Highway contains in excess of 3,000 miles and traverses seven Central American countries. The entire portion of the highway located in Mexico was built with Mexican funds. We did not contribute a penny toward the building of the Mexican segment. The same is true for that portion of the road that passes through El Salvador.

The only money the United States spent in El Salvador, as the record will show, was $1,800,000, to assist in the building of a few bridges. In all other countries, including Guatemala, Nicaragua, Honduras, Costa Rica, and Panama, the U.S. Government furnished two-thirds of the cost of the building of the road, and the host countries furnished the remaining one-third. I am glad to report that contracts have been let for every mile of the uncompleted portion of the road, beginning in Guatemala and extending all the way to the Panama Canal. The entire cost of the road to the American taxpayer will be a little more than $138 million. I sincerely believe this is a good investment. It will enable the people of the various Central American countries to visit one another more often. Of course, it will also be a source of great benefit to U.S. citizens to be able to visit our Latin American neighbors.

This, in my opinion, will bring about a greater degree of understanding between these countries and could bring to an end the tension which presently exists between some of our neighbors to the south.

There is one other point I wish to make about my report. In places it might seem that my remarks are out of date in light of recent events. However, my aim was to present my report on Latin America as I saw things prior to my return to the United States on December 15. I made some remarks about the situation in Cuba at that time, which I hope Senators will read. I do not intend to take the time of the Senate and to clutter the RECORD with my remarks about Cuba. But if Senators will read my early estimate of Fidel Castro, they will find I had him pretty well described. I said that I did not believe Castro was the man to govern Cuba.

I would also like to call attention to remarks I made in the report about various countries, particularly the Dominican Republic. Much has been said in criticism of Generalissimo Trujillo. Of all the countries I visited last year, which included every country in Central America and every country in South America, with the exception of Bolivia and Paraguay, there was not a country I visited which had made more visible progress than the Dominican Republic. There I saw with my own eyes—I traveled quite a bit through the countryside—hospitals, schools, and fine homes which were being erected under the auspices of the present regime.

In the Dominican Republic, I learned, to my surprise, that it possesses one of the largest sugar factories in the world, and I had the opportunity to see this factory at the time of my visit. It, as the report shows, grinds 15,000 tons of sugarcane every 24 hours. It is modern in every respect. To me, it is a great advancement in the production of sugar, which, by the way, is the principal industry of the Dominican Republic.

I may say by way of repetition, because it appears in my report, that I found the least amount of progress being made in Haiti. In my report, I state that although conditions in Haiti are not exactly hopeless, it would take the expenditure of much money to improve economic conditions there.

I found that in Haiti—as in other underdeveloped countries of the world—many of our foreign aid administrators are trying to start at the middle rung of the economic ladder rather than the bottom rung. They have tried to do the job too fast, and go far beyond the capability of the people. In other words, it is my feeling that aid programs should begin at the lowest level and be worked upward very slowly. A man must first be shown how to build a better hut before he is shown how to build a four-bedroom house with three baths.

Many of the projects which the United States has fostered in Haiti through ICA and other operations are, in my opinion, more or less WPA—or make work—projects. For instance, modern machinery is not used to build canals for irrigation purposes. The work is actually carried on to give employment to the greatest number of people. That may be a good thing, but I found it to be very expensive. I learned that prior estimates of projects cost—because of this make-work procedure—are many millions of dollars under what the actual construction costs will be.

Mr. SMATHERS. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. SMATHERS. I congratulate the able Senator from Louisiana on the report which he is making about his trip through Central and South America. I was privileged to follow him by about 6 weeks. I visited only five or six of the countries, but each of the countries which I visited had been visited earlier by the Senator from Louisiana, and the people were still very much impressed by the interest shown by the Senator from Louisiana in every facet of their life.

I also congratulate the Senator on having the courage to stand in the Senate and make the statement in which many of us who have traveled in that area completely concur, namely, that in the Dominican Republic, which operates under a form of government of which we do not necessarily approve in this country, more schools and hospitals and better health facilities and better roads have been built per thousand persons than in almost any other country in either Central America or South America. Unfortunately, too infrequently are Senators willing to make such an assertion, because they fear that some criticism might be directed to them for having, in some fashion, upheld the hand of Mr. Trujillo. But in this instance, I congratulate the Senator from Louisiana for his statement, and I associate myself with it.

Mr. ELLENDER. I thank my good friend, the distinguished Senator from Florida.

In 1955, I made my first tour of Russia. When I returned, I reported the facts to the Senate as I had seen them. In 1956, I visited Russia again. On my return, again I reported factual data to the Senate and the country. My reward for telling the truth about what I had seen on those two trips was to make myself a target for brickbats.

But, lately, many persons who have visited Russia have found that what I reported was true. It took a sputnik to vindicate the senior Senator from Louisiana and make him a prophet. This launching of the first space vehicle showed the world that my warnings, which had been made for 2 years, were factual reports that great progress was being made in Russia under communism. This does not mean that I want any part of communism; I despise it as much if not more than anyone else. But we had our heads in the sand for too long about Russia. I wanted to warn our people that we could not afford to ignore what Russia was doing, just because we disliked their form of government. I am glad that more and more persons have been visiting that country, to see for themselves the progress which has been made.

My hope is that we can have an accelerated exchange of persons between ourselves and Russia, in order to show the people of Russia what the people of our country have under our form of government. This, I feel, will make them more discontented than they are now. I want to make them envious of America and what we have. Then they will exert pressure upon their leaders to give them the freedoms that we have. This will, I hope, destroy the giant war effort of the Russian Government.

Mr. President, at this time I did not intend to discuss Russia. But in connection with what I have said, and in connection with what my good friend, the Senator from Florida [Mr. SMATHERS] has said, I simply wish to state that I am here to tell what I actually saw in Latin America. I am endeavoring to give to the people of the United States, the Senate, and particularly the members of the Senate Appropriations Committee, as factual a report as I am capable of transmitting.

Mr. MORSE. Mr. President, will the Senator from Louisiana yield to me?

The PRESIDING OFFICER (Mr. MCNAMARA in the chair). Does the Senator from Louisiana yield to the Senator from Oregon?

Mr. ELLENDER. I yield to my good friend, the Senator from Oregon.

Mr. MORSE. As the Senator from Louisiana knows, on a good many occasions, not only in the Senate, but elsewhere in the country, I have praised the great contributions the Senator from Louisiana has made to better understanding both in the Senate and throughout the country, of the problems involved in our relationships with Russia. In fact, in my book, the Senator from Louisiana was the first Member of the Senate to point out to us that we had better face the fact that Russia exists.

Mr. ELLENDER. But when I told the truth, a number of persons threw brickbats at me, as the Senator from Oregon is aware.

Mr. MORSE. Oh, yes; I realize that. But the Senator from Louisiana is accustomed to criticism, as is the Senator from Oregon.

Mr. ELLENDER. Of course.

Mr. MORSE. Now the Senator from Louisiana has reported to us on his trip to Latin America.

I want the Senator from Louisiana to know that I have instructed the staff of our subcommittee to proceed to go over with a fine-tooth comb the report of the Senator from Louisiana, and to obtain from it all possible information.

I also want him to know that he will receive from our subcommittee an invitation to work with us in connection with the 2-year study we are getting underway in regard to the problems which exist between the United States and Latin America, to the end of trying to improve our relationships with those countries. As chairman of the subcommittee, I intend to maintain complete objectivity, and—to use a phrase of the Senator from Louisiana—to let the chips fall where they may, as the facts are presented.

I am very much interested in the opinions the Senator from Louisiana has formed. As he knows, I am no admirer of the Government of the Dominican Republic or of Trujillo. However, we are entitled to ascertain the facts. Certainly many policy questions are raised.

For example, I have not yet received any evidence which would lead me to change my course of action in advocating a cessation of military support by us, not only to Trujillo, but, for that matter, to most Latin American countries, because I happen to think it is money down the drain.

Mr. ELLENDER. I have so recommended in my report.

Mr. MORSE. What we need to do is face Russia's economic threat in Latin America for the decades immediately ahead, and demonstrate—as we can—the superiority of our economic system.

So I want the Senator from Louisiana to know that I shall reserve judgment in regard to some of his evaluations of such leaders as Trujillo. But I certainly want him to know that our subcommittee desires to cooperate with him in connection with the economic problems he has raised and in connection with an increase of the exchanges between the United States and the Latin American countries, and to do all we can to resolve the sources of friction which I believe are causing deterioration in United States-Latin American relationships.

Mr. ELLENDER. I thank my good friend, the Senator from Oregon. I wish to say to him that there is not one place in my report where he will find that I have praised any person or any form of government in particular. Instead, I have tried to report facts. I simply noted what I saw—whether it was progress or a lack of progress.

I wish to say frankly that I sincerely believe that many of the countries of Latin America require the leadership of men such as Generalissimo Rafael Trujillo, if results are to be obtained. He has been the head of his government for the past 30 years. I was told that about 2 or 3 weeks before I visited the Dominican Republic, a large birthday party was given for Trujillo in Cuidad Trujillo. I was told by our own Ambassador and the others who represent us there, that some 300,000 persons gathered in that city, to pay tribute to Mr. Trujillo. I wish to say to the Senator from Oregon that in my evaluation I have noted that much progress has been made in the Dominican Republic and I have the concurrence of the people who represent us there.

Mr. MORSE. Mr. President, at this point, will the Senator from Louisiana yield further to me?

Mr. ELLENDER. I yield.

Mr. MORSE. I am sure the Senator from Louisiana knows that when I say this, I am not seeking to disagree at all with his observations. I did not visit that country, but he did. I only wish to say that we plead for his help and his cooperation in connection with the work of our subcommittee. Then all of us can reach our own, individual conclusions as to the public policy matters involved.

I have no doubt that we are obtaining an accurate report regarding the benefits he saw in the Dominican Republic, insofar as materialistic benefits to the people are concerned.

But let me say that matter raises, of course, such historic questions as this one: Are we simply confronted with a benevolent tyranny? Of course, in the history of mankind there have been many societies in which benevolent tyrants have supplied the people with bread, not with freedom. One of the problems which will confront us in the years ahead is whether we shall lose in other parts of the world by seeming to support tyrannical regimes which deny freedom to the individual.

Mr. ELLENDER. I do not believe that the Senator from Oregon will find such conditions in the Dominican Republic. I found that there was generally no objection on the part of the government to report the facts, as they are seen in that Republic. I did not discuss the case of Gerald Lester Murphy, the American pilot who disappeared under mysterious circumstances in December of 1956, with officials of the Dominican Republic Government. However, I did hear a great deal of criticism from citizens of that country about charges leveled at Trujillo that he was responsible for Murphy's disappearance. Their objection, I was told, was that they did not want outside interference in their affairs.

I wish to say that I talked to many persons in the Dominican Republic. What made an impression on me—and our Ambassador and our other representatives shared that impression—was the great progress that had been made there for the benefit of the people.

I would like to make it very clear that I am in no position to comment on the conduct of the Dominican Republic's Government, one way or the other. I have no personal knowledge of the internal policies of Trujillo's government. I simply reported the great progress I noted. After all, that is what we are looking for—progress that alleviates the plight of the masses.

May I say to my good friend from Oregon that I found many countries less fortunate than the Dominican Republic in natural resources, whose people have not fared nearly as well as the people of the Dominican Republic.

Let us take, for example, Venezuela. As I pointed out in my report, millions of dollars have been poured into that country in payment for its natural resources. However, very little of this money has trickled down to the masses, except in those cases where American and other interests have been exploring for oil and gas. In those areas a good job is being done by U.S. firms in providing, all at their own expense, free schools, good hospitals, fine homes, and wages much higher than the minimums fixed by the government. I gained much satisfaction from seeing such conditions.

As my report shows, I found the same conditions prevailing in the iron mining districts near Cerro Bolivar and on the Orinoco River. I made a trip into that area and saw two new cities being laid out—one on the Orinoco River and another at the base of the huge mountain from which the iron ore is obtained.

It was heartwarming for me to see the local people living in such excellent circumstances. The homes were supplied with electricity, and were fronted with fine streets, sidewalks, and beautiful gardens. And imagine, all of this in an area which not too long ago was nothing but mere jungle.

May I say to my friend from Oregon such conditions make the people take a new lease on life; make them more prosperous, and make them better customers of our products. That is what I tried to point out in my report.

Mr. MORSE. Mr. President, if the Senator will yield once more, I shall conclude. The Senator from Louisiana mentioned the so-called Murphy case, which involved a citizen of the State of Oregon——

Mr. ELLENDER. I know all about it. That is why I mentioned the case.

Mr. MORSE. I wish to point out that the record of that case has been rather voluminous. The senior Senator from Oregon has been able to follow only the reports and investigations of our own Government officials. It is not my intention to engage in a discussion of the Murphy case, except to say I think it is a pretty sad case insofar as its handling by the Dominican Republic officials is concerned. However, I have a sense of humor in regard to one aftermath of it, and that is the proposal by the Governor of Oregon that all the benefits of any purchases of products originating in the State of Oregon would be cut off by the Dominican Republic if the representatives in Congress from Oregon did not stop criticizing the Dominican Republic leaders. I am sure the Senator from Louisiana knows that suggestion did not deter me one bit——

Mr. ELLENDER. Not at all.

Mr. MORSE. Because I believe whatever the facts are should be made a matter of public record.

Mr. ELLENDER. I knew the Senator from Oregon was interested in the Murphy case, and I thought I would mention it. My report does not say a thing on the Murphy case. I did not think it was my business to go into a subject which would take extensive investigation, particularly since I did not have that much time available.

Mr. MORSE. I agree.

Mr. ELLENDER. I had limited my investigation to our operations in that area, and to what I saw in 1958 as compared to what I had seen during my previous visit in 1952. I may say to the Senator that what I observed was a revelation. The city of Ciudad Trujillo is beautiful and clean. It has fine markets and nice homes, and the shanties on the periphery of the city are being torn town and replaced by good housing.

I did not go to all cities in the Republic, but, from what I learned from our representatives, fine hospitals and schools are being built throughout the country. At the present rate, it will be but a short period of time before all the people will have access to fine hospitals, good schools, and excellent roads.

Mr. SPARKMAN. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield to the Senator from Alabama.

Mr. SPARKMAN. I wish to compliment the Senator from Louisiana on another comprehensive reporting job. The Senator from Louisiana has, during the years, traveled in practically every country of the world. I do not imagine that there are very many in which he has not traveled.

Mr. ELLENDER. Only two countries.

Mr. SPARKMAN. There are only two countries into which he has failed to penetrate during the years he has been making annual trips.

Mr. ELLENDER. Those two countries are Bulgaria and Albania.

Mr. SPARKMAN. We have no mission in either place.

Mr. ELLENDER. That is correct. At present we do not have diplomatic relations with those countries. However, I hope that it will be possible to establish diplomatic relations with them so that it will be possible for me to visit them. Notwithstanding the facts I may learn on such a trip, I will then have made a visit to every country in the world.

Mr. SPARKMAN. I certainly hope the Senator will get into those two countries. If any American is able to, I am sure he eventually will.

Mr. ELLENDER. Thank you.

Mr. SPARKMAN. I think we owe a great deal to the Senator from Louisiana for what he has been doing through the years in visiting different areas. As a matter of fact, I have expressed myself to members of the Committee on Foreign Relations to the effect that I hope that some year during an adjournment of Congress the Foreign Relations Committee might divide up the membership and visit every single country in the world during that one adjournment of Congress. I know it would be a monumental task, but I think it would be worth a great deal to us to show our interest in every single country.

I am sorry I was not present in the Chamber to hear what the Senator from Louisiana had to say about his report on Latin-America——

Mr. ELLENDER. I have just started.

Mr. SPARKMAN. Nevertheless, the Senator from Louisiana has said something. He was speaking when I entered the Chamber. I was attending a luncheon at which the mayor of West Berlin was present. We spent considerable time talking to him about one of the pressing problems at this time.

I have not had time to read the report of the Senator from Louisiana, which consists of about 500 pages. I am a member of the Latin-American Subcommittee of the Committee on Foreign Relations, of which the Senator from Oregon [Mr. MORSE] is chairman. We are engaged in a rather long, and I believe, thorough, study of Latin America. I am sure the report of the Senator from Louisiana will be most helpful. Regardless of what conclusions the Senator from Louisiana may have drawn from some of his long visits, he has given us a fine reporting job. I am sure it is true of other sections of the world, but I think the greatest benefit that comes out of such report is the fact—and this is particularly true of Latin America—that the people have regarded us as taking them for granted. There is considerable justification for such a feeling. So often we have spoken of our fast allies in the Western Hemisphere. We have boasted of the fact that we can count on them in the United Nations, and count on them in other places. The people of Latin America have come to regard us as taking them for granted. I think all of us have come to the realization, in the last year or so, that that kind of attitude on our part is not one which influences and makes friends of them.

I think that the mere fact that the distinguished Senator from Louisiana was willing to take his time to go to each of these countries and to devote more time than the average Senator in making a trip of that kind finds it possible to devote to each particular country, certainly is a demonstration of the fact that we are more than just a little concerned with Latin America. The Latin American countries are our good neighbors. We want them to be, and we want them to continue to be our good neighbors, and we want to be a good neighbor to them.

I think the trip of the Senator from Louisiana certainly was a manifestation of that kind of attitude, and I commend him for it. I express my personal thanks to the Senator for doing such a great service for our Nation.

Mr. ELLENDER. I thank the Senator from Alabama. I wish to say to him that in addition to the report, to which the subcommittee has access, the subcommittee may also have the use of the diary I kept throughout my complete inspection trip. I did not put the whole diary into the report, because it would have made it too voluminous. In addition, I have a great deal of material which has been classified, which would be of great benefit to the committee. I shall be glad to let the committee have all of this data.

I also wish to say to my good friend from Alabama that no one accompanied me on this trip, as I said a while ago, not even a secretary. The report was written by me, with the aid of my own office force.

Mr. SPARKMAN. Following the return of the Senator from the trip.

Mr. ELLENDER. That is correct. Furthermore, I may add that the entire cost of the trip to the Government was a little over $1,500. The cost to the Government was $1,025 for actual travel expenses, and about $500 for other expenses. The rest I paid out of my own pocket.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield to the Senator from Montana.

Mr. MANSFIELD. I think it ought to be said that while there may be disagreement at times with the Senator from Louisiana as to the conclusions he has reached, there can be no disagreement as to the integrity of the senior Senator from Louisiana. The fact that the Senator embarks on these expeditions every year, usually going alone, undertaking a good deal of factfinding at his own expense, and returning with a detailed report, speaks well for the senior Senator from Louisiana and the activity in which he has been engaged.

I think the reports the Senator has made in the years since I have been a Member of the Senate have been not only outstanding, but also very worthwhile.

I express the belief it is unfortunate that we did not pay more attention to some of the recommendations of the senior Senator from Louisiana. I am glad to note that the chairman of the subcommittee dealing with Latin American affairs, the Senator from Oregon [Mr. MORSE] the Senator from Alabama [Mr. SPARKMAN], also a member of the committee, and the distinguished Senator from Florida [Mr. SMATHERS], are present in the Chamber. My reason for mentioning the Senator from Florida [Mr. SMATHERS] and the Senator from Oregon [Mr. MORSE] is a statement made by the Senator from Oregon to the Senator from Louisiana, with which the Senator from Louisiana concurred, to the effect that in their belief there were too many military missions in Latin America.

I am recalling to the attention of the Senate at this time the very noteworthy speech made by the Senator from Florida in Miami at a banquet attended by President Arturo Frondizi of the Argentine Republic, in which he at that time made a somewhat similar recommendation.

I have a question: Is the Senator from Louisiana aware of the fact that for many years many of the members of the military missions in Latin America have been operating under a law which gives them special privileges, and in certain areas allows them additional emoluments of office, and also the right to hold office in the country to which they are assigned?

Mr. ELLENDER. In two or three countries I did come across that situation. I learned that certain people are receiving additional emoluments.

Mr. MANSFIELD. From the country to which they are accredited.

Mr. ELLENDER. Yes. I discovered that in quite a few countries in South and Central America and the people there are not very happy about having these military missions present. Our own people say, "It would be better to send them back home."

In the recommendations contained in my report I have stated specifically:

I recommend an immediate reduction in the overall emphasis on military aid. It has long been my feeling that the United States has no business trying to inflict large armed forces upon the struggling economies of underdeveloped nations.

Nevertheless that is what we are doing, not only in South and Central America, but also, as I pointed out in last year's report, in the Near East and the Far East.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. MANSFIELD. Would the Senator recommend that greater concentration be placed upon economic assistance—of the right kind, of course?

Mr. ELLENDER. Does the Senator refer to South and Central America?

Mr. MANSFIELD. Yes; to Latin America.

Mr. ELLENDER. I pointed out in my current report that the people of South and Central America, in my humble judgment, do not want charity. They want loans, so that they themselves will be able to build up their economies.

There are only five countries in South and Central America, as I recall, which received grants during fiscal 1958. The rest of the countries have received technical assistance, and of course a little economic aid through the technical assistance program.

As I pointed out in my report, when I visited these countries in 1952 I discovered that much of the technical aid assistance was being used contrary to the intent of Congress. Money appropriated for the use of technicians was being used for capital improvements. In my judgment, technical aid should be limited to showing people how to do things. The actual construction, for instance, of buildings goes beyond the province of technical aid.

On my visit this year I found that only in a few countries are there still violations of the rules set out in the law, in my opinion.

In my report in 1952 I showed that much of the technical aid money was not used for the purpose specified but for economic aid. As a result, the Development Loan Fund was established. Since the Development Loan Fund was created and put into operation I have found only a few instances where money which had been appropriated for technical assistance was being used for investment. My report shows two or three specific instances of this. For instance, in one country we have furnished or are now furnishing $1,100 per unit to pay for bricks, mortar, and other things in order to build low-cost homes.

I am not saying that this is a bad program. It is probably doing a great deal of good. However, my point is that such programs do not qualify as technical aid. The technical aid program was never intended to embrace such projects.

Such programs should come under the Development Loan Fund, and not under the technical assistance program. If we could correct some of those evils—which I hope will be the case—the technical aid program would become more effective, because it is teaching the people how to make better use of their resources.

In South and Central America we also have the Import-Export Bank, which is lending a great deal of money. Other institutions are lending money in that area. However, I am suggesting that some new type bank be established. This new bank would be financed by the United States and would be operated under our supervision by the people of South and Central America, for their benefit. I also propose that branches be established in all Latin American countries, and that their primary purpose should be to loan money to small local businessmen. In my judgment, this new-type bank would do a great deal of good, because we would be helping the little people in those countries, the people who will generally help the masses of the people.

As I point out in my report, the great difficulty in South and Central America is that notwithstanding all the money we have spent in the past, and all the investments that have been made by the people of the United States and others, much of the profit does not go to the masses of the people. It usually makes the rich richer, while the poor stand still. I point that out in my report.

Mr. MANSFIELD. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. MANSFIELD. I am quite sure that this report will be a useful source document for the Morse subcommittee, which is now getting under way and is undertaking a 2-year survey of our relations with Latin America. Again, let me say that I am delighted that a man of such great integrity and honesty as the senior Senator from Louisiana has brought before the Senate, as well as before the Foreign Relations Committee, such a detailed and comprehensive report based upon his 2-months' visit to all the countries of Latin America, with the exception of Bolivia and Paraguay, as I understand.

The Senator is to be commended.

Mr. SMATHERS. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. SMATHERS. The Senator suggested that there should be a bank, that we would participate in it, and that representatives of each of the Latin American countries would also participate. Does the Senator contemplate that this bank would take the place of the proposed inter-American bank?

Mr. ELLENDER. No; I am not saying that at all. This bank would be in addition to those now in effect. It would be a supplement to the program now being carried on, so that the small businessmen of South and Central America could say, "This is ours. This is for our use." It would be more of a help to small business than anything else. The Senator is familiar with the interest rates in South and Central America.

Mr. SMATHERS. They are enormous.

Mr. ELLENDER. They are too high. A small businessman cannot possibly make a start. If it were possible for us to create a bank which would assist the small businessman, I think it would go far toward helping the masses of the people. However, as can be seen in my report, I have attached a few strings to the operation of the proposed bank.

Mr. SMATHERS. I agree with the Senator that there should be restrictions.

I firmly agree with the Senator in his conclusion that the trouble with so much of our aid heretofore has been that it has tended to help those who already had enough, and enable them to get more, while the people who had too little continued to have too little. The question is, How can we generate a system which will build up a stronger economy and a higher per capita income among all the people, while at the same time providing better education, and better health for all the people? As the Senator so ably points out in his report, once there is established a climate of stability, we shall have political stability, and private investment from outside will be made.

I congratulate the Senator on the report he is making. I hope many Senators will take the opportunity to acquaint themselves with the facts set forth in the report.

Mr. ELLENDER. I thank the Senator.

Prior to 1955, I concerned myself primarily with the embassy operations of our Government overseas. However, as I was able to gain experience, during the course of my inspections, it has been possible for me to cover more ground in the time allotted for my travels. Thus, in connection with my current report covering foreign operations in Latin America, as has also been the case in my last three reports, I not only inspected our embassy operations but also operations of the U.S. Information Service, the International Cooperation Administration, the military attachés and the military assistance advisory groups located in the countries of Central and South America, as well as some of the Republics in the West Indies.

During my tour of Central and South America I visited all countries with the exception of Paraguay and Bolivia. In addition, I found time to visit British Honduras, British Guiana, Trinidad, the Dominican Republic, Haiti, and Cuba. I was gone for a total of 51 days, leaving the United States on October 26 and returning on December 15, 1958. In 1952, I made an inspection tour of practically all of those same countries.

Mr. President, my current report on Latin America consists essentially of three parts, and includes the following:

In the first part I have summed up my general conclusions deduced from my inspection and from the analysis of the answers to the questionnaires I sent to each of the U.S. Government agencies operating in these countries.

In the second part I have enumerated specific recommendations concerning improvements which I believe can, and should be, made in various U.S. operations in the Latin America area.

In the third part of my report, which comprises the great bulk of the data I obtained in each country, I have detailed in brief narrative descriptive form the work and operations of the various U.S. agencies, and have followed this narrative with exhibits, statistical data, project descriptions, and other pertinent information.

Mr. President, I point out that in many of the Latin American countries I again found forces at work which are not unlike those in other areas of the world and which, perhaps for lack of a better name, can all be classified under the general term "nationalism."

In the Near East, in southeast Asia—in fact, in much of Asia and Africa—these forces have resulted primarily from years of economic exploitation and political colonialism practiced by European countries.

In my humble opinion, there is not a question of doubt that the longstanding domination by these foreign powers produced the bubbling caldron of emotions which has boiled over more than once, and which gives every indication of boiling over again.

The explanation for the bitterness and the ill feeling prevailing in these underdeveloped countries of the Eastern Hemisphere is readily apparent. However, the reasons for the existence of similar conditions in our own hemisphere amongst our neighbors in Latin America are not readily identifiable.

It is with regret that I am compelled to report to the Senate and to the people of our great Nation that the good neighbor policy which had been put into effect in 1936 is now considered to be a policy of "good neighbor" in name only by the vast number of peoples of the American Republics. That our vaunted good neighbor policy is not held in high esteem by the people of Latin America is all too evident in the events of the past months which are now recorded in the annals of history. We have only to review what has happened here in the past year to realize that something must be done by the leaders of the Western Hemisphere if this policy is once again to be a living thing.

The shocking treatment accorded Vice President and Mrs. Nixon on their visit to Peru and Venezuela, the recent revolution in Cuba, the student strike in Mexico—all of these, Mr. President, serve notice that strong, often violent, and, unfortunately, frequently misunderstood forces are present in Latin America.

While visiting our friends in Latin America I made inquiries and pressed for specific examples of American neglect or economic discrimination, and those most critical of American policies were unable to provide them.

In fact, Mr. President, many of the complainers simply referred to the tremendous aid that we made available to the countries of the Eastern Hemisphere, and asked the question: "Why were we so neglected?"

In my humble opinion, the underlying reason behind the growing dislike of the United States is but another reflection of a prevailing desire among the Latin American people to better their way of life.

Mr. President, it seemed apparent to me that there is a broadening belief among these people that since many of the raw materials which feed U.S. industries come from the nations of Latin America, the United States is, in effect, living off the sweat of the brow of Latin Americans.

It was exceedingly difficult, if not impossible, for me to endeavor to convince many of our severest critics in that part of the world that U.S. private enterprise pays—and pays well—for the raw materials it purchases from the American Republics.

Furthermore, Mr. President, I believe that our critics often have overlooked that the American firms operating in Latin America, particularly, in the development of natural resources and manufacturing, have generally adopted an enlightened attitude toward their employees, providing hospitals, schools, good housing, fair pay and other benefits that are known only to the people of our own country.

However, notwithstanding the altruistic motives of the American firms operating in Latin America, the cold facts are that the profits derived from sales to, and investments by, our U.S. firms are not generally used to benefit the masses of the people. An example of this is personified in the relatively developed country of Venezuela where, even though American capital has brought tremendous advances in the living standards of local employees of U.S. firms, there remains considerable poverty amongst the masses of the people.

Mr. President, there are many Americans who believe in the so-called "trickle down" theory, that is, if the industrial firms of a country profit, then a good portion of the profits should trickle down to the masses of the people. Although this may be true to some extent in a highly industrialized economy such as ours, it is evident, in fact, apparent, that such does not follow in the case of those countries that are not as highly developed. Labor is not well organized and the governments do not try to enforce minimum labor requirements. Their tax structures are inadequate, as my report shows.

In my travels throughout the underdeveloped countries of the Eastern Hemisphere I have observed millions and millions of dollars of our economic aid going into the pockets of the wealthy inhabitants, while the masses remained as impoverished as they have always been.

In the Latin American countries the situation seems to be identical, with the only difference being that United States firms develop resources which result in providing economic aid indirectly, rather than the U.S. Government rendering grant aid directly as is the case with the underdeveloped countries of the Eastern Hemisphere.

Mr. President, in my humble opinion, if there is a deprivation of the masses and the economic wealth created is not trickling down to the masses, the fault does not lie with the American firms who are operating in these countries, or with our Government, but, evidently, it is caused by the internal economic pattern existing in these countries, where the rich get richer, while the poor get poorer.

Mr. President, as long as these conditions prevail, so it will follow that the economic gains will be directed into the pockets of the rich instead of to the masses of the people. Anything done by our Government or through investments made by Americans in this area will inevitably benefit only the wealthy.

I do not mean to imply that the future of Latin America is hopeless, for the potentials creating great wealth are present. All that is needed is the proper attitude on the part of the moneyed classes of these great countries to the south of us.

Mr. President, I want to emphasis that whereas Latin America needs assistance, the peoples of these great countries are proud and they do not desire charity.

It is my firm belief that long-term loans for economic development should continue to be made, but they should be conditioned upon the proper assurances that the proceeds will be used to finance projects and facilities beneficial to all the people.

In fact, Mr. President, I believe that in making these loans, consideration, aside from normal criteria, should also be given to conditioning the disbursement of such loans to the tax laws of the country to whom the loan is made. In brief, I feel that the burden of taxation must be placed on the shoulders of those who are able to pay, if the reforms I suggest are to come to pass.

Mr. President, I am aware that this suggestion is vulnerable and the argument can rightly be advanced that the tying of such strings to a loan would amount to infringement upon the sovereignty of our neighbors. However, departing from cold logic, it would appear to me that the requirement of internal tax reform as a means of assuring due repayment would be nothing more than the rightful prerogative of any prudent lender.

Mr. President, fortunately, exploitation of the peoples of Latin America by American firms is today the exception, rather than the rule. For this we should all be grateful. However, as an additional safeguard, I would further recommend that the American private enterprise seeking to do business in Latin America should be compelled by the U.S. Government to meet certain basic standards of conduct, which should be designed to assure the payment of fair wages, and to hasten economic development of the nation involved for the benefit of all the people.

In my humble opinion, an enlightened local business community must be developed—a business community which understands that the payment of fair wages, the raising of living standards, the extension of mass medical and educational benefits to the poor are not only desirable from a humanitarian point of view, but vitally necessary if the pent-up demand for a better way of life is not to explode violently and destroy those who today feed and grow fat at the expense of the poor.

While there is an apparent trend among our own diplomatic and foreign aid officials to recognize the seriousness of what is obviously a lack of responsibility for the welfare of all the people among the ruling classes of Latin America, I must reiterate that United States economic assistance is by no means a panacea.

Mr. President, the correction of what could become a desperate situation can only come from the businessmen of Latin America, and it is they who must be convinced that it will accrue to their ultimate benefit if the living standards of the masses are elevated.

In my judgment, our needs and the needs of our Latin America neighbors, if properly directed, can be the basis of mutual growth, stability and prosperity. We must revitalize the good-neighbor policy—we must restore the spirit in which it was conceived. Truly, the two continents of the Western Hemisphere are neighbors, and neighbors we must remain. It is not only the factors of geography that make it so, but our origins and our aspirations are essentially the same. We are joined by a common bond of history and a common desire for freedom. Our ideals are founded on the dignity of man, and our beliefs in the rights of the individual are so sacred that we are willing to sacrifice our all to protect them.

Mr. President, I feel confident that because of the ideals held dear by countries of the Western Hemisphere that it is not likely that any of them will succumb to the evils of a totalitarian state.

I do not make any pretense about having all of the answers for solving the problems facing our neighbors in Latin America. However, I feel that the 21 recommendations listed in my report, if implemented, should make some small contribution in arriving at a solution to some of these problems. I am hopeful that the parties to whom they are directed will take heed and give them every consideration.

Mr. President, it is not my purpose or desire to discuss my conclusions and my recommendations in more detail. I ask unanimous consent that my conclusions and recommendations be made a part of the RECORD and that they be printed following my remarks.

There being no objection, the conclusions and recommendations were ordered to be printed in the RECORD, as follows:

CONCLUSIONS

I again found forces at work in much of Latin America which are not unlike those seething in other areas of the world and which, perhaps for lack of a better name, can all be lumped together under the general term "nationalism."

In the Near East, in southeast Asia—in fact, in much of Asia and Africa—these forces have resulted primarily from years of European economic exploitation and political colonialism.

There, longstanding domination by foreign powers produced the bubbling caldron of emotions which has already boiled over more than once, and which gives every indication of boiling over again.

The explanation for the bitterness and ill-feeling in those areas of the world are readily apparent.

The reasons for the existence of similar conditions in Latin America, on the other hand, are not so easily identifiable.

However, I am compelled to report to the committee that although the good neighbor policy has been in effect since 1936, there is a large—and growing—body of public opinion in the American Republics which seems convinced that the United States is today a good neighbor in name only.

When pressed for specific examples of American neglect or economic discrimination, those most critical of American policies were unable to provide them. Many complainants simply referred to the tremendous aid that we made available to countries of the Eastern Hemisphere, and asked the question: "Why were we so neglected?"

In my opinion, the underlying reason behind a growing dislike of the United States is but another reflection of a prevailing desire among the Latin American peoples to better their way of life.

It is unfortunate, but, in most cases, true, that our neighbors to the south are envious of the prestige, power, wealth, and economic productivity of the United States. There is also a broadening belief that since many of the raw materials which feed U.S. industries come from the nations of Latin America, the United States is, in effect, living off the sweat of Latin America's brow.

It is difficult, if not impossible, to convince many of our severest critics in that part of the world that U.S. private enterprise pays, and pays well, for the raw materials it purchases from the American Republics.

In addition, while payment is ample, it is often overlooked that American firms operating in Latin America, particularly in the development of natural resources and manufacturing, have generally adopted an enlightened attitude toward their employees, providing hospitals, schools, good housing, at their own expense, and fair pay.

However, even though it is true that U.S. firms doing business here are not exploiting the area, the cold facts are that the bulk of Latin American profits derived from sales to, and investments by, U.S enterprises are not generally used to benefit the masses of the people.

Thus, even in such relatively developed countries as Venezuela, where American capital has sparked tremendous advances in living standards of employees of U.S firms there remains considerable poverty among the masses of the people.

As the violence directed against Vice President and Mrs. Nixon demonstrated, much of Latin America believes the United States is stealing its natural resources.

In my opinion, if there is theft involved, it takes place after a fair price for Latin American materials is paid by American purchasers and before these profits trickle into Latin American treasuries.

In other words, in the majority of Latin American countries economic development has brought more wealth to the wealthy and very little to the masses of the people.

Basically, this situation cannot be corrected by the United States. Certainly we should not attempt to correct it by extending wholesale economic aid to this area. As a matter of fact, as my report amply demonstrates, much of the economic and related assistance already made available to this part of the world has, as in the case of economic development, further enriched the well-to-do, with only a pittance trickling down to those who need help the most.

We certainly must not place ourselves in the position of actually fostering dissatisfaction and unrest while attempting to do just the opposite.

And yet, under existing conditions and without far-reaching Latin American internal reforms, further U.S. economic assistance is destined to produce that result.

So long as existing conditions prevail, so long as established internal economic patterns exist—patterns which automatically direct the fruits of economic gains into the pockets of the rich instead of into the thirsty mouths, the sick bodies, and hungry bellies of the poor—U.S. aid will inevitably benefit only the wealthy.

In effect, we might well be helping to forge a weapon to be used against us at some future time.

This does not mean, however, that the future of Latin America is hopeless.

This area is potentially one of the wealthiest parts of the world. It abounds in natural resources—petroleum, iron ore, nitrates, lead, zinc, and countless others, all of which are mostly owned and controlled by the countries in which they are found. With very few exceptions, they cannot be explored or otherwise developed except by concessions from the state. In other words, in most instances, the state owns all resources beneath the soil.

These resources, which are ostensibly the property of all the people if properly used, can bring not only a constantly rising standard of living to the people of Latin America, but assurance of continued economic well-being to the United States.

I wish to emphasize that Latin America needs assistance, but she does not want charity.

Long-term loans for economic development are being, and should continue to be, made available. However, they should be conditioned upon proper assurances that the proceeds will be used to finance projects and facilities beneficial to all the people. Consideration should also be given to conditioning the disbursement of such loans or changes in Latin American tax laws—laws which are either extremely lax, or which are honored more often in their breach than their observance. In short, the burden of taxation must be placed on the shoulders of those able to pay, if the reforms I advise are to come to pass.

It will be argued that the imposition of such conditions would infringe upon the sovereignty of our Latin American friends. In one view, they perhaps would, but, if the loans were properly secured, the requirement of internal tax reform as a means of assuring due repayment would, in my opinion, be nothing more than the rightful prerogative of any prudent lender.

I would further recommend that American private enterprise seeking to do business in Latin America be compelled by the U.S. Government to meet certain basic standards of conduct, designed to assure the payment of fair wages, to preclude the reaping of vast or unconscionable profits, and to hasten economic development of the nation involved for the benefit of all the people.

Fortunately, exploitation by American firms is today the exception rather than the rule.

Development is no longer synonymous with exploitation.

Assurance must be given that this will remain the case.

An enlightened local business community must be developed—a business community which understands that the payment of fair wages, the raising of living standards, the extension of mass medical and educational benefits to the poor and humble are not only desirable from a humanitarian point of view, but vitally necessary if the pent-up demand for a better way of life is not to explode violently and destroy those who today feed and grow fat at the expense of the poor.

While there is an apparent trend among our own diplomatic and foreign aid officials to recognize the seriousness of what is obviously a lack of responsibility for the welfare of all the people among the ruling classes of

Latin America, it must be emphasized again that U.S. economic assistance is not a panacea.

The correction of what could become a desperate situation can come only from the businessmen of Latin America. They must be convinced that it will be to their ultimate benefit if wages are raised and basic social institutions—schools, hospitals, decent housing, etc.—are fostered.

If these were accomplished, the benefits would be twofold: (1) A rising standard of living, providing, ultimately, for vastly enlarged markets, plus increased consumer purchasing power, and (2) a satisfied population, bringing stability to governments, and the creation of a climate attractive to private investment.

Finally, I wish to make it clear that I do not urge these reforms in the spirit of criticism, but, rather, with the full realization that the continued well-being of our own country is tied directly to the fortunes of our Latin American neighbors. I sometimes wish it were possible to enmesh, in some way, our own economy with those of the countries to the south of us.

The United States needs materials for its factories, outlets for its manufactured products, the assurance of growing mutual trade with the nations to the south. In fact, I would venture to again say that if the wheels of our great industrial facilities are to continue to turn at their present rate we will be compelled to look to the south of us for raw materials.

In my judgment, our needs and the needs of our Latin American neighbors, if properly directed, can be the basis of mutual growth, stability, and prosperity. We must revitalize the good neighbor policy—we must restore the spirit in which it was conceived.

Truly, the two continents of the Western Hemisphere are neighbors, and neighbors we must remain. The factors of geography alone so dictate.

Our aspirations are similar; our origins are essentially the same. We are joined by a common bond of history and a common desire for freedom. Our ideals are founded on a spiritual concept of man. Our belief in the rights of the individual is so sacred that we willingly sacrifice our all to protect them.

These concepts, of themselves, offer assurance that no part of the Western Hemisphere is likely to succumb to a totalitarian state.

Above all, just as the United States and our Latin American neighbors share a joint past, so must we share a joint future.

As neighbors, linked by common bonds of friendship, history, tradition, and culture, we must join hands today, as partners in tomorrow.

RECOMMENDATIONS

The following recommendations, dealing with Embassy operations, the U.S. information program, the International Cooperation Administration programs, the military attaché offices, military assistance advisory groups, and other governmental missions, are based upon the data and observations which the committee will find outlined in detail in the country-by-country reports which follow.

EMBASSY OPERATIONS

1. I recommend that more freedom be given U.S. ambassadors in the field, particularly in the handling of personnel and funds of the Embassy, and that more reliance be placed upon their judgment.

I found in many instances that our ambassadors have their hands tied by the State Department at the Washington level. If the State Department has sufficient confidence in a chief of mission to entrust him with the administration of our affairs in a foreign country, then it should have enough confidence in his patriotism and common-sense to permit him to do the job as he may think best, within broad limits. I again found, generally, that there is a tendency for the Washington bureaucracy to establish one overall pattern for the embassies to follow, with little or no flexibility permitted.

Two specific examples illustrate my point. First, the chief of mission does not have the authority to assign personnel among the various sections of the Embassy. This lack of authority precludes any day-to-day adjustment of duties among the various Embassy sections, and, in addition, denies to the Ambassador the authority over functions performed by officers who are otherwise subject to him, upon whose performances his reputation is dependent in large measure, and upon whose information his decisions must be based.

Second, a more or less uniform reporting system imposed upon all missions, regardless of location, status, or problems peculiar to the specific areas where they are located, often imposes an unnecessary workload on otherwise limited staffs, or, in the alternative, requires the undue expansion of staffs, at considerable cost to the Government. Much unnecessary reporting could be eliminated if our chiefs of missions had the power to so direct.

2. I recommend that chiefs of missions be vested with the right of review and veto over all military assistance programs, plus those of the U.S. Information Service and the International Cooperation Administration. The chief of mission is the top-ranking representative of the U.S. Government in any country. Within a given country, the chief of mission is responsible for the conduct of the foreign policy of the United States; upon his shoulders rests, for all practical purposes, the total burden of U.S. diplomacy.

Denying a chief of mission the right of review over, and veto of, projects affecting relations between the nation to which he is accredited and the United States (and certainly the programs administered by USIA, ICA, and MAAG have important and direct effects upon that relationship) is, in effect, to make the Ambassador responsible for consequences over which he has no control.

Our chief of mission should also be empowered to fire all personnel in excess of what he deems to be necessary. He should be consulted if more personnel is to be provided in any of our missions under his jurisdiction.

3. I recommend that administrative support for all U.S. agencies or missions—including military personnel—on duty abroad be provided by the administrative section of the diplomatic mission in which those agencies are located. That would also cover the procurement of living quarters for all of our personnel. As is now the case, our personnel vie with each other for the rental of homes to live in, and rents go up in proportion to the rental allowance provided.

In many instances, the International Cooperation Administration (USOM) and U.S. Information Service maintain administrative staffs, separate and apart from that operated by the Embassy, and separate and apart from one another. I call particular attention to the administrative costs for some of our ICA missions, most of which engage in technical assistance programs.

Since all the money required to pay these expenses is coming from the same pocket—Uncle Sam's—I see no reason why the Embassy could not handle all administrative duties for all U.S. agencies, including the disbursing of salaries, preparation of budgets, etc.

4. I recommend that the Appropriations Committee require that a fair sampling of officials from the field be present to testify on and justify individual items affecting their posts during the committee's consideration of State Department budgets.

These officials are the frontline troops, so to speak; they should be accorded an opportunity to freely and fully express their views at firsthand.

In addition, it is my judgment that the committee's work could be considerably facilitated if the independent and unrestricted testimony of such witnesses were available.

I submit this recommendation fully aware of its possible cost. However, I am of the opinion that, in the long run, the initial cost of transporting a reasonable number of such persons to the United States for this purpose would be more than offset by savings which could be made in program expenses. In addition, the Department of State, I understand, usually requires that chiefs of missions return to Washington at least once a year for consultation. This usual trip could be scheduled to coincide with congressional consideration of the appropriate budget requests, if an effort were made to do so.

5. I recommend that the Departments of Agriculture and State reevaluate the justification for maintaining agricultural attachés in Latin America.

Generally, I found that most of the operations of agricultural attachés are so much wasted motion, as specific instances in the attached country-by-country reports demonstrate.

Reports on crop production and market outlooks could be done by a member of the Embassy staff as was done in the past, thus reducing expenses in the field. As I pointed out in some of my country reports, there has been no increase in imports of surplus commodities. In most countries, food importations decreased and our agricultural attachés engage in merely making statistical reports.

U.S. INFORMATION SERVICE

6. I recommend that the press programs of the U.S. Information Service in Central and South America be terminated at once, as they are ineffective.

7. Television and radio programs in this area should be reevaluated, with emphasis placed upon the use of such media only in areas where receivers are generally available. In some large cities of Latin America, where television receivers are common, television programs could well be continued. However, to offer television programs in areas where receptionability is only nominal, and to conduct radio broadcasts in areas where receivers are regarded as curiosities, amount to wasted motion and money.

8. I specifically urge that the Information Service tailor its activities on a country-by-country basis, emphasizing the use of mass media only where obviously justifiable. In addition, in those areas where literacy rates are low—and there are many in Latin America—the publication of pamphlets, etc., should immediately be discontinued, and emphasis shifted to other more useful purposes.

9. I also doubt the effectiveness of the so-called intelligentsia approach, whereby magazine and subscriptions to other periodicals are offered free of charge to a selected few community leaders and other public officials. In most cases, such officials are well able to afford to purchase their own periodicals; in any event, USIS-donated materials are almost universally regarded as propaganda, and, thus, are without substantial effectiveness.

10. I particularly urge the Information Services to conduct its operations with more finesse; the rapier is often more effective than the bludgeon. In most areas of South and Central America, the Information Service has become synonymous with propaganda and, therefore, has either lost, or is rapidly losing, its usefulness.

11. I recommend that the USIS salary structure be reexamined. I found instances of public affairs officers drawing total salaries, including rental allowances and hardship allowances, in the vicinity of $20,000 per year. The following illustrate my point:

(1) USIS/Venezuela, public affairs officer:

Salary	$12,120
Post allowance	3,600
Quarters	6,000
Transportation allowance	125
Representation allowance	48
Total	21,893

(2) USIS/Haiti, public affairs officer:

Salary	$11,770
Quarters	3,000
Hardship allowance	1,765
Post allowance	480
Total	17,015

This officer, incidentally, supervises a mission staffed by one other American officer and four local employees.

Several other examples of large salaries and expenses include:

Public affairs officer, Panama, $18,350.

Public affairs officer, Nicaragua, $18,336.

Public affairs officer, Buenos Aires, $18,253.

Public affairs officer, Havana, Cuba, $19,253.

It should be pointed out that the Director of the U.S. Information Agency in Washington draws a total salary of $21,000 per year.

12. I also recommend the elimination of the post of specialized media officer. In almost every case, the staffs of the diplomatic missions can make press material available for local newspapers. (See recommendation 6.)

13. One of the bright lights of our information program in Latin America is the encouragement given to the establishment of binational centers. These are corporations formed under the laws of the country in which they are located, and organized by citizens of that country along with U.S. citizens.

The primary purpose of these centers is to provide facilities for the teaching of English, business courses, and the presentation of cultural programs, etc. Students pay a fixed fee for instruction. For the most part, the centers are self-sufficient.

These binational centers are creating more goodwill for the United States through Central and South America than any program now being conducted by USIS.

Therefore, it is my recommendation that these centers be encouraged. However, the United States should not endeavor to take over the operation of these centers. Such an attempt would destroy their effectiveness.

I was informed by some USIS personnel in Latin America that in certain instances these binational centers are administered by a U.S. grantee who is paid directly by the State Department. If true, in my judgment this is a direct violation of, if not the letter then surely the intent of, the exchange programs as now authorized.

However, even in the alternative, and assuming that such administrative grantees are being paid by U.S. Information Service, then I think this equally unconscionable.

The success of these binational centers has been predicated on the theory that the less U.S. governmental interference the better.

In many places these binational centers are going concerns which are completely self-sufficient. I can see neither reason nor excuse for USIS or the State Department to try to take over any sort of control of this program, or even to assist in paying for the erection of buildings to house these centers. Some of our "eager beavers" are suggesting that funds derived from our surplus disposal program be used for that purpose.

So long as these centers are under local control, they will remain effective exponents of our way of life and the principles for which we stand. However, once the Information Service and the Department of State involve themselves in the conduct, financing, or housing of binational centers, then immediately such centers become suspect. Their objectivity is open to question, and their effectiveness is automatically impaired.

Books, teaching materials, and, on occasion, teachers can and should be made available. However, every effort should be made to preserve the independence of these centers, free and clear of any semblance of U.S. Government control.

14. I recommend that our educational exchange program be expanded. That could be accomplished by the elimination of some of the programs I have suggested. More students from Central and South America should have an opportunity to come to the United States, and more of our students should be given an opportunity to learn about our friends to the south.

I further recommend that, insofar as the Latin American exchange students are concerned, great pains be taken to select students from the so-called lower classes. Economic status should not be made the criteria for further education; in addition, the offspring of poverty-stricken families should be encouraged to better themselves in order to return among their neighbors and assist in raising their living, health, and educational standards.

A studied effort should be made to avoid associating the exchange program with the prevailing tendency in some areas of Latin America to further educate the educated and ignore the schooling of the masses.

INTERNATIONAL COOPERATION ADMINISTRATION

15. I recommend that a cooperative loan program exclusively for use in Central and South America be inaugurated. This program should be participated in by the United States and the countries to the south of us. It should cater principally to small businesses and should supplement all other agencies or banks now established for extending credit in that area. A control bank should be established in one of the countries to the south of us, with branch banks in other countries participating in the effort.

I wish to repeat for the sake of emphasis that a new loan program of the type recommended need not interfere with the Development Loan Fund or any other program now in effect. It would simply augment them. In addition, it would have the effect of stimulating local investment within their own countries by the businessmen of Central and South America.

Because of a lack of capital, much of the technical assistance we make available to our friends in Latin America cannot be utilized. Unfortunately, I found a tendency among some of our planners to stretch the technical aid program in such a way as to provide the needed capital investment. This practice is directly contrary to the spirit, intent, and purpose of technical aid, and it should be terminated at once.

If capital investment of any kind is required, it should be provided from sources created for that purpose, such as I have recommended above, for example—not by violating the intent of Congress. (See specifically recommendation 16, below.)

I suggest that certain conditions be attached to all loans with a view toward improving the plight of the masses. Some may contend that this would amount to interference by the United States in the internal affairs of a foreign nation. I must admit that such a contention is essentially valid. However, it is my deep conviction that no lasting benefits will ever accrue to the masses of the people of South and Central America—those whom we should assist—unless those in business are made to pay their fair proportion of taxes and provide a reasonable wage to workers.

Any economic development effort should be essentially a program by Latin Americans, for Latin Americans, to benefit all Latin Americans.

16. Again I wish to call to the attention of the committee the practice of many of our ICA administrators of using technical aid funds for capital investments. I found cases where as much as $1,100 per unit were advanced for building homes for workers under the guise of technical assistance. Such a practice is inexcusable, and those responsible should be made to account for such a violation of the law.

Many servicios are also furnished money that is used for capital investments. This practice should be stopped.

I recommend that many programs should be discontinued because they have passed the demonstration point. In other words, we have shown the good effects of certain programs, but we are still contributing money for demonstration purposes. A classic example is our contribution to extend water facilities in many villages in Venezuela.

17. The cost of administering these programs is entirely too large. Most, or practically all, of the administrative work could be handled by the administrative sections of our embassies abroad, as I have previously pointed out.

18. It is my view that many technicians sent abroad are not competent. Some are, doubtless, political appointees with little experience. Some effort should be made at once to evaluate the competence of all technicians—and we have quite a horde of them.

19. I recommend that aid of any kind to British colonies in the Americas be halted immediately. British Honduras, British Guiana, and Trinidad are all under British control and are, therefore, primarily British responsibilities. I see absolutely no reason for the United States to spend any funds in these areas.

Actually, we are simply being asked to come in and revitalize areas that have been milked dry over the years by British exploitation.

In this connection, I was informed that the program in Trinidad has been inaugurated over the protest of the head of our mission there. Efforts are now being made to extend aid on many of the islands in the West Indies.

MILITARY ATTACHÉS

20. I again recommend that the activities of our military attachés should be unified. Clerical staffs and motor vehicles should be pooled. I do not see how it is possible for the many attachés we have all over South and Central America to keep busy. There is much loss of manpower. These men in uniform could certainly perform more valuable services for their country and every effort should be made to see that they do.

I again call the committee's attention to the fact that while Army and Air Force personnel have one paymaster the Navy has its own. There is no logical reason why one paymaster could not take care of the accounts of the three services.

MILITARY ASSISTANCE ADVISORY GROUPS

21. I recommend an immediate reduction in the overall emphasis on military aid. It has long been my feeling that the United States has no business trying to inflict large armed forces upon the struggling economies of underdeveloped nations.

The United States could, under appropriate circumstances, sell such military equipment to friendly nations as may be adequate to maintain internal security.

However, the United States should immediately reevaluate the need or necessity of maintaining advisory missions in the countries to the south of us. I found that we were not wanted in some countries, but we seem to persist in remaining there.

Mr. DWORSHAK. Mr. President, will the Senator yield?

Mr. ELLENDER. I yield.

Mr. DWORSHAK. For several years the Senator from Louisiana has rendered exceptional and outstanding service to the country, to Congress, and to the executive department by making annual inspection trips to various sections of the globe. Having traveled with the Senator in the fall of 1956 in southeast Asia, I am fully aware of the thoroughness with which he undertakes such assignments.

I regret that I was not present this afternoon to hear all of the Senator's comments on his Latin American trip last fall. Therefore, I should like to ask him whether he was able to discern in the Latin American countries any lack of a proper understanding of the foreign aid program advocated by our own Government in our efforts to cultivate good will in various parts of the world. What was the final conclusion which the Senator reached?

Mr. ELLENDER. Fortunately, I found that only five countries received grants in fiscal 1958. Most of the aid we have made available to the countries of South and Central America has been by way of technical assistance, and that program has worked very well. The only difficulty I found was that after we gave the people our technical assistance, there was the question of money: whether they could obtain sufficient funds in order to put into practice what they had learned from us.

In most cases the people go to the banks in their countries, where, as the distinguished junior Senator from Florida [Mr. SMATHERS] knows, the rates of interest are simply enormous—from 10 to 12 percent, and with a little discount added. Thus many persons are unable to go into business, even after we have aided them by teaching them a skill.

With respect to the countries, such as Guatemala, which do receive assistance from us by way of grants, I find that when we start to make grants, then those countries will want as much as the traffic will bear. So I recommend, so far as South and Central America are concerned, that the United States restricts its assistance to technical aid and a loan program.

I have just advocated the establishment of a bank to be operated in South and Central America. The capital would be furnished by funds provided by the United States and funds provided by local people and governments. The main bank could be established in one of the countries of South or Central America, and branches could be established in all other countries participating in the program. The idea would be to provide an opportunity to obtain money at a fair rate of interest for those who want to start small businesses. If we could do this, then I am certain that more and more of the masses of the people would receive benefits from such a program.

As conditions are now, I am sorry to say that many of the wealthy persons in the countries to the south of us do not care much about the welfare of the poorer people; they simply look out for themselves. I spoke to many high officials of countries on my tour. They agree—and I have included this in my report—that whenever any effort is made by a new government to improve the lot of the poorer people by providing more schools, more hospitals, or anything else to benefit all the people, then the question arises, Where will the money come from? As we all know, it usually comes from those who are able to pay. Thus we find that it is the wealthy persons who—many times—are the ones who foment opposition to reform programs, and cause the overthrow of reformers.

I found that situation to be prevalent in many of the countries of South and Central America. It is not the masses of the people who cause all the trouble; it is those who are called upon to pay, by a fair assessment of taxes, who usually complain the loudest and block these needed reforms.

Mr. DWORSHAK. I am certain that in his extensive travels the Senator endeavored to learn how efficient the operations of the U.S. Information Agency are. Can he tell us whether he thinks effective work is being done to create good will among the people of the Latin-American countries, so that they will have a more comprehensive, a more accurate, and even a more sympathetic understanding of the objectives of the United States?

Mr. ELLENDER. In my report I recommended that the press programs of the U.S. Information Service in Central and South America be terminated at once, as they are ineffective. I also pointed out in the report that if we were to restrict our efforts to a good exchange program and an expansion of the binational centers program, we would do a better job. The binational centers are created under the laws of the countries in which they operate. Local students pay a reasonable fee to learn English or some type of business course. We in turn help, in some countries, to pay some of the expenses of the centers. Because these binational centers are operated entirely by the people of the respective countries, I believe that much good is coming from them.

On the other hand, the U.S. Information Agency is looked upon more as a propaganda agency than anything else. That is why I say that its press programs should be terminated as soon as possible. I so state in my report.

Mr. DWORSHAK. I assume, then, that the Senator reached the same conclusion concerning USIA activities in Latin-American countries as he has reached concerning areas in Europe.

Mr. ELLENDER. I think some USIA activities have done more harm in countries to the south of us than they have done good in other countries across the sea. It may be that in some areas of the world the information program has done much good; for instance, the exchange program, the showing of moving pictures, and activities of that kind.

But, for instance, I found that in some cases the United States has spent millions of dollars to circulate pamphlets in countries where great numbers of the people are illiterate. The money spent for that activity has been wasted.

In addition, I am not in favor of the USIS program under which we pay for subscriptions to Time magazine, the New York Times, the New York Herald Tribune, and other periodicals, and present them to foreign leaders who are able to pay for them. This is money wasted, in my humble judgment. If the matter were left to me, I would dispense with the press service program entirely, because certainly our Embassies can supply the newspapers in all countries with any speeches made by the President, Mr. Dulles, or anybody else. That could easily be done.

It is also my judgment that USIS activity in the radio and television fields ought to be reevaluated. In countries where there are many receivers and good reception, the USIS participation should be continued. However, it is obvious to me that when there are limited television facilities in a country, then little emphasis should be put on television.

The situation in each country should be evaluated, and then a determination made as to what is the best method to interest the people of that country in our objectives.

Mr. CHURCH. Mr. President, will the Senator from Louisiana yield to me?

The PRESIDING OFFICER (Mr. MUSKIE in the chair). Does the Senator from Louisiana yield to the Senator from Idaho?

Mr. ELLENDER. I yield.

Mr. CHURCH. I should like to commend the senior Senator from Louisiana for the diligent and comprehensive report he regularly makes to the Senate concerning his travels abroad. As all of us know, he is one of the best traveled Members of this body; and in years past I have listened with fascination to his accounts of life inside the Soviet Union.

I think that, in sum, his reports to the Senate have been of immense value in assisting us to maintain perspective on conditions in the world at large, with particular reference to the workings of American foreign policy in its various aspects. The Senate owes the Senator from Louisiana a great debt of gratitude for his work and for the thorough way in which he apprises us of what he has learned in the course of his travels he has had an opportunity to make. I wish to join my colleagues in commending him.

Mr. ELLENDER. I thank the Senator from Idaho.

Mr. THURMOND. Mr. President, will the Senator from Louisiana yield to me?

Mr. ELLENDER. I yield.

Mr. THURMOND. I wish to take this opportunity to extend my highest congratulations to the distinguished Senator from Louisiana upon the interesting and enlightening report he has brought to the Senate. Through his incisive mind and his profound ability, he has been able to bring to the Senate information which we have not been able to obtain in other ways.

I only wish our Government had at the head of some of its agencies—for instance, its intelligence and information agencies—men of the great common sense and great vision that are possessed by the able senior Senator from Louisiana. I believe that, as a result of his travels, he has brought to us information that is of great value. I hope all Senators will read his report and will take advantage of the information he has collected, which I believe will be of great value both to the Senate and to the entire Nation.

Mr. ELLENDER. I thank the Senator from South Carolina.

Mr. STENNIS. Mr. President, will the Senator from Louisiana yield briefly to me?

Mr. ELLENDER. I yield.

Mr. STENNIS. Mr. President, I, too, wish to commend the distinguished senior Senator from Louisana, not only for the report he has made today to the Senate, but also for the previous reports he has made to the Senate and for what he has disclosed to the Appropriations Committee. Both as a Senator and as an individual, I am particularly indebted to him for the presentations I have heard him make at the Appropriations Committee's meetings.

In addition, he was directly responsible for my decision to visit Russia itself last fall, a trip from which I believe I have greatly benefited in connection with the discharge of my responsibilities both as a member of the Appropriations Committee, and as a member of the Armed Services Committee.

I believe the importance of the Senator's work is growing with the years—not only as the result of what he does each year, but considerable fruit comes from his work of prior years, and that fruit grows in value and in influence, not only in the legislative branch of the Government, but also in the other branches. I, too, wish to congratulate him.

Mr. ELLENDER. I thank my friend.

Mr. PROXMIRE. Mr. President, before the senior Senator from Louisiana leaves the floor, I wish to say that I was delighted to have an opportunity to hear his brilliant speech. I thought it was particularly unique, because he gave us a prudent, careful, thoughtful analysis of how our foreign-aid program works, with far more regard both to the taxpayers and to the taxpayers' money than often is the case in connection with other evaluations, and at the same time he was deeply concerned with how our foreign-aid program may be made more effective in a humanitarian sense.

At this time I should like to reread, because I believe they are extremely important, two paragraphs from the address he delivered, as follows:

> It is my firm belief that long-term loans for economic development should continue to be made, but they should be conditioned upon the proper assurances that the proceeds will be used to finance projects and facilities beneficial to all the people.

A little later he said:

> In my humble opinion, an enlightened local business community must be developed—a business community which understands that the payment of fair wages, the raising of living standards, the extension of mass medical and educational benefits to the poor are not only desirable from a humanitarian point of view, but vitally necessary if the pent-up demand for a better way of life is not to explode violently and destroy those who today feed and grow fat at the expense of the poor.

Those recommendations by the Senator from Louisiana are extremely important, because our foreign-aid program in Latin America should be humanitarian. At the same time, I believe it should be guided by enlightened self-interest. We should be deeply concerned with the various aspects of Communist infiltration and subversion in that area.

In my judgment, Mr. President, the senior Senator from Louisiana has hit the bull's-eye when he has pointed out how we can condition our aid to an understanding with the powerful business communities that they should put into effect the things he has advocated.

Mr. ELLENDER. I thank the Senator from Wisconsin.

Mr. JOHNSON of Texas subsequently said: Mr. President, I deeply regret I was detained from the Chamber today and did not hear in entirety the very fine report delivered by the senior Senator from Louisiana [Mr. ELLENDER]. For many years I have looked forward to hearing the Senator from Louisiana report on his studies of our mutual aid program and our relations with other nations, as he has observed them firsthand.

He is always comprehensive and constructive. He is always thorough and objective. I shall look forward with a great deal of pleasure to reading the report he has made to the Senate, and, through the Senate, to the country.

I believe no Member of this body gives more time and attention and devotes more of his talents and ability to this very important subject than does the senior Senator from Louisiana. I think his report will be widely read throughout the Nation, and throughout the other nations of the world. I think it is almost required reading for every Member of Congress.

MESSAGES FROM THE PRESIDENT

Messages in writing from the President of the United States submitting nominations were communicated to the Senate by Mr. Miller, one of his secretaries.

EXECUTIVE MESSAGES REFERRED

As in executive session,

The PRESIDING OFFICER laid before the Senate messages from the President of the United States submitting sundry nominations, which were referred to the appropriate committees.

(For nominations this day received, see the end of Senate proceedings.)

INFLATION AND ITS CAUSES

Mr. PROXMIRE. Mr. President, various congressional committees are now engaged in a very fruitful and urgently needed discussion of inflation and its causes.

One of the most provocative contributions to an understanding of inflation has come from an economist, Gardiner Means.

I ask unanimous consent that the statement made by Mr. Means before the Anti-Monopoly Subcommittee of the Judiciary Committee of this body be printed at this point in the RECORD.

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

STATEMENT BY GARDINER C. MEANS, ECONOMIST

Mr. Chairman, and members of the committee, I am delighted to return to testify before you. In the last 2 years your committee has made great progress in the investigation of administered prices and their relation to inflation.

When you started these hearings it was the preponderant opinion that the inflation we were experiencing was the product of excess demand. This opinion was so strongly held that the Federal Reserve tightened its money policy in an effort to contract demand. Because this policy was built on a false analysis, it resulted in the depression, out of which we are climbing all too slowly.

Today, after experiencing inflation and depression at the same time, there are few who still think that this inflation has been the product of too much demand. Clearly, the inflation has not been of the old-fashioned, classical kind with all prices going up more or less together.

Also, it is now generally understood that the new type of inflation is associated with administered prices and wage rates. For bringing about this understanding, I believe your committee is in large measure responsible. Indeed, we are fortunate that your chairman and your committee had the imagination to see the relation between these two things and the courage to focus attention on them.

This new type of inflation is possible because of the area of discretion which is exercised both in the setting of prices and the setting of wage rates. It is because this type of inflation arises from the exercise of this administrative power over prices and wage rates that I have christened it an administrative inflation in contrast to the monetary inflation which comes from an excess of demand and in contrast to the reflation which accompanies the recovery from a serious depression.

Today I should like to present some new evidence showing the administrative character of this new inflation; then I will discuss the roles of labor and management in generating administrative inflation; and finally I want to explore the directions in which we might move toward preventing this type of inflation.

ADMINISTRATIVE INFLATION

I have here four charts which tell the story. The first chart shows how prices rise in a classical inflation in which all groups of prices move up more or less together. The chart covers the period from 1942 to 1953 and includes both the inflation following World War II and the Korean war inflation: By the height of the columns it shows the percentage rise of each of the major commodity groups in the Bureau of Labor Statistics wholesale price index. The width of each column represents the weight that each group receives in the wholesale index, i.e., its relative importance in our economy so far as wholesale commodities are concerned. The area of each column represents the contribution that each group made to the war inflations.

The first thing to notice in the chart is that all the commodity groups rose in price and by not too different amounts, except for the extremes of lumber at one end and rubber at the other. The rise of the total index in this period was 71 percent and for nearly three-fifths of the groups by weight the increase fell within a range of 62 to 77 percent. This price rise was thus fairly general.

The second thing to notice is the distribution of the black and gray columns. The black columns represent the commodity groups in which price administration plays a major role. For example, most of the products included in machinery and motive products have highly administered prices. Also in metals we have mostly steel and steel products whose prices are administered. But, of course, each group includes some market priced commodities such as steel scrap or the nonferrous metals like tin, copper, lead, and zinc whose prices are really made in world markets. In spite of the fact that each group is a mixture of some administered prices and some market prices, those represented in black—metals, machinery and motive products, tobacco, and nonmetallic minerals—are administration dominated. Similarly, the three dark gray columns for fuel and power, for household durables and for chemicals are intermediate fixtures, while the light gray columns represent the highly competitive industries such as textiles; leather materials; lumber and wood products; and, of course, farm and food products. Now the thing to notice about this chart is the way in which the black and gray columns are scattered. There is no evidence that administered prices as such had a tendency to go up more or less than market prices.

Let us now turn to the second chart which shows the first part of the inflation arising from World War II. The chart covers the period from 1942 to 1947, but most of the rise was in the 2 years after the end of the war. Here we have a fairly general rise in prices but it is clearly led by prices in the highly competitive industries represented by the light gray columns. The price averages for the mixed and the administration dominated groups represented by the dark gray and the black columns rose very much less. Here we have the effect to be expected in a monetary inflation. The excess demand had its initial impact on flexible market prices, while administered prices clearly lagged behind. Only in the later stages of this monetary inflation did administered prices catch up with the general rise.

Now let us look at the inflation from 1953 to 1957, both years of moderately high economic activity. This is shown in chart III. Here clearly the price rise has come primarily in the groups dominated by administered prices. With one little exception, that of rubber, the five administration dominated groups, the black columns, rose most. The three mixed groups, the dark gray columns, come next, and rose to an intermediate degree and the classically competitive prices for food, leather, lumber, textiles and farm products as groups either went up little or actually declined. Even the exception, rubber, helps to prove the rule. The big increase in prices came in 1953 and 1954 and in some degree reflected the very low rise in rubber prices during the war inflations. The pattern as a whole is clearly that of an administrative inflation. These figures make the administrative character abundantly clear, even if we did not have the simultaneous inflation and depression to prove that the inflation was not the result of excess demand.

I have one more chart which brings this administrative inflation more nearly up to date. This chart IV carries the inflation from 1953 to October 1958. It differs from the earlier charts in one respect. In this chart I have divided metals and metal products into three categories—steel, steel products, and other metal products. Each of these is plotted separately and only the first two are given the black color to represent domination by administered prices. Other metal and metal products are given a dark gray to indicate a mixture of administered prices such as aluminum and nickel and such market prices as iron and steel scrap and those of tin and other metals whose prices are made in world markets. Looking at the chart, you can see the same general pattern exists as in the preceding chart except that the dominating role of steel prices in this administrative inflation is clear. Not only have steel prices risen most but the steel-using machinery and motive products and other steel products have risen more than any other groups. In fact, these steel and steel using groups account for two-thirds of the gross increase in prices shown in the chart, that is, two-thirds of the area above the base line. The administered price groups marked in black account for 85 percent of the gross increase in the wholesale price index. If these groups had not gone up in price, the wholesale price index would have risen less than 1 percent and, so far as the wholesale price index is concerned, there would have been no inflation. Anyone who thinks the recent inflation is not an administrative inflation had better study the record.

[Charts omitted in the RECORD.]

THE SOURCE OF ADMINISTRATIVE INFLATION

Once we accept the fact of administrative inflation, the next problem is to discover its source. Business management calls it wage inflation and blames the unions. Labor points to the pricing power of management and says this power has been abused. Can we get light on this question.

Here we are greatly indebted to your committee for the facts which were brought out in the hearings on steel and automobiles. I have been making an intensive study of the steel hearings record and will present some of my preliminary findings with respect to the source of the administrative rise in steel prices. To focus on steel prices seems appropriate not only because steel is a kingpin in the administrative inflation as we have just seen, but because steel is a kingpin in our whole economy with its price effects ramifying in all directions. What is the source of the increase in steel prices?

Before I try to answer this question I want to clear up one matter. The steel hearings were in considerable measure confused by the question of whether labor or management was responsible for the inflations which immediately followed World War II and the outbreak of the Korean war. At the previous hearings I suggested that neither was to blame; that these war inflations were monetary in character and grew out of an excess of demand; and that, if anything, administered prices and wage rates had lagged behind in the general price rise. We have just seen that this was so in chart II which showed much more of a rise from 1942 to 1947 in the most competitive industries and a much smaller rise in groups dominated by price administration.

The evidence presented in the steel hearings beautifully illustrates this point. Careful analysis of the data introduced by management shows that both the employment costs per ton in producing steel and the prices of steel lagged well behind the general price rise until the last stages of these war inflations. During most of this inflation period, wage rates went up less quickly than the increases in productivity and in cost of living would justify and by 1953 had hardly caught up with the general rise in the price level. Thus, as far as the monetary inflation resulting from the two wars is concerned, we can say that neither labor nor management was responsible. We can even say that the responsible behavior of each operated to slow up the inflation which arose from excess demand.

The administrative inflation since 1953 is quite a different matter. In my testimony before you a year and a half ago, I pointed out that in theory an administrative inflation could arise either from labor seeking to push up wage rates faster than productivity or from management seeking to increase profit margins too much, or from a combination of these two. Also, I said I did not know how much each possible source contributed, but I suggested that each probably contributed its share. But let us look at the record.

In the steel hearings, as you will recall, a great deal of attention was focused on the average $6 increase in the prices of finished steel which took place in July 1957. On this, Mr. Blough, chairman of the board, United States Steel Corp., testified as follows:

"In our most recent negotiations last year—after a 5-week strike—we signed a labor agreement. It was that labor agreement which foreordained our recent price increase.

"On July 1 of this year we faced what our recent total wage-cost history demonstrates was about 6½ percent increase in our total costs per man-hour; and to cover these costs in part, we raised our steel prices by an average of 4 percent."

There are three points to notice about this placing of the entire blame for these price increases on the labor contract.

First, the statement of costs is in terms of costs per man-hour, not in terms of cost per ton. At no point in the formal presentation by the company was the effect of the increase in output per man-hour considered or the net effect of the wage increase on cost per ton discussed. And, of course, it is costs per ton and not per hour which are important for pricing.

Second, Mr. Blough's 6½-percent increase due to the labor contract includes not only the increase in employment costs expected but also the expected increase in the cost of purchased materials and services per man-hour of employment. The company argued that, historically, when their employment cost per man-hour went up $1, their total costs—including both employment costs and cost for purchased raw materials, fuel, and services—went up more than $2.

This is more or less what one would expect in a monetary inflation when everything goes up more or less together. Whether it could be expected in an administrative inflation is something we need not discuss at this point. What is important is that the corporation reasoned that since employment costs per man-hour were going up nearly 6 percent, total costs divided by total man-hours could be expected to go up 6½ percent.

The third thing to notice is that there is no reference to the changes in steel prices since the previous adjustment of steel wages to productivity in the summer of 1956. Yet finished steel prices had been increased an average of $5 a ton during the winter of 1956–57, primarily through increasing steel extras. Also a 3-cent cost-of-living increase was required by the labor contract in the same period. Both of these increases need to be included if we are to appraise Mr. Blough's conclusion that the labor contract forced the $6 increase in steel prices in July 1957. We can restate the problem: Did the increased costs per ton of steel resulting from the labor contract, including both the cost-of-living increase in the winter and the July 1 increases justify an $11 increase in steel prices?

In the hearings, there was a great deal of confusion as to the increase in employment costs per hour due to the labor contract. Labor estimated 16.4 cents per hour. Management estimated 21 cents an hour. But when we get back of this confusion, there turns out to be a surprising degree of agreement between management and labor as to the increase in employment costs per hour. To make this clear we need to consider separately the increases due to the cost-of-living adjustment and the adjustment for productivity.

Let us take up first the productivity increases on July 1, leaving for a moment the two adjustments for the cost-of-living. Both management and labor submitted their estimates of the increase in employment costs per hour for workers covered by the union and taking account of all fringe benefits. Using the management figures, we get an estimate that the increase would amount to 15.2 cents an hour or an increase of 4.5 percent in employment cost per hour.[1] According to the labor estimate, the increase would amount to 13.4 cents per hour or an increase of 4.0 percent.[2] You can take your choice or split the difference to get 4¼ percent and not be far wrong on the productivity increase in employment cost per hour due directly to the labor contract.

The steel managment also submitted figures indicating 20.9 cents an hour as the increase in the employment cost of workers not covered by the contract, mostly salaried workers, salesmen, and officials, amounting to an increase of 4.5 percent, a figure which the union would undoubtedly want to shade a little.[3] Again we won't go far wrong if we use 4¼ percent.

But the 4¼ pecent in each case is the increase in employment cost per hour. How much did this really increase employment cost per ton of steel as compared with the preceding summer? Obviously, if productivity increased 4¼ percent, this July 1, 1957, increase in employment cost per hour of 4¼ percent would not involve any increase in employment costs per ton. How much should we allow for increased productivity? Management did not attempt to make an adjustment as Mr. Blough's figures indicate. But it did present figures showing a cumulative average increase of 2.8 percent a year from 1940 to 1956.[4] The union arrived at 3.0–3.1 for essentially the same period and also argued that the rate of increase in productivity had increased in more recent years. A Bureau of Labor Statistics study found a rate of increase in output per man-hour of 3.3 percent from 1947 to 1953, and from 1953 to 1955, both years of relatively high production, the Bureau of Labor Statistics study shows an average increase of 4.3 percent a year.[5] If the high rate of increase in output per man-hour of 4.3 percent a year at a sustained rate of production continued, and there is no reason to think it has not, then, apart from the cost-of-living adjustment, the employment cost per ton for production workers should not have changed at all for a given rate of operations. Also, according to the Bureau of Labor Statistics study, the output per man-day of nonproduction workers—salaried personnel—increased between 1953 and 1955 by 4.6 percent a year.[6] If the employment cost per hour for this group only went up to 4¼ percent, then the employment cost per ton of steel at a standard rate of operations should have gone down. Altogether, I can find no evidence that the employment cost per ton was increased by the requirements of the labor contract apart from its cost-of-living provisions. Also, since the steel corporation finds the very high correlation between a rise in employment costs and total costs, the latter should not have gone up if there had been no cost-of-living increase.

This brings us to the 3-cent cost-of-living increase in the winter of 1956–57 and the 4-cent increase of the July 1, 1957. The steel corporation adds something to the 4 cents, an extra half cent, partly for the increase in fringe costs and partly for the greater cost of a proportional cost-of-living increase for nonproduction workers and officials whose average pay is higher. If this is justified, we have to add a comparable amount to the 3-cent increase. This gives us a 7.9-cent increase in employment cost per hour or an increase of 2.2 percent in employment cost per hour, which is not offset by an increase in productivity.[7] As far as I can see, this is the magnitude of the direct increase in costs per ton arising from the labor contract.

Should we also assume that other costs went up in somewhat the same proportion? This is what one could expect in a general inflation arising from excess demand. But there is no reason to expect such an increase in an administrative inflation and the evidence since shows other costs per ton going down from the summer of 1956 to June 1957. These reductions in other costs per ton could easily offset the increase in employment costs per ton due to the cost-of-living increase. Even if we assume other costs per ton constant, the 2.2 percent cost-of-living increase in employment costs per ton would entitle the steel company to a "cost-of-living increase in the price of steel of only 1.2 percent or $1.75 a ton, not the $6 increase which was to cover a part of the increase due to the labor contract nor the $11 increase which actually occurred in the labor contract year 1956–57.

Whether the rest of the price increase can be justified on other grounds, I cannot yet say. Management points to the effect of inflation or depreciation charges when accounting is based on historical cost. Also to measure the rate of profit on assets valued on a historical basis is to take no account of the actual inflation. At present I am studying this matter. However, it is difficult to believe that the difference between $1.75 and $11 can all be justified on that basis, particularly in the light of the large increases in price which have taken place since 1953 in a period in which there was not general inflation among wholesale prices and in the light of the fact that lays management the whole blame for the 1957 increase on the labor contract.

As far as I can see, we have here a clear case, not only of the existence of an important degree of pricing discretion, but the exercise of that power to increase prices significantly in excess of the increase justified by increased costs.

Also, since the steel industry, a leader in the administrative inflation, tried to place responsibility on labor where it clearly does not belong, I think your committee should take with a good many grains of salt, the industrywide contention that labor is to a major extent the source of this administrative inflation.

This poses for us a major problem, the pricing power of modern industry. Administrative inflation is only one aspect of this problem. The problem itself is much more basic. It goes to the very foundations of our free enterprise system which we all want to preserve.

THE BASIC PROBLEM

The real problem is that the modern corporation simply does not fit the postulates of traditional economic theory. It has frequently been pointed out that Adam Smith believed corporate enterprise could not be successful except under very special circumstances such as banks and canal companies. But that was a long time ago. Let us look at Alfred Marshall whose great work "The Principles of Economics" is still the bible for so many economic theorists. Marshall built his analysis around the conception of the representative firm. Now this firm was a relatively small affair with a life cycle very much like that of its owner. The owner starts the enterprise and drives to expand it, but then when his own vigor wanes the enterprise itself weakens and is likely to die, except as sometimes a son or relative picks it up and gives it a new life cycle of rise and fall. Marshall thought of each industry as having hundreds or even thousands of such one-man enterprises. In his famous analogy he likened an industry to a forest with individual trees, sprouting, growing, and finally declining. In his own words "as with the growth of trees, so it is with the growth of business." This is the concept which underlies Marshall's "Principles." True, in his sixth edition, 20 years after his principles were formulated, he changed the tree analogy to read "as with the growth of trees, so it was with the growth of businesses as a general rule before the recent development of vast joint-stock companies." [My emphasis.] But his "Principles" were not revised to take account of this momentous change. And today the great bulk of traditional economic thinking, and so many of our economic texts, are built on the conception of enterprises very much like Marshall's representative firm.

Actually, traditional theory has only three main lines of solution for dealing with the situation where enterprise has excessive power over pricing.

The first possible solution is to reestablish classical competition so that prices are truly determined by market forces and there is no significant degree of administrative discretion left in pricing. I believe we are so far from this condition now that I don't see how we can return to it without losing the very real values to our society that are contributed by big business. The degree of breakup in business that would be necessary to return conditions to those of classical competition seems to me just out of the question. This does not mean that I reject a vigorous antitrust policy that continues to maintain at least a number of competitors in each industry. But we have that now and it does not give us classical competition. Also I would not reject Mr. Romney's ingenious proposal that big business be encouraged to subdivide as a sign of success. But that would seem to me no solution to the basic problem. The amount of breakup that would be needed is simply of a different magnitude from anything that has been seriously discussed as Dr. Lewis has so clearly indicated. I believe that the breakup of big business as the chief line of solution would take us in the wrong direction.

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[1] Hearings. Pp. 1027, 1028. Management estimate, 19.4 cents, less 4.2 cents cost-of-living adjustment. Labor's estimate 17.4 cents less 4 cents cost-of-living adjustment. The 4.5 cents an hour figure for the cost-of-living increase for all employees given by management has been apportioned between union and nonunion in proportion to their respective employment costs per hour, giving 4.15 cents per hour for union and 5.66 cents per hour for nonunion. The average employment cost per worker covered by the union was given by the USS as $3.36 for the second quarter of 1957.

[2] Hearings. P. 462.

[3] Hearings. Pp. 1027 and 1028. Increase equals 26.6 cents per hour less cost-of-living adjustment of 5.7 cents. See footnote 1, p. 11. The average employment cost per hour for nonunion employees was given by USS as $4.59 for the second quarter of 1957.

[4] Hearings. P. 1449. The figure actually given is 56.3 percent increase from 1940 to 1956. This is equivalent to 2.8 compounded annually for 16 years.

[5] Man-hours Per Unit of Output in the Basic Steel Industry, 1939–55, pp. 6 and 8. The actual figure given is a 3.2 percent a year decrease in man-hours per unit of output. The reciprocal of this gives 3.3 percent as the average anual increase in output per man-hour.

[6] Ibid. P. 8.

[7] The average employment cost per hour for all employees was given by U.S. Steel as $3.64 for the second quarter of 1957. Hearings. P. 1027.

The second traditional approach is price regulation of the public utility type. In the case of public utilities which are by the nature of the case, monopolies we have adopted regulation. Dr. Lewis has advocated this type of solution. If no better way can be found, that might be preferable to the extensive breakup of industry. But I shy away from such an approach partly because it would greatly reduce the flexibility of action on the part of enterprise and partly because it would lose the very real advantages of the kind of competition which we do have when there are half a dozen companies competing in an industry. True, this competition is not of the price-determining sort and the range of pricing discretion it leaves to business is capable of being abused, but I am certain that it has its value and should not be replaced.

The third traditional approach is that of Government operation. In England the government has been into and out of the steel industry and the enthusiasm for Government operation has waned considerably with the experience. I doubt very much if this would prove a satisfactory solution. In a special situation we might find effective the Government operation of a part of an industry as a yardstick, but again I doubt the general application of this approach. Traditional theory never really came to grips with the problems of economic adjustment in a society in which big business and administered prices play a dominant role. Traditional theory just hasn't got the kind of ammunition needed to deal with this problem. So I am going to start fresh.

My starting point will be what I think is a very significant and important statement made at the outset of your hearings by Senator DIRKSEN. With his permission, I am going to repeat it. He said:

"I believe in the main, while once upon a time it could be said that some of our managers had no adequate social conscience, I believe today that the corporate managers of the country are fully aware of, and I think they exercise, an abiding sense of social responsibility."

Now I very much agree with the Senator that corporate management is much more aware of its power and responsibility than it used to be. We have some very able and responsible men running many, if not most, of our big businesses today. But let us consider some of the implications of Senator DIRKSEN's statement. I want to ask three questions.

First, why should corporate management take on social responsibility? It was one of the great beauties of classical competition that no one had to exercise social responsibility. As long as each private enterpriser sought only his own interest, the unseen hand controlled matters so that, acting in his own interest, he served the public interest. Of course, he could exercise as much social responsibility as he chose in his personal relations, feeding the poor, voting at elections, and so on. But as a private enterpriser he could say "the public be damned" and who cared. Competition wouldn't allow him to charge too high a price and shoddy goods would only bring him a lower price, just as the Virginia farmer today gets docked for garlicky wheat. Surely something new has been added when we expect the business enterpriser to be socially responsible in running his enterprise.

Second, let me ask—without any invidious implication—just how does the corporate management know what is in social interest? Their job is to run a big business and run it well. Can we expect them also to take on the major job of figuring out what is in the social interest?

And my third question: Is it in the social interest that the big companies, with their areas of discretion in price administration, should price to make the maximum profit, and if not, can we expect the social conscience of corporate management to go all the way necessary to serve the social interest in this respect.

In asking these questions, I am not trying to minimize the importance and value of responsible corporate management. Rather, I would say that responsible corporate management was a major and valuable ingredient in our present situation, but that we are placing more of a burden on management than management can reasonably be expected to bear, especially as I think there are things that we could do about it. Here we have an essentially new problem to think through.

Toward solving this problem I see four steps we can take. The first step is to get rid of the idea that the big corporations are private enterprise. Just what is private about an enterprise that organizes a quarter of a million workers into a great productive unit using the capital of more than a quarter of a million stockholders and serving millions of ultimate customers? Is it any more private than, say, the government of New York State? We need a new name for this type of enterprise to give us a new focus in our thinking. For my own purposes, I think of these great producing organizations as collective enterprises because that is what they are, great collectives of productive activity. Just where one draws the line between private enterprise and collective enterprise can be worked out by experience. What is important now is that we should have a new focus for our analysis.

The second step we can take is to start setting up the standards by which we should judge the performance of our great collective enterprises. At the present time there are no real standards which indicate how corporate management should act in order to serve both the public interest and their own—for I hold it as self-evident that we cannot expect corporate management to act contrary to their own interest. I think of these standards as differing in important respects from those which we apply to a private enterprise and yet I believe there is much in traditional theory which will help us to set up such standards.

The third step, once we have the standards for collective enterprise sufficiently well formulated, is to work out methods for strengthening those self-interests of corporate management which also serve the public interest and weaken those which run counter to the public interest. This is a problem of incentives and the framework of laws, rules, customs, and opinion within which corporate management carries on its day-to-day activity.

In the book I am working on, I hope to spell out more clearly the things that make collective enterprise what it is, the standards which should be applied to it and the measures which could be taken to make the self-interest of corporate management and the social interest more nearly the same. For the present, all I can do is to indicate to you as I have what I believe to be the most promising lines for dealing with the problem raised by the pricing power of our great collective enterprises.

Mr. PROXMIRE. Mr. President, Mr. Means carefully and persuasively developed the interesting contention that since 1953 we have been undergoing, not the classical, surplus-of-money inflation—that is, with too much money chasing too few goods—but a highly selective inflation featured by sharp price rises in industries in which a few huge corporations can virtually fix prices—and, of course, they always fix them in one way, namely, up—while prices were actually falling or increasing only moderately in other industries.

The Federal Reserve Board has taken a position in sharp disagreement with Mr. Means. Mr. Means has severely criticized the Board's monetary policies.

Recently, I asked the very able Director of the Division of Research and Statistics of the Federal Reserve Board, Mr. Ralph A. Young, to reply to the Means statement. Mr. Young did so in a thoughtful and detailed letter. Mr. Young's position is that the Means statement is a useful contribution; but he criticizes it for these reasons:

First. Mr. Means implies that administered prices are changed arbitrarily without regard to the strength of market conditions.

Of course, Mr. President, market conditions constitute a limitation on any monopolistic or oligopolistic group whose members attempt to work in concert to fix prices. Of course there is a limit to the prices they can charge—whether in the case of a railroad, which in the old days used to hike its prices so greatly, without regard to the welfare of the farmers, or whether in the case of the steel companies which push up their prices higher and higher.

It seems to me that Mr. Young's analysis, although thoughtful, and although he has made the best case he can, should concern itself with the fact that today the steel industry has a monopoly of peculiar power. It is indeed able to raise its prices, and to raise them so high that they affect the entire economy. For example, Mr. Means has pointed out—and I should be delighted to hear a refutation of this assertion—that between 1956 and 1957, for each $1.75 of wage increase, there was a price increase of $11. Such administered prices which are not justified on the basis of the wage increases require, it seems to me, some answers from those involved.

In the second place, the criticism by Mr. Young of Mr. Means' theory is that Mr. Means overlooks the consequences of earlier inflationary developments which may result in the delayed making of price and wage adjustments sometime after inflationary pressures elsewhere have subsided.

On the basis of any sort of analysis that I have been able to find of the price increases in the steel industry and in the automobile-manufacturing industry, I believe the evidence is very clear that after the inflationary forces in those areas subsided—and the same is true with respect to the oil industry and many of the other areas of administered prices—there was not a delayed inflationary impact sufficient to justify any substantial price increase, and certainly none of the kind that would justify the increase the economy suffered.

In the third place, Mr. Young writes that Mr. Means is correct when he argues that the 1955 to 1957 inflation was not a monetary inflation, because the policies of the Federal Reserve Board were such that the monetary influences were eliminated and the inflation was moderated and was held in check.

What Mr. Young has written is that the reason why we had relative price stability, despite some increases in prices during the period 1955–57, was that the Federal Reserve Board "hiked" interest rates and stemmed the push of inflation in the rest of the economy. Unfortunately, Mr. Young, while writing an excellent letter, did not have the time to go into a detailed analysis of this claim. After all, Mr. President, can there be any justice to the notion that high interest rates were what pushed down the farm commodity prices?

After all, the cost of food dropped in the period of 1955 to 1957, and the cost of food is a very fundamental part of the cost of living. I do not know anyone who would say high interest rates shoved down farm prices. At the same time, the textile industry was the other example during this period in which prices actually dropped. I do not know how anyone could contend there was a connection between pushing up interest rates and a drop in textile prices. Actually, I think a careful analysis of this hard money policy will show that housing starts dropped very decisively. They dropped because, of course, interest is a tremendously important factor in home construction—enormously important—particularly when we have the kind of frictions in the FHA and veterans' interest rates that we have. So the argument that the monetary policies of the Federal Reserve Board stemmed inflation simply is not supported by the facts.

In the fourth place, it is stated the industries experiencing the largest increases in prices during at least part of the period were operating at or close to capacity. That is true during part of this period. Nevertheless, during a very important part of this period they were operating well below capacity, but they did not drop their prices; they increased their prices. This is the terrible consequence of administered prices. This is the real weakness in our whole economy. This is the part of inflation that is so difficult to solve without some kind of initiative and Government action. The fact is that as demand drops, if and as the Federal Reserve Board and the fiscal policy of the Government succeed in stemming demand, it still does not bring prices down in a very important part of our economy.

The fifth and final criticism by Mr. Young is that the prime explanation for price rises in late 1957 and early 1958 was not administered prices, but the legacy of an earlier period of excessive demand and the result of unfavorable weather on food supply.

That is a true statement. There is no question that rising food prices were important considerations in the rising cost of living. This should have been rather compensated by a drop in the price of steel and other prices where the law of supply and demand should operate, if we had the kind of free economy that is talked about.

Mr. President, I ask unanimous consent that the letter of Mr. Young together with three Federal Reserve Board bulletins be printed in the RECORD at this point.

There being no objection, the letter and bulletins were ordered to be printed in the RECORD, as follows:

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM,
Washington, D.C., February 5, 1959.

The Honorable WILLIAM PROXMIRE,
U.S. Senate, Washington 25, D.C.

DEAR SENATOR PROXMIRE: In response to your question at our chart presentation to the Banking and Currency Committee last week, we have examined Mr. Means' statement and, although unable to appraise fully the points he raises, we should like to comment briefly on some of them.

Mr. Means has been interested for years in this matter of administered prices and through his efforts needed attention has been given to the institutional aspects of the pricing process. It is an important and now widely accepted fact that in major sectors of the economy there is a discretionary area for conscious decision in setting prices and wages. This area differs greatly from time to time depending on various cyclical and other market influences. It also varies among industries, products, and labor markets because of the degree of concentration, types of organization, degree of public regulation, and other factors.

The particular classification of industries and commodities adopted by Mr. Means may not be the most fruitful one for price analysis, however, especially if it is unaccompanied by analysis of other forces operating in the economy and in particular markets. For example, the commodities included in the competitive price group are mainly farm products and products manufactured from them while those in the administered price group are largely industrial. Farm products and industrial commodities are subject to different demand and supply influences. Moreover, within the industrial commodity group—or largely price administered group—price increases in the 1955–57 expansion period were greatest for metals and products and it was for these products that demands also were strongest and pressure on productive capacity heaviest. Wages as well as prices advanced rapidly in the metals group.

While evidence supports Mr. Means' position regarding the varying sensitivity of prices in responding to market developments, his view that price advances reflected mainly administrative decisions leaves the forces shaping those decisions unaccounted for. Implicit in his presentation is the idea that administered prices and wages are changed arbitrarily without regard to the strength of current or prospective market conditions. Also, it overlooks the consequences of earlier inflationary developments which may result in delayed price and wage adjustments being made sometime after inflationary pressures elsewhere have subsided.

To some extent, of course, it is possible for prices and wages to be raised without close reference to market influences but there are real limits as to how far this process can go or how long it can last before competition from other products or alternative sources of satisfaction become effective, unless underlying economic conditions are inflationary. These limits are conditioned by market forces which in turn are influenced by fiscal and monetary conditions and policies.

Mr. Means is clearly in error in saying that the Federal Reserve analyzed the problem incorrectly and that the application of monetary policy caused the 1957 downturn. The downturn rather developed out of an earlier situation during which the interaction of demand-pull, cost-push, and administered price and wage decisions accentuated a cyclical upswing. In that phase inflationary factors and expectations permitted or fostered excessive accumulation of business inventories, overbuying of business plant and equipment, and overextended financial commitments. Monetary and credit policy operated to restrain the growth of these excesses but was unable to prevent them altogether and cyclical recession resulted. Surely, however, if monetary policy had been one of maintaining easy credit by freely providing additions to the money supply the exuberant psychology and other excesses would have carried further and led sooner or later to a more severe contraction and more unemployment. The question of what would have happened if demand had not been restrained by monetary policy is not asked by Mr. Means but is one that needs to be answered before it is concluded that monetary instruments should not be used to moderate inflationary trends.

With reference to this point, Mr. Means states that price developments during the period were not influenced by "too much demand" because "clearly, the inflation has not been of the old fashioned, classical kind with all prices going up more or less together." This quotation merely states the fact that the rise in prices from late 1955 through 1957 was not on the order of that associated with the two recent wars. That it was not a more serious inflation, fed by expansion in money and credit, reflected in part the operation of the credit restraints which were applied during the period.

Mr. Means appropriately stresses the strategic importance of steel price increases in the general price situation in recent years. But inflationary tendencies were not so limited to steel and steel products in the 1953–57 period as he suggests. During that period, based on annual averages, the total wholesale price index rose 7 percent, the consumer price index rose 5 percent, and prices paid by farmers rose about 15 percent while prices received by farmers declined 6 percent. The general construction cost index increased 12 percent, and costs of machinery and equipment rose 21 percent. Common stock prices rose about 80 percent and average hourly earnings of factory workers advanced 17 percent.

Also, Mr. Means' selection of the 1953 to 1957 time period is open to some question since it averages together a period of cyclical recession beginning in mid-1953 and continuing through most of 1954, which was not a period of credit restraint, with a period of rapid recovery and expansion to new high levels in 1955 to 1957. It is also a period which averages together a period of marked decline and advance in prices of farm and food products.

To understand the price and other economic developments from the end of the 1953–54 recession to the beginning of the 1957–58 recession, the period should be subdivided, relating output and supply, demand, credit, and price developments one to another in each subperiod. The three attached articles on price developments, which appeared in the Federal Reserve Bulletins for January 1956, November 1956, and April 1958, contribute toward this end. The first two of those articles describe the important, indeed the dominant, influence of expanding demands in 1955 and 1956 and the widespread nature of advances in prices among industrial commodities. What is particularly significant is that the industries which experienced the largest increases in prices were those operating at record levels, with output at or close to the limits of capacity.

In 1955 and 1956, while personal incomes and corporate profits were at very advanced levels, demands for credit were very large, to finance the higher level of business activity as well as to finance consumer short-term credit, mortgages, business capital outlays, and public projects of State and local governments.

The further rise in average levels of prices during the recession in late 1957 and early

1958 was in part a legacy of the earlier period of excessive demands and in part a result of unfavorable weather which reduced supplies of fresh foods. Prices of industrial materials declined in this period. While the declines were selective rather than general, the period can hardly be characterized as one of simultaneous inflation and depression.

In summary, our view is that Mr. Means has called attention to one important aspect of a very serious problem but his contention that administration is an adequate explanation for postwar or post-Korean events is unacceptable, as is his view that monetary policy is an inappropriate tool for dealing with the recent period. Monetary policy cannot deal with all of the problems associated with price pressures, but surely price and wage increases in both the administered as well as competitive area would have been much greater if monetary restraint had not been applied.

We trust this reply throws some light on your question. If we can be of further help please let us know.

Sincerely yours,

RALPH A. YOUNG,
Director, Division of Research and Statistics.

[From the Federal Reserve Bulletin, April 1958]

RECENT PRICE TRENDS

Recession in economic activity beginning, beginning last autumn, has been accompanied by little change in prices of most industrial commodities from the advanced levels reached last summer. Prices of farm products and foods have risen sharply, however, reflecting reduced supplies of meats and some other fresh foods. Prices of consumer services have extended their postwar rise and, together with higher prices of fresh foods, have resulted in further advances in the combined index of consumer prices.

Average wholesale prices of industrial commodities have been stable since last summer, after rising 9 percent from the early 1955 level. Since late summer prices of basic industrial materials have declined. Prices of business equipment rose further during the autumn, but have since leveled off. Reported or list prices for most manufactured materials and consumer products have changed little, but concessions from list prices have become more prevalent.

Declines in business and consumer demands since summer have been largest for durable goods. Orders for business equipment have fallen, following the investment boom, and consumer buying of autos has declined sharply. Output of steel and various other materials has declined more sharply than consumption, and total business inventories have fallen very rapidly in recent months.

Industrial building activity has also declined, but further increases in public construction have about offset this reduction. Defense orders recently have expanded considerably following curtailment in both orders and outlays last summer.

Total exports of U.S. products have dropped sharply from the advanced levels reached last spring. Industrial activity has declined in Canada and some other countries abroad. In Western Europe activity has continued at advanced levels, but buying of materials has declined.

Decreases in activity in the United States have been reflected in a decline of 4 percent in nonagricultural employment from its peak last August, an appreciable reduction in average hours of work in manufacturing and a rise of about 2 million in the number of persons unemployed. The impact on incomes of reduced employment has been moderated by unemployment compensation payments, and personal income has declined 2 percent from its high.

Price changes during this recession have differed from those in the first 7 months of the 1948-49 and 1953-54 recessions as summarized in the table on the next page. The marked rise in prices of livestock and meats in recent months, owing to contraction in supplies, is in contrast with the small changes in 1953-54 and the sharp declines in 1948-49. There has been little change in average prices of industrial commodities in the recent period, as in 1953-54, but in 1948-49 there were declines averaging about 4 percent in both wholesale and retail markets.

The 1948 reversal immediately followed 2 years of rapid price advance beginning with termination of wartime price controls.

Price changes during 1st 7 months of postwar recessions

Series	Percentage change		
	1957-58	1953-54	1948-49
WHOLESALE PRICES			
All commodities	+1.0	+0.3	−6.3
Farm and food commodities	+4.7	+1.2	−11.1
Meats and livestock	+8.7	−.3	−16.3
Industrial commodities	−.1	−.2	−4.3
Materials	−.8	−.7	−5.5
Finished goods	+.9	+.7	−2.3
Business equipment	+2.2	+1.0	+1.2
Consumer nonfoods	+.2	+.6	−3.8
CONSUMER PRICES			
All items	+1.3	+.3	−2.7
Commodities	+.7	−.8	−4.4
Foods	+.8	−1.1	−5.1
Nonfoods	+.9	−.4	−3.6
Services	+2.7	+2.1	+2.4
Rent	+1.4	+3.5	+2.5

NOTE.—Changes are shown from the average level of the 2 months preceding the declines in industrial production, that is, July-August 1957 through March 1958, June-July 1953 through February 1954, and September-October 1948 through May 1949. Based on Bureau of Labor Statistics data, with March 1958 estimated.

In contrast, the 1953-54 recession did not begin until prices of many commodities had already declined considerably from the high levels reached in 1951, after the outbreak of war in Korea. Price advances in the 1955-57 period, while large, developed more gradually and uniformly than they did during the buying waves in the earlier postwar periods of price rise.

CONSUMER PRICES

Consumer prices for goods and services were influenced by the expansion in demands and activity in 1954-55 only after a considerable lag. The average of all items in the consumer price index changed little in that period, but the inflationary pressures then building up were reflected in a rising index beginning in the spring of 1956, as the chart shows. Subsequently, increases in retail prices were widespread, and by the autumn of 1957 the total consumer index was 6 percent higher than in early 1956.

(Charts omitted in the RECORD.)

Since autumn, the consumer price index has risen about 1 percent further. As in the past, prices of many consumer services have continued to advance after aggregate demands and activity began to recede. Prices of some fresh foods have increased sharply owing to reductions in supplies partly attributable to adverse winter weather. Retail prices of most other goods have been stable or have declined.

Services

The consumer price index differs from most other price indexes in that it includes many services as well as commodities. During the past 10 years, prices of services have risen much more than retail prices of commodities, reversing the pattern of World War II and the immediate postwar years. Since 1939, services have risen about 90 percent, or roughly the same amount as nonfood commodities. Foods are up 150 percent from the 1939 level and rent has risen 60 percent.

Roughly 50 of the 300 items priced for the index are classified as services, and they represent about 30 percent of the total index. Most of them relate to housing and household operation (home purchase, mortgage interest, and insurance and taxes, as well as gas, electricity, telephone, laundry, and dry cleaning), to medical care (professional fees and hospitalization), and to transportation (railroad and transit fares and auto repairs and insurance).

Since World War II, average prices of services have advanced continuously, even when manpower and material resources were not being used intensively. Nevertheless, the rate of advance has responded, usually with some lag, to changes in the economic situation and trends in commodity markets.

In the early postwar years, the annual rate of increase in service prices was nearly 6 percent. During the 1949 recession it slackened to 2.5 percent, but then accelerated again to around 6 percent following the outbreak of the Korean war in mid-1950, when commodity prices rose sharply for a time. The rate slackened in late 1952, and fell to about 2 percent in the 1954 recession.

In the most recent period of economic expansion, the rise in services accelerated beginning in the spring of 1956. In 1957 it was 4.5 percent, and this rate continued through the first quarter of this year.

Broad categories of consumer services show some diversity in postwar patterns of cyclical price behavior. Rates of increase in prices of laundry, dry cleaning, home repairs, hair cuts, and beauty shop services declined more or less promptly in the earlier postwar recessions. Available information suggests that the advance in prices for most of these has slackened since last summer.

For many other services, cyclical behavior is modified by special circumstances. Thus increases in railroad and local transit fares and utility rates for gas, electricity, and telephones must be authorized by regulatory agencies. Rate advances usually lag changes in costs and may continue after expansion in demands and increases in commodity prices have ceased.

National average rates for utilities have increased more rapidly since mid-1957 than during the previous year. Railroad passenger fares, which advanced in the first quarter of 1957, rose again in the first quarter of this year. Medical fees, hospitalization insurance, and theater admissions have also continued to increase in recent months.

Foods

Retail prices of foods, which have about the same importance in the total consumer index as prices of services, have increased since autumn. The advance has been concentrated in fresh foods—a group that includes meats, eggs, milk, and fresh fruits and vegetables.

Severe winter weather in parts of the country reduced supplies of fresh vegetables and some fruits. From December to March, their prices at retail rose about 15 percent to very high levels even for that time of year. When supplies improve later this year, prices may be expected to decline.

Supplies of meats also have declined in recent months and prices have increased sharply. Marketings of meat animals over any period reflect mainly decisions of producers made in the past. Supplies are also influenced by farmers' plans for future production through the withholding or marketing of breeding stock. These decisions are based primarily on price expectations and feeding costs.

Largely in response to high prices in 1953, hog raising operations were stepped up in the spring of 1954, and pork production expanded steadily through 1955. Cattle raising had increased earlier, in response to high prices in 1950-51, and in 1954 marketings were already at advanced levels and prices were down from earlier highs. Cattle marketings expanded further during 1955 as farmers retained fewer animals to enlarge herds.

Per capita meat supplies increased about one-eighth from the spring of 1954 to early 1956. With supplies increasing, prices of livestock declined sharply, as the chart shows, despite growth in consumer incomes and demands over that period. Owing to these large price decreases, average levels of commodity prices changed little in 1955 even though prices of industrial commodities were rising.

As a result of declining prices for livestock, production tapered off after early 1956. Demands subsequently expanded further, however, and prices had recovered substantially by last summer. Since then, seasonally adjusted livestock marketings have dropped considerably further, owing partly to large feed supplies and the withholding of animals to feed to heavier weights. With demands relatively well maintained, livestock, and meat prices have risen sharply.

In March retail prices of meats were 15 percent above a year earlier and nearly 30 percent above 2 years earlier. The higher level of prices, along with the abundance of feeds, has been stimulating expansion in livestock production. Marketings are expected to increase beginning later this year.

Retail prices of prepared foods have changed little in recent months. As a group, these prices turned upward in the spring of 1956 and rose 4 percent before leveling off a year ago. Since then, prices of cereal and bakery products have continued to increase but much less rapidly than earlier.

Prices of restaurant meals have increased little since last summer, after having advanced more rapidly in early 1957 than in 1956. Prices of processed fruits and vegetables declined last year, but they have turned upward recently as a result of the sharply higher prices of fresh supplies. Coffee prices have dropped since 1956.

Other consumer goods

Retail prices of goods other than foods have declined slightly from the peak reached last November. New autos, fuels, and apparel have pronounced seasonal price variations, with rises in the autumn and declines at other times of the year. For example, discounts from list prices for new autos increase as the model year progresses. Discounts usually are not granted on new models at the time of their introduction in the autumn, and effective prices to consumers advance whether or not list prices are raised.

In addition to the elimination of discounts when new auto models were introduced last autumn, list prices were raised about 3 percent. Subsequently, reduced consumer demand for new cars and large dealer stocks resulted in large discounts from list prices, and in February and March prices to consumers were close to year earlier levels.

Retail prices of appliances on the average have continued to change little since autumn. In recent years, gains in efficiency of production and distribution have apparently been reflected in lower prices to consumers as well as in improvements in the products. Manufacturers' prices of appliances have declined moderately, and distributors' margins have fallen. This year the importance of retail price maintenance practices has been further reduced.

Prices of household goods such as furniture and textile products have changed little since autumn, and prices of apparel and fuels have declined somewhat, after mainly seasonal advances during the autumn. Meanwhile, prices of drugs, toiletries, and some other consumer products have advanced slightly further.

WHOLESALE PRICES

The total wholesale commodity price index, as well as the consumer index, has increased in recent months, reflecting the reduced market supplies and higher prices for fresh foods. Average prices of industrial commodities have been stable since last summer, as the chart on the next page shows.

Prices of machinery and other producers' equipment leveled off in late autumn, following a rise of nearly one-fifth since mid-1955. The rise in equipment prices along with reduced business liquidity, after a period of sustained expansion in capacity and modernization, contributed to a weakening of business incentives to make additional outlays. Business equipment is usually sold on the basis of negotiated prices. Competition for the reduced volume of orders available in recent months has undoubtedly been reflected in some declines in prices.

Prices of scrap metals, rubber, raw wool, and some other crude materials have declined in recent months. Several fabricated materials, such as textile mill products, refined nonferrous metals, lumber, and plumbing equipment, have also decreased. Fuel oil prices have continued to decline from the advanced levels reached a year ago as a result of the Suez crisis. Fuel oils are represented in the consumer goods index shown in the accompanying chart, as well as in the index for fabricated materials.

For most highly fabricated industrial materials, such as steel and building materials, the list prices reported for index number calculation have not changed. When demands fall, however, price decreases often take such forms as discounts from lists, freight absorption, and improved service and delivery terms. There has been some price cutting of this kind in recent months.

Price changes for materials over the past year have reflected developments abroad as well as in the United States. By the beginning of 1957, world capacity for the production of some major materials had been greatly enlarged and supplies were increasing. The leveling off last spring of industrial activity abroad—following several years of marked expansion—was accompanied by diminution of inventory demands.

United States exports of steel, fuels, and other products to industrial countries fell sharply from the spring through the remainder of 1957, and prices of some internationally traded commodities weakened. Lead, zinc, tin, sugar, and wool turned down, and the decline in copper continued. Decreased demand for industrial products is to be expected from countries whose earnings from the export of raw materials and foodstuffs have fallen. Through January, however, U.S. exports to nonindustrial countries were well maintained.

World prices of materials generally continued to fall through February 1958, and prices for primary aluminum were reduced at the end of March. In March, however, world prices of some materials appeared to have leveled out. Among the factors tending to check declines were maintenance of overall economic activity in Western Europe at advanced levels and curtailments in output of some materials.

[From the Federal Reserve Bulletin, November 1956]

THE RISE IN PRICES

Renewed advances in industrial output and prices in recent months have accompanied continued strength in demands. Industrial production has reached a new high this autumn, slightly above the advanced level extending from September 1955 through this spring. Increased supplies of some basic materials have permitted further gains in output of producer equipment. Following a reduction in the spring because of curtailments in auto assemblies, production of consumer goods has expanded to new high levels.

Prices of industrial materials and finished goods have been rising since mid-1955 except for an interruption this spring, and wage rates and transportation costs have advanced. In October wholesale prices of industrial commodities averaged 7 percent higher than in mid-1955 and 20 percent higher than before the Korean outbreak in mid-1950. Prices of farm products have strengthened this year, following a steady, substantial decline from the record high of early 1951. In October they were somewhat above a year earlier, but 25 percent below the 1951 peak and 6 percent below mid-1950.

Consumer prices have advanced 2 percent in 1956 and are at a new high. Higher retail prices for foods were responsible for most of the increase during the spring. Rental rates and service costs also have advanced and, with wholesale prices rising again since midyear, prices of various other consumer products have increased.

The current advance in industrial commodity prices is the third sustained rise since World War II. From 1945 to late 1948, prices rose 45 percent. After a small decrease during the 1949 recession, they rose 15 percent from mid-1950 to early 1951. The subsequent decline, confined mainly to materials, was small. After the rise of this autumn, industrial commodities averaged 5 percent above the 1951 peak and 17 percent above the 1948 peak.

The first two postwar advances in prices occurred mainly because of the effects of war. In the first period, Federal price controls were removed and prices responded to the accumulated demands and liquidity of the immediate postwar years. In 1950, hostilities in Korea created fears of renewed shortages and inflation, and both consumers and businesses added to their stocks of goods. At the same time, there was a sharp expansion in orders and outlays for national security programs.

The rise in prices since mid-1955, in contrast, has resulted mainly from influences other than war. While national security expenditures have been large, they have changed little since late 1954 at a level much below the peak of the Korean conflict. Also, business inventory accumulation has been smaller in relation to the size of the economy than in the earlier periods of price advance.

A significant feature of the recent expansion has been the confident attitude of business, labor, and consumers toward longer run economic prospects. This attitude has been reflected in a greater willingness to make commitments for capital expenditures and wage increases for a considerable period ahead.

Workers in steel and other basic industries have received wage advances this year, and pay increases have been widespread in nonindustrial lines of activity. Average rates of pay in nonagricultural lines of activity, exclusive of fringe benefits, were about 7 percent higher in October than in mid-1955, according to a national index. Total employment has expanded further since mid-1955, and total personal income is up 8 percent. Some recently negotiated labor contracts in major industries provide for future as well as current increases in wage rates; they also extend the coverage of automatic wage adjustments based on changes in the Bureau of Labor Statistics Consumer Price Index.

In late October when hostilities broke out in the Middle East, prices of a number of world-traded commodities—such as rubber, tin, and copper—advanced somewhat. The rise in prices was not extended in the days following the immediate reaction. Traffic through the Suez Canal has been interrupted, increasing the time and cost of delivery for some commodities. At the same time, the flow of oil from the Middle East has been affected, and domestic prices for some fuel oils have advanced.

INDUSTRIAL COMMODITIES

The rise of 7 percent in average wholesale prices of industrial commodities since mid-1955 reflects a broad advance. During the economic recovery from mid-1954 to mid-1955, price increases had been selective, affecting mainly some basic materials. After mid-1955, increases extended to steel products, building materials, fuels, paper, and various finished products. During the second quarter of 1956, the general average leveled off and a few materials declined, but subsequently prices of industrial commodities advanced further.

By mid-October 1956, before recently announced advances had been fully reflected in the indexes, prices for about one-third of the leading subgroups of industrial commodities shown in the chart were up 10 percent or more from mid-1955. Prices of iron and steel as a group, including scrap, increased 18 percent, and coal, various building materials, and most types of finished machinery and automotive products were also up 10 percent or more. Heating equipment, petroleum products, paperboard and paper products, and rubber products were up 5 to 10 percent.

Prices of crude rubber, lumber, plywood, and wastepaper, which rose substantially during the 1954–55 recovery and advanced further to early 1956, have since declined to about the mid-1955 level. Other subgroups of commodities that in October were at or below their mid-1955 levels include household appliances, synthetic textiles, crude drugs, and plastic materials.

Capacity and output

The strength of demands has been reflected in capacity operations in many basic manufacturing lines since late 1955, exerting upward pressures on prices and reinforcing claims for higher rates of pay. Gains in output per man-hour accompanied expansion in manufacturing output from mid-1954 to early 1955. Subsequently, however, the rise in productivity leveled off as output approached capacity in many lines, and increases in wage rates tended to be reflected to a greater extent in rising costs.

Since mid-1956 wage rates have been advancing, but output per man-hour apparently has been rising again. As new and improved productive facilities are brought into operation as a result of the large volume of plant and equipment expenditures, further gains in productivity may operate to limit upward pressures on prices.

Pig iron and steel production has been at capacity since late 1955, except for strike interruptions, and steel scrap prices have risen further, to a level three-fourths above mid-1955. Stocks of steel were accumulated early this year, but inventories declined during the strike in July, when steel output dropped to 15 percent of capacity. The rate of capacity utilization in some other basic industries, such as aluminum, cement, and paper, has also been very high.

Capacity and output in these and a few other lines of activity are summarized in the accompanying chart. With the major exception of synthetic fibers, output of the materials included has been near capacity levels in the postwar years, except during the recessions of 1949 and 1954.

Capacity to produce the older types of synthetic fibers overreached requirements by 1953. Before as well as since 1953, cotton supplies have been large. Reflecting ample supplies of fibers and yarns and only moderate growth in demands, upward price pressures have not developed in the important textile-apparel areas.

Wage rates have advanced in textile as well as other industries this year, partly because of the March 1 increase in minimum rates under the Fair Labor Standards Act. When buying of textiles expanded this autumn, prices rose moderately.

Metals and products

Steel prices rose 6 percent in the summer of 1955; further adjustments during the winter lifted prices 9 percent above the mid-1955 level. After settlement of the work stoppage this past summer, wages and other benefits to workers in the steel industry were increased, and prices were raised 6 percent. Contract terms provide for additional increases in wage rates in mid-1957 and mid-1958.

Prices of nonferrous metals, already considerably above their 1954 lows, rose one-fifth further from mid-1955 to the spring of this year. Copper and products, which accounted for most of the increase, have declined sharply since April. Supplies improved this year as capacity expanded and work stoppages reduced output less than in other recent years. Aluminum prices were raised again this summer to a level 17 percent above mid-1955.

The higher prices of metals shown in the chart, together with increases in prices of other materials and fuels and in wage rates, have exerted upward pressures on prices of finished metal products. With demand strong for most types of machinery and equipment, price increases have been general. Moreover, advances in prices of structural steel and other heavy building materials, together with higher wage rates in construction, have increased the cost of improving and expanding industrial facilities. Also, financing costs for plant and equipment have risen.

Competitive pressures have been greater in markets for consumer metal goods than for business equipment, and price changes have been more diverse. In late 1955 factory list prices for newly introduced 1956 model autos were about 5 percent higher than prices for the previous model. With demands for new cars not so strong this spring and summer as a year earlier, prices to consumers apparently were up somewhat less than list prices. Factory prices for the new models being introduced this autumn are about 7 percent higher than a year earlier, and early response to the more extensively redesigned autos is reported strong.

Wholesale prices of household appliances, and also of television and radios, changed relatively little from mid-1955 to this autumn, following earlier declines. Very high levels of output and sales under strongly competitive conditions were accompanied by some reductions in manufacturers' margins. This autumn, however, wholesale prices of a variety of appliances and of television have been raised from 2 to 10 percent.

Wholesale prices of a number of other consumer metal products began to rise in mid-1955, as shown in the chart on the preceding page, and average 5 percent higher by October 1956. Furnaces, hardware, and auto batteries were up 10 percent, and various other products were up from 2 to 10 percent.

FARM PRODUCTS AND FOODS

Farm prices have strengthened this year, following a steady, substantial decline from the peak of early 1951 through 1955. The strengthening has reflected expanding consumer demands for food products, Federal Government programs to stimulate exports, and, to some extent, the soil bank program. Price support levels are higher for some commodities this year, and lower for others.

The influence of further expansion in consumer incomes and demands has been most prominent in livestock markets. Prices rose sharply from the seasonal low of late 1955. In early November 1956 they averaged about 10 percent above a year earlier. Livestock slaughter, which rose 10 percent during 1955, has leveled off. Indications for this winter are that hog marketings will be smaller than a year ago, and that cattle marketings will be about the same.

Output of poultry and eggs has increased further this year, and in October prices were 15 percent lower than a year earlier. Milk production also has increased but, with further growth in population and incomes and with higher Federal support levels, prices of dairy products in October were up 3 percent from a year earlier.

Prices of most crops in October were moderately above those of last season. Feed grains averaged 7 percent higher. Production of feed grains is close to that of a year ago and total supplies, including carryover stocks, are in record volume. However, Federal price support levels are higher.

Prices of fruits and vegetables, including potatoes, averaged about 10 percent higher in October than a year earlier. Nevertheless, they were well below the exceptional peaks reached at midyear when market supplies were limited by earlier unfavorable weather.

Cotton prices in October were 3 percent below a year earlier, largely because Federal support levels are 5 percent lower this season. Stocks of cotton continue very large.

Exports of agricultural commodities have increased this year, due partly to expansion in Government export programs. In the first half of 1956, such programs financed about two-fifths of agricultural exports. Also, Government export prices for cotton were reduced.

Farm land values were at a new high at midyear, 3 percent above a year earlier. The rise reflected stronger prices of farm products as well as the continuing influence of demands for enlarging existing holdings, for investment purposes, and for nonagricultural uses.

CONSUMER GOODS AND SERVICES

Consumer prices have advanced 2 percent since early this year, following more than 2 years of little change in the overall average. Service costs have risen further, and retail prices of foods and various other commodities have advanced.

In 1955 the continuing postwar advance in service costs accelerated. Average prices of nonfood commodities, which had been declining, turned upward after the rise in wholesale prices of industrial commodities began. But food prices declined, as the chart shows.

Retail prices of foods have advanced 4 percent since early this year and are slightly higher than in mid-1955. The greater than seasonal increase in the spring reflected larger consumer demands, higher farm prices, and increased costs of processing and distribution.

Average prices of all items other than foods have advanced 2 percent this year and are 3 percent higher than in mid-1955. For a variety of personal services, and also for rents, rising wage rates have been an important factor in the continuing postwar rise. Increases in productivity tend to be smaller in this area than in the commodity-producing sectors of the economy.

Retail prices of apparel, textile housefurnishings, floor coverings, and new autos rose 2 to 5 percent from mid-1955 to mid-1956. Prices of most household appliances declined substantially, however, as the practice of selling these items below manufacturers' list prices became widespread. Since mid-1956, with manufacturers' prices increased and distributors' margins reduced from those of a year or two ago, retail prices of some appliances have advanced, and prices of apparel, textile housefurnishings, and various other products have increased further.

[From the Federal Reserve Bulletin, January 1956]

PRICES DURING THE ECONOMIC EXPANSION

Further expansion in business and consumer demand in the latter part of 1955 was accompanied by increases in industrial output and prices, to new record levels. Industrial production in December, at 144 percent of the 1947–49 average, was 11 percent above a year earlier and 5 percent above the previous high of mid-1953, when defense output was substantially greater.

Average prices of industrial materials advanced 4 percent in the second half of 1955. Prices of finished industrial products also rose, as shown in the chart. Widespread advances among industrial commodities—which together account for about four-fifths of the value of all commodities in the wholesale price index—occur only in response to strong and pervasive pressure of demands. Meanwhile, with marketings of meat animals sharply expanded and with Federal support levels for some important crops reduced, wholesale prices of farm and food products on the average declined 7 percent further in the second half of the year. The combined index of wholesale commodity prices in December was 1 percent above midyear.

While production increased to record highs in the latter part of 1955, the volume of business inventory accumulation was relatively small. Output of a number of industrial materials reached capacity levels and order backlogs accumulated. Increases in the value of inventories have reflected in part the higher level of prices.

High level production with accompanying pressures on prices of basic materials and wage rates has also characterized recent economic activity in Europe. Expansion in outlays, especially for construction, business equipment, and consumer durable goods, has exerted upward pressure on such world commodities as copper and rubber, and has been reflected in sharp increases in the volume of U.S. exports of coal, steel scrap, and steel mill products.

Expansion in consumer buying in the United States has been supported by rising incomes and more active use of credit. Consumer incomes after taxes, which had been maintained during the 1953–54 decline in business activity, began to increase in the autumn of 1954. Since then, fuller utilization of the labor force—in terms of longer hours and increased employment—and higher rates of pay have been reflected in a rise of 10 percent in disposable personal income. Retail sales, which had declined moderately after mid-1953, have expanded about 15 percent from the reduced early 1954 level. The rise in sales has involved a substantial growth in consumer installment credit. At the same time, long-term debt to finance home buying has increased at an unprecedented rate.

With economic activity rising to new record levels, business profits after taxes increased considerably last year, providing both greater incentive and larger means to program substantial increases in investment expenditures. While corporate dividend payments expanded, retained earnings—along with other internal sources of funds—also increased. Common stock prices rose further by about two-fifths in the 12 months ending in late September; after a short but sharp decline, prices recovered by early November and then showed little change to mid-January.

Demands for credit to finance the higher level of business activity as well as to finance consumer short-term credit, mortgages, business capital outlays, and public works projects of State and local governments have been large. The bulk of the credit has been supplied directly or indirectly by nonbank lenders. Business loans of all commercial banks increased by about $5.5 billion during 1955, and total bank loans by about twice that amount. Bank loan expansion, however, was accompanied by substantial sales of U.S. Government securities to nonbank investors. Additional reserves needed by banks were obtained largely through an increase in member-bank borrowings at the Federal Reserve banks.

Pressure of total demands for funds against the available supply of savings and of bank credit was reflected in a substantial rise in short-term interest rates and some increase in long-term rates. In order to exert restraint on member bank borrowing, the Reserve banks raised their discount rates four times during the year, from 1.5 percent to 2.5 percent.

PRICE RISE BROADENS FOR MATERIALS

Economic recovery from mid-1954 to mid-1955 was accompanied by price advances for such basic industrial materials as nonferrous metals, steel scrap, and rubber. Work stoppages at copper mines and increased Federal stockpiling of lead and zinc were factors in the advances, as were rising demands in Europe. Meanwhile, prices of agricultural commodities were being reduced by increased supplies.

After mid-1955 agricultural prices declined considerably further, while the advance in prices of industrial materials accelerated. The rise extended to steel mill products and other manufactured durable materials, and also to fuels, leather, and paper. By early 1956 prices of most nonfood materials were higher than a year earlier, with a number of commodities up 20 percent or more and many others up from 5 to 10 percent. For all industrial materials as a group, the rise over the year was 5 percent.

The broadening of the price rise after mid-1955 was associated with capacity operations in a number of lines of manufacturing activity and further expansion in buying by consumers and businesses. Advances in rates of pay in Government and in such basic industries as autos and steel, and also in transportation and the service industries, were reflected both in rising incomes and in upward pressures on costs. From early 1954 to early 1955, rapid expansion in output per man-hour had accompanied recovery in industrial output. Subsequently, the rise in output per man-hour apparently slackened somewhat.

Prices of sensitive industrial materials eased in late September, but in early November the advance was resumed. Other materials such as cotton goods, industrial alcohol, plywood, and newsprint also advanced at the year-end, and additional general advances in prices of steel products were being discussed in trade circles.

Metals

With output in the consumer durable, business equipment, and construction industries all at advanced levels in 1955, steel production reached capacity levels. Output of other primary metals also was at peak rates. Nevertheless, metals have been in short supply and their price rises have been the largest among industrial commodities. Similarly, increases in wage rates in the metal products industries have exceeded increases in most other sectors. The products of the metal industries account for about one-third of the total value of all commodities at wholesale. Average prices of all primary and scrap metals in mid-December were 15 percent above a year earlier and, as the chart shows, about the same amount above the previous record high in 1953.

Nonferrous metal prices generally showed greater rises than iron and steel and as a group increased 20 percent during the year. Copper was raised four times by major U.S. producers, for a total advance of 40 percent; secondary copper—refined from scrap—rose even more sharply. Prices abroad have been above domestic quotations for the primary metal since the autumn of 1954, and U.S. imports through most of the period have been smaller than in most other postwar periods.

To some extent aluminum has been substituted for copper. This has added to an already heavy demand for aluminum, prices of which were raised 10 percent during 1955. Postponement of deliveries to the Federal strategic stockpile contributed somewhat to a larger market supply of both copper and aluminum during 1955.

Steel output rose one-third from 1954 to 1955. Output in the earlier year had been curtailed as inventories were being liquidated. Steel shipments to the automobile industry rose sharply during the model changeover period in late 1954 and shipments to appliance manufacturers also increased. Demands of other users expanded later, in the spring of 1955, and overall supplies have been tight since then.

Following wage rate increases in mid-1955, steel mill list prices were raised 7 percent. Toward the yearend some additional increases were made in base quotations and a number of upward adjustments were made in charges for extras. During this period purchases of some steel at premium prices by the automobile and some other industries were reported. Capacity steel output and the advanced level of steel scrap exports maintained scrap prices near record levels during the autumn. Prices rose about one-fifth in December and early January as trade reports indicated prospects of continuance of capacity operations in the months ahead.

After mid-December auto assemblies were reduced, mainly by curtailing overtime operations. In November and early December new model car assemblies had been at peak rates, and dealers' stocks were built up rapidly. Since the curtailment, auto producers reportedly have confined their purchases of steel to regular mill channels, discontinuing their premium price purchases. Meanwhile, there has been an accumulation of unsatisfied demands from other metal fabricating industries, particularly those producing machinery and railroad equipment as well as most branches of the heavy construction industry.

Building materials

Building material prices began to rise in mid-1954, when an extended work stoppage in the northwest lumber industry curtailed output. In the spring and summer of 1955, the rise extended to most other building items, and in mid-December average prices of building materials were 8 percent above the level prevailing from 1951 to mid-1954.

In addition to marked increases in prices of metal materials and products used in construction, lumber and brick prices rose about 10 percent, and cement and glass 6 percent. Wage rates in the building trades advanced 3 percent during 1955 to a level at the year-end 5 percent above mid-1954. In late autumn, prices of lumber declined in some markets. The easing in demands was partly seasonal, however, and toward the year-end prices about recovered.

Total construction activity in the latter part of 1955 was down from the record spring and summer levels but was above any other period. Residential building activity at the year-end was moderately below, while business construction was somewhat above, the spring rates.

Other industrial materials

For most materials other than metals and building items, demands have not expanded so sharply, and supplies—especially those of agricultural origin—have been larger in relation to demands. A major exception is natural rubber.

U.S. rubber consumption in 1955, influenced by the expanded rate of auto output, was one-fourth larger than in 1954, and crude rubber prices rose about two-fifths further during the year. Output of synthetic rubber reached capacity levels last year and synthetic accounted for three-fifths of domestic consumption as compared with about one-half in the preceding year; its price was not increased and at the year-end was about half that of crude rubber.

Growth in demands for paper products and for chemical and petroleum products has been heightened by expanding business activity, and production has increased considerably. Woodpulp prices were raised about 5 percent in early 1955 and demands and prices for wastepaper material rose sharply during the year.

Since mid-1955 prices of packaging materials, fine papers, and newsprint have been increased by amounts ranging up to 10 percent. Prices of chemicals on the average have shown relatively little change, while petroleum and coal products and bituminous coal prices have generally risen since mid-1955.

Prices of hides and skins have advanced from the sharply reduced level prevailing a year ago, despite a further substantial expansion in livestock slaughter. Prices of these raw materials and of leather continue well below the high levels prevailing earlier in the postwar period.

Growth in consumer purchases of textile products in recent years has been much less than that for durable goods and housing. Moreover, inventory demands for textiles during the past year appear to have been smaller than in most other periods of expanding industrial activity. The limited inventory demands may have resulted in part from uncertainty about future levels of Federal price supports for cotton. Actual and potential increases in textile imports also were a restraining influence on inventory demands and prices, especially for cotton goods. Textile output generally remained well below capacity levels. With demands not so strong as in most other manufacturing industries, increases in wage rates were below the average.

Prices of cotton yarns and industrial fabrics increased somewhat in late 1954 and early 1955, while raw wool and yarns declined. Synthetic fabrics declined in the spring, and prices of some of the newer fibers were reduced substantially. During the summer and early autumn foreign raw wool prices dropped and, with direct Federal supports removed, domestic wool prices also declined.

Toward the yearend apparel and carpet wool prices strengthened, prices of cotton yarns increased further, and print cloths and other cotton apparel fabrics advanced. Acetate yarns were raised to 2 to 5 percent, while prices of synthetic fabrics changed little. Increased business demands for textile materials reflected mainly an expansion in consumer purchases of clothing during the autumn months. By the yearend, activity in the apparel, textile, and leather products industries had increased further to relatively high levels.

FARM PRICES DECLINE FURTHER

Despite expansion in industrial activity and in incomes generally, prices of farm commodities declined further after last spring and at the yearend were 7 percent below a year earlier. Supplies of these commodities—including carryovers—increased, and Federal price support levels for wheat, oil seeds, and feed grains other than corn were significantly reduced.

Earlier in the postwar period, prices of farm products had been unusually high in relation to the level of industrial commodity prices. Continued decline from the advanced level of 1951 has resulted in a relationship between farm and industrial price averages more like that in the 1920's and the late 1930's.

The crop harvest, despite more drastic Federal acreage restrictions for several major crops, was 4 percent larger in 1955 than in 1954. Higher yields per acre in some cases more than offset the effects of reduction in acreages, and land diverted from wheat and cotton was devoted largely to the production of feeds. With feed supplies larger and prices lower, output and marketings of livestock expanded considerably, providing a meat supply in the second half of 1955 about one-tenth larger than a year earlier. Average farm prices of meat animals declined about one-fourth. For hogs, the decline in prices was considerably greater than for other meat animals.

Farm prices for wheat, feed grains other than corn, and oilseeds declined during the summer and early autumn to levels about in line with the lower Federal supports. Corn prices fell considerably below supports, which were changed little. Some recovery for corn and other grains toward the yearend was mainly seasonal in nature. Support levels for cotton and tobacco were unchanged last season, and average prices for these and other farm products—milk, eggs, poultry, and fresh fruits and vegetables—have continued relatively stable.

Reductions in Federal support levels for some crops are in prospect for this year, and large carryovers of cotton and grains indicate continued ample supplies. At the end of 1955, however, the pressure of increasing marketings of meat animals was abating seasonally and, with consumer incomes continuing to rise, prices of meats and some other foods were strengthening. While marketings will rise seasonally again in the spring, the large year-to-year increases of 1953 and 1955 are unlikely.

PRICES OF FINISHED PRODUCTS RISE

With the marked increase in steel prices in mid-1955, the broadening of the price advance to other materials, and increases in business costs, further expansion in demands in the second half of 1955 was accompanied by a rise of 3 percent in average wholesale prices of finished industrial products. The most general advances were in prices of business equipment.

When steel prices were raised 3 percent in mid-1954, machinery prices were generally unchanged, but small price advances occurred later in the year as demands increased. Early in 1955 uncertainty over the extent of increases in demands for electrical equipment resulted in reports of marked price concessions. Since then, however, an advance of about 5 percent in list prices has been general for machinery, including agricultural equipment which had been stable since early 1951.

Changes in wholesale prices of consumer products have been more diverse, partly because of the importance of such nondurable goods as clothing, textile housefurnishings, and chemical products. Prices of tires and other rubber products rose early in 1955 as rubber prices increased. During the spring furniture and carpets were advanced, while refrigerators, stoves, and washing machines declined somewhat.

In recent months, price increases have predominated. While there have been additional decreases in factory list prices for appliances, prices of tires, furniture, and carpets have been increased again. Other consumer durables, including autos, auto repair parts, television sets, and silverware have been raised by varying amounts. Prices of shoes, fuel oil, paints, and some other nondurable goods have also been increased. With productive capacity relatively ample, competitive influences have remained strong in markets for finished consumer goods. This has tended to moderate, but not prevent, increases in wholesale prices.

CONSUMER PRICES TEND HIGHER

Rising wholesale prices and increases in business costs since mid-1955 have exerted upward pressure on retail prices of nonfood commodities and on consumer services. Through the first half of the year, when average wholesale list prices of nonfood commodities were stable, retail prices declined. These declines at retail reflected mainly the spreading of discount selling of appliances, television, and some other goods.

Retail prices tended higher after midyear, when wholesale prices of a variety of consumer products were raised. At the same time, competitive pressures remained strong and prices of refrigerators and some other appliances declined further. During the summer, retail prices of autos, both new and used, declined seasonally as introduction of 1956 models approached. With introduction of the higher priced new models in the autumn, retail list prices for new autos were raised about 5 percent. Discounts and other concessions in auto markets have been larger, however, than at this time a year ago.

Demands for foods have grown over the past year, although apparently less in relation to increases in incomes than in other periods. Retail meat prices declined sharply further in the autumn, but the decrease was considerably smaller than that for farm prices of meat animals. Marketing costs, which account for a considerable part of the price of meat to consumers, have increased. Retail prices of other foods on the average have changed little since last spring.

Prices of consumer services rose further in 1955. Such important services as medical care, laundry, and dry cleaning increased at an accelerated rate and in December averaged about 3 percent above a year earlier, as compared with an increase of 1 percent in 1954. Home and auto repairs also rose. The postwar advance in rents continued at the slackened rate of 1954. At the yearend, the average level of all consumer prices was slightly above both mid-1955 and December 1954.

Mr. PROXMIRE. Mr. President, an interesting and extremely informative analysis of this whole controversy was carried in the Washington Post this morning in an article by Bernard Nossiter. Mr. Nossiter clarifies and sharpens the controversy. He also raises the question of whether this kind of inflation may be a necessary price for adequate incentive and the growth of our capital industries.

I ask unanimous consent that his article be printed in the RECORD at this point.

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

INFLATION BESETTING US IS OF A NEW BREED

(By Bernard D. Nossiter)

A pioneering approach to the peculiar price inflation that marked our recent past is embodied in the strange-looking charts.

(Charts are omitted in the RECORD.)

They were put together by Gardiner C. Means, of Vienna, Va., a distinguished but lonely economist. He held a slew of Government posts in New Deal days and was recently an adviser to a relatively sophisticated business group, the Committee for Economic Development. Twenty-seven years ago Means rocked economic thinking when he and Adolf A. Berle wrote "The Modern Corporation and Private Property."

What the Means charts show is that contemporary inflation is a very different animal from the classical demand inflation. The chief difference lies in whether big price increases come in competitive or concentrated industries.

In other words, what Means has done is violate a sacred taboo of economic thinking. He has actually gone and looked at where the price increases are taking place and asked whether the differences over separate periods of time aren't meaningful.

To compound his sins, he has married economic theory to economic fact. And as everybody in the business knows, the gulf between the "institutionalists" (fact men) and theoreticians is as wide as the breach between Montagues and Capulets.

Classical inflation is pictured in the top chart, covering the war and immediate postwar years. This was a money phenomenon, an increase in money demand which was not offset by an equivalent increase in goods—what Federal Reserve Board Chairman William McChesney Martin likes to call "too much money chasing too few goods."

In drastically oversimplified form, this is what happened:

The staggering war expenses were paid by the Government through borrowing (deficit financing). To the extent that the Government borrowed (sold bonds) to commercial banks, the Government was simply printing money. The goods this money bought were shot off, exploded, dropped on cities or left to rot in military warehouses. So, when controls came off, the extra money in the hands of people and businesses bid up prices much more than it induced increased production. Even with the best will in the world, increased production could not come about quickly enough because resources of men and materials were almost fully employed—too much money was chasing too few goods.

According to Means' charts, the biggest price increases came in the highly competitive industries—lumber, farm products, processed foods, textiles. In these, producers can't control their prices which are set by those impersonal market forces so dear to Adam Smith.

But the concentrated industries with few producers—steel, autos, aluminum, electrical machinery—held back. They do have considerable discretion over price and didn't take full advantage of the big increase in money demand.

Now, the new inflation presents a different picture. All the price push comes from the concentrated industries. The competitive industries in several cases cut prices—textiles, farm products, miscellaneous. And there is a logic in this. The period under study, 1953 to October 1958 (the last month for which Means got data), was a time of much less than full employment. The period spans two recessions (1953–54 and 1957–58). The money supply did not zoom upward.

So, only industries who need not rely on impersonal market forces but have considerable control over their prices could make increases stick. And the charts show that they did.

Many economists will quarrel with Means' interpretation of his charts. They will contend that the ability to administer prices has nothing to do with whether an industry is competitive or concentrated. They will argue that all Means is showing in his new inflation chart is what you would expect in a period of investment boom—and the Nation certainly was enjoying one from 1955 through 1957—steeply rising prices in steel and other producer goods industries as the result of extra demand for producer goods.

This debate can't be settled in this space or anywhere else now because relatively little is still known about administered prices, or for that matter, concentration.

Let's take a closer look at the charts. The solid black bars are industries or industry groups which are highly concentrated—a handful of producers account for most of their production. The cross-hatched bars are mixed concentrated and competitive—chemicals, furniture, and the like. The light gray bars are the competitive industries with thousands of producers, no one of them big enough to affect prevailing prices or production.

The bars are two dimensional, but that's not as scary as it sounds. The height of each bar measures the percentage of price increase or decrease at wholesale in each industry. For example, in the bottom chart, steel prices went up 36 percent between 1953 and October 1958; farm products prices went down 5 percent.

The width of each bar measures the industry's weight in the wholesale price index—that is, the amount of sales of that industry in relation to the amount of sales of the other industries. If steel sales during 1953–October 1958 were $8 billion and farm products sales were $24 billion, then the farm products bar would be three times wider than the steel bar.

The height of any bar times its width is its area. In these charts, the height (price increase) times width (economic weight) gives a graphic picture of the economic impact of each industry on the price level. In other words, the area of each bar shows how much force each industry or industry group had on the price level.

We can see very quickly that the competitive industries accounted for almost all the pull in the war period. There is much more light gray than black in this picture.

But in the recent period, the push comes from the concentrated industries. Means figures that they account for 85 percent of the gross increase in the wholesale index. If they had not gone up in price, the wholesale index would have risen less than 1 percent instead of 8 percent. And this is what you would expect during a period when total output of goods is increasing little and so is the money supply.

There is one other point to note. In the bottom chart, Means has broken out steel and fabricated steel from the broad category of metal and metal products. He did this to demonstrate the overwhelming force of the steel and steel-using industries (machinery and motive) in pushing up recent prices.

While Means appears to have demonstrated that the new inflation stems from the concentrated industries, he still has not answered the question agitating political debate: Is it the unions or is it the corporations?

Is it Roger Blough's United States Steel, Frederick Donner's General Motors, Ralph Cordiner's General Electric? Or is it David McDonald's United Steelworkers, Walter Reuther's United Auto Workers, James Carey's International Union of Electrical Workers? Or, have both sides embarked on an unspoken wage-price or price-wage collaboration?

The charts are of no help here. But Means, who prepared his material for the Senate Antitrust and Monopoly Subcommittees, went back into the committee's steel hearings for some arithmetic. After lengthy calculations, based on a series of arguable assumptions, he concluded that labor costs per ton went up $1.75 during 1956–57; prices went up $11 a ton.

This would appear to make United States Steel, the industry's price leader, the chief culprit. However, it must be repeated that Means' computation is derived from assumptions which can be debated. At best, his conclusion is suggestive.

Who are these concentrated steel and steel-using industries? They can be reduced to 10 corporations. In terms of ingot capacity, steel is United States Steel, 29 percent; Bethlehem, 16 percent; and Republic, 9 percent.

The motive end of the machinery and motive category is: General Motors, 51 percent of 1958 auto production; Ford, 29 percent; and Chrysler, 14 percent.

The machinery end is tremendously complicated by definitions. But electrical machinery is General Electric (owned 16 percent of the industry's assets in 1947, the last data year); Westinghouse, 13 percent; Western Electric Co., an American Telephone & Telegraph subsidiary, 13 percent; and Radio Corp. of America, 6 percent.

Some policy implications flowing from Means' analysis were spelled out by Chairman ESTES KEFAUVER, Democrat, of Tennessee, of the Senate subcommittee. If Means is right, then:

A tight-money policy won't hold down prices without bringing on a recession because corporate giants are the least affected by a shortage of lendable funds. They raise their expansion money largely from profits, not borrowing.

A balanced Federal Budget is irrelevant because this is not a money, but an "administered price" inflation.

To be sure, easy money and unbalanced budgets would, according to anybody's analysis, worsen the situation by piling a money inflation on top of an "administered price" inflation.

(However, a minority group of economists headed by Leon Keyserling paradoxically argues that easy money and budget deficits will stimulate an offsetting amount of extra production when, as now, men and resources are not fully employed.)

But what Means is really saying is that some new institutional devices must be invented to control concentrated industries and/or their unions if price stability is to be achieved.

What form the new devices should take might well be on the agenda of Vice President RICHARD M. NIXON's new Cabinet committee on inflation and the massive congressional study Majority Leader LYNDON B. JOHNSON, Democrat, of Texas, once proposed for the Joint Economic Committee.

NOW THE CHALLENGE OF AN ECONOMIC SPUTNIK

Mr. PROXMIRE. Mr. President, the lead article in yesterday's New York Times magazine was a masterpiece of economic analysis of the big problem: How can this great free country of ours meet the onrushing challenge of the Soviet Union's soaring economic power?

Barbara Ward writes a wise, balanced, and inspiring answer. She recognizes, for instance, the problem of inflation, as well as the military and educational challenge.

She makes specific suggestions for legislation that should have the attention of every Member of this body. For this reason, Mr. President, I ask unanimous consent that the article be printed in the body of the RECORD.

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

NOW THE CHALLENGE OF AN ECONOMIC SPUTNIK

(By Barbara Ward)

It is as well to be quite clear about the new challenge thrown down to the Western Powers by Mr. Khrushchev in his address to the recent Soviet Communist Party Congress. The West will have to live with it day in, day out for the next decade and it will be rubbed home with every possible insistence of propaganda. Mr. Khrushchev claims that the U.S.S.R.'s national income can be made to increase each year by more than 6 percent—not only in the early stages of industrialization but as a permanent feature of the Soviet economy. The normal

Western pace, over most of a century of industrialization, has never gone much beyond 3 percent, and for long periods (as was the case with France between the wars) some Western countries have stopped growing altogether.

This, then, is a first challenge—the claim that the Soviets can maintain double or more the Western pace of growth. When all allowances are made for the obstacles before them—a labor force depleted by the low wartime birth rate, the tremendous capital needed, the Soviet people's preference for spending, not saving, after 40 years of perpetual crisis—there seems no doubt, on past performance, that something very close to Mr. Khrushchev's rate will be achieved.

And how will it be achieved? This brings us to a second challenge—the Soviet contention that when government is the chief planner, designer and controller of an economy, the economy becomes, inevitably and inexorably, not only more powerful than a free economy but more expansive and more productive as well. To all nations facing the problems of early industrialization, the Communists say: "Use our model. You will get there more quickly." To the advanced nations, they say: "We shall surpass you within a decade because our method works better than yours on the long haul as well."

The first question the Western nations have to answer is whether in fact a higher rate of economic growth is really necessary. There is, after all, no self-evident virtue about a 6 percent as opposed to a 3 percent rate of growth. If a family has an income of $20,000 a year it should in all sanity be content with a smaller increase than a family with only $2,000. There is the story of the old lady who sought a divorce after 46 years of marriage and who, when the judge asked her whether after so long a union she could not last out to the golden wedding, replied sharply, "Judge, enough is enough."

So it is with the paraphernalia of a high material standard of living. A nation as wealthy, say, as America, does not necessarily need to increase its wealth as sharply as the still poverty-stricken U.S.S.R. In fact, there are times when Soviet propagandists appear to fall into the crassest attitudes of Western advertising men and to suggest that the good life is merely a multiplication of material possessions. Some of the Western nations are at least within sight of enough prosperity to enable them to see through that fallacy. Mr. Khrushchev should not be allowed for 1 hour to get away with the idea that two cars in every garage, achieved by ferocious work, dragooning and state direction, compensate in any way for the loss of political liberty, free thought and personal self-determination.

Equally, however, Western economies cannot make a fetish out of a 3 percent rate of growth, if real, demonstrable human needs call for a higher rate; and there seems little doubt that such needs exist. There is not much use in proclaiming the superiority of the Western way of life if its essential foundation—national security—is in danger.

For the last 8 years the Western Powers have been devoting what they could afford to their defenses and giving real priority to other things—to a balanced budget or popular consumption or domestic investment. Their inferiority in overall armament is a fact and their reliance—for such budgetary considerations as "more bangs for a buck"—on atomic weapons threatens to leave them unequipped to deal with small wars or local violence. There is no secret about all this. The richest nations in the world cannot "afford" to pull level with a still relatively underdeveloped Communist bloc. Here, clearly, is the first argument for larger resources.

Virtually all Western nations devote less of their national incomes to education than does Russia—the United States perhaps half as much. None apparently foresaw in time the postwar explosion of population. The needs of schools have come before Congress again and again in recent years. The outcome—mainly student loans—is a step forward but leaves unsolved such urgent needs as more schoolrooms and higher salaries for teachers.

In Russia the priority given to education has enabled the country not only to leap forward from illiteracy in 40 years but to produce in absolute terms more scientists, engineers and technicians than the West. Once more, then, the need for the West to aim at a larger national income—in this case to cover increased educational costs—is a matter of simple demonstration.

The Russians devote proportionately more of their resources to research and the results have circled and soared above a surprised globe for more than a year. When Sir John Cockcroft, one of the leaders of atomic research in Britain—a country hitherto preeminent in basic research—returned recently from Russia, he warned his country that the Soviets were ahead in all fields of research and were advancing on a much broader scientific front. Thus, more resources for basic research, more emphasis upon fundamental work, are necessary in the West and create one more unsatisfied claim on national income.

It is also highly likely that in the next decade the Russians will pull ahead of the West in the giving of foreign aid. They entered the field in 1955, and, aside from their Chinese program, have contributed about $2 billion in the last few years. This is still not more than a quarter of Western economic (as opposed to military) aid over the same period. But the offers are growing and neither budgetary nor popular impediments will prevent their growing further. The Western Powers will thus meet enhanced economic competition and must face again the question whether to expand their own programs and resources or lose by default.

All these matters—arms, aid, education, research—turn directly upon the fundamental issue of national security. To allow the Communists to pull ahead in all these fields could mean that one day the Western Powers will awake to a world in which they no longer have the political elbow room, the military striking power, or the scientific know-how to contain the Soviet threat. This outcome is, of course, only a possibility but it is a possibility writ large in any continued neglect of basic national security. At no time in history have nations been granted the privilege of defending themselves both successfully and also at a level they think they can afford. There is no reason to suppose that history has obligingly reversed itself for the benefit of the West.

Nor are the needs of security the only argument for a higher rate of expansion. In some Western countries—the United States, notably, and also in European nations such as France and the Netherlands—the rising birth rate demands a proportionate acceleration of production. While the American national income has stagnated for nearly 2 years, some 6 million more Americans have appeared to share it.

And the rising birth rate underlines another problem. The basic capital equipment of an aging or static population—in terms of schools, cities, hospitals, water supplies and so forth—can perhaps remain aging or static without too much loss of amenity. But the United States is adding the equivalent of a city about the size of Philadelphia to its population every year and the capital equipment needed for this bounding growth is simply not being provided.

According to recent estimates, American spending on basic social needs—schools, urban development, water—falls short each year by some $9 billion. The figure tends to rise each year as more schools, houses and hospitals fall into obsolescence and urban blight spreads to more city districts. All over America, water, a fundamental of existence, becomes more of a problem as water levels fall and wells dry up. Bright new cars in sordid streets, ranch-type or split-level homes beside garbage-filled gutters, the family picnic basket in chromium beside the polluted stream—these are symbols of a national pattern of expenditure in desperate need of redress.

But how can it be achieved save with a higher rate of national growth? People will not sacrifice the new car or the picnic basket. There can be little question, considering the national temper, of higher direct taxation to insure a bigger transfer from private to public needs. Larger resources are the only real alternative.

However, in America the most urgent need for greater resources—the grinding fact of extreme poverty—has been largely overcome. There are pockets of poverty, the more challenging because of the surrounding prosperity. But there is not the pitifully low general standard of all southeastern Europe, for instance. Nor is there the almost universal destitution of Asia and tribal Africa. In the underdeveloped lands, the growth of resources is a simple condition of survival and any system that offers a shortcut has the chief key to political effectiveness in those areas. Throughout most of the world, in short, the battle lines for the minds of men lie through national income figures and the statistics of production.

If all these demonstrable needs are put together—for greater security, for more research, for higher spending in the public sector, for rising standards of living, and for more income to meet rising population all around the world—there can be no doubt at all that the Western rate of normal growth of 3 percent to 4 percent a year is too low and that the first decision of domestic policy in the Atlantic world should be to increase the rate to, say, a steady 5 percent.

It is at this point that the West confronts the second element in the Soviet challenge. No one questions the fact that the maintenance of a higher rate of growth involves some increase in government activity. Only government has sufficient breadth of oversight to draw up the broad production targets needed to speed up growth. And once accelerated growth has begun, it is with government that the chief instruments lie for checking strong inflationary pressures generated by the increased use of all resources—manpower, capital, raw materials.

Yet in the United States, the central citadel of the Western World, there is a dedicated, influential, and vocal school of thought that believes any extension of government activity to be the equivalent of socialism; there is also enough widespread distrust of state action to make this school of thought widely listened to and respected. At times, one is almost reminded of the argument which raged in Europe at the time of Hitler's mounting threat. Then there were serious and responsible leaders who argued that the armament needed to counter Hitlerism would entail government intervention; government intervention entailed dictatorship; it was therefore useless to fight dictatorship by adopting its methods. The argument prevailed long enough to put the whole world in jeopardy before Hitler's rising power.

Similarly today, in the face of all the evidence of rising Soviet strength, the argument is to be heard in America: Government activity to increase our growth equals socialism; socialism equals communism; so how can we counter communism by methods that make Communists of us, too? We cannot defend the free way of life by means that destroy freedom.

Is the West, then, impaled on an inescapable dilemma: Either to lose to the Communists by falling behind in the economic race, or to lose by adopting their measures?

Happily, the outlook is not so dire. Indeed, only in America is there quite so ideological a terror of Government activity or of Government ability to help shape the broad pattern of economic development in a community. It is hard to argue that Britain is less essentially free than America; yet a Conservative Government there cheerfully discusses the scale of public and private investment that is needed to double the standard of living in a generation.

The architects of Europe's Common Market are probably the foremost exponents of really free (as opposed to tariff-protected) enterprise in the world today. Yet a European Development Fund and careful forecasts of Europe's capital needs have been an essential part of their preparations. France's Monnet plan for accelerated public investment gave French private industry its first real boost in more than 20 years. And so the examples multiply.

But perhaps the decisive argument is that in postwar Europe, where every government has in some measure planned and guided the pattern of investment (quite apart from basing all recovery on that most successful of all plans, the Marshall plan), doctrinaire socialism has quietly deceased. "Public ownership of the means of production"—the one plank socialism once had in common with communism—has been explicitly or tacitly abandoned; and one reason for this is the success with which governments have used their powers to maintain investment, avoid recessions and keep their economies buoyant.

There is no reason in actual fact to suppose that, if they added to their responsibilities the task of increasing the rate of growth, socialism would result. On the contrary, a more rapid rise in resources would wipe out those corners of disgruntled poverty where communism can still breed.

But, the critics argue, the issue is not simply that of fixing higher targets of production. What of their repercussions throughout the economy in terms of the new inflation? If government intervenes to check it, its control will spread, octopuslike, throughout private business and there we shall all be back on the high road to socialism.

One thing, however, is certain. More thinking has to be done in the free economies about the issue of inflation. The postwar idea that reliance can be put on monetary controls alone needs modification. In the last 2 years, the American economy—and the British, too, for that matter—has endured both heavy increases in the cost of credit (the basic monetary control) and a complete stop to upward expansion. The only trouble is that price inflation has gone steadily on in America and continues to hover over the British experiment. In other words, the technique of checking production in order to stop inflation—the most drastic and dangerous cure conceivable in the face of Russia's rising production—does not cure at all. Inflation goes on. New thinking is thus in order.

Nor will control lead to anything remotely resembling socialism. The challenge is to keep some check on the claims made on the economy while more capital is being used for expansion—for arms, research, education, higher investment, and public needs—and not for immediate consumption. The checks can be achieved by more taxation to restrain personal consumption (by far the largest sector of the economy) and by postponing increases in personal consumption through some restraint on the growth of wages and profits.

In countries such as America and Britain, the income tax has probably reached its limits, but in both countries wealth is sufficiently widespread for there to be no great injustice in considering an increase in indirect taxation. In spite of its people's present poverty, the Soviet Union paradoxically relies overwhelmingly on a turnover or indirect tax for its capital accumulation.

Some restraint on profits and wages does not necessarily involve drastic State intervention, provided the awareness and responsibility of management and labor are seriously engaged. Wage restraint was achieved voluntarily in Germany, for instance, after 1948. It is surely not inconceivable that, in the light of the Soviet challenge, industry itself should come up with some suggestions of its own on methods of expanding to meet the challenge and of holding inflation in check meanwhile.

But it is not impossible for governments to use fiscal encouragements to the same end—for example, by taxing more heavily any higher rate of distributed profit, giving tax relief to firms which use rising profits to reduce prices, and by offering tax inducements to trade unionists who agree to long-term—say, 5-year—wage agreements, with a heavy emphasis on deferred benefits which maintain standards in sickness and old age. Nor are punitive measures impossible—fines, for instance, imposed on any firm which increases its prices within 9 months of granting a wage increase.

What is surely inconceivable is that patriotic managers and labor leaders, faced with the national necessity of a higher growth rate in the economy, should not use their intelligence, their leadership and their responsibility to devise ways and means of cooperating in an effort which not only involves the security of the whole Nation but which must, sooner rather than later, involve higher standards of wealth for them as well.

One hears much talk of business leadership. The Russian challenge is offered in what ought to be that leadership's chosen field—the field of increased production. If the only response is a dismal cry that socialism is the danger, then doubtless the Soviets will win the race—with far more incalculable consequences for the free economy than any timely efforts now to put it in a posture of greater growth.

If, on the other hand, by effective measures adopted in time, the free economies of the West keep their economic lead, strengthen their defenses, pull the underdeveloped lands forward in the wake of their own expansion and all the while preserve the institutions and the spirit of freedom, one can predict with some certainty that they will in their turn present a challenge to Russia which the Soviet system will be totally unable to resist.

Already the great country is astir with query and curiosity and with a deep desire to know more about the West. But these burgeoning questions are checked by triumphant comparisons between Soviet growth and Western stagnation. Suppose it were not so. Suppose, decade after decade, the West continued to grow under the institutions of freedom. Russia's last argument that tyranny and abundance must go together would be struck away. And with that argument could vanish the greatest obstacle to the spread of Western institutions back into Russia itself. These are the stakes. Can anyone doubt they are worth a supreme effort in the West?

THIRTY-EIGHTH ANNIVERSARY OF REBELLION OF ARMENIAN PEOPLE AGAINST COMMUNIST RUSSIAN TYRANNY

Mr. PROXMIRE. Mr. President, February 18 marks the 38th anniversary of the gallant and temporarily successful rebellion of the Armenian people against Communist Russian tyranny. I ask unanimous consent to have printed in the RECORD an article I have prepared on this subject for the Hairenik Weekly Journal.

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

Wednesday, February 18, marks the 38th anniversary of the first and one of the most epochal struggles against tyranny that the world has ever seen. It is, at once, an inspiration to the spirit and a sad memory gnawing at the conscience of free peoples everywhere.

The year was 1921. The shadow of international communism had begun to fall across the face of two continents. Some nations were already in the grip of Red terror and suppression. Freedom was racking up an unbroken string of losses on the scoreboard of the world.

Then, on February 18, in the city of Erivan in the nation of Armenia, freedom struck its first blow at Red might. City dwellers and peasants had become outraged at Communist excesses across their land and the wholesale slaughter of political prisoners. Arming themselves as best they could, they rose up and broke the back of Red control, driving Soviet military forces from their country.

The independent Republic of Armenia was established and Prime Minister Simon Vratzian appealed to the free world for help in preserving the integrity of his country.

But, unfortunately, as in the case of Hungary's valiant freedom fighters nearly 36 years later, the free world hesitated until the time for action had passed. After six hard-won months of freedom, the single beacon in the spreading darkness was snuffed out by overwhelming Soviet forces.

The blood men spill in the cause of liberty is never wasted—never shed in vain. Armenia's fight for freedom takes its proper place with the very bravest and noblest struggles of recorded history, including our own revolution, and stands as a symbol of the sacrifice we and all free peoples must stand ready to make to preserve our heritage.

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

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

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

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

ADJOURNMENT TO 10:30 A.M., THURSDAY

Mr. JOHNSON of Texas. Mr. President, if no other Senators wish to address the Senate, I move that the Senate stand in adjournment, under the order previously entered, until 10:30 o'clock a.m. on Thursday next.

The motion was agreed to; and (at 4 o'clock and 31 minutes p.m.) the Senate adjourned, the adjournment being, under the order previously entered, until Thursday, February 12, 1959, at 10:30 o'clock a. m.

NOMINATIONS

Executive nominations received by the Senate February 9, 1959:

U.S. CIRCUIT JUDGE

Phillip Forman, of New Jersey, to be U.S. circuit judge for the third circuit vice Albert B. Maris, retired.

U.S. ADVISORY COMMISSION ON EDUCATIONAL EXCHANGE

Franklin D. Murphy, of Kansas, to be a member of the U.S. Advisory Commission on Educational Exchange for a term of 3 years expiring January 27, 1962, and until his successor has been appointed and qualified—reappointment.

CONFIRMATIONS

Executive nominations confirmed by the Senate on February 9, 1959:

THE COAST AND GEODETIC SURVEY

The following-named persons for permanent appointment to the grades indicated in the Coast and Geodetic Survey, subject to qualifications provided by law:

TO BE ENSIGNS

Jack W. Kinney, Jr.	Limberios Vallianos
Michael L. Olivier	Fred M. Welch
Lester M. Pence, Jr.	Douglas J. Wilcox
Joe P. Pennington	J. Austin Yeager
Frank A. Spear, Jr.	W. Paul Yeager

HOUSE OF REPRESENTATIVES

MONDAY, FEBRUARY 9, 1959

The House met at 12 o'clock noon.

Rev. Denson N. Franklin, pastor, First Methodist Church, Gadsden, Ala., offered the following prayer:

Our Father, the father of men everywhere—glory, honor, dominion, and power be unto Thee forever and ever.

We come confessing our weaknesses and failures. As a wise teacher has said—"We have learned to fly through the air like birds and to swim under the sea like fish—but we haven't learned to walk the earth like men." Teach us to walk like men—sons and daughters of a Divine God—in dedication, faith, and service.

Bless this great Nation which Thou hast fashioned on these shores of freedom. As Thou didst lead the children of Israel with a "pillar of fire by night and a cloud of smoke by day"—lead us. Be Thou a "lamp unto our feet and a light unto our path."

Bless this great legislative body with wisdom and courage. As America faces increasing responsibility in world leadership, may the decisions of these Thy servants be according to thy will.

In the name of our Lord we pray. Amen.

The Journal of the proceedings of Thursday, February 5, 1959, was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. McGown, one of its clerks, announced that the Senate had passed bills of the following titles, in which the concurrence of the House is requested:

S. 1. An act to amend the Federal Airport Act in order to extend the time for making grants under the provisions of such act, and for other purposes;

S. 57. An act to extend and amend laws relating to the provision and improvement of housing and the renewal of urban communities, and for other purposes; and

S. 961. An act fixing the representation of the majority and minority membership of the Joint Economic Committee.

The message also announced that the Vice President, pursuant to section 5(a) of Public Law 304, 79th Congress, had appointed the Senator from Connecticut, Mr. BUSH, the Senator from Maryland, Mr. BUTLER, and the Senator from New York, Mr. JAVITS, members on the part of the Senate of the Joint Economic Committee to fill existing vacancies thereon.

The message also announced that the Vice President had made the following appointments to fill existing vacancies:

The Senator from Connecticut, Mr. BUSH, to be a member of the Board of Visitors to the U.S. Coast Guard Academy, pursuant to title 14, United States Code, section 15h.

The Senator from New Hampshire, Mr. COTTON, to be a member of the Board of Visitors to the U.S. Merchant Marine Academy, pursuant to title 46, United States Code, section 1126c.

The Senator from Indiana, Mr. CAPEHART, to be a member on the part of the Senate of the Lincoln Sesquicentennial Commission.

The Senator from Illinois, Mr. DIRKSEN, and the Senator from New York, Mr. KEATING, to be members on the part of the Senate of the Joint Committee on Immigration and Nationality Policy.

The Senator from Indiana, Mr. CAPEHART, to be a member on the part of the Senate of the U.S. Territorial Expansion Memorial Commission.

The Senator from Arkansas, Mr. FULBRIGHT, to be a member on the part of the Senate of the Board of Regents of the Smithsonian Institution.

The Senator from South Dakota, Mr. CASE, to be a member on the part of the Senate of the National Forest Reservation Commission.

The Senator from New York, Mr. JAVITS, to be a member on the part of the Senate of the Franklin Delano Roosevelt Memorial Commission.

The Senator from Nebraska, Mr. HRUSKA, to be a member on the part of the Senate of the Migratory Bird Conservation Commission.

The Senator from Delaware, Mr. WILLIAMS, to be a member on the part of the Senate of the Joint Committee on Reduction of Nonessential Federal Expenditures.

COMMITTEE REPORT ON TAXATION OF LIFE INSURANCE COMPANIES

Mr. MILLS Mr. Speaker, I ask unanimous consent that the Committee on Ways and Means have until midnight Friday, February 13, 1959, to file a report on H.R. 4245, a bill relating to the taxation of life insurance companies.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

DISPENSING WITH CALENDAR WEDNESDAY

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that the business in order on Calendar Wednesday of this week be dispensed with.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

ADJOURNMENT FROM TODAY UNTIL WEDNESDAY

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet on Wednesday next.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

ADJOURNMENT OF HOUSE FROM THURSDAY NEXT UNTIL MONDAY NEXT

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that when the House adjourns on Thursday next it adjourn to meet on Monday, February 16, 1959.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

FIXING THE REPRESENTATION OF THE MAJORITY AND MINORITY MEMBERSHIP OF THE JOINT ECONOMIC COMMITTEE

Mr. McCORMACK. Mr. Speaker, I offer a bill (S. 961) fixing the representation of the majority and minority membership of the Joint Economic Committee, and ask unanimous consent for its immediate consideration.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There being no objection, the Clerk read the bill, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 5(a) of the Employment Act of 1946, as amended (60 Stat. 23, Public Law 304, Seventy-ninth Congress), is amended to read as follows:

"(a) There is established a Joint Economic Committee, to be composed of eight Members of the Senate, to be appointed by the President of the Senate, and eight Members of the House of Representatives, to be appointed by the Speaker of the House of Representatives. In each case, the majority party shall be represented by five Members and the minority party shall be represented by three Members."

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

NATIONAL DEBT REDUCTION

Mr. WRIGHT. Mr. Speaker, I ask unanimous consent to address the House for 1 minute, and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. WRIGHT. Mr. Speaker, I have today introduced a concurrent resolu-