in, say Greece, was not present here. The Japanese also, were the soul of courtesy, and most informative for the purposes of our study mission, and also quite insistent about Japan's need to increase exports to the United States with an implied warning behind it that Japan always has a readymade customer at its back door.

Now isn't it ridiculous of me to try to summarize in a sentence or in less than a sentence * * * in a phrase * * * the situations in these countries which are so very important to us? I apologize for it. I shouldn't have attempted that. The only reason I did so was because I had mentioned that Hong Kong made the deepest impression, and it didn't seem right to ignore all of the other countries I visited.

Hong Kong made a deep impression primarily because it is the Berlin of the East, right on the border of Red China, within sight of the guns of the border patrols, and within sight of Red China's farms which feed Hong Kong. It was a creepy feeling to know much of the food we were being served undoubtedly came from across the border. It was not conducive to a good appetite, assuming I would have had one anyway.

I drove close enough to see some of Red China's farms, being worked, I imagine, by people not getting enough to eat. Communist China, as you have read, has been gripped with food shortages. Yet thousands of tons of Red China's desperately scarce foodstuffs go to Hong Kong to earn foreign exchange. Then a lot of that same food goes back to Red China, in the form of gift packages sent to starving relatives in the interior from escapees safe in Hong Kong, refugees now going without enough food in order to be able to afford to send some to their relatives back home. This was a most heart-rending lesson in Communist economics, human suffering just does not count at all.

Hong Kong provides, I believe, the most spectacular nighttime view I have ever seen. The lighted harbor is just beautiful. The lights twinkling up the mountain from the storybook harbor form a fairyland of scenic delight. The darkness, of course, covers all of the ugliness, all of the poverty and misery, all of the teeming chaos.

St. Louis may not be so spectacularly beautiful at night, at least, not yet. But oh, how beautiful it is, day or night, to these eyes. And how nice to come home to, after an extended trip abroad, or an extended session of Congress in Washington.

Thank you for inviting me to share some of my impressions with you. As you continue to work hard on the issues of foreign trade and international relationships—please be assured that what you stand for, what you work for, is terribly important. It is important to our country, yes; it is even more important to millions upon millions of disadvantaged and hungry and illiterate and disease-racked and miserable human beings who could not dare to hope for a better life for their children, if not for themselves, were it not for the fact that there are so many decent people like you working to do something about it. Thank you.

HOUSE OF REPRESENTATIVES

THURSDAY, MARCH 29, 1962

The House met at 11 o'clock a.m.

The Chaplain, Rev. Bernard Braskamp, D.D., offered the following prayer:

Matthew 9: 36: *When He saw the multitudes, He was moved with compassion on them.*

Most merciful and gracious God, we humbly acknowledge that we are living in days when multitudes are baffled and bewildered, feeling that something within the heart of humanity has gone terribly and tragically wrong.

Inspire the God fearing everywhere to declare plainly by character and conduct that their faith in Thee is active and alert although too great for their groping minds to fully explain and express in formula and creed.

Grant that we may possess a victorious faith which fulfills itself in faithfulness and is manifested in an unswerving loyalty to that which is noble and true.

Give us a greater concern and compassion for all mankind and may we never forsake the weary and lonely who have fallen under some heavy burden which we might have lifted.

Hear us in His name who looked upon the multitude with compassion. Amen.

THE JOURNAL

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Mr. Ratchford, one of his secretaries, who also informed the House that on the following dates the President approved and signed bills of the House of the following titles:

On March 13, 1962:

H.R. 10050. An act to provide for a further temporary increase in the public debt limit set forth in the Second Liberty Bond Act.

On March 16, 1962:

H.R. 7855. An act granting the consent of Congress to an amendment to a compact ratified by the States of Louisiana and Texas and relating to the waters of the Sabine River.

On March 20, 1962:

H.R. 2990. An act to confer jurisdiction upon the Court of Claims to determine the claim against the United States of Amis Construction Co. and San Ore Construction Co.;

H.R. 3879. An act to authorize and direct the Secretary of Agriculture to convey to the State of Wyoming for agricultural purposes certain real property in Sweetwater County, Wyo.;

H.R. 7666. An act to amend section 17(a) of the Revised Organic Act of the Virgin Islands pertaining to the salary of the government comptroller; and

H.R. 8723. An act to amend the Welfare and Pension Plans Disclosure Act with respect to the method of enforcement and to provide certain additional sanctions, and for other purposes.

On March 22, 1962:

H.R. 5143. An act to amend section 801 of the act entitled "An act to establish a code of law for the District of Columbia," approved March 3, 1901.

MESSAGE FROM THE SENATE

A message from the Senate by Mr. McGown, one of its clerks, announced that the Senate had passed a joint resolution of the following title, in which the concurrence of the House is requested:

S.J. Res. 171. Joint resolution providing for the establishing of the former dwelling house of Alexander Hamilton as a national memorial.

COMMITTEE ON APPROPRIATIONS

Mr. THOMAS. Mr. Speaker, I ask unanimous consent that the Committee on Appropriations may have until midnight Friday to file a report on the second supplemental appropriation bill for 1962.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. BOW reserved all points of order against the bill.

HON. DAVID J. ARNOLD

Mr. FLYNT. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Georgia?

There was no objection.

Mr. FLYNT. Mr. Speaker, early this morning I received the sad news of the death of an outstanding Georgian and a warm personal friend of mine, the Honorable David J. Arnold, of Griffin, Ga.

Mr. Arnold was a prominent businessman, banker, a former chairman of the Fourth District Democratic Executive Committee, and a former member of both houses of the General Assembly of Georgia.

Our State has lost an outstanding businessman, banker, political leader, and I have sustained the loss of a lifelong, loyal, and devoted friend.

Mr. Arnold was a man possessed of a dynamic personality as well as the very highest character and integrity.

He was a public minded, progressive businessman, successful in banking and related businesses.

He was president of the Commercial Bank & Trust Co. of Griffin, Ga., a strong and progressive financial institution.

Mr. Arnold was born in Hampton, Henry County, Ga., June 26, 1897. He graduated from Hampton High School in 1913 and from the Riverside Military Academy in 1914. He graduated from the Georgia School of Technology with a B.S. degree in electrical engineering in 1918, and afterward attended the U.S. Military Academy.

Mr. Arnold was a member of the Baptist Church and the Sigma Alpha Epsilon Fraternity .

In 1929–31 he represented Henry County in the House of Representatives of Georgia. He was a member of the Georgia Constitutional Commission of 1945 which revised and delivered the present constitution of Georgia.

In 1933 he moved to Griffin, Ga., where he made his home until his death.

In 1942 he was elected to the State senate from the 26th senatorial district which, at that time, comprised the counties of Spalding, Butts and Fayette. In 1944 he was elected to the house of representatives from Spalding County. He was a member of the State Democratic

executive committee, and was a member and a former chairman of the Fourth District Democratic Executive Committee.

On February 24, 1922, in McDonough, Ga., he married Miss Ethel Miriam Sloane, who with their daughter, Miss Miriam Arnold—Mrs. William Newman—survive him.

David J. Arnold was the son of Dr. Robert Johnson Arnold, a prominent physician of Henry County, Ga., who was himself a representative in the General Assembly of Georgia, from Henry County, in 1913–17, and Nellie Curry Arnold.

His sister, Mrs. Frances Arnold Brown, is the widow of Hon. Paul Brown, late a Representative of the 10th District of Georgia.

He is also survived by a brother, Robert O. Arnold of Covington, Ga., a prominent textile manufacturer, businessman, former mayor of Athens, Ga., and presently chairman of the board of regents of the university system of Georgia.

David Arnold, throughout his life, was an able, courageous and strong individual who, through his ability and his influence, played a major role in the life of his community and his State. His influence was an influence for good and our community and our State are better places because of the impact of his activity and of his life.

He will be missed and mourned by his family, his friends, and the community of which he was a part.

Mrs. Flynt and our children join me in extending to Mrs. Arnold and daughter, Mrs. Newman, and Mr. Arnold's brother and sister, our heartfelt sympathy in their bereavement.

CALL OF THE HOUSE

Mr. GROSS. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. ALBERT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 49]

Anderson, Ill.	Dingell	Shelley
Andrews	Fascell	Sheppard
Ashley	Hoffman, Mich.	Short
Bates	Norrell	Smith, Miss.
Bennett, Mich.	Nygaard	Spence
Blatnik	O'Hara, Mich.	Steed
Blitch	Powell	Stubblefield
Brooks	Rains	Teague, Tex.
Celler	Reuss	Tollefson
Clark	Roberts, Ala.	Tupper
Colmer	Scherer	Vinson
Dawson	Scott	Walter
Dent	Selden	Wilson, Ind.

The SPEAKER. On this rollcall 395 Members have answered to their names, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

MINORITY VIEWS

Mr. McCULLOCH. Mr. Speaker, I ask unanimous consent that the minority members of the Select Committee on Small Business be permitted to file minority views to accompany House Report No. 1471 and that such views be printed as part II of such report.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There was no objection.

REVENUE ACT OF 1962

Mr. MILLS. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill H.R. 10650, with Mr. ROOSEVELT in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. When the Committee rose on yesterday the gentleman from Arkansas [Mr. MILLS] had 2 hours and 11 minutes remaining; the gentleman from Illinois [Mr. MASON] had 2 hours and 15 minutes remaining.

Mr. MILLS. Mr. Chairman, I yield 1 minute to the gentleman from Louisiana [Mr. HÉBERT] and ask unanimous consent that he may proceed out of order.

The CHAIRMAN. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. HÉBERT. Mr. Chairman, as will be recalled, on last Wednesday this Committee considered a bill which authorized proceeding with the so-called RS–70 which was recommended by the Committee on Armed Services under the direction of its distinguished chairman, the gentleman from Georgia [Mr. VINSON]. He and the Armed Services Committee received a vote of confidence in this House by a vote of 403 to 0 to proceed with the RS–70.

This action of the chairman of the Committee on Armed Services of the House was based on an interchange of letters from President Kennedy and Secretary of Defense McNamara assuring the committee a new study would be made of the proposed program of the RS–70.

Subsequent to that action there appeared in the press of the Nation a statement from a so-called high spokesman of the Department of Defense who said, in effect, that the exchange of letters meant nothing; that nothing new was promised, and that the same program would continue in effect. This statement caused considerable confusion and misunderstanding.

I think it important to bring to the attention of the House at this time, in view of that vote and in view of the conflicting statement, a statement released at 10:30 this morning by Mr. McNamara, Secretary of Defense. This is a most important statement, and I ask your indulgence to pay very close attention to it.

I now read the complete text of the statement issued a few hours ago by Secretary of Defense McNamara:

I am disturbed by reports that the study of the proposed RS–70 weapons system which I pledged in my letter of March 20 to Chairman VINSON, is being handled in a routine fashion.

The Air Force is carrying out the study at my request. It prepared the instructions for the study on March 20 and issued them on March 21. The study is being carried out by an Air Force military-civilian team under the direction of the Under Secretary, Dr. Joseph Charyk. Maj. Gen. David Burchinal, Director of Plans, has been assigned the responsibility for studying the operational uses of the system. Gen. Bernard Schriever, commander of the Air Force Systems Command, will be responsible for preparing detailed analyses of alternative development plans, including plans for the integration of reconnaissance strike components into the aircraft, for flight test of the completed systems, and for possible flights of test aircraft beyond the three presently authorized. Working with General Schriever and General Burchinal on the state of technical development of the important components of the system, including the sideview radar, data processing and display systems, is the Assistant Secretary of the Air Force for Research and Development, Dr. Brockway McMillan. Dr. McMillan will be assisted by a team of experts from Wright Field.

More than 10 different contractors are scheduled to assist the Air Force in the restudy of the program over the next several weeks.

Members of the Committee, I submit this answers in full the position of the Department of Defense and of Mr. McNamara, whom I congratulate on this statement, which fortifies the position of the House and that of Chairman VINSON and the Committee on Armed Services in the procedure which was adopted.

There are many who have misinterpreted and distorted exactly what the situation was following the conference between President Kennedy, Secretary McNamara, and Mr. Vinson. It has been baldly misrepresented by some reporters and commentators that Mr. VINSON and the Committee on Armed Services had capitulated because it, in its wisdom, had substituted the word "authorize" for "direct." The statement made by the so-called high spokesman in the Office of Defense gave strength to this inaccurate presentation. It was a gratuitous slap not only at Mr. VINSON and the Committee on Armed Services but at the entire House of Representatives which had voted 403–0 to support Mr. VINSON and his committee.

Surely a rose by any other name is still a rose and smells just as sweet. Just as positive are the real and true facts surrounding the now famous stroll in the White House rose garden by President Kennedy and Mr. VINSON. No matter how distorted and misrepresented the facts have been they are still the facts and Secretary McNamara, by his statement, has substantiated these facts as presented to this body last Wednesday. Facts are facts even distorted by misrepresentation.

And if I may be permitted to paraphrase some remarks of Mr. VINSON to the Committee on Armed Services: "The only smell is the sweet fragrance of the

rose garden and Secretary McNamara's statement takes care of that."

Mr. VINSON has not capitulated, the Committee on Armed Services has not capitulated, the House of Representatives has not capitulated, and Secretary McNamara boldly and firmly stands behind his agreement to take a new look at the RS–70 program and, if found feasible, to proceed with its production as authorized.

I hope this sets and keeps the record straight.

Mr. MILLS. Mr. Chairman, I yield 15 minutes to the gentleman from Louisiana [Mr. BOGGS].

Mr. BOGGS. Mr. Chairman, the Committee on yesterday consumed about half of the time allocated for general debate, and at about 4 o'clock this afternoon we will cast, in my opinion, two of the most important votes that we will be called upon to cast in the 87th Congress, if not in the postwar history of the United States of America.

The vote will come, first, as I understand, on a motion to recommit to be offered by a distinguished member of the minority of the Committee on Ways and Means, and in the time allotted to me I will seek to analyze, as best I can, the proposals which have been brought to our attention that will be in the motion to recommit.

We have been informed that that motion will include two items: No. 1, a straight striking of the investment credit without any substitution therefor; and No. 2, a straight striking of the withholding provisions without any substitution therefor. There may or there may not be other provisions in the motion to recommit, but I am informed—and I may be presuming because the minority at any time may change its mind—that these will be the elements in the motion.

Mr. Chairman, let us try to analyze what is involved here. There has been discussion in the business community as to whether or not we should substitute for the tax incentive, for the investment credit, what is called a fast writeoff, fast depreciation. Some segments of the business community have said that they would prefer that approach.

There has been some discussion in the business community in which some businessmen have expressed a preference for so-called fast writeoff, or fast depreciation. As far as I know there has been no element in the business community which has taken the position that they need nothing.

Mr. Chairman, here in the year of our Lord 1962, with a growing competitive free enterprise, modernized industrial plants in the Common Market countries of Europe and in Japan in the Far East, I know of no one in the business community who does not maintain that we need stimulation for new investment in the United States of America at this time.

Mr. Chairman, the motion to recommit does not substitute anything for the provisions which we in the committee have submitted for consideration to this House. The committee looked at great length to the suggestions about a fast writeoff. The committee came to the conclusion that under existing legislation, wherever a given industry could present a case in which they showed that, because of obsolescence related to automation or because of any number of other economic factors, a more rapid depreciation rate was justified, then under existing law the Treasury Department can prescribe regulations therefor right now without changing a sentence in the law as it stands.

Mr. WILLIS. Mr. Chairman, will the gentleman yield?

Mr. BOGGS. I will be glad to yield to the gentleman from Louisiana.

Mr. WILLIS. Do I understand that the investment credit which the gentleman is now talking about is not a substitute for the normal depreciation under our laws, but is in addition thereto?

Mr. BOGGS. The answer is "Yes"; most assuredly yes.

Mr. Chairman, to carry on the line of thought for just one moment, in the case of the great textile industry which has maintained, and I think with considerable justification, that it has been subjected to intense import competition, that industry is now operating all over our country, both in New England and in the Southeast, with new depreciation schedules which are on the books which reflect a realistic life. But more is needed.

But, I say, Mr. Chairman, that this recommital which we will have says that business does not need anything more. Now, frankly, I must say that I confess some surprise about this approach coming from this side of the aisle.

Many of us on our side of the aisle have been confronted in political forums and the other areas of public expression with the charge that our party has been unfriendly to business, that we have not been sympathetic to the need for investment, that we do not understand the requirements of capital, that we do not know how much it takes to invest to provide for just one employee, that we are not aware of this great trend of foreign competition, that seeing American industry pricing itself out of the world market we are unwilling to do anything about it.

One would think after hearing these expressions, all of which are subject to rather careful scrutiny, that maybe our side of the aisle would be opposing the investment tax credit and this side of the aisle would have proposed it. As a matter of fact, it really is incomprehensible how the great Republican Party, which has declared repeatedly that it is the party of business and free enterprise, should be completely opposed to this proposal in the light of the modern conditions.

Let us look at some of the conditions confronting industry. Let us try to ascertain as best we can why industry needs some provision at this time.

First, our population is growing at a phenomenal rate. We read about the so-called population explosion in Asia and Africa and Latin America and elsewhere in the world, but believe me, there is a population explosion in the United States. The population of my State of Louisiana is 4 million or thereabouts, maybe a little more or a little less. In the course of 12 months we add to the United States of America a brandnew State the size of Louisiana in population, about 5 million in 12 months. This means that by graduation from high schools and colleges and training schools and other preparatory institutions it is incumbent upon our Congress to provide assurance that the economy will provide well over a million new jobs per annum for new people entering the labor market.

In addition to this, this challenge comes at a time when we see moving into the economy a force which very few of us understand, and that is a force called automation. All of you experience automation every day. I look around the Capitol here and I see we have automated elevators. I guess it is a good thing in order to give employment to these youngsters that we still keep them on these elevators, but they do not need to be on them. There is an elevator right over here that you can get on after 5 o'clock in the afternoon and there is no boy on it. All you do is press a button and go where you want to go. We keep the boys on to let them go to school and get an education, and so on. But in the office buildings in New York City, Detroit, New Orleans, San Francisco, Los Angeles, and Buffalo, there is nobody running elevators any more. That is just one example.

Years ago in my State, in the growth of sugarcane we used literally thousands and thousands of man-hours, and we used labor in the rawest sense of the word. Today it is estimated that 1 man-hour of labor in the Louisiana sugar fields is the equivalent of 4,000 man-hours of labor in southeast Asia producing the same thing.

In every form of industry we see the need for automation. Elsewhere in the world, there has been a faster pace of automation than in the United States. In the six countries now comprising the European Common Market the industrial plant percentagewise is probably 50 percent more modern than the American industrial plant.

Now what does that mean? That means that a plant built, let us say in 1958 producing a given manufactured article, is competing with a plant built in the United States in 1945 or 1950. It means that the plant built in Europe or the plant built in the Far East, let us say in Japan, is more modern and more automated, more productive, more competitive than the plant built in Detroit or Buffalo or Schenectady or New York.

What else does it mean? Well, it may mean that this plant is built to compete effectively in the American market, but it more probably means that it competes more efficiently and more effectively in the marketplace of another country such as Brazil, Argentine, or Peru, or some other country in the world.

Now what does that mean? Let us look at that for a moment. How does that affect it? You hear about the balance of payments. What is the balance of payments? What does a deficit in the balance of payments mean? How does that affect you and me? How does it affect your constituents? What does it do to business in Charleston, S.C., may I ask my good friend and colleague from

that great State [Mr. RIVERS]. Well, let us analyze it for a moment. When you have a deficit in the balance of payments, you have an outflow of gold. Why do you have an outflow of gold? Because it is more profitable then for money to go elsewhere than it is for it to remain here in this country. What happens when that comes about? You see it happening all around you right now. The interest rate in the mutual thrift institutions today is about 4¼ percent. The interest rates in the savings banks are higher than they have been at any time since the 1920's. Interest rates generally are higher than they have been since that time.

What does that mean? That means that a school bond issue in Charleston, S.C., may cost twice as much as it would cost if the interest rate had been lower. That means that rather than build a particular facility which is desperately needed, again because of the population explosion, the local taxpayers may not be able to afford it. What does that mean? It means that instead of having new jobs for new construction and instead of buying new materials and buying materials and steel and automobiles for transport and instead of building houses for the workers to live in, these things do not happen. What does that mean? That means that you have a backup all the way down the line. What does that mean? Does it mean new employment? No, it means unemployment. What does that mean? That means more deficit financing. That means more problems of inflation. It means more problems as to the stable dollar.

What else does it mean in the world picture? Does it mean that we recapture the markets that we must have to correct the balance of payments? No, it means we continue to lose those markets. Now how do we bring about a balance in this balance-of-payments proposition? Let us look at the factors affecting the balance of payments which contribute to the imbalance. What are the minus factors that affect the outflow of American dollars? They are military establishments all over the world. There are foreign aid programs. There is tourism, people traveling all over the world. There are investments all over the world.

Now let us take the plus factors one at a time. What are the plusses of the balances of payments?

First. The return from investments abroad, in other words, a comeback of the dividends.

Second. Tourism, people traveling in the United States from elsewhere.

Third. Most important of all, American exports to other places in the world.

Now what do you do about that? Can we at this stage of our history call our troops back to our shores? Can we abandon the posts and bases that we have?

Can we abandon the Air Force base? Can we leave Germany with the Berlin crisis a continuing cancer for the whole free world? Dare we abandon our bases in the Far East with the Red Chinese Communists sitting there waiting to gobble up all of southeast Asia? Dare we do it? If we did, we could save 3 or 4 billions a year in the balance of payments. We cannot do it, I do not believe. So we cannot have much saving there.

We have effected quite a lot of savings in certain buying policies. We are now insisting that our troops buy more from American producers so that we do not have a drain on dollars there. There are several other things we could do which become almost totalitarian. We could stop people from traveling abroad; we could say this to your constituents who want to go to Europe or to Asia or somewhere else: You cannot take more than $100 with you. Other countries have had to do this. We do not do it, and let us hope we will never have to do it.

What are the plusses? The plusses are, No. 1, exports. Last year we had a surplus of exports over imports of about $5 billion. The whole impact of the tax incentive program is to give our industry a competitive position wherein it can recapture some of the export markets it has lost and couple that with the trade program where they will be able to move in and compete for this vast new growing outlet in the Common Market of Europe. Those are the issues involved.

I say that it is an act of foolishness, I say it is dangerous, I say we are taking a chance today that we should not take in saying to American industry whether it be big, small, little, or in between, or however you may describe it—in saying we are not going to give you any help whatsoever in this world situation we now face. That is what the situation is. I could go on and show you graphs and diagrams, show you the massive effects of this credit.

This credit is estimated at $1.2 billion in tax revenue, but let me tell you what that means. That means that there must be many more dollars invested in order to get the credit. I know a lot of people who are now waiting to find out whether or not we pass this law as to whether they will go ahead and make these investments. Few people realize the extent of the effect that the help here provided will have. The stimulation will indeed be tremendous. Not only will we recapture the $1,200 million but there will be a net gain in the future that will greatly exceed that figure, because for a company to gain a credit of 7 percent on a given amount of money they would have to invest many millions of dollars. That is the whole principle involved in this tax incentive program.

What happens if we do nothing? Let us examine that for just one moment. The rate of growth in our country last year despite all the so-called stimulation was something around 3 percent. The rate of growth in the six Common Market countries approached 6 percent. In our country last year—these are facts; I am not trying to gild them over—I know we continued to suffer from economic unemployment, but today in the six Common Market countries there not only is full employment, there is overemployment. In Belgium, for instance, rather than there being unemployment, people are now what they call overemployed; they have more than one job. Some people have two jobs, some people have three. As a matter of fact, a few years ago, prior to the Treaty of Rome and the beginning of the Common Market, there was vast unemployment in Italy. Today, thanks to the free movement of workers from Italy to Belgium, to West Germany, and France, there is practically no unemployment in Italy. Now, England, the United Kingdom, is reversing 500 years of foreign policy in deciding to come in as a full participating member of the Common Market. When England goes in there will be 225 million trained people, there will be a market as vast as the one we experienced in the original common market, called the United States of America.

In light of these conditions, in light of modernized industry in this new era, in light of the new political impetus operating in united Europe, are we to sit back and say to our industry, to our business people, our railroads, our transport industry, to our utilities, to our service industries, that we are not going to give you one iota of help despite these new conditions that prevail in the world in which we live today? That is what the motion to recommit will do and I trust when that vote comes at 4:15 this afternoon each and every one of you will remember that. The telegrams you have received, telegrams against the program, are telegrams hoping for a substitute. If this is voted down there will be no substitute and we will be confronted with a real economic crisis in our country.

There is one other matter I would like to deal with for a few moments. The other segment has to do with withholding. I do not like withholding. When I get a check over here from the Sergeant at Arms office it is withheld on. A fellow who works in a plant is withheld on. If anybody pays a nickel in wages, a part of it is withheld. We have worked out this proposition so that anyone who has no tax liability will have nothing withheld by the execution of a simple statement, pure and simple. In the case of elderly people it will amount to a very considerable sum of money, as you know, because of the special provisions and the exemptions provided to people who are old. In the case of young people 18 years of age and under there is an outright exemption. This means that the only people who can conceivably have any real complaint are those people who do not want to pay their taxes.

Mr. Chairman, this does not impose a new tax, this does not make a liability that does not exist now under the law as it is, under the Internal Revenue Code of 1954 drafted under the direction of the late distinguished and lovable gentleman from New York, Dan Reed, and I sat there and worked with him on it. Under that code this tax is due.

This provision is based on the fact that there is almost a billion dollars of taxes—$850 million, to be exact—being evaded and avoided in this area, sometimes through negligence, sometimes through ignorance, oftentimes and unfortunately probably more frequently through fraud and dishonesty.

The CHAIRMAN. The time of the gentleman from Louisiana has expired.

Mr. MILLS. Mr. Chairman, I yield the gentleman 5 additional minutes.

Mr. O'NEILL. Mr. Chairman, will the gentleman yield?

Mr. BOGGS. I yield to the gentleman from Massachusetts.

Mr. O'NEILL. I think the remarks of the erudite, learned gentleman are to be commended. I would like to know, how do you answer the businessmen who are objecting to the fact that there is so much work going to be entailed in their operations by this change?

Mr. BOGGS. It is due to the system we are living in today. The so-called redtape involved here is less complex than the redtape involved in withholding on wages. The withholding system under the bill is efficient.

If there was any other way of getting this revenue nobody would be here advocating this. But here is the situation: We are doing this for justice to the honest taxpayer, for justice to the man who sits down and says, "Here is how much I earned. I do not like this tax. I think it is too high. Here is what I can claim in exemptions and in deductions and here is my check for what I owe the Government of the United States."

In justice to that honest man, I do not see how we can vote for this proposal which says we ought to knock that out of the bill and we are not going to knock out the other provisions.

Let us analyze the motion to recommit just a bit further. There are many things in this bill. There is one proposal which seeks to equalize the tax formula between the so-called stock insurance companies and the so-called mutual insurance companies. There is another proposal which seeks to equalize the formula between the so-called mutual thrift organizations, such as building and loan associations, and mutual banks and commercial banks. There is another provision in this bill which seeks to equalize the tax situation between the corporate entity paying 52 percent and the cooperative entity paying a different percentage. There are other provisions in the bill which seek to make some delineation on what a man can spend under the word "entertainment" or "business expense." There are other provisions dealing with incomes abroad. But, this motion to recommit deals with none of those. The people involved in all of these areas of taxation feel that in some respects, at least, they are being imposed upon.

The committee, in its wisdom, in its judgment, after months and months and months of hearings and executive consideration, decided on these formulas which, in its collective judgment, it feels are fair, equitable, and justified. But, now, all of a sudden, we are to be confronted with a motion to recommit. It says nothing about the co-op who complains; it says nothing about the mutual who complains; it says nothing about the hotel that complains; it says nothing about the big investor who complains, but it is taking a swipe to cut the throat of American business and protect those who are refusing to pay their just taxes by striking out withholding.

Mr. BYRNES of Wisconsin. Mr. Chairman, I yield myself such time as I may require.

Mr. Chairman, I was trying to get the attention of the gentleman from Louisiana to suggest to him that those who have complaints about these other sections of the bill which he referred to will have ample opportunity to express that dissatisfaction on the final passage of the bill.

Mr. VAN ZANDT. Mr. Chairman, I ask unanimous consent to extend my remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

Mr. VAN ZANDT. Mr. Chairman, in opposing H.R. 10650, a 240-page tax bill, I do so on the grounds that the bill has been amended in a halfhearted manner several times since being reported out by the House Committee on Ways and Means. It is still in my opinion an unsatisfactory bill. The amendments referred to were drafted hurriedly and rushed through the committee for the purpose of quieting criticism and in the hope of garnering sufficient votes to secure approval by the House of Representatives.

H.R. 10650 as reported by the committee left much to be desired. Even with the subsequent amendments, the bill is still bad legislation, and I intend to oppose enactment of it in its present form.

When voting on the rule which brought this bill to the floor of the House for 8 hours of debate, I voted in the negative because the rule is meaningless since no amendments are permitted except as part of the motion to recommit the bill.

The fact that the bill has been amended several times by the committee since it was reported out of committee, reveals the glaring weakness of the legislation. In addition, the closed or gag rule denies many of us the opportunity to amend the bill, and by so doing, to eliminate further complexities of our tax problem as well as a loss of revenue. The result is that the bill is being described as a budget buster, since in its present form it will actually decrease rather than increase tax revenue; thus, adding to our national debt which is now $300 billion and since January 1961 has been increasing at the rate of $1 billion monthly.

The section of H.R. 10650 which has attracted the most criticism from my congressional district is the proposal to withhold taxes on interest and dividends. Speaking frankly, in order to pay part of the tax bonanza to business, many millions of our people who have a savings account, a share of stock, or an insurance policy, or who belong to a cooperative, will be subjected to withholding on the interest or dividends they receive. According to the Commissioner of Internal Revenue, when we count only payments of $10 or more, there will be more than 350 million savings and shareholder accounts alone that will be subject to withholding.

If Mrs. Jones has a savings account of $100, instead of getting at 4 percent $4 interest credited to her account, she will get only $3.20. The bank will send 80 cents to the Treasury. The bank will not, however, tell the Treasury whose account this 80 cents was taken from. To get the other 80 cents, she will have to go through the redtape, trouble, and expense of filing an exemption certificate every year or filing for a refund. She will have to do this even though she owes no taxes.

This provision will produce massive overwithholding and will be an administrative nightmare not only for these millions but also for the banks, savings and loan associations, cooperatives, corporations, insurance companies, and the Internal Revenue Service.

In my study of this particular provision, many experts on tax laws insist that the bill in its present form is "full of bugs," principally because the proposal on the withholding of interest is not all inclusive since no provision is made for interest withholding by private lenders—those other than banks and corporations who lend money. My source of information tells me that such exceptions would encourage loan sharks and fly-by-night operators in the credit field.

Mr. Chairman, after reading most of the hearings and listening to the debate on the bill I am convinced there is still much confusion in the minds of many of us as to the actual intent of the legislation. Therefore this bill should be returned to the House Committee on Ways and Means for further hearings. We still have ample time left with several months ahead of us before adjournment and for that reason a further effort should be made to bring to the floor of the House a bill stripped of confusion and inequities, and one that will promote tax equality in the truest sense and yet produce badly needed revenue for our Government.

Mr. KNOX. Mr. Chairman, I yield myself 15 minutes.

Mr. Chairman, the bill we are now considering contains several gross inconsistencies with other administration programs and fails to take adequate and proper notice of the economic facts of life applicable to this Nation and its world position. The Revenue Act of 1962 has been billed by administration spokesmen as the first step in a program of sweeping tax reform. Reforms usually are considered to be attempts to improve that which is being reformed. While the bill before us strikes off in the wrong direction from any number of standpoints, I intend to discuss here only a few of the more unwise and unjustified measures being advocated.

Section 19 of this bill, which deals with withholding on dividends and interest at a flat 20-percent rate will, in operation, result in approximately $600 million of increased revenues if Treasury Department estimates are correct. This would be fine except for a number of things. First, this increased revenue will to a significant extent stem from unjust enrichment of the Federal Government at the expense of unsophisticated taxpayers who have no tax liability. The Internal Revenue Service will in effect slip its fingers into the pockets of millions of Americans, remove small sums to which it is not entitled and hope

that these taxpayers will not notice and ask a refund, and then attempt to justify this confiscatory action on the grounds that the millions of dollars gained in aggregate are partially balancing out other provisions of this bill. This concept of so-called tax reform is completely repugnant to any sense of equity or justice in our manner of tax collection. It is precisely this type of concealment of hidden charges that President Kennedy complained of in his message on consumers the other day. Yet we have in this bill an administration proposal that the Federal Government should set the questionable example of following a hidden-charge policy—a policy of taxation without tax liability; for who is to doubt that literally millions of small shareholders who have no tax liability will have tax withheld but no tax refund.

I can find no protection for the consumer in this attitude. I submit that before our Government starts demanding better treatment of the consumer on the part of the so-called private sector we had better start showing some concern in the public sector for better treatment of our taxpayers.

Second, this withholding proposal will tend to have a stifling effect on our economy by blunting the incentive to invest on the part of millions of small investors who will be discouraged from investing by the administrative complexities of this section. This factor alone could offset any benefits estimated to accrue from this section of the bill. In addition this blunting of capital available to strengthen the upward thrust of the economy could well result at a time when a much faster growth rate is vitally necessary.

Third, the proposal to withhold interest and dividends would work a hardship on the millions of small investors who depend upon this income as a vital supplement in providing for their daily needs. Only through filing papers and more papers saying they expected to pay absolutely no tax for the coming year could they hope to have the use of these funds on a timely basis throughout the year.

Finally, this withholding portion of the bill will result in an administrative monstrosity and add further complications to an already overly complex tax reporting system. It is, as is pointed out in the committee report, conservatively estimated that half a billion accounts will be affected by this proposal. To be sure many of these will involve only nominal amounts, but it is precisely these accounts which the Treasury impliedly expects that citizens will forget. However, if they refuse to overlook this Treasury pickpocket attitude I mentioned earlier, it is obvious that a great deal of time and expense will be expended in correcting the massive overwithholding. In addition, the taxpayer affected is going to have a difficult time in determining what if any refund he is entitled to since the bill provides for no certificates similar to W–2 forms for the citizen to use to substantiate his claims. Further, a "break" is given to the big investor which is inequitable, in that he, even though he should be taxed at a higher rate, will only have taxes withheld at the 20 percent rate.

While I certainly feel that income properly subject to taxation should be reported, the withholding proposal advocated in this bill will be, if adopted, questionable in revenue effects, inequitable in operation, and result in compounded confusion and an administrative nightmare. There are better ways of correcting any underreporting in this area without deliberately imposing a system that will inevitably result in overwithholding.

Now—the investment credit provisions as contained in section 2 of the bill will fall far short of the boost for our economy that its supporters claim for it, and at the same time will contribute substantially to another monstrous Federal deficit for fiscal 1963. The combination of adverse effects of this bill could literally cause irreparable harm.

This provision of the bill has been soundly opposed by nearly every major segment of our economy. The reasons for this opposition are plain. To begin with, this proposal will not result in any great boost for our economy, nor will it result in any substantial modernization of our Nation's manufacturing equipment. What it will do is provide a "windfall" for a relatively small portion of our economy and provide no incentive to further invest whatsoever for vast segments of it. The provision will greatly reward those companies which have done little or nothing over recent years to keep up to date in modernization, and will in effect penalize the most forward-looking firms. In addition, the provision completely ignores the service and distributing segments of the economy.

A far wiser, more equitable, and vastly more beneficial course of action, both from the standpoint of immediate effect and long term results would be to undertake a significant overhaul of the depreciation rates and schedules and provide inventory tax deferrals as outlined in the minority views of the committee report and embodied in the bill, H.R. 10608, introduced by our esteemed colleague, the gentleman from Wisconsin [Mr. BYRNES].

Of course, one standout factor in the administration's proposal on investment credit is the adverse effect it would have on the budget balance for fiscal 1963 and subsequent years. The effect far outweighs the minute plus factor the provisions could add to our Nation's economy. Before we recklessly cut our Nation's tax revenues in the face of enormous increases in Federal spending, we should take all measures necessary to determine that the proposal will have a beneficial effect on our economy of considerable proportions. This would not be the result of the present investment credit provision in the bill before us. This provision was adopted by a majority of the committee despite overwhelming testimony against the proposal and clear cut indications of the far more desirable effects of basic depreciation reform both as to schedules and rates. This testimony came from tax experts and economists from nearly every segment of our economy as outlined in the minority views. The end result of the majority decision of the committee is to force a watered-down, unwanted administration proposal down the throats of business.

I highly recommend to the House that we approve the motion to recommit the bill directing the Committee on Ways and Means to eliminate section 19 which provides for the withholding of interest and dividends, and section 2 the investment credit provision. By this action the House would be easing the tax burden of the taxpayers and producing a savings of $940 million in the fiscal year just ahead, which begins July 1, 1962. We would then have a truly revenue producing bill and not a revenue loss of just short of $400 million dollars in fiscal 1963.

Two sections of the bill dealing with the taxation of oversea income, sections 11 and 13, the so-called gross-up and U.S.-controlled foreign corporation taxation proposals are unjustified in concept and dangerous in contemplated operation. These provisions will further handicap the ability of U.S. businessmen to compete in world markets. The net result of these provisions will be to injure U.S. business at home, increase vastly the cost of doing business overseas, violate innumerable reciprocal tax treaties, and vitiate any attempt by this administration to make this Nation more competitive in world markets. It would wrap our corporations which have foreign subsidiaries in a choking cloak of redtape and burden them with additional taxes that their foreign competitors do not face. It is, as the minority report points out, "isolationism at its very worst." It would rob many of our companies of the benefits of patents and processes now used to this country's advantage. It would expose the economies of our free world allies to Communist economic exploitation to our direct detriment. It would be inequitable in that it would impose double taxation on foreign income but would provide for no similar Government share in bearing of losses in foreign ventures. It would break faith with hundreds of U.S. businesses which this Government has encouraged and induced to expand overseas in an effort to speed developments of those nations. It would greatly impede development of the emerging nations in that U.S. firms could no longer invest with confidence because they would have no assurances that they would not be discriminated against by Presidential decree that that nation was no longer on the qualified list of underdeveloped countries. Thus, this provision runs exactly contrary to every foreign policy statement of this administration and previous administrations, and throws a shadow of grave doubt on the sincerity of Kennedy administration statements about wanting to make this Nation competitive in the world of today and tomorrow.

We are hearing much talk in this session of the Congress about the need to improve America's economic strength both at home and abroad. The Committee on Ways and Means is presently

conducting hearings on the President's tariff proposals. One thing is becoming increasingly clear. Tariff revision alone will not make this Nation competitive in world markets. All it alone will do is open this Nation to a flood of imports, while we hope to obtain similar lowering of tariff walls abroad. A vital ingredient in any effort to improve our position is missing, and it is the true key to expanded trade and economic growth. This key is basic tax reform. The need is patently and plainly evident that we must clarify and simplify our tax system, not add further confusion. We must provide sound, logical tax programs that will enable our firms, be they of manufacturing, service or distributive nature, to modernize and expand to the maximum degree possible. We must remove a significant portion of the overwhelming tax burdens our businesses bear, so that we do not send them into the world trade battle with their hands tied behind their backs. If we are to accept the challenges and promises for the future offered by an expanding European Common Market, by an increasingly competitive Japan, by rapidly industrializing and modernizing nations all over the globe; if we are to realize fully the vast potential inherent in this Nation, then we must do one thing. We must, beginning right now, stop harassing, hindering and handicapping our American free enterprise system and start giving it the freedom and encouragement it needs.

Mr. KUNKEL. Mr. Chairman, will the gentleman yield?

Mr. KNOX. I yield to the gentleman.

Mr. KUNKEL. What I would like to know is how they arrived at their estimate of how much money they have lost by the failure of these people to pay taxes. How can they get any kind of an accurate slant on that?

Mr. KNOX. The question was asked by the committee at the time representatives of the Treasury Department appeared before the committee. Through their actuaries they claimed that there was approximately $600 million that was lost revenue. How they determined it, we would have to find out from the actuaries, or perhaps some other member of the committee may have access to that information. I do not.

Mr. KUNKEL. Mr. Chairman, will the gentleman yield further?

Mr. KNOX. I yield to the gentleman.

Mr. KUNKEL. If they know that that revenue has been lost, why do they not collect it?

Mr. KNOX. Of course, they have the tools to collect it. If this was actually a loss, they should have made an effort to collect it.

Mr. KUNKEL. If they can make an accurate estimate, then why can they not make the collection?

Mr. KNOX. They certainly have all the tools to go ahead. They have, in the Internal Revenue Service, all of the investigators and auditors, and so forth; and, of course, if they are not astute enough to go out into the field and do the job, then it is not the responsibility of Congress to do the job for them, a job which rightfully belongs in the administration.

Mr. WIDNALL. Mr. Chairman, will the gentleman yield?

Mr. KNOX. I yield to the gentleman.

Mr. WIDNALL. Does the gentleman have any estimates of the windfall, the bonanza that would be given to companies such as the telephone company and International Business Machines?

Mr. KNOX. I am reluctant to name any specific companies, but it is true that it runs into hundreds of millions of dollars.

Mr. WIDNALL. Mr. Chairman, will the gentleman yield further?

Mr. KNOX. I yield further.

Mr. WIDNALL. I ask this question as I happen to be a stockholder in both companies. I think it is dead wrong for either one of them to get any money out of this bill, because of the fact that they have proven in the past their ability to finance every blessed program they want. This is force feeding to companies that do not need it. It gives them a tremendous tax windfall.

Mr. KNOX. I agree with the gentleman. Of course, some companies, such as those the gentleman has mentioned, have made it publicly known that they were not interested in the so-called 7 percent credit.

Mr. WIDNALL. I thank the gentleman.

Mrs. CHURCH. Mr. Chairman, will the gentleman yield?

Mr. KNOX. I yield to the gentlewoman from Illinois.

Mrs. CHURCH. Mr. Chairman, I must at the beginning make honest confession: I am certainly no tax expert, as are the members of the Ways and Means Committee of the House. One statement however can be made with equal truth. After I sat here yesterday for 4 hours listening to the pros and cons expressed on this legislation, it was evident to me that my worst fears were justified as a taxpayer of this country, which is, of course, what I am. And there are millions like me who have long merited relief from, rather than addition to the tax burdens, which profligate congressional spending has placed on this country.

As I watched the deliberations of the House Committee on Ways and Means, which I honor and respect, over a period of many months, I became convinced, from the testimony of those in my district who thought that they might be adversely and unjustly affected, and of all in my district who feared that the eventual bill might not even meet its announced goal, that this Congress must examine the legislation closely and discriminately. The discussions here yesterday and again today, equally convince me that the committee has brought out on the floor a bill that is inequitable and discriminatory and in itself bound not to serve the purpose of a revenue bill. The purpose of a revenue bill is either to increase revenue or to so stimulate the economy as to make available more tax money as well as more income for the people. This bill will do neither. I regret that in the brief time allotted to me, I cannot in detail expose the full weaknesses and dangers inherent in its passage. I would say to the gentlemen, whose work on the committee I also greatly admire, that unless this bill is improved through the motion to recommit, I shall certainly vote against it. In fact, considering the other features of the bill which we have been denied the right to change by amendment or to make good substitution for, I am inclined at this moment to assure the gentleman that I will vote against the bill anyway.

Mr. KNOX. I concur in the views expressed by the gentlewoman.

Mr. Chairman, I reserve the balance of my time.

Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. FINO].

Mr. FINO. Mr. Chairman, at the very outset, I want to say that I am opposed to this tax-reform bill and will vote against it.

Under this bill, a tax break is proposed, not for the hard-pressed American taxpayers who sorely need tax relief, but for businesses which invest in machinery and equipment for expansion purposes. Of course, this tax credit to business will mean a tax loss to our Treasury amounting to over $1 billion. So to recoup this loss it is proposed in this bill that we increase tax collections, and this, in substance, amounts to a tax bill.

There are two proposals in this tax bill which are very objectionable. The first one is the proposal to impose a heavier tax on mutual savings banks and savings and loan associations. This would certainly have a serious and disturbing effect on the whole home-building industry in this country.

This tax, if it goes through, will cut deeply into the net profits of these associations by lowering the net earnings and thereby threatening the rate of return they pay their depositors who alone share in these earnings.

We all know that the mutual thrift institutions are the primary source of mortgage funds that finance the building and buying of homes. This proposed tax will reduce the savings and thereby constitute a threat to the availability of mortgage funds for home construction in the United States. It will force interest rates on mortgages to a higher level which will discourage the demand for housing loans. A seriously retarding effect on the national economy will be the logical consequence.

The other equally objectionable part of this legislation is the proposal to withhold Federal income tax on interest and dividends. For many years, tax administrators, legislators, and other economists have echoed the warning that the tax structure should be simplified. Yet, we have before us a proposal which leads us away from simplicity. Millions of additional operations would have to be performed both by taxpayers and the Government in order to carry out this proposal.

This administration would lead us to believe that the withholding system will be a simple procedure with little additional compliance and administrative cost. However, if we look into the actual mechanics of operation that will be required, we can readily see that it will be far from simple. Take the case of the banking financial institutions, for

example, who have millions of depositors. These institutions will be required to make millions of withholding entries on these records. Even exempting individuals under 18 and over 65 years of age, will not lessen the job to any great degree. On the contrary, it may cause additional confusion and work, because the institutions will be confronted with handling numerous exemption certificates.

Furthermore, although not compelling under the proposal, good business practice will require the institutions to spend time-consuming efforts in informing the interest recipients about the operation of the provision. Notification to the depositors as to how much has been withheld from their interest payments will be necessary. In some cases the banks and other associations will even have to help depositors fill out their income tax returns to reflect the withholding properly.

This problem will be accentuated, because individuals will be discouraged from depositing their funds in banks and savings institutions. They will be reluctant to become involved in the withholding procedures. They will be more inclined to shift their savings to tax-exempt and tax-deferred investments, or to spend most of their small surpluses which they might otherwise save. Thus, thrift would be relegated to a low priority.

The impact on life insurance companies will be one of additional cost of operations. This not only will be adverse to the industry but also to the economy in general. Even on simple accounts the insurance companies will face costly bookkeeping expenses of recording the amounts withheld from accounts. Other transactions will create more serious and costly problems. Certain contractual arrangements such as policyholder dividend accumulations, interest added to certain death benefit payments, and interest paid under death benefit settlement options will require more extensive bookkeeping operations.

We must remember also that life insurance companies depend largely on earnings from investments to meet their contractual policy commitments. The life insurance industry has estimated that withholding 20 percent of its investment income from dividends and interest will deprive it, for varying periods of time, the use of about half a billion dollars over a period of 12 months. This in turn will deprive the economy of these much needed funds.

There are an estimated 15 million stockholders, most of them wage earners, in the United States. Accounting entries must be made by the distributing corporation to show the extent of the withholding of tax on their dividends. It takes little imagination to realize the cost of this kind of a system to a large company such as the American Telephone & Telegraph Co., which has nearly 2 million shareholders, or to the United States Steel Corp., which has about a third of a million shareholders. Furthermore, even though most small corporations will have many less stockholders than the giant corporations, the additional cost to them may be relatively more burdensome, and deprive them of a relatively greater portion of needed capital.

Serious skepticism has been raised by well-informed groups about the validity of the estimated revenue loss that presently results from unreported interest and dividends. Thus it would be foolhardy to embark now upon such an undesirable program of withholding. At least the decision whether or not to impose such a system should be held in abeyance until the public is given greater assurance of the reliability of the estimates. This is important for at least two reasons. First of all, unless it is clearly demonstrated that this evasion does in fact exist to the extent alleged, the business community should not be subjected to administrative burdens which will certainly be difficult to rescind. Secondly, we have spent little time in allowing our educational program in this area to work. The educational program to which I refer is the practice of interest and dividend payers notifying the recipients of their legal tax liability on these forms of income. Moreover, we are now establishing a nationwide automatic data processing system which should ferret out tax evasion methods. This is a taxpayer number and electronic computer system to make sure that dividends and interest are reported.

I dread the thought that we might embark on a program of tax withholding on interest and dividends before we have had a satisfactory test period for the educational and automatic data processing programs. Such a withholding system would result in unnecessary business expense, additional governmental administrative costs, individual taxpayer hardships, and retarding effects on the economy. A proposed program that would have these undesirable results is one that must be unequivocally defeated.

The ill effects and the hardships this bill will cause are too great to justify its passage or even to warrant further consideration. I urge the Members of this House to vote against this bill.

Mr. KNOX. Mr. Chairman, I yield 15 minutes to the gentleman from California [Mr. UTT].

Mr. TEAGUE of California. Mr. Chairman, will the gentleman yield?

Mr. UTT. I yield to the gentleman from California.

Mr. TEAGUE of California. On pages 166 and 192 of the bill before us providing for a tax on farmer cooperatives and providing for the withholding of patronage dividends, REA cooperatives are obviously excluded and exempted. I call this rank and inexcusable discrimination.

Mr. UTT. Mr. Chairman, I would like to open my remarks by quoting a statement made by the present chairman of the Ways and Means Committee when he was debating the tax revision bill of 1954:

Mr. Chairman, I find myself today in a position that I do not relish because of the great affection I have for the chairman of the Committee on Ways and Means and all the members of the committee, many of whom are in disagreement with the position I shall take on this bill.

May I say, Mr. Chairman, that the gentleman from Arkansas expressed the sentiments which I have today.

Further quoting the gentleman from Arkansas, CONGRESSIONAL RECORD, volume 100, part 3, page 3525, he stated:

This bill is taxing for another year at the present 52-percent rate all the corporations in the United States that earn money, but as a handback with the other hand in the same taxable year, $619 million goes to corporations that can qualify for these enlarged benefits that are extended under the bill in the form of additional depreciation and in the form of loss carrybacks and so on, and even depletion is affected here in some instances for some corporations. But the great majority of the corporations in the United States, Mr. Chairman, have received no tax relief since this administration came into office last year.

The majority of the Ways and Means Committee has presented a tax bill which does exactly what the gentleman from Arkansas so abhorred in 1954.

Mr. Chairman, I wish at this time to call your attention to some of the statements made by the Democratic Members of the House Ways and Means Committee during the debate on the tax revision bill of 1954 with specific reference to investment incentives. Mr. Forand made the following statement on the floor of this House:

The Republican program, as enunciated by the President, and as set forth in this bill, provides for a return to the theory of Alexander Hamilton and later Andrew Mellon—a theory that places property rights ahead of human rights; a policy of trickle down—that is, the idea that if you take care of those at the top of the economic ladder, the benefits eventually will trickle down to those at the bottom. That theory was used in the 1920's and resulted in the never-to-be-forgotten depression of the early 1930's.

Emphasis is being placed on the need for incentives to business to increase productive capacity. That would be wise in normal times. But we know that today we have more production than we can consume. What we need right now is consumer dollars, so that goods will start moving, and thus create a demand for more production. Raising exemptions will mean more consumer dollars. Evidence of the need of this is all around us.

The following is a statement made by Congressman Eberharter on March 17, 1954:

Of course, Mr. Chairman, we have succeeded in doing this; we succeeded in alerting the people of the country to the fact that this is a tax bill slanted in one direction. When you look at the figures and search through them, instead of all this smokescreen and talk about incentive, when you get down to the cold facts and figures, you cannot help but conclude that 90 percent, at least, of the benefits of this reduction will go to those who are best able to pay taxes.

I am now going to quote some statements made back in 1948—CONGRESSIONAL RECORD, volume 94, part 1, pages 915 and 916—by the late Speaker, the Honorable Sam Rayburn:

I know this, and I repeat it, that if something disturbs our economy and we do not have this great national income to pay taxes upon, this tremendous debt of $250 billion is going to press down on your dollar and mine and is going to squeeze the value

out of that dollar and it will be worth less than it is now.

Those who would recklessly cut taxes at the risk of deficit spending may, indeed, be endangering their country to enemies, both foreign and domestic, against whom they have sworn to protect and defend.

The gentleman from Massachusetts, Representative PHILBIN, stated also during the debate in 1954:

Tax bills, like other bills, should be determined on principles; not upon sheer expediency. Call it the trickle-down theory, or whatever you will, any measure based on promoting the prosperity of the privileged group and the vested classes in order thus to permit better conditions and standards for wage earners, small businessmen, farmers, and workers, and the rank and file must be considered, I think, basically unsound, not only as it relates to the principles of social justice, but also as an effective revenue-producing mechanism. I must reject such a shortsighted, outdated policy as well as its underlying philosophy.

Mr. Chairman, I now wish to quote a statement by the present Speaker of the House, the gentleman from Massachusetts, which he made and is recorded in the CONGRESSIONAL RECORD, volume 100, part 3, page 3550:

There is a clear, sharply cut issue here; whether or not the Members of the House are going to vote for the trickling-down policy, whether or not there are enough independent Republicans who will vote against that policy. It is a question of the trickling-down policy on the one side and the policy of the Democratic Party of helping the people generally, on the other side; of starting at the base rather than starting at the upper levels. That is a clear-cut issue which cannot be denied. When we vote in a comparatively short time, that is going to be the issue. From my experiences with the trickling-down policies of the Republican Party, in past years, I should say that very little has trickled down to the people.

I know that pressure has been brought upon my Republican colleagues. I am not going to comment harshly upon that. But if there were a Democratic President and the same kind of pressure were being exerted upon the Democrats, the Republicans would be hollering to the high skies.

While there are provisions of the pending tax bill that I favor and support, if the motion to recommit is defeated, because of the inequitableness of the bill from an overall angle, I cannot in conscience vote for its passage.

I hope that the sound policy of the Democratic Party in the people's interests will be supported by a majority of the Members of the House today.

Mr. Chairman, the main reason that I have referred to the debate in 1954 with specific reference to the trickle-down theory of aid to business is because every campaign I had following 1954, I was dubbed as "Trickle-Down UTT," who only wanted to help the economic royalists. We have before us today a bill which not only helps the economic royalists by the benefits to them but clobbers the little taxpayer throughout all America, not only by adding to the tax liabilities but loading him down with paperwork to defend himself against massive overwithholding. All of the remarks which I have just quoted support the Republican position on the current tax bill.

Now, Mr. Chairman, I shall direct my remarks to section 13 of the pending bill, which deals with the tax treatment of foreign based subsidiaries. We had a liberal discussion opposing tax loopholes in so-called tax havens, and then without any hearings we proceeded to expand the tax treatment of these subsidiaries without any public hearings and without any information from the administration, as to the collateral economic impact upon these foreign based subsidiaries.

Section 13 might well be entitled "The Fast Buck Section for the Temporary Benefit of the Treasury." I say this because we are proposing to kill the goose which lays the golden eggs, and our foreign based subsidiaries will not be able to meet the competition of other foreign corporations operated in the same field. Our foreign based subidiaries were given this tax treatment to permit them to compete in the foreign field.

One of the arguments which has been repeatedly advanced in support of the imposition of a new U.S. tax against the operating income of our American subsidiaries in developed foreign countries is that these firms send more U.S. dollars abroad than they bring home to the United States.

But the fact is that this allegation is entirely contrary to the mass of evidence which was presented last summer on this subject to our committee. In case after case, witness after witness spelled out to us the infirmity of these claims as applied to specific U.S. subsidiary operations in these countries. In addition, a little-noticed study by the Department of Commerce confirmed that these findings as to particular companies are true overall as well. Finally the very latest Government figures on the balance of payments, released only last week by the Department of Commerce, show that in 1961, during the very time when Government witnesses were presenting their foreboding predictions to our committee, the balance of payments situation—as influenced by these subsidiaries—was in course of rapid improvement, even in developed markets such as Western Europe and Canada.

Before expanding in some detail upon these considerations, I should like to point out that the Treasury Department's attempt to segregate the so-called developed countries from less-developed areas of the world for balance-of-payments purposes is entirely unsound. One illustration will suffice: Many of the major U.S. oil companies are integrated on a worldwide basis. Outside of the United States, they derive their raw products, by and large, from the less-developed areas of the world. In the main, they market these products through subsidiary corporations in the developed areas of the world. More than 70 percent of the products produced abroad are marketed abroad, chiefly in Western Europe. To market these products in Western Europe they must build refineries, pipelines, distribution facilities, and gasoline pumps in Europe. Nearly 50 percent of our current investment in Europe is in this kind petroleum investment. Now, obviously, if we restrict these European investments through new taxation, we will retard not merely the ability of these firms to expand competitively within these foreign markets, but also we will literally shut down some of the wells in the less-developed countries of the world, countries we are trying to aid through such things as the Alliance for Progress.

Leaving this basic fallacy aside, however, the figures presented to our committee show that, on a developed country basis alone, our foreign subsidiaries contribute substantially to our balance-of-payments account. A summary of data presented by 19 companies covering the 4 years 1957 to 1960 show this in striking fashion. These firms, chiefly operating through subsidiaries in developed countries, in 1960 alone contributed over $600 million net to our balance of payments. Their combined dividend repatriations, repatriated royalties and fees and U.S. exports traceable to their oversea investments, amounted to nearly $700 million in that year, while the outflow of new capital from the United States and their imports from abroad were substantially less than $100 million. Why do we want to inflict new competitive burdens upon these highly desirable operations?

Let me give you another illustration of the kind of subsidiary operation overseas which would be caught up and placed in a straitjacket, sacrificed to theories not compatible with the facts. International Telephone & Telegraph is the largest American-owned international enterprise in the electronics and telecommunications field. It is 92 percent owned by 90,000 U.S. shareholders. Its operations are two-thirds abroad and one-half in Europe—so that the proposed legislation would have an unusual impact on this company.

It operates 22 plants and laboratories in the United States in the States of California, Illinois, Indiana, Massachusetts, Mississippi, New Jersey, Rhode Island, Virginia, Missouri, and North Carolina, and it is about to break ground for one in Tennessee.

It employs 22,000 people in the United States and the payroll of these U.S. companies since inception has been approximately $1 billion. These companies were started with and supported by foreign capital and earnings. These earnings were, moreover, United States taxed on repatriation before investment.

In Latin America, it operates 13 plants, laboratories, and radio and telephone operating companies in 8 countries. It has 17,000 employees in this area. The value of its assets there at replacement would approach $300 million. It has been an average of 33 years in these countries, in Argentina for 36 years. These are underdeveloped countries, and its plants were largely financed by European earnings. Again, such earnings were United States taxed on repatriation before investment.

It has other plants in Australia and sales and communication operations throughout the Far East.

In particular, in Europe, it operates 70 plants and laboratories in 14 countries. These are operating plants, not sales offices, in every country in Europe except Luxembourg. It has 93,000 employees

in Europe. Its assets at cost in Europe approximate $450 million. It has been in these countries for an average of 36 years; one company in Belgium has been in business for 79 years. These companies have largely financed themselves through partial reinvestment of earnings and local borrowings in Europe. This growth has enabled them to finance United States and Latin American development as well as their own.

ITT's foreign subsidiaries have remitted 50 percent of earnings except when blocked by currency restrictions. They have remitted net $215 million to the U.S. economy in the last 10 years—$166 million of it from Western Europe alone. In 1960, these subsidiaries remitted $48 million of which $34 million came from Western Europe.

ITT has incurred serious risks and losses in exposed positions during World War II and recently in Cuba. Its stockholders have taken the brunt of these risks in all these periods. It maintains an export surplus from the United States.

Over the past 10 years this export surplus has been over $175 million net, $100 million of which is directly traceable to its own foreign companies, and the majority of the remainder is by reason of its established position in the countries to which it exports from the United States.

What possible justification could exist for the United States reaching into these foreign operating companies and imposing a new U.S. income tax which the local competitors in these growing markets will never have to pay?

A special survey by the U.S. Commerce Department permits a more complete story to be told. Thus study covered operations of 155 U.S. manufacturing companies, located mainly in developed countries. The study, in turn, is backed by examples of actual experience of individual American companies.

Note that these 155 companies, on an overall basis, returned to the United States from their manufacturing subsidiaries $1.3 billion more than they withdrew from the United States in 1960.

The operations of these companies thus are shown to have added to the financial strength of the United States. Supplies of dollars in this country were built up, not drained away.

The Commerce Department survey covered a large sample of manufacturing companies. If all American companies abroad were counted—from trading subsidiaries to oil drilling—the favorable effect on the United States shown by the Commerce survey, industry officials said, would be much larger.

For example, these officials estimate that all U.S. companies overseas buy a total of $5 billion worth of American goods each year—as against only $1.8 billion worth shown in the sample survey.

Similarly, total payments to the United States from foreign-earned royalties, license payments, management fees and the like are estimated to be running at the rate of $400 million annually—as against only $148 million shown in the manufacturing survey.

Finally the latest balance-of-payments figures published by the Government in the March issue of "Survey of Current Business" show that, during 1961, there has been substantial improvement in the ratio of repatriation of dividends to new capital outflow, even in the case of Western Europe and Canada which are the world's most developed countries aside from the United States. The figures just released by the Department of Commerce—"Survey of Current Businesses," U.S. Department of Commerce, March 1962, page 22—for Western Europe and Canada, which are the only figures separately published for developed countries, found that the level of 1961 repatriation of the income to the United States is almost exactly in balance with the new outflow of direct investment capital. In other words, the new outflow in 1961 amounted to $973 million, while repatriated income was $968 million in that year. These figures do not, of course, include exports from the United States which are generated by the existence of these investments overseas.

I referred earlier to the special survey of 155 major firms for 10 months of 1960 in which the Department of Commerce found that such exports to Western Europe alone for 10 months of 1960 amounted to approximately $712 million and exceeded imports to the United States from such sources sevenfold.

I note that the majority of the Ways and Means Committee in its own report on this tax bill found as a fact that—and I quote:

> The location of investments in these (developed) countries is an important factor in stimulating American exports to the same areas (p. 57).

I call your particular attention to remarks of Secretary of Commerce Luther H. Hodges prepared for delivery March 16—less than 2 weeks ago—at the Eighth Annual Business International Washington Roundtable.

The Secretary says:

> While the basic aim of our tax policy is to stimulate domestic growth, we are not unmindful of the problems faced by U.S. subsidiaries abroad—including the problem of competing with foreign companies subject to different total tax obligations.
>
> U.S. investment abroad is important to our export expansion program. Direct investments in manufacturing facilities abroad stimulate our exports of capital equipment, our exports of parts and raw materials, and our exports of finished products to fill out the lines of subsidiaries producing and selling abroad.
>
> To the extent that U.S. investment abroad increases the financial strength and the competitive capacity of American companies, it reinforces our domestic economy. And, to the extent that the earnings on these investments are returned to the United States, they make a direct contribution to improving our balance of payments.

In my judgment, it would be very foolish for the United States, at the very moment when the Common Market we encourage is moving into high gear, to place obstacles in the way of our firms getting established in that profitable market. I have no doubt that if we enact this bill and place these tax obstacles in force, we will worsen our balance of payments in due course, because we will destroy the foundations of future profit from these markets. As far as revenues are concerned, we might get a little bit more tax revenue for a short time. In the longer pull, however, we will curtail the growth of our firms in these new markets and our tax revenues will unquestionably be less than they would have been if we never had erected the obstacles in the first place. For these reasons I think it would be a tragedy if the House should pass this pending tax legislation.

Mr. KNOX. Mr. Chairman, I yield such time as he may desire to the gentleman from Nebraska [Mr. BEERMANN].

Mr. BEERMANN. Mr. Chairman, the Ways and Means Committee has written into the Revenue Act of 1962 a provision for taxing the dividends of farmer cooperatives which, if enacted, will violate the fundamental rights of millions of farmers.

This substitute provision, which displaced a perfectly fair provision for taxing co-op dividends, states that if the bylaws so provide, a co-op may retain dividends and patronage refunds indefinitely but the farmers must pay the tax. This means that a co-op may declare a book dividend of $100 for the year 1962, keep the money for working capital, and make the farmer pay the income tax. It may do the same for the fiscal year 1963, and again the year after that, and keep on doing it for as many years as it likes.

Now, I am a farmer and familiar with co-ops and I know that no farmer in his right mind would think of giving the co-op managers the taxing power which the Ways and Means Committee now proposes to give them by law.

It is no answer to say that the farmer can quit the co-op if he does not like the bylaws. In practice, millions of farmers have no such choice. For them, membership in the local is a necessity, not a choice. In some great agricultural areas, and in the case of many farm products, especially fruits and vegetables, practically the entire marketing facilities are in the hands of the co-ops. The farmer who tried to operate outside the co-op framework would find himself without buyers and without marketing facilities. His only alternative would be to stay in the co-op or quit farming.

The original provision for taxing co-op dividends, which the Ways and Means Committee first wrote into the Revenue Act, was fair to the farmer, fair to the co-ops, and fair to the Government which is entitled to some tax revenue from co-ops profits. The original bill provided for a three-way option. The farmer could agree to pay the tax and let the co-op keep the money; or the farmer could tell the co-op if it wanted to retain the money, it would have to pay the tax; or the farmer could get the money and pay the tax.

I am delighted that the American Farm Bureau Federation, which is always on the alert to guard the real interests of the farmer, promptly announced its opposition to the new co-op tax section of the Revenue Act. Said the Farm Bureau:

> In our opinion, this procedure does not adequately protect the rights of the individual farmer member.

I would concur in that statement and add that Congress would be far wiser to enact no legislation at all on co-op taxation than to accept what the Ways and Means Committee has written into the bill.

Mr. FINDLEY. Mr. Chairman, will the gentleman yield?

Mr. BEERMANN. I yield to the gentleman from Illinois.

Mr. FINDLEY. Mr. Chairman, I desire to associate myself with the gentleman's statement and commend him on it.

Mr. MILLS. Mr. Chairman, I yield such time as he may desire to the gentleman from Michigan [Mr. LESINSKI].

Mr. LESINSKI. Mr. Chairman, I am disappointed in the tax bill which has been reported by the Committee on Ways and Means, for I had hoped that the Congress would enact this year a general revision of the tax laws of a much broader scope to eliminate all the various loopholes and special concessions and, most important, to give relief to the hard-pressed individual taxpayer and small businessman, such as I had proposed early in this Congress in my bill, H.R. 244.

It is advocated by some economists that when an economy needs stimulation, the Government should either increase Federal spending or cut taxes. Either course calls for deficit spending, which I am not advocating as a standard practice, but which I recognize as a necessary evil in an emergency if there is sufficient justification for it. I believe justification for it has been shown by the administration in its recommendations for various spending programs and by H.R. 10650 which, if enacted, will assist the economy of the Nation.

I would propose, therefore, that Congress enact a measure this year to reduce individual and small business income taxes and I would offer as a suggestion the bill, H.R. 10478, which I have introduced to provide for an increase over a 2-year period in the personal income tax exemptions of an individual taxpayer—from $600 to $700—and in the surtax exemption of a corporate taxpayer—from $25,000 to $29,000. This legislation should be enacted this year and reenacted every 2 years for a total of 12 years to raise the individual exemptions to a total of $1,200 and the corporate surtax exemption to $50,000, as is suggested by another bill of mine, H.R. 10477.

This is a modest proposal, but one which I believe in the long run would be of great value to the economy of the Nation. The tax cut would serve two purposes: It would return money to the citizens so they could meet their local needs, such as schools, and it would stimulate the economy. I have noted that the average annual increase to the Federal Treasury since 1945 has been $2.7 billion. The program outlined above would cost less than $2 billion annually so in the long run the growth in the economy and consequent increase in tax revenues would help make up the deficit.

Back in 1913 when the first modern Federal income tax was adopted, a married couple with two dependents enjoyed an exemption of $4,000. Today, the exemption allowed is only $2,400. In terms of purchasing power, the $4,000 exemption allowed in 1913 is the equivalent of about $12,123 today. Of course, I do not say that we should raise exemptions to that level because I realize it would mean too great a loss to the Federal Treasury.

Bringing the comparison more up to date, one would need $1.67 today to buy what a dollar bought in 1945. In other words, one needs about 60 percent more money today to buy what one could in 1945. And since 1945 the amount of revenue received by the Federal Government from individual and corporate income taxes has almost tripled.

In view of that, I believe some tax relief is called for.

By proposing a tax reduction for individuals and small business, I realize that I am taking the opposite position to the administration. But I feel that because of the high taxes now imposed on our people by the Federal Government, they are becoming less and less willing to accept the responsibility of paying for local obligations, such as schools, essential community facilities, civic improvements, health care for the aged, and so forth, which historically have been the responsibility of the local communities, and of the individual and his family. Because of the Federal tax structure, business, especially small business, finds it difficult to accumulate capital for reinvestment and expansion. Consequently, more and more demands are being made on the Federal Government for assistance in these various areas, and the more demands that are made the more new programs have to be established to furnish the assistance. As the Government expands, it needs more money to operate.

I believe that if the administration feels it can afford to spend several million or billion dollars on various programs, then it can afford to give individuals a cut in taxes and let them use that money back home to pay for their local needs instead of looking to the Federal Government to meet those needs. Unless this is done and the trend continues as it has in the past, the individual will find himself in the same plight as the workers in England who, according to a recent report, are grumbling because taxes take about 40 percent of their salaries and there is no relief in sight.

You might call this proposal to cut taxes appropriation in reverse. Instead of taking money from the people, deducting administrative costs from the amount received, and returning a lesser amount to the people, you let the people have the money to dictate how they want it spent.

If some of them decide to spend it to purchase new cars, new household items, and other hard goods, which I believe many would do, production would be increased and men would be put back to work. We are all very much aware of the unemployment problem in the country. In my own area, for example, employment in one plant dropped from a peak of 23,000 to about 3,700 to 3,900 at the present time. Workers with as high as 27 years of seniority have been unemployed from 18 to 23 months. They cannot find work anywhere and there will not be any jobs unless there is an increase in demand with a consequent increase in production.

If these people are put back to work, the Government, instead of having to pay money out for unemployment compensation, will gain added revenues from payroll taxes, while saving money. In fiscal year 1961 over $22 million was given to Michigan by the Federal Government for the Temporary Unemployment Compensation Act.

A man on unemployment compensation or one facing the prospects of unemployment is not going to spend his money on major items of production; he is going to conserve it to make sure that he and his family will continue to eat as long as possible.

That might be the solution to the consumer riddle which is puzzling President Kennedy and his advisers according to the following article which recently appeared in the March 25, 1962, issue of the Detroit News:

[From the Detroit News, Mar. 25, 1962]

UNITED STATES TRIES TO PEP UP BUYING—KENNEDY LOOKS TO CONSUMERS FOR LIFT IN BUSINESS

(By Tom Joyce)

WASHINGTON, March 25.—President Kennedy and his economic advisers are trying to solve the "consumer riddle" that is jamming up the gears in the administration's attempt to shift the Nation's economy into high speed.

The experts are frustrated by what appears to be increased reluctance of the consumer to part with his dollars.

Administration sources are convinced that the consumer "is loaded." But so far this year he has not shown any great desire to spend, especially for hard goods.

KENNEDY PLEA

In his economic message last January, Mr. Kennedy outlined what was described as a "bold approach to get the country rolling."

Mr. Kennedy said that while the momentum of the economy had been restored, he wanted the means to "sustain our prosperity and accelerate our growth."

Congress has already responded to part of the President's program by approving his manpower retraining proposal. And there is some chance for favorable action soon on the administration's tax reform bill, intended to provide business with an incentive to invest in new tools of production.

UP TO CONSUMER

In the long run, however, it is the consumer—the buyer of automobiles, televisions and black-eyed peas—who has the economic growth rate throttle in his hands.

And he isn't pushing it forward fast enough to suit economists, who want at least a 4½ percent annual growth rate.

Commerce Department figures show that in the last quarter of 1961 the level of disposable income was at $375.6 billion, compared to $354.9 for 1960.

At the same time, savings in 1961 were $27.1 billion while they were only $22.7 billion in 1960.

On top of greater savings, borrowing for installment credit is down.

While automobile sales have shown gains after the 1958 recession, the value increase has been slowed by the acceptance of lower-priced compact cars.

SEEK TO CUT IDLE

The administration first is seeking full employment—or what economists call full employment.

In realistic terms, this means bringing the unemployment rate down to 4 percent, which in today's labor force would mean roughly 2.9 million unemployed workers instead of the present 4 million.

To attain this, there must be an improvement in the Nation's economic growth from the present 3½ percent annually.

Price stability and equilibrium in the balance of payments are the other main goals.

To solve the balance-of-payments problem the administration is hoping that Congress will pass the President's proposed trade law that would slash tariffs.

NEED NEW PRODUCTS

But in the final analysis, it is the consumer, not governmental measures, that will determine whether the goals will be attained.

The administration is hoping for a buying spree this spring, especially in the appliance, automobile and housing fields.

A major problem, according to experts who study "the enigma of the consumer" is that there are not enough new products to get people excited about buying.

One of the real hopes for the future is in the fast-growing field of research and development.

Mr. Chairman, there may be some who will say that the Government in these times cannot afford the loss to the Treasury which will result from enactment of a bill such as I am proposing. While there may be some loss at first, I do not believe it will be a total loss for it will be made up in various ways, some of which I have mentioned.

Most of the savings to the individual taxpayers will end up in the form of spending on goods and services. These purchases will stimulate business and will result in increased business profits and increased income to the Treasury from Federal taxes on those profits. In stimulating business, the additional purchases will provide more jobs and help to alleviate unemployment conditions such as exist in my district and other sections of the country and will provide more revenue for the Government from the additional income taxes that will be paid. There will be less demands on the Federal Government and economies can be effected in Government operations.

Business will be encouraged to reinvest money for expansion, which will add to the growth of the economy.

I believe that if we can afford a deficit as is anticipated in H.R. 10650, with the expectation that it will be eventually recouped through stimulation of the economy, we can afford a deficit by cutting income taxes as I am proposing, with the same expectation.

I urge the House to give serious consideration to this proposal.

Mr. MILLS. Mr. Chairman, I yield 10 minutes to the gentleman from Virginia [Mr. HARRISON].

Mr. HARRISON of Virginia. Mr. Chairman, for months I have listened to the tales of woe and disaster that this bill will bring to the widows of America. The mail that is coming in, obviously inspired, from people whom I suspect are not widows, tries to tell me what this measure will do to the widow's mite. For months in committee we have heard about the effect of withholding on the poor widows. For 2 days here in this debate we have listened to what will happen to the widows, and I have reached the point of such emotional feeling in my bosom that it makes it difficult for me to speak without taking my towel in hand and shedding tears.

Mr. Chairman, the first thing we ought to look at, however, is which widows are we talking about? They are not the old widows, because any widow over 65 is not affected by this bill. So we start out with the proposition that we are dealing with young widows. Then we might also go into inquiring—which widows are we talking of, since we realize that this bill does not cover the widow who earns her living by the sweat of her brow working 8 or 10 or 12 hours a day in a laundry; or in the agricultural areas of our Nation in a processing plant or in the harvest fields. Oh, no, Uncle Sam takes his share of that widow's mite before he lets it get into her hands. Therefore, Mr. Chairman, we are dealing with young widows—and, wealthy young widows. You know it is my sad duty to confess that there was a day in my life that I would have been willing to contribute to the tax bill of wealthy young widows, if it would make them happy. But unfortunately the inexorable march of years has made me such a stranger to those sentiments that I now prefer my own pocketbook to those of rich young widows who are not paying their fair share of taxes by failing to report them.

So when we come to the tragic story of the widow and the orphan let us bear in mind that we are talking about the orphan over the age of 18 and the widow who is younger than 65, and on whose income on top of any earnings she owes taxes she is not reporting.

And we are also including the old women who wear pants and who have bald heads and wear beards, who are not paying their share of taxes. I do not see any reason why I should continue to pay taxes on their income which for one reason or another they are not reporting.

Now, I want to say just a word about the investment tax feature. My friends on the other side have gone full swing on this. American businesses today are fat cats, they say. A previous speaker referred to them as economic royalists, but in committee these gentlemen were so interested in American business that they offered as a substitute for this provision of the bill the Baker-Herlong bill. With reference to the Baker-Herlong bill, I asked the Secretary of the Treasury one question: What would have been the effect on the revenue this year if that bill had been enacted into law 6 or 7 years ago when it was first proposed by the NAM. And he answered that question by saying it would have produced a deficit in fiscal 1962 of $23 billion.

Mr. BYRNES of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. HARRISON of Virginia. I yield.

Mr. BYRNES of Wisconsin. If my memory serves me right that question came from the Democratic side of the committee. The only issue as I understand was whether we were going to table the motion or not table it and give further consideration to various aspects of the Baker-Herlong bill.

Mr. HARRISON of Virginia. The gentleman's memory is precisely correct and there was 1 Democratic vote for it and 10 Republican, those people who now say a bill of $1,200 million a year is too much to give the economic royalists are the same people who a few weeks ago wanted to give them $25 billion a year.

Mr. BYRNES of Wisconsin. Mr. Chairman, will the gentleman yield further?

Mr. HARRISON of Virginia. I yield.

Mr. BYRNES of Wisconsin. Was not the issue the question of a motion to lay on the table so we could not consider any of the revisions in the Baker-Herlong proposal? Was not that the issue before us in the committee?

Mr. HARRISON of Virginia. The issue was to take up a bill. There was 1 Democratic vote and 10 Republican votes for it. That was the issue.

Mr. BYRNES of Wisconsin. I want to be fair and I know the gentleman wants to be fair. Was not the issue the question of whether we would table the motion to consider the substitute?

Mr. HARRISON of Virginia. The question was the effort to get it up and out. Then, the gentleman from Wisconsin proposed a bill that would give great aid to these economic royalists. It was an amazing combination of CURTIS, Ikard and rapid depreciation and the kitchen sink, and what it would cost nobody knew exactly because everybody knew it was not going to be seriously considered.

Mr. BYRNES of Wisconsin. Was not the effort to get the bill up so we could have fair discussion of it?

Mr. HARRISON of Virginia. On yesterday the distinguished gentleman from Ohio said he did not want an open rule but one under which he could offer that bill to aid these people whom today the Republicans call fat cats and economic royalists. Now they are going to offer a motion to recommit the effect of which my good friend the gentleman from Wisconsin has said will be to give American business no incentive in their competition with foreign business. Yet it is a fact that in every Western nation of the world there is a special tax incentive given by the government of that country for the purpose of enabling them to compete with American industry.

Mr. BYRNES of Wisconsin. I hope the gentleman will review the surveys that have been made by the Treasury as to what the situation is in these other countries in face of the remark the gentleman has just made, because the gentleman from Missouri analyzed that statement that was made at one time by the Secretary of the Treasury that they had these incentives but if you will look at yesterday's RECORD you will find how wrong that statement is.

Mr. HARRISON of Virginia. The gentleman from Missouri also said in connection with the foreign tax provisions of this bill, "Yankee come home." The position of the gentleman from Missouri and the gentleman from Wisconsin is that the Yankee cannot stay home. They want to make him go abroad. They will give him nothing in the way of a tax incentive if he keeps his

plant and whistle blowing here in America. But it is made sacred if he takes his plant abroad.

In connection with the matter of competition, the gentleman from Wisconsin knows that in Belgium there is a special tax reduction equal to 30 percent of the amount of investment in industrial property in actual depreciation.

The gentleman from Wisconsin wants American industry not to compete with that.

American industry is told, in effect: "Go to Belgium if you want to compete with the Belgians; you will get no such consideration here."

In 1961 the Canadian Government introduced an incentive for new capital expenditure in the form of an increase of 50 percent in capital consumption allowances otherwise available. American industry is told: "Go to Canada if you want to compete with the Canadians; you will get no such consideration here."

France permits a variety of special incentive deductions, including two ordinary annual deductions in the first year of the life of the asset and a 10-percent initial allowance. American industry is told: "Go to France if you want to compete with the French; you will get no such consideration here."

Japan permits an initial allowance equal to 33⅓ percent of the cost of the asset. American industry is told: "Go to Japan if you want to compete with the Japanese; you will get no such consideration here."

The Netherlands provides an equivalent to an investment credit of approximately 10 percent. American industry is told: "Go to the Netherlands if you want to compete with the Dutch; you will get no such consideration here."

The United Kingdom permits the deduction of an initial allowance over and above the first regular depreciation in amounts ranging up to 30 percent of the cost of the asset. In addition, the British have an investment allowance ranging from 10 to 40 percent of the cost of the asset. This investment allowance is deductible in addition to ordinary depreciation and the initial allowance. American industry is told: "Go to Great Britain if you want to compete with the British; you will get no such consideration here."

Italy provides for depreciation substantially in excess of realistic depreciation as its means of stimulating investment, permitting a reduction from the normally useful depreciable life of as much as 40 percent. American industry is told: "Go to Italy if you want to compete with the Italians; you will get no such consideration here."

The cry is, "Yankee, come home," but the tax incentive to bring him home, or keep him home, is attacked here. The American businessman will read the message as, "Yankee, go abroad, if you are to survive."

For my part, I want to continue to hear the factory whistles blowing in Virginia.

When the sun rose yesterday the gentleman from Wisconsin had a program for American business, but when the sun set last night he had nothing but a motion to strike.

Mr. Chairman, Mr. Emerson said: "Inconsistency is the hobgoblin of little minds." But if this be true, I concede that the Republican membership of the Committee on Ways and Means of the House are the greatest minds in America. As far as I am concerned, the gentleman knows that in offering his motion to recommit it will strike at the very heart of this bill and the reason for its existence, the reason for its being here. None of the rest of the measure will become law in that event. That means that the gentleman is in favor of leaving undisturbed the tax treatment of some of these huge corporations that are masquerading as farm cooperatives. It means leaving undisturbed the complete tax exemption of mutual insurance corporations on their income from underwritings. The gentleman knows it will leave undisturbed the disgraceful tax advantage held by mutual thrift institutions with assets of $110 billion, which pay no tax, or practically no tax. It means the end of the bill.

Frankly, I am tired of paying other people's taxes. I think the time has come to take a step toward equalization of taxes. My criticism of this bill is that it does not go far enough in discouraging these foreign tax havens, it does not go far enough in correcting tax inequalities. I am perfectly willing to pay my income tax, but I am tired of paying it for other people who have the same income I do and who do not pay their fair share of the taxes.

Mr. KNOX. Mr. Chairman, I yield 5 minutes to the gentleman from Illinois [Mr. ARENDS].

Mr. ARENDS. Mr. Chairman, for over a year the Congress has had under consideration President Kennedy's recommended revisions in our tax laws. This is the second day we have formally debated the committee bill.

I only wish, Mr. Chairman, we would be as careful in considering the spending measures as we are in our consideration of a revenue raising measure. If we were, we would not have to be considering a tax increase bill but rather might be considering a tax relief bill. I am not complaining that we have taken so much time on this tax bill. I am complaining that we have taken so little time on the spending measures.

Mr. Chairman, I should like to call attention to the dangerous numbers game the President has been playing with the American people for the past 2 months. He is playing this same numbers game with the 1963 budget as he played with the current 1962 budget.

The object of the Kennedy numbers game is to see how large a financial burden the American people will bear. The test of political skill is for the President to announce a number, higher than the previous one, without the American people being aware that it was higher. By quietly announcing increased deficits in the budget the President is hoping the mounting unpaid bills will not be noticed and the American people will not checkmate him in his moves.

As I reconstruct it, this is the way the President played the game with the 1962 budget:

January 16, 1961: President Eisenhower submits a realistic budget for 1962 showing a $1.5 billion surplus.

February 27, 1961:

President Kennedy has told leading congressional Democrats he is banking on an upturn in the economy to hold next year's budget deficit to $1.5 billion.—Associated Press.

March 24 and 28, 1961: President Kennedy delivers two budget messages to Congress and now proposes a $2.8 billion deficit.

May 8, 1961:

Budget director David E. Bell indicated to Congress today that the Federal books were likely to be more out of balance next year than had been officially estimated. Mr. Bell declined to pinpoint the outlook as of now, but there are signs pointing to a deficit at least $1 billion greater than the figures given by Mr. Kennedy.—New York Times.

May 20, 1961:

Elmer B. Staats, Deputy Director of the Budget, said yesterday that President Kennedy's estimate of a $2.8 billion Federal 1961–62 deficit is obviously too low. He said that the Government's red ink operations in the next fiscal year probably would be twice this amount, or about $5.6 billion.—Washington Post.

October 16, 1961: Secretary of the Treasury C. Douglas Dillon announces that the deficit will pass the $6.75 billion mark.

January 18, 1962: An official forecast puts the deficit at $7 billion.

That was the way the game was played last year—from $1.5 billion surplus to $7 billion deficit in 7 steps.

Now it appears that the game is starting all over again. Just 10 weeks ago the President's budget message to Congress showed a $500 million surplus. Yesterday, the New York Herald Tribune reports:

The Federal Government will have a sizable budget deficit next year instead of the slender surplus that President Kennedy predicted in January. The best judgment of Government experts is that the fiscal 1963 deficit will total at least $2 billion and could surge past $4 billion.

This is distressing news for all Americans. It is also distressing that the Kennedy administration does not square with the American people, but instead chooses to play this highly irresponsible numbers game.

Mr. KNOX. Mr. Chairman, I yield 5 minutes to the gentleman from Indiana [Mr. ADAIR].

Mr. ADAIR. Mr. Chairman, if I could have the attention, please, of the chairman of the committee, I have a somewhat lengthy question which I would like to put to him.

Under section 17 of the bill—page 175—a member patron—and I emphasize the word "member"—may evidence his consent to have his patronage dividends, arising from his business activities, included in his gross income for Federal income tax purposes in either of two forms: First, he may file a written consent to that effect with the cooperative. Second, the member patron is deemed to have given such consent if he becomes a member of the cooperative or if he remains a member thereof after he has notice of a bylaw adopted by the cooperative providing that membership in the cooperative constitutes such consent.

An example of such a bylaw appears on page A135 of the committee report.

As the able chairman of the Ways and Means Committee well knows, many cooperatives have heretofore distributed so-called scrip—that is, capital stock, revolving fund certificates, retain certificates, and the like—to their patrons who were entitled to patronage dividends. Presumably many cooperatives will continue to issue such scrip to those of their patrons who have given their consents to have their patronage dividends included in their gross incomes. I am certain that the distinguished gentlemen from Arkansas is also well aware that the terms "sale" and "sell", as defined by section 2(2) of the Securities Act of 1933, mean dispositions of securities which are the result of voluntary acts performed by the recipient of the securities. This rule is predicated upon basic principles of the law of contracts.

My question is this: Am I correct in understanding that it is the intention here that a person, who either merely becomes a member of a cooperative or merely continues his membership therein with knowledge of an outstanding bylaw of the type previously referred to, shall not be deemed to have performed a voluntary act, within the purview of the Securities Act of 1933, in connection with the distribution of such securities of this cooperative as may be issued to him as a consequence of his having evidenced his consent solely by way of the bylaw consent form?

Mr. MILLS. Mr. Chairman, will my friend from Indiana yield?

Mr. ADAIR. I would be delighted to yield to the chairman of the Committee on Ways and Means.

Mr. MILLS. The gentleman is entirely correct in his understanding. This provision to which the gentleman refers applies only with respect to income tax consequences and does not in any way affect the application of the Securities Act of 1933.

Mr. ADAIR. I thank the gentleman very much.

Mr. Chairman, turning now to another matter, this proposed Revenue Act of 1962—H.R. 10650—contains certain provisions relieving private U.S. investments in the less-developed countries of the world from these punitive new taxes. I note that the new U.S. tax on earnings from new investments is not applicable to so-called less-developed areas of the world.

However, there is one major aspect of the new tax bill which will operate to drain private capital from the less-developed countries. I refer to the so-called gross-up tax, which applies under this bill with especially heavy impact to the less-developed countries. This is for the reason that the gross-up, as pointed out on page 51 of the committee report, has its heaviest impact when the foreign tax rate is one-half of our 52 percent rate, or in that neighborhood. Since income tax rates in the less-developed countries are generally lower than they are in the developed countries, they tend to fall in this area of maximum impact. Therefore, in its practical application, the gross-up amendment would require the U.S. parent corporation to bring home more money from the less-developed countries in order to pay the increased U.S. income tax and still have enough left over to continue regular dividend payments to its U.S. shareholders.

In effect, the gross-up levies a U.S. tax of 52 percent on the amount of tax already paid by the U.S. subsidiary corporation to the host government. In other words, the new tax is a tax upon money which can never be repatriated or brought back to the United States, because it has already been paid to the host goverment. Obviously, therefore, the parent corporation must bring back additional earnings of the subsidiary with which to discharge this new tax assessment in the United States.

This seems particularly startling in view of the fact it has only been 2 years since the House considered and passed H.R. 5. While this bill never became law, its central purpose was to stimulate investment in Latin America by providing some amelioration of the impact of U.S. taxes in those areas. It is surprising, to say the least, to find the House now proceeding on exactly the opposite course: to soak U.S. business in the less-developed countries with an added U.S. tax.

I suspect your bewilderment will be complete, as is mine, when I remind you that only last year we enacted into the very preface of the foreign aid bill, the Act of International Development of 1961, the policy of "minimizing or eliminating barriers to the flow of private investment capital" to Latin America and other recipients of our foreign aid.

Now, this year, we are asked to enact a tax bill which will have the direct and immediate effect of draining additional private capital from these needy countries. This violates the aid bill we enacted last year, and can only lead to the demand for increased foreign aid dollars to replace the money which will have to be brought back to pay these additional U.S. income taxes.

Mr. MILLS. Mr. Chairman, I yield 5 minutes to the gentleman from Massachusetts [Mr. BURKE].

Mr. BURKE of Massachusetts. Mr. Chairman, there has been a great deal of detailed discussion on the floor of many aspects of the bill now before the Committee. I am sure it is unnecessary for me to remind my colleagues that in any large tax bill, due to the nature of the subject, it is impossible for everyone to be completely satisfied. Certainly this is true of the bill which has been reported from the Committee on Ways and Means and which is now under consideration here. However, we must be fair-minded and objective and, to the best of our ability, bear in mind the overall public interest, and vote accordingly. On this basis I am constrained to vote in favor of this bill although I must make it quite plain that there are, indeed, provisions of the bill which I think should not be in it, and there are two particular points I want to make.

First, in the Committee on Ways and Means I opposed with all the force that I could command the provision for withholding on interest. In fact, I made several attempts to have the subject of interest separated from the subject of dividends but was unsuccessful. I am strongly opposed to the withholding provision on interest, and I regret that this provision is in the bill.

Second. At the same time, Mr. Chairman, I must make it clear that the principal reason I have supported this bill is the provision in it to stimulate our domestic economy so that we will be in a better competitive position at home and abroad. The investment credit provision is in my judgment necessary and it will help do the job. This is a key provision of the bill and I have strongly supported it from the very beginning. I have been willing to lend my support to the bill because of this provision, even though I oppose other provisions.

In the light of what I have just said, Mr. Chairman, I oppose the motion which will be offered to recommit this bill to strike out the investment credit provision. As they have explained it, their motion will provide for striking both the investment credit and the withholding and for this reason I will vote against the motion. I am doing so because of my strong support for the investment credit provision. It is a key part of the bill. It will help American business compete. If the motion had gone only to the interest area I would have a different position. However, the motion will undertake to strike out the investment credit provision, the very heart of the bill, and the reason why I supported the bill in the first place, and I cannot vote to recommit this bill to strike out this provision. I therefore oppose the motion to recommit.

Mr. Chairman, the entire Nation, the entire business community of this country, is looking forward to this tax investment credit. This will be a shot in the arm to business in this country. I am surprised to see that there are Members of this House who are opposing these provisions, particularly because this will help small business, businesses which have acquired new machinery. That will help the small businessman in this country. It will help the farmer and the other business people in the Nation. It certainly deserves the support of the entire membership of this House and I certainly hope that the motion to recommit will not prevail.

Mr. KNOX. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. LINDSAY].

Mr. LINDSAY. Mr. Chairman, I have asked for this time to make some comments on what has happened in this bill. I do so with all due deference to the Committee on Ways and Means, because I know how much time the members of the committee have put into this subject under the leadership of the distinguished chairman of the committee, a man for whom I have the highest regard, and the distinguished ranking minority member of the committee.

I begin by not taking it lightly that, to start out, this bill will create a deficit in fiscal 1963 of $1 billion; thereafter, $300 million per year. I do not shy away from Federal spending when I think it is in the best interests of the United States. But also I think that the Congress has an obligation and a duty

to have the courage to pay for the programs it enacts. Therefore, I think it is imperative that we not take steps that will reduce Federal revenues. That is point No. 1.

Point No. 2: The devices built into this bill are unmodern. What the majority of the committee has done is to create devices and proposals which are in effect reactionary.

I am glad that the gentleman from Missouri [Mr. CURTIS], pointed out yesterday the inaccuracy of some of the statements that have been made around here on the subject of what the booming countries of Europe have been doing. These countries, with very limited exceptions, and those very narrow and specific, use accelerated, rapid depreciation techniques. Most of them use the double declining balance method. If we, in this country, want to provide a real incentive for economic growth, to stimulate growth, the way to do it is not by this 7-percent credit gadget, which is discriminatory and limiting, but by a method which grants accelerated, rapid depreciation. Contrary to what the gentleman from Massachusetts said a moment ago, this bill does not help small business. It would leave out large segments of the economy and provide a windfall, as has been pointed out, for other segments of the economy. Why on earth we cannot use the tried technique that modern Europe has discovered the most helpful is beyond me. I honestly think that what happened to the majority here is that they were sold a bill of goods, which was the idea of, perhaps, one or two men connected with the administration who eventually got their way. I think we are going to live to regret what we do in this bill, if we choose this tax credit, windfall device instead of going the modern way.

Let me talk now for a moment about the taxation of foreign income. One problem in connection with this that has not been sufficiently emphasized is that the bill will abrogate certain treaty obligations that we have. I am referring to that little last section in the bill, section 21, which reads as follows:

> Section 7852(d) of the Internal Revenue Code of 1954 (relating to treaty obligations) shall not apply in respect of any amendment made by this act.

Now what this means is that if there is anything in this bill that is in conflict with a convention or treaty to which the United States is a party, the bill will override it. Now how reactionary can you get? The Organization of European Cooperation and Development—OECD—is one of the vehicles in Europe of which the United States is a member, thank heavens, that is creating one of the most wonderfully exciting economic climates for growth in the world. There is a provision in this convention, which the U.S. Government agreed to, which provides that income which is not paid out shall not be taxed. We here are flying right in the face of that convention to which the United States is a party.

I might point out also that under treaties to which the United States is a party, there are provisions for withholding of taxes on dividends of nonresidents, which is less than the 20 percent which is provided for in the committee bill. This bill will abrogate those treaties.

Mr. Chairman, we in this country must learn how to compete. I wish that the distinguished gentleman from Louisiana, the majority whip, who spoke a little while ago were present on the floor now, as I listened to his remarks with interest and with astonishment, and I would like him to listen to me. He spoke eloquently about the new Europe. And yet he advocated a course of economic isolationism and of sheer reaction. The bill will do exactly the opposite of what he says it will do. From the 7-percent tax credit provisions straight through to the provisions concerning the treatment of foreign income, the bill flies right in the face of and is directly contrary to the efforts we must make in the United States to learn how to compete with Europe and to draw closer to the European Economic Community. We are damaging our position abroad by this bill and retreating to an economic isolationist view that I thought we had long since given up.

Mr. Chairman, it seems to me that if this country is going to learn how to compete in Europe and elsewhere we should not be shying away from efforts that U.S. businesses wish to make to invest abroad and to explore new markets. I can assure the Members of the House, if these provisions with respect to repatriation of foreign income go through, it will not result in repatriation of profits that are made abroad by U.S. companies. The fact is that these companies want to expand abroad. They want to grow in Europe and elsewhere and to explore new markets. They will repatriate only so much of their profits as is necessary to pay the U.S. tax. And do you know what that will result in? It will result in higher foreign taxes and, consequently, higher credit against that tax and therefore lower tax revenue to the United States.

The balance-of-payments question was mentioned by the distinguished majority whip. I submit that the statement the gentleman made is like something out of the Dark Ages. You do not cure the problem of balance of payments by this kind of retrogressive reactionary taxation. You do it by increasing your exports. You do not increase your exports by discouraging U.S. investments abroad. This is directly contrary to what this Congress must do with reference to liberal reciprocal trade legislation. It is contrary to the growing effort to gradually bring U.S. private free enterprise into the area of foreign aid so that the burdens of the Government are lessened over the years.

I submit that this bill is an unmodern, reactionary retrogressive approach to the modern problems of today. I oppose the 7-percent tax credit provision. I oppose those provisions in the bill that have to do with the taxation of oversea income.

Mr. Chairman, I submit that the motion to recommit should be carried.

Mr. MEADER. Mr. Chairman, will the gentleman yield?

Mr. LINDSAY. For a brief question.

Mr. MEADER. First, I would like to associate myself with the remarks the gentleman has been making. I sought to have the gentleman from Louisiana [Mr. BOGGS], when he made his remarks, yield to me, and he refused to do so. I should like to ask the gentleman this question which I would have put to the gentleman from Louisiana. The gentleman from Louisiana talked about our endeavor to compete with the Common Market producers and Japan. Let me ask the gentleman from New York whether or not in his opinion this punitive tax on foreign income would not effectively freeze out our competition with foreign manufacturers and more than offset any benefit they might obtain from the tax credit provision?

Mr. LINDSAY. Absolutely. The gentleman is correct.

One final comment, and that is on a matter mentioned by the chairman of the Ways and Means Committee yesterday. He suggested that an official of the Eisenhower administration, the former General Counsel for the Treasury Department who happens to be my brother, made a speech in September of 1960 in which he pointed to the large amount of dividend and interest income tax owed the United States. When we go back into the House I shall ask consent to have the pertinent parts of that speech placed in the CONGRESSIONAL RECORD.

What was said in that speech and what I say here is that in 2 or 3 years this withholding provision will be totally unnecessary. It will be just as archaic as can be because due to modern data processing and new accounting systems being employed by the Internal Revenue Service, all income owed to the U.S. Government will be collected. Meanwhile, we know perfectly well that this device is designed to create massive overwithholding, a windfall to the Government of money that does not belong to it and which should be placed into the economic stream of the United States in order to promote economic growth.

I suggest that it is important and necessary in considering this motion to recommit that the Congress remember it is time for our tax structure to be modernized, that it is high time the distinguished members of the Committee on Ways and Means stop tinkering with the tax laws and undertake real tax reform, which we do not have in this bill. This bill if passed in its present form will do nothing but impose a period of economic isolation upon the United States, will not provide the kind of economic incentive that is needed for growth that we must have in this country, and does not face up to the problem that we must face up to most of all, which is how to compete. We shy away from it. It is high time that we started moving forward in this regard instead of backward.

Now, Mr. Chairman, I should like to examine in greater detail the three troublesome provisions in this bill.

In this connection I should like to say that I have had some very expert assistance from distinguished tax authorities

in my community. I should like to express my appreciation to them for their contribution toward the improvement of this important piece of legislation.

One of these authorities is my brother, David A. Lindsay, who, as the distinguished chairman of the Ways and Means Committee referred to earlier in the debate, was General Counsel of the Treasury under the Eisenhower administration. His research and contribution in connection with this bill was particularly aimed at the withholding provision. He is opposed to it, as he is to the 7-percent tax credit provision and the provision relating to oversea income. But more of this later.

I should like first, Mr. Chairman, to discuss the 7-percent tax credit provision.

All of us, I believe, recognize the need to encourage business expansion through investment in new machines and facilities, and the desirability of overhauling a tax system which at the present time retards rather than furthers this end.

Most businessmen believe that the best means of reaching this objective is to liberalize the tax law dealing with depreciation by permitting businesses to write off the cost of depreciable property over a shorter, more realistic number of years. Through its current revision of Bulletin F, the Treasury Department is furthering this end but everyone recognizes that administrative measures alone will probably be insufficient to stimulate the amount of new investment which is necessary if our economy is to expand to the extent to which it is capable.

Notwithstanding this background, the administration and now the Ways and Means Committee have come up with a new, complicated, and totally untested investment credit plan which is supposed to accomplish this end. Clearly, the burden is on the proponents of this plan to show that it is preferable to faster depreciation.

As I mentioned earlier, rapid depreciation is the modern way to stimulate economic growth. It has been found effective and workable in the booming countries of Europe, most of which use the double declining balance method of depreciation. Incidentally, the statements made by some that European countries use the method of incentive proposed by the majority are simply not true. I was glad that the gentleman from Missouri [Mr. CURTIS] yesterday straightened out the record on this.

Nothing that I have read or heard has convinced me that this credit plan will do a better job than faster depreciation in stimulating the economy. On the contrary, I believe that the tax credit proposal represents an ill-advised device which may not accomplish the desired goals and will introduce additional inequities and loopholes into a tax law already overburdened in that respect.

First, it is the almost unanimous testimony of the business community that the investment credit will not encourage as much new investment as would a liberalized depreciation program. It is those businessmen and not Mr. Surrey's economists who will be making the investment decisions which we are trying to influence. It would be risky to buy such a provision under any circumstances, but it would be senseless to adopt it when it is opposed by the very group it is meant to benefit.

Second, the application of the tax credit will be highly discriminatory, since it will apply only to investments which are made in the future. No tax credit will be available for investments made in the past, even though they have equally served to stimulate our country's economic growth. The result of this legislation will be that those who have already modernized their productive facilities without waiting for a handout from the Government will suffer for their initiative while those who would not modernize without receiving a tax lollipop will be rewarded for their indolence. There is no justification for playing favorites in this manner.

Finally, the investment credit amounts to a giveaway to business. When combined with depreciation, the credit will give a businessman a greater tax benefit than if he had deducted the entire cost of his investment property in the year of acquisition. This is just the same as though the Government actually paid part of the businessman's cost for the property. It is different from depreciation, where a businessman can never recover in deductions more than his purchase price. At a time when the expenses of the Government are increasing, it makes no sense to subsidize business in this manner.

The accelerated depreciation program which the Republican minority recommends is the modern method. It is the system used by the booming countries of Europe, and found workable. First, it would accomplish the necessary goal of furthering business expansion. Second, it would be nondiscriminatory. Finally, it would permit a taxpayer to recover only the cost of his property and not an amount in excess of his cost. The tax credit proposal should be rejected.

Now I should like to examine in greater detail than I did in my opening remarks the proposed tax treatment of foreign income.

In May of last year, President Kennedy submitted to Congress his tax message containing, among other things, proposals to change the existing tax treatment of foreign subsidiaries. In general, the administration proposed that the profits of foreign subsidiaries of U.S. corporations be taxed currently as if distributed to American shareholders. This would be in contrast to present law under which the profits of a foreign subsidiary are not subject to tax until they are repatriated as a dividend.

As I review the events leading up to the reporting of this bill, I find the numerous and diverse administration pronouncements and committee press releases on this subject confusing and disheartening. The apparent lack of confidence in what should be done in the foreign areas by the proponents of legislation certainly does not give one the confidence that the hastily contrived provisions in the present bill represent a proper step for Congress to take at this time. Indeed, there is every indication that the bill may seriously interfere with the ability of American business to compete abroad and to retain and build foreign markets.

Before commenting on the bill, I think it might be well to be sure we all understand the provisions of existing law as well as their origin and purpose. It has become popular to refer to the tax treatment of foreign subsidiaries as a form of so-called tax deferral. The administration has referred to this tax deferral as a special incentive feature of our tax laws which favors foreign investments. Our tax jurisdiction over a corporation is determined on the basis of whether it is considered a domestic or a foreign corporation. A domestic corporation is taxable with respect to its worldwide income, while a foreign corporation is taxable only on its U.S. income. The present tax laws define a domestic corporation as one created or organized in the United States or under the laws of the United States or of any State or territory. A foreign corporation is defined by the law as one which is not domestic. Thus, the test of foreignness is based upon the place of incorporation regardless of the nationality of the stockholders. This definition of jurisdiction has been in our tax laws since 1913.

To the extent that shareholders of a foreign corporation are U.S. taxpayers, the U.S. tax on their share of the corporate profits is deferred until distributed as a dividend. This so-called deferral of tax results from the recognition under our tax laws that a corporation and its shareholders are separate taxable entities. This latter principle applies equally to domestic and foreign corporations.

Thus, it is these two principles—namely, the limitation of our tax jurisdiction over foreign corporations and the recognition of separate corporate entities—which are presently under attack. Neither of these principles was intended by Congress to extend special tax advantages to foreign investment. They are instead basic and proven durable parts of the structure of our present income tax system.

In the foreign area, H.R. 10650 incorporates substantially the administration's proposals. Briefly the provisions which affect the tax treatment of foreign subsidiaries are as follows:

Certain types of income of a foreign subsidiary would be taxed to domestic shareholders with a 10 percent or greater stock interest even though the profits of the foreign corporation are not distributed. In general, this income would be taxed to the shareholders as if it had been distributed by the subsidiary as a dividend. For this purpose a subsidiary is defined as any foreign corporation in which Americans have at least a 51 percent stock interest. The 51 percent test is met where the requisite stock interest is either direct or indirect, and in the latter connection the bill contains complex rules for determining indirect stock ownership.

Foreign subsidiary income which is taxed to shareholders under the bill is divided into two categories. First, the bill lists the following specific types of income which are subject to tax:

First. Income from insurance and reinsurance of U.S. risks.

Second. Income from patents, copyrights, royalties and similar property, developed in the United States or acquired from an American shareholder. In addition to the royalties received from patent licenses and the gains from the sale of patents, this type of income would also include income from the use or exploitation of a patent or similar property. Thus, profits of a manufacturing subsidiary would be included and subjected to U.S. tax to the extent that they are attributable to the use of a patent.

Third. Personal holding company-type income such as interest, dividends, rents, royalties, and so forth, with the important addition of so-called sales income. For this purpose, income from the purchase and sale of property is treated as sales income if it has the following characteristics: First, the property is purchased from or sold to a related company; second, the property is manufactured outside the subsidiary's country of incorporation; third, the property sold is destined for markets outside the country of incorporation; and, fourth, the amount of income thus earned exceeds 20 percent of the subsidiary's income, other than personal holding company income.

For purposes of applying U.S. tax to this type of income, the definition of a foreign subsidiary is modified to require that the 51 percent or greater stock interest be held by five or fewer American shareholders. If more than 20 percent and less than 80 percent of the subsidiary's income consists of personal holding company type income, including sales income, only that portion will be taxable to the U.S. shareholders. But if this type of income represents more than 80 percent of the corporate profits, then the entire income of the corporation will be subject to U.S. tax. The application of the tax to this type of income may be avoided to the extent that it is reinvested in a less developed country operation.

A second category of income which is made subject to U.S. tax by the bill is that portion of a foreign subsidiary's profits which is not invested in certain specific forms of permissible investments. This rule applies to the foreign subsidiary's entire foreign income regardless of its character. The types of investment which are permissible and which prevent the application of U.S. tax are:

First. Property which is located outside the United States and is used in connection with the subsidiary's existing business.

Second. Property in a business—whether existing or new—in a less-developed country.

Third. A 10-percent or greater stock interest in a foreign corporation which is engaged in business in a less-developed country. This type of investment is permitted only where four or fewer shareholders have a 51-percent or greater stock interest in the less-developed country corporation.

Another provision applicable to foreign subsidiary operations relates to the tax treatment of redemptions or liquidations of stock in a controlled foreign corporation. Under the bill gain from such transactions would be treated as a dividend and taxable to American shareholders as ordinary income to the extent of their share of profits. Similar treatment would be applicable to the gain realized by an American shareholder from the sale of such stock. The effect of these rules would be limited to shareholders with a 10-percent or greater stock interest.

These are the principal provisions which would make basic changes in the tax treatment of foreign subsidiaries. They would become effective for taxable years beginning after December 31, 1962.

These provisions of the bill should be analyzed in the light of the several policy objectives which have been suggested by the administration, and which, presumably, are the basis upon which the committee has approved the bill. As I understand it, this legislation is intended to accomplish three objectives: First, It would tend to improve the U.S. international balance-of-payments position; second, it would achieve a greater degree of so-called tax neutrality in the treatment of domestic and foreign income; and third, it would remove the opportunity for abuses of the U.S. tax system which are available under existing law. There is grave doubt in my mind whether the present bill will be useful in accomplishing any one of these objectives.

BALANCE OF PAYMENTS

In considering the desirability or efficacy of the proposed tax measures in improving the balance-of-payments position in the United States, we should first determine the scope and nature of the immediate problem. For the past 3 years the United States has had an overall balance-of-payments deficit ranging between $3.5 billion and $4 billion. This deficit takes into account all forms of our international payments and would include, in addition to private investment, such items as military expenditures overseas, as well as such large nonrecurring transactions as the purchase by Ford Motor Co. of British interests. The Department of Commerce figures for the period from 1958 through 1960 show that income returning to the United States from direct private foreign investments far exceeds capital outflows of direct private foreign investment during this period. These figures also show that this excess of return over capital investment is increasing each year. In other words, foreign investment is making an increasingly large contribution to the improvement of our balance-of-payments situation.

The causes of the deficit are not easily isolated. Indeed, it may be attributable to different items in different years. For example, in 1960 a large portion of the deficit was attributed to the outflow of so-called hot money. This outflow, accountable for $1.5 and $3 billion in 1960, is partly due to adjustments in foreign interest rates on the one hand, and short-term gold speculation on the other. In either case, the problem was of a short-term nature. Changes in our income tax laws would hardly be the way to handle these problems. The reason that such short-term problems become critical is that we do not have an adequate margin in our balance of payments at the present time. The most obvious way of alleviating the deficit is to build up our existing trade surplus, that is, increase our exports. Another possibility is to prevail upon the advanced European economies to carry a greater share of oversea aid. Both these approaches should be developed by the present administration.

Changes in our tax laws which would discourage foreign investment could hardly be consistent with a long-range policy, since it is these investments which will ultimately build a strong return flow of income to the United States and strengthen our balance of payments situation for the future.

It is unlikely that the proposed changes in the tax law would, in fact, be effective in increasing the return of dollars to the United States on a short- or long-term basis. To the extent that this is an objective, it is based on the erroneous assumption that the primary basis for retaining income abroad, whether it be derived in the form of royalties, interest, dividends, and so forth, is an overall tax advantage. It is extremely doubtful whether significant amounts are retained abroad for tax reasons. Profits are retained abroad to expand the capital of existing business operations or to provide funds for new investment opportunities. Thus if income which is not subject to tax under existing law is made subject to tax by the bill, it is likely that only the amount needed to pay the U.S. tax will be repatriated. Even this may come from the profits of the domestic corporation rather than from repatriated profits. Thus, the bill may accomplish very little in improving our balance of payments situation. Indeed, one effect may be to encourage European countries to collect more tax, consequently increasing the foreign tax credit and reducing the net U.S. tax.

I think there may be another misconception underlying the provisions of the bill. I have gotten the impression that the administration in advancing its tax program in this area, has assumed that American production presently based abroad can compete for the same markets by producing in the United States and exporting. This assumption ignores the realities of present-day international competition. There are American businesses which have been forced to move production abroad in order to retain foreign markets. That someone is going to produce abroad is a reality that cannot be avoided. If American business cannot compete by U.S. production, it must go abroad if foreign markets are to be retained and built. U.S. business no longer has a monopoly in the world of finished manufactured goods. While the present bill does not propose to tax production income as did the original tax message, it does propose to tax income from activities incidental to such foreign production and to this extent, may cut down the rate of growth of American-owned foreign production, vis-a-vis, our competitors abroad. In the long run, therefore, these tax provisions will tend to cut down on the return flow of income to the United States.

TAX NEUTRALITY

The administration has also advanced in support of its proposals in the foreign area, the need to revise the tax treatment of foreign income to achieve a greater equality between tax burdens on foreign income and tax burdens on domestic income. The assumption that neutrality or equality in tax burden should be measured by the U.S. tax system is unwarranted. The form and direction of neutrality in the bill may create discrimination against our own taxpayers.

The bill provides that an American parent corporation will be taxable with respect to its foreign subsidiary's income from patents, copyrights, secret processes, and the like, which were acquired from the domestic corporation or developed in the United States. While this provision appears to deal with a situation described by the Treasury Department as a so-called tax haven abuse, it extends beyond this purpose by imposing a U.S. tax on a portion of the profits of almost every operating foreign subsidiary controlled by American shareholders. For example, when a foreign manufacturing subsidiary sells its product abroad, a portion of its profit will in many cases be attributable to the use of patents, processes, and similar property acquired from the parent corporation. To the extent that the subsidiary's profit may be so characterized, it would be subject to U.S. tax under the bill. Parenthetically, it is appropriate to indicate at this point that there is a constitutional question as to the validity of a tax on shareholders with respect to corporate profits. This royalty provision, however, goes even further. It apparently would impose a U.S. tax at the shareholder's level even where the subsidiary had no income, that is, a royalty income would be imputed to the subsidiary even where it had none. This provision is nothing more than an indirect method of getting at the profit of manufacturing subsidiaries. It approaches the original proposal in the President's tax message which would have eliminated the deferral of U.S. tax entirely in the case of subsidiaries in developed countries. It is interesting to note that the present bill goes even further than the President's tax message in imposing tax on royalty income of subsidiaries in underdeveloped countries.

In other respects, the provisions of the bill deal primarily with problems characterized by the Treasury as tax haven abuses. Let me illustrate. The provisions of the bill would tax on a current basis the profits of a Belgian, German, or Swiss subsidiary which sells products manufactured in France by a French subsidiary. Very often this takes the form of a chain of corporations with the American parent company at the top, the Swiss subsidiary in the middle, with the production corporation formed as a subsidiary of the Belgian, German, or Swiss companies. The production company sells its output through its Belgian, German, or Swiss parent company which may coordinate the entire foreign sales effort of a complex of producing companies. Under present law, the income of neither the production company nor the Belgian selling company is subject to U.S. tax, until such time as the earnings are distributed to the American parent. The income of the French subsidiary is, of course, subject to a French tax at the rate of 50 percent. The proposal would tax the income of the Belgian selling subsidiary currently unless reinvested in operations in less developed countries. This means that the American-owned foreign producer would be faced with the alternative of paying the tax on this income or placing the funds in what may be a risky venture in a less developed country, thus depriving its European facility of expansion capital. In order to compete effectively with foreign producers it is likely that the taxpayer will, in most cases, elect to pay the tax, while the foreign-owned producer will continue to defer its national tax on the profits realized by its Swiss selling company.

By imposing tax on these operations, it cannot be expected that they will be removed from Europe and conducted in the United States. If they are moved anywhere, it is most likely they will be conducted in the country where the production takes place. In this way the overall tax burden of the American-owned foreign enterprises will be increased and our own ultimate tax reduced as a result of the increased foreign tax credit. This form of tax neutrality makes little sense. Instead our objective should be to assure that American-owned business based abroad be given maximum tax equality with its foreign competitors.

It is a well known fact that most of the European countries permit local enterprises to utilize the financial and other facilities available in Switzerland to the same extent as the United States does today. It would seem to be an unwise policy to unilaterally adopt tax measures which would require basic changes in American-owned operations abroad, while our foreign competitors continue to enjoy the status quo.

The idea that a dollar earned by American business abroad should bear the same income tax burden as a dollar earned in the United States assumes that the foreign tax credit granted under our law adequately compensates for imposition of foreign taxes. However, this is only true where the taxing jurisdictions have comparable tax systems. A credit for foreign income taxes is wholly inadequate where turnover taxes and miscellaneous excise taxes account for most of the national revenue of the foreign taxing jurisdiction. Subjecting income to tax in the United States would result in double taxation rather than tax equality.

The provision which imposes tax on a foreign subsidiary's profits which are not invested in certain forms of permissible property may be characterized as the allowance of a special deduction from taxable income for certain types of preferred investments. Application of U.S. tax under this provision may be prevented by reinvesting profits in the subsidiary's existing business, but profits used to start a new business would be subject to tax. Tax could also be avoided by investing in a less developed country operation. These distinctions lack a sound basis in tax policy. If the impact of foreign competition forces the subsidiary into other fields, the same tax treatment should apply in this situation as is applicable when the subsidiary expands existing plant facilities to meet the increased output or greater productivity of its foreign competitors. In his balance-of-payments message to Congress last year, President Kennedy assured us that he did not intend to propose tax rules which would penalize legitimate investment abroad. The term "legitimate investment" is his, not mine. I cannot understand why an investment in a new business—whatever that may be—is any less legitimate than the expansion of an existing one.

In regard to the deduction allowed for profits invested in less developed countries, I can appreciate the administration's recognition of the need to continue the application of tax deferral in these cases. For obvious reasons, we should encourage the flow of private capital to these areas. However, this principle applies equally to profits earned in the United States. The basis of the bill's attack on American-owned foreign subsidiaries is that their profits should be subject to the same tax burden as are domestic corporations. Once this is achieved through elimination of tax deferral, uniform tax rules should apply. If we are encouraging foreign subsidiaries to invest in less developed countries, domestic corporations should receive the same encouragement. In withholding the tax deduction for these investments from domestic corporations, the bill is applying a double standard. To this extent it may well have a reverse effect; that is, it may encourage American business to establish production facilities abroad to obtain benefits not otherwise available. Indeed, serious consideration should be given to the possibility that the net effect of narrowing tax deferral generally will create a greater incentive for American business to take advantage of the remaining areas of deferral by moving production abroad.

TAX AVOIDANCE

The third objective advanced by the administration in support of its tax proposal in the foreign area is that there is a need for corrective legislation to deal with the so-called tax haven abuses. There are two features of our present tax law which encourage this form of tax avoidance. First, as I have already indicated, our income tax does not extend to the foreign income of a foreign corporation. It becomes important, therefore, to define for this purpose the source of the corporation's income. The tax law has long contained source rules. For example, the source of income derived from the purchase and sale of property, that is, export income, is derived from the country in which title to the property passes to the purchaser. The source rules also provide that royalties from patents and other similar rights have a source in the country in which the patent is used. The source of dividend income is in the country where the payer is incorporated and the source of interest is in the country where the debtor resides.

A domestic corporation receiving income in these forms would, of course, be subject to tax regardless of the source. However, if the domestic corporation creates a foreign corporation and places in that foreign corporation the right to receive items of foreign income, the U.S. income tax is postponed until the foreign corporation distributes its income in the form of a dividend to the U.S. corporation.

Tax avoidance in this area should be defined rather precisely because there are many misconceptions about it. First, there are cases in which taxpayers selling abroad can and do avoid U.S. tax by abusing existing source rules. Most of this type of avoidance occurs in the area of intercompany pricing. The term "tax avoidance" has also been used to describe the completely legitimate methods used by large publicly held American corporations with foreign operations to minimize U.S. taxes.

Let me illustrate. A domestic manufacturing corporation sells part of its output abroad. Instead of selling directly to customers or to independent brokers, it sells to its own foreign subsidiary at cost plus a 5 percent markup. Any further profit realized by the foreign subsidiary would not be subject to U.S. tax until distributed to the parent as a dividend. If arm's-length prices of comparable products are cost plus 20 percent, then there is clearly a distortion of the domestic corporation's income. But if the 20 percent profit margin is reflected in the intercompany price and the subsidiary on sales to third parties realizes an additional 20 percent profit, there has been no distortion or tax avoidance. Nevertheless, the bill would impose U.S. tax on the subsidiary's profits in either case.

To the extent that this is a problem, the Treasury Department has adequate tools under existing law. Artificial intercompany pricing arrangements may be attacked under section 482 of the Internal Revenue Code. In this connection it is noteworthy that the bill contains special provisions amending section 482 to assure that a proper allocation of income is reached in these cases. Why then does the bill impose U.S. tax on the sales income which is allocated to the foreign subsidiary under section 482, as amended, since by definition the intercompany prices thus determined are proper? There is such a disparity between the corrective measure and the abuse that it is difficult to tell precisely what lies behind this provision of the bill.

Tax avoidance has also been used to describe the organization of an American-owned foreign corporation in such a manner as to minimize foreign taxes.

Thus, an American corporation with a manufacturing subsidiary in Germany may be taxable by the United States on export profits even though no part of the operation has any connection with the United States other than ownership. This may be illustrated by the chain of corporations I have already described, that is, an American corporation with a Belgian, German, or Swiss, or some other subsidiary through which its foreign operations are coordinated.

It is not clear why the United States has an interest in the extent to which an American-owned foreign subsidiary competing with European-owned companies minimizes foreign taxes. Indeed, the reduction of foreign taxes reduces the foreign tax credit and will increase the ultimate U.S. tax imposed at the time of repatriation. The present system enhances the possibility of increased revenues. In any event, the answer to this problem does not lie in imposing unilateral penalties on the current profits of foreign-based American-owned business operations. This is an international problem which should be resolved on a multilateral basis.

As already indicated, the bill would also impose a tax on profits of a foreign subsidiary which are not invested in certain specific types of permissible property. This provision is in the nature of a tax on accumulated profits. A possible basis for the provision is that amounts are now being held abroad simply for the purpose of avoiding the current imposition of U.S. tax. While there may be isolated instances of this, it is unlikely that the intensity of foreign competition would permit large accumulations of idle capital abroad. Here again, there seems to be little relation between the abuse and the sanction.

Drastic changes in existing tax treatment of foreign income are premature. Even if changes were limited, as the present bill is not, to problems of avoidance of U.S. tax, information as to the extent of this form of tax avoidance is wholly inadequate. For example, prior to 1960 the Internal Revenue Code required information to be filed as to each creation of a new foreign corporation. However, because of a defect in the law, few returns were received. This defect was corrected in 1960. The inadequacy of this type of information was illustrated in one of the documents supporting the President's tax message in which it was admitted that the only information available on the number of American-owned Swiss corporations was obtained through the consulate general in Zurich.

In 1960 the code was also amended to require domestic corporations to file annual information returns covering the activities of their foreign subsidiaries. The first returns under this amendment will be filed this year. It seems to me that Congress would be acting prematurely if it approved any legislation in this field at the present time before this new information is received and analyzed.

I would like to call your attention to an effect this bill will have which has received little notice but is what I regard to be an unprecedented and unwise action on the part of Congress. Because of certain changes that the bill makes to existing law, it will result in abrogating certain treaties. To the extent that the bill's provisions are inconsistent with a treaty obligation of the United States, the law will prevail and the treaty obligation will be abrogated. The reason for the provision—and I am referring to section 21—is that a number of the provisions in the bill are in conflict with income tax conventions we have negotiated with European countries. I question the wisdom of abrogating by legislation our treaty obligations even in the technical field of international taxation, particularly, when we are approaching a time of negotiation in trade and other economic matters with the Common Market countries. It seems to me that the problem of so-called tax havens is a proper subject for multilateral discussion with Europe and may even be susceptible to solution through international agreements. With these discussions forthcoming, and the U.S. position in world competition rather precarious, I cannot think of a more inappropriate time than the present to enact hastily prepared legislation which would change longstanding rules for the taxation of American business abroad.

Lastly, Mr. Chairman, let us examine in greater detail the withholding proposal. I am opposed to it and do not think that the majority has made out a case for it.

I share the concern of the Treasury and the committee about the failure of some taxpayers to report fully and properly all of their income on which tax is owed. All of us, I am sure, would want to support any plan that would improve the reporting of income, provided of course the gain to be derived from any plan exceeds the costs of administration, and provided the plan is fair.

Withholding on wages has served us well. The proposed plan to withhold 20 percent of tax on interest and dividends, however, bears little or no relationship to our system of withholding on wages. In point of fact, it would be extremely expensive and perhaps impossible to equate interest and dividend withholding with wage withholding.

Wage withholding is coupled with safeguards—safeguards for the taxpayer and safeguards for the Government. In wage withholding, overwithholding is effectively kept to a minimum—and almost eliminated. The 18-percent rate has built into it the standard deduction. Each wage earner may use his personal exemption, including all his exemptions for dependents, in fixing the amount of withholding. An information return, form W–2, tells him the gross amount to report, and the amount of the tax withheld to credit. The W–2 form also provides an immediate check to the district director, who must compute prompt refunds where necessary. No such system is proposed or is apparently now in the cards for dividend and interest withholding.

The bill would impose withholding on interest and dividends at a flat 20 percent rate without adjustments for personal exemptions and without accompanying W–2 type receipts to assist taxpayers and the Treasury. At the last minute, the committee amended the bill to permit exemption certificates, but as hastily drafted, the provisions for exemption certificates add more confusion than equity to the withholding proposals.

Exemption certificates are in no event permitted for interest on marketable securities. Apparently exemption certificates are permitted for some individuals

but not exempt organizations—in the case of dividend income.

In the case of individuals, the paying agents are supposed to keep track of the ages of exempt persons under age 18. An individual over age 17 must file an exemption certificate annually—if, subject to severe penalty for error, "he reasonably believes that he will not"—after application of certain credits—"be liable for payment of any tax."

In the usual situation, where securities are held in the name of brokers or nominees, the use of exemption certificates is left to the discretion of the Secretary or his delegate.

Many nonresident aliens are now subject to withholding at less than the proposed 20 percent rate by treaties. We are now asked to abrogate these solemn international compacts by voting a provision to the effect that in the case of interest and dividend withholding, the tax "required to be deducted and withheld shall not by reason of the provisions of any treaty be less than 20 percent of such amounts." So much for the good faith of the United States of America under this proposal that the majority is now making.

Much emphasis is placed on the quick refund procedure—proposed quarterly refunds for overwithholding. Qualification for quarterly refunds, however, is complicated, confusing, and extremely limited. The amount of refunds may not exceed what is defined as an individual's refund allowance. The refund not exceed what is defined as an individual's expected deductions for personal exemptions, plus, second, his retirement income, less, third, any income which is not subject to withholding for dividends and interest. No claim for refund may be filed by an individual whose gross income is expected to exceed $5,000, or a married individual whose income of himself and his spouse is expected to exceed $10,000 or a head of a household or surviving spouse who expects his gross income to exceed $10,000, or by a child, unless he expects that his parents will not be allowed an exemption for him for the taxable year.

Even with these limitations, the Internal Revenue Service will be flooded with refund claims, and refunds will have to be paid on faith. It will be absolutely impossible to handle prompt refunds and check the propriety of the refund claims.

It should be observed that in the wage field, many persons would not have the money to pay the tax if the tax is not withheld. In the case of dividends and interest the reporting problem seems greater than the paying problem, and the major problem of reporting is not solved by the bill before us. What is needed is information.

Substantial funds have been appropriated for the much celebrated electronic or automatic data processing program for the Internal Revenue Service. To make this program work, the Congress, at the request of the administration, has passed a law requiring the use of numbers on tax returns and information returns. The combination of information returns with a numbered account for each taxpayer, with full use of automatic data processing, is now promised. Clearly, if automatic data processing will be as effective as promised by its proponents in the Internal Revenue Service, withholding on dividends and interest soon will be outmoded or, if needed, will at least be workable. Until automatic data processing is in full swing, or a more workable and fair method of withholding is devised, we should not adopt the stopgap, crude, unfair method of withholding of the kind presented to us in this bill.

Much of my research on the subject of withholding has been provided by the former General Counsel of the Treasury Department, Mr. David A. Lindsay. Yesterday, it will be recalled, the chairman of the Ways and Means Committee referred to a speech made by Mr. Lindsay, who is my brother, in September 1960 in which reference was made to the amount of uncollected taxes represented in dividends and interest. The implication was clear, unfortunately, that Mr. Lindsay favored withholding. Quite the contrary, he opposes it; and in his speech he points out that modern data processing will make withholding archaic and that it will result in unfair, massive overwithholding. When the committee rises and we go back into the House, I intend to ask unanimous consent to have the pertinent parts of Mr. Lindsay's speech inserted at this point in the RECORD:

REMARKS BY DAVID A. LINDSAY, GENERAL COUNSEL, U.S. TREASURY DEPARTMENT, BEFORE THE TAX INSTITUTE SYMPOSIUM, CHICAGO, ILL., SEPTEMBER 29, 1960

A subject of interest to the Treasury and management alike is the gap in reporting certain income and possible measures that might be taken to close the gap. While the problem is not limited to dividends and interest, particular attention has been given to those items in recent years. Recent studies have indicated a gap in the amount of dividends paid to individuals and the amount of the dividends reported on individual tax returns of approximately $1 billion, or failure to report about 10 percent of the total amount of dividends received.

It should be noted that a portion of unreported dividends would not have been taxable since the total includes amounts received by individuals required to file but not subject to tax and by individuals entitled to an offset as a result of the $50 dividend exclusion.

It was also estimated that about $3 billion of interest, which is about one-half of the interest received by individuals, was not reported. Here again, a portion of the unreported interest would not have been taxable.

In the last session of Congress, the Senate Finance Committee instructed the staff of the Joint Committee on Internal Revenue Taxation, in cooperation with the Treasury, to study the possibility of instituting a withholding system. While the Treasury's own studies on withholding have covered broader areas than dividends and interest, the Senate Finance Committee and the joint committee staff have focused attention on dividends and interest, and more particularly on dividends. As a result of joint studies to date, it appears that it would be extremely difficult, if not impractical, to institute an adequate withholding system for interest payments at this time.

While the mechanics of withholding are less difficult in the case of dividends, here, too, there are a number of difficult problems.

From the standpoint of the Internal Revenue Service, a withholding system on dividends and interest would appear to require dividend and interest payers to furnish a form or forms similar to the W–2 form used with wages. Such a form would show the taxpayer the net dividend or dividends he received, the tax withheld, which he should take as a tax credit, and the gross dividend to be reported in his return. The form would be attached to the return. It would be used to support and to speed refunds in the many instances of overwithholding due to withholding in the case of tax-exempt institutions and nontaxable individuals and overwithholding in the case of elderly and retired persons, many of whom would be in low-income brackets.

With exceptions, it would be simpler from the standpoint of management to handle withholding without issuing a W–2-type form to the taxpayer.

The largest gap in interest and dividend reporting comes from the cumulative effect of many failures to report small amounts. Particularly with respect to interest, we are dealing with a myriad of small holdings and small accounts. Moreover, in many instances there are interposed between the payer and the recipient a number of levels or tiers, such as transfer agents, nominees, and fiduciaries. In addition, there is a large turnover in shareholder accounts.

If across-the-board withholding is instituted without the necessity of payers furnishing statements on W–2-type forms to taxpayers, the Treasury might be faced with a problem as, or possibly more, serious than the present gap in reporting. The Internal Revenue Service would be pressured to make refunds promptly, as it does in the case of overwithheld wages, but without the benefit of a simple check against the taxpayer's copy of the withholding form, and without time to make an audit of the claimant's tax return.

Ultimately, through the development and utilization of electronic data processing machines, referred to as our automatic data processing program, it is possible that withholding on dividends, interest, and other items as well, will become unnecessary or, if considered advisable, will be more practical than it is at the present time. To achieve optimum utilization of electronic data processing machines, it will be necessary to introduce a permanent taxpayer account numbering system, primarily based on social security numbers. A taxpayer account numbering system would be helpful even without automatic data processing as it would clearly facilitate matching of returns. Names appear in a variety of ways, and addresses vary. Numbers can be compared with exactitude. Also, to achieve optimum results, it is necessary to increase our efforts toward coordinated planning among Federal and State tax collecting agencies and management.

Not only the Internal Revenue Service but also several of the large corporations which disburse their own dividends, and many of the disbursing agents, primarily banks and trust companies, have on order, or plan to order, expensive machinery, some of which could dovetail with the Federal program and some of which might not. In planning for the future use of such machines, it is essential that mutual problems and needs are understood in the hope that the planning can be coordinated intelligently.

In the meantime, every effort should be made to improve reporting of dividends and interest as well as other forms of income within the framework of existing law. It appears that much of the gap in reporting is due to negligence, but some of the failure to report is willful.

Last year the Treasury called upon many groups active in the dividend and interest field to cooperate in an information program designed to obtain more complete reporting of dividend and interest income. The program resulted in more than 75 million special notices being mailed to recipients of dividends and interest. This distri-

bution was supplemented by a coordinated information campaign using newspapers, magazines, radio, and television. National associations notified their State and local members in writing and orally, urging full cooperation. Posters were prepared and distributed. In some areas there was joint sponsorship of newspaper items on the subject. Excellent cooperation was given by tens of thousands of corporations, banks, and individuals.

Only about 5 months have elapsed since the filing date for the returns covering the year 1959, and therefore it is too early to appraise fully the extent of increased reporting of dividends and interest. Nevertheless, we do have indications of the program's success from district directors' offices, from examinations of selected tax returns before and after the program was instituted, and from the increase in receipts from individuals on nonwithheld income. Larger surveys are underway and should be completed by the end of the year. These should provide further information on the effectiveness of the program.

As indicated earlier, some of the failure to report is willful. The Department of Justice readily agreed to cooperate with the Service in a vigorous enforcement program. Special attention has been given to cases involving the failure fully to report dividends and interest. More than 300 such cases are now in various stages of investigation or prosecution. Thirty-one convictions have been obtained resulting in the imposition of fines ranging up to $20,000, and in some cases imprisonment.

It is expected that the matter of withholding will be considered by the 87th Congress and that advantages and disadvantages of withholding will be weighed against the results of the program which I have just described.

I shall not venture a prediction concerning either future congressional action in this area or the possibility that immediate solutions to problems presently inherent in withholding will be found. I do suggest, however, that legislation for the sake of legislation, legislation that ignores the major area of gap by focusing only on dividends or by setting a ceiling under which amounts distributed would not be subject to withholding, would be ineffective for purposes of closing the gap.

Mr. MILLS. Mr. Chairman, I yield such time as he may desire to the gentleman from Texas [Mr. THOMPSON].

Mr. THOMPSON of Texas. Mr. Chairman, I shall vote for the bill and against the motion to recommit.

Mr. Chairman, one of the constructive features of the bill now before us is the encouragement and financial assistance it gives farmers who wish to modernize equipment and increase efficiency of their crop and livestock production operations.

The significant provision in relationship to agriculture is the allowance of a 7-percent tax credit for investment in equipment and machinery.

The growing importance of mechanization to American agriculture is illustrated by the fact that as of today the investment in machinery and motor vehicles on farms is nearly $16 billion.

Farmers annually spend over $2.5 billion for machinery and motor vehicles.

The rapid expansion in mechanization of farm operations began back in the 1940's when wartime labor shortages and favorable prices encouraged a substitution of machinery for hand labor. More recently the cost-price squeeze has caused farmers to continue investing in machinery and equipment to achieve lower unit costs that will maintain, and even increase, incomes.

In the Corn Belt, farmers producing 10,000 to 14,000 bushels of corn can reduce harvesting and storing costs from 10 to 15 percent through use of mechanical picker-sheller and mechanical drying equipment.

Mechanical cherry pickers and associated equipment reduce harvesting costs in Michigan about $35 per ton.

On medium and large clay-soil cotton farms in the Mississippi Delta, advanced technology including mechanical harvesting would increase returns to land and management severalfold compared with current practices. Similar comparisons indicate more than a doubling of returns on deep, moderately sloping land in southwest Oklahoma.

Even in livestock production the shift from a low to a high level of technology will increase the income one man can earn by 70 to 80 percent in poultry, hog, and dairy enterprises. Improved technology in livestock production requires increased investments in buildings as well as in machinery and equipment, but it is clear that increased mechanization is a must for both the livestock and the crop farmer.

Under the bill the tax savings resulting from investment credit on a $5,000 tractor would be $350, reducing the farmer-buyer's net outlay to $4,650.

Other tax savings range from $217 on irrigation equipment to more than $2,000 on a large, caterpillar type tractor.

Tax savings resulting from the investment credit on purchases of a typical list of farm equipment items follow:

Item	Approximate cost	Reduction in cost through tax savings from 7-percent credit	Net cost after 7-percent credit
Cottonpicker, self-propelled, 2-row	$17,000	$1,190	$15,810
Tractor, 50–59 horsepower	5,000	350	4,650
Large caterpillar-type tractor	30,000	2,100	27,900
Self-propelled combine, 18-foot	8,500	595	7,905
Rice self-propelled combine, 18-foot	10,000	700	9,300
Cornpicker, sheller, and dryer	8,000	560	7,440
With tractor	13,000	910	12,090
Mechanical cherry-picker and associated equipment	11,000	770	10,230
IRRIGATION SYSTEM (SOUTHEASTERN STATE)			
General farm	3,100	217	2,883
Tobacco farm	4,600	322	4,278
Peach orchard	8,900	623	8,277

Mr. MILLS. Mr. Chairman, I yield 5 minutes to the gentlewoman from Michigan [Mrs. GRIFFITHS].

Mrs. GRIFFITHS. Mr. Chairman, surprising as it may seem to some of my friends on my side of the aisle, I would like to say a few kind words about the tax-investment credit. It has been said both privately and publicly, and by polls taken in some newspapers, that this is really a bonanza for the rich. To some extent it is a bonanza. They are already permitted a 100-percent writeoff on their equipment in their plants, and this will give them 7 percent more. But it is not a bonanza aimed only at those who own plants; it is a bonanza aimed at the long lines of unemployment throughout this Nation.

Those lines of unemployment in our hometowns have been created in this country because of the lack of customers. America was the first nation that discovered businesswise that customers were better than colonies. You could pay any price for raw material if you could ask any price for the finished product. We are the largest sellers of goods abroad, but we regard that market as a secondary market. We are not too interested, really.

Today, however, through our own efforts we have poured our own treasure into building up the nations of the world. Therefore, it is essential that we be able to compete in the marketplaces of the world on a fair basis. That is all we are asking, not to lower our own standard of living, but to be able to sell. This bill is one attempt to make it possible for American industry to compete on a fair basis.

We have more equipment that is 10 years old than any nation in the free world. We give less of a writeoff. We have less capital formation on a percentage basis than any nation in the free world. We are up against the tough realities of life. We have to be able to sell, not alone in this Nation, not alone in Europe, but we must be able to sell in the rest of the Americas, in Asia, in Africa, and the only way we are going to be able to do it is to have productive machinery combined with the smartest management and the most productive labor in the world. Then we will be a great competitor.

This part of the bill is an earmarked tax reduction as opposed to an earmarked tax. It is an ear-marked tax reduction, to make possible the building up of additional and better equipment in this country in order to make us better competitors in the markets of the world.

I urge you to oppose the motion to recommit and to vote for the bill which will put America back to work.

Mr. BAKER. Mr. Chairman, I yield 5 minutes to the gentleman from Kansas [Mr. ELLSWORTH].

Mr. ELLSWORTH. Mr. Chairman, the administration's proposal to start taxing foreign income earned by overseas branches or subsidiaries of American firms is bad—bad for American workers' job security, bad for the gold flow problem, and bad for America's position as the powerful industrial and economic leader of the free world.

The administration's public relations campaign on this issue has been dominated by four myths—and these same myths have even cropped up here in Committee debate yesterday and today. The administration and its followers continue to cling to the old mythology—probably mostly to avoid that very worst of Government embarrassments: the admission that they have been wrong all along.

The first myth we have heard is that American investment in Europe means less investment and so less jobs in the

United States. Mr. Chairman, that is nonsense. Establishing plants in Europe has been imperative to preserve or create markets that would otherwise have been lost to European competitors. There was no chance of supplying those markets with goods made in America—because of transportation or other costs, or because of the necessity for close knowledge of local conditions, or because of other marketing or business reasons.

In fact, it is not possible to find any significant value or volume of imports back to the United States from branches set up abroad.

In fact, the opposite is true: Overseas branches and subsidiaries create and preserve job opportunity and security for American workers. In each of the last 4 years, for example, 19 big American firms alone sold over $150 million worth of American-made equipment, components, supplies, and materials to their worldwide branches.

This ties in to the second myth: The outworn slogan that cutting down on European investment would substantially help the balance of payments. There is a grain of truth in this, as there is in all myths, but basically it is nonsense. Look at the facts.

With no allowance for offsets, the gross cost to our balance of payments, of the invasion of Europe in the peak year of 1960, was only $280 million. Compare that figure with the $31 billion of total payments by the United States, with the payment deficit itself of $3,900 million, or with the payment outflow on direct investment account of $1,700 million.

Moreover, the figures usually cited are phony because they include locally borrowed money—Belgian francs, for example, borrowed at subsidized rates of interest—and reinvested or plowed back earnings of firms already established overseas.

Obviously, these amounts have no impact whatever on the American balance of payments and should not be included as if they did.

A third myth that administration followers have repeated over and over again, in an effort to sell their trade bill, is the myth that American firms establish branches in Europe to get inside the tariff wall around the Common Market. That is not so. They establish branches in Europe because the markets for their products are big and growing bigger.

I challenge anyone to name a single American company whose main reason for setting up operations in Europe was the new Common Market tariff.

The fourth myth is the false idea that the exclusion of oversea income from U.S. taxation was invented in the postwar period as an incentive for private investment. That is not so. The provision has been in the law since the Revenue Act was enacted in 1913, and it should be left there now.

To sum up, Mr. Chairman, I urge the committee to decide this issue on the basis of the facts, and its appreciation of the fast-moving world we live in—not on the basis of a series of myths, palmed off on us in the course of a high-powered advertising campaign.

The administration's proposal is bad—bad for American workers' job security, bad for the gold flow problem, and bad for America's position as the industrial and economic leader of the free world.

I urge the committee to defeat this portion of the pending bill.

Mr. MILLS. Mr. Chairman, I yield 10 minutes to the gentleman from California [Mr. KING].

Mr. KING of California. Mr. Chairman, I wish to address myself to what I consider to be the central issue in this debate, the matter of dividend and interest withholding.

The Republicans have described this provision as resulting in massive overwithholding. The description in my opinion does not square with the facts.

These are the simple facts.

First. At the present time, there is positive evidence of evasion to the extent of $850 million in taxes a year. On this figure, there is no dispute.

Second. This is not corrected by publicity campaigns. A large-scale effort to tell dividend and interest recipients about their tax liability in 1959 did not reduce the tax evasion.

Third. This tax evasion will not be stopped by information returns and automatic data processing.

Fourth. The withholding provisions of the bill are simple and efficient. The overwithholding involved is completely trivial. I use the word "trivial" intentionally.

To indicate the magitude of the evasion problem, I direct your attention to the following table:

TABLE 1.—*Selected examples of substantial underreporting of dividends and/or interest in 1961 fraud-prosecution cases* [1]

Case No.	Dividends and/or interest: Determined to be reportable	Dividends and/or interest: Reported on return	Dividends and/or interest: Underreported	Tax year	Adjusted gross income per return	Occupation of taxpayer
1	$3,823	$3,462	$361	1954	$10,727	Busdriver.
	5,303	3,995	1,308	1955	11,279	Schoolteacher.
	6,130	4,118	2,012	1956	10,631	
	6,969	4,163	2,806	1957	10,499	
	7,089	4,007	3,082	1958	8,646	
2	1,284	----------	1,284	1954	1,518	Insurance agent and farmer.
	1,319	----------	1,319	1955	2,639	
	1,403	----------	1,403	1956	4,571	
	1,905	----------	1,905	1957	4,986	
3	567	80	487	1954	(521)	Attorney.
	800	110	690	1955	528	
	1,233	148	1,085	1956	121	
4	267	----------	267	1957	5,848	Farmer and dairy operator.
	2,149	----------	2,149	1958	5,485	
5	3,353	924	2,429	1955	10,451	Insurance salesman.
	4,562	1,556	3,006	1956	8,810	
	4,167	2,184	1,983	1957	7,375	
6	6,109	250	5,859	1954	1,581	Truck gardener.
	5,778	----------	5,778	1955	1,640	
	5,704	----------	5,704	1956	1,604	
	5,387	----------	5,387	1957	1,621	
7	493	----------	493	1954	(2)	Check casher.
	591	----------	591	1955	(2)	
	728	----------	728	1956	(2)	
	636	----------	636	1957	(2)	
	901	----------	901	1958	(2)	
8	1,002	----------	1,002	1954	4,025	Doctor.
	985	----------	985	1955	4,147	
	1,301	----------	1,301	1956	(50)	
	1,473	908	565	1957	3,673	
9	10,410	4,235	6,175	1953	4,403	Wholesale merchant.
	11,733	5,755	5,978	1954	558	
	13,336	11,977	1,358	1955	7,418	
10	95	----------	95	1956	(2)	Attorney and tax practitioner.
	368	----------	368	1957	(2)	
	346	----------	346	1958	(2)	
11	802	----------	802	1955	7,951	
	1,068	----------	1,068	1956	15,198	Printer.
	2,428	----------	2,428	1957	14,275	
	2,518	----------	2,518	1958	5,341	
12	1,038	----------	1,038	1954	4,140	
	1,220	----------	1,220	1955	2,576	Dance studio manager.
	1,615	----------	1,615	1956	3,582	
13	$12,248	$2,505	$9,743	1955	$13,501	Retail merchant, investor.
	14,640	2,901	11,739	1956	26,180	
	9,209	3,137	6,072	1957	(17,968)	
14	16,703	----------	16,703	1955	(2)	Retired.
	18,852	----------	18,852	1956	(2)	
	19,100	----------	19,100	1957	(2)	
15	866	113	753	1954	440	Chiropractor.
	1,189	114	1,075	1955	462	
	1,987	655	1,332	1956	2,424	
	2,618	1,105	1,513	1957	1,512	
16	3,590	480	3,110	1954	6,186	Dentist.
	4,727	520	4,207	1955	4,400	
	5,402	650	4,752	1956	7,720	
	6,305	732	5,573	1957	8,337	
	7,283	1,991	5,292	1958	11,084	
17	2,648	----------	2,648	1954	6,207	Service station appliances.
	4,484	----------	4,484	1955	6,185	
	4,514	----------	4,514	1956	6,613	
	4,584	----------	4,584	1957	6,805	
18	1,893	----------	1,893	1954	2,216	Dentist.
	1,952	----------	1,952	1955	2,101	
	2,129	----------	2,129	1956	2,133	
	2,257	----------	2,257	1957	780	
19	4,181	51	4,130	1953	(21,027)	Drycleaning and laundry.
	3,800	----------	3,800	1954	(15,041)	
	4,666	2,100	2,566	1955	(5,834)	
	8,499	1,556	6,943	1956	(735)	
	9,725	8,600	1,125	1957	14,079	
20	6,916	1,533	5,232	1954	465	Fruit dealer and moneylender.
	6,233	1,109	5,124	1955	(14)	
	7,088	897	6,191	1956	(524)	
	8,435	871	7,564	1957	(612)	
	8,906	1,439	7,467	1958	(483)	
21	24,666	13,729	10,937	1954	5,490	Loan business.
	31,771	19,827	11,944	1955	13,540	
	31,612	20,462	11,150	1956	14,089	
	29,168	22,176	6,992	1957	16,561	
22	8,125	1,723	6,402	1954	9,032	Attorney and farming rentals.
	11,417	1,252	10,165	1955	12,056	
	9,121	1,826	7,295	1956	19,431	
23	2,602	----------	2,602	1954	5,680	Naval officer.
	2,082	680	2,762	1955	8,250	

See footnotes at end of table.

TABLE 1.—*Selected examples of substantial underreporting of dividends and/or interest in 1961 fraud-prosecution cases* [1]—Continued

Case No.	Dividends and/or interest: Determined to be reportable	Dividends and/or interest: Reported on return	Dividends and/or interest: Underreported	Tax year	Adjusted gross income per return	Occupation of taxpayer
24	$3,621	$270	$3,351	1956	$4,089	Ice company operator.
	3,960	510	3,450	1957	6,677	
25	2,082	----------	2,082	1954	(2)	Attorney.
	1,741	----------	1,741	1955	(2)	
26	855	----------	855	1954	(2)	Insurance business.
	1,811	----------	1,811	1955	(2)	
	3,016	----------	3,016	1956	(2)	
	5,837	----------	5,837	1957	(2)	
27	2,427	813	1,614	1954	3,781	Salesman.
	2,939	998	1,941	1955	3,416	
	3,334	1,214	2,120	1956	3,753	
	3,848	1,633	2,215	1957	3,545	
	3,909	1,942	1,967	1958	4,834	
28	3,458	806	2,652	1954	3,412	Funeral home operator.
	5,250	757	4,493	1955	5,063	
	3,992	1,083	2,909	1956	3,935	
	4,030	1,383	2,647	1957	577	
29	990	----------	990	1955	3,997	Funeral director.
29	$2,086	----------	$2,086	1956	$6,003	Funeral director.
	3,076	----------	3,076	1957	6,191	
30	8,936	----------	8,936	1954	3,924	Engineer investor.
	14,681	----------	14,681	1955	4,914	
	23,338	----------	23,338	1956	4,380	
31	1,059	----------	1,059	1954	(2)	Attorney.
	1,689	----------	1,689	1955	(2)	
	1,975	----------	1,975	1956	(2)	
	1,779	----------	1,779	1957	(2)	
32	4,489	$397	4,092	1954	22,431	Partner, bottling company.
	7,562	2,292	5,270	1955	34,020	
33	21,474	10,421	11,053	1954	6,886	Investor.
	21,197	9,759	11,438	1955	9,455	
	24,675	13,568	11,107	1956	11,450	
34	1,278	192	1,086	1955	12,999	Doctor.
	1,439	137	1,302	1956	11,530	
	1,347	130	1,217	1957	10,981	
	1,477	127	1,350	1958	12,841	

[1] Convictions secured during 1961.
[2] No return.

Source: Treasury Department.

TABLE 2.—*Selected examples of substantial underreporting of dividends and/or interest in 1960 fraud-prosecution cases* [1]

Case No.	Dividends and/or interest: Determined to be reportable	Dividends and/or interest: Reported on return	Dividends and/or interest: Underreported	Tax year	Adjusted gross income per return	Occupation of taxpayer
1	$6,110	$250	$5,860	1954	$1,582	Farmer.
	5,779	----------	5,779	1955	1,641	
	5,705	----------	5,705	1956	1,605	
	5,388	----------	5,388	1957	1,621	
2	4,490	397	4,093	1954	22,432	Picture theater.
3	1,962	871	1,091	1954	3,109	Maintenance service.
	1,994	837	1,157	1955	4,079	
	927	----------	927	1956	4,912	
	2,194	1,686	508	1957	8,379	
4	3,143	----------	3,143	1953	1,490	Broker, sales.
	5,695	----------	5,695	1954	1,501	
	6,046	----------	6,046	1955	1,402	
5	7,371	----------	7,371	1953	4,366	Homebuilder and farmer.
	10,459	----------	10,459	1954	24,464	
6	16,321	3,449	12,872	1955	19,062	Furniture store.
7	7,009	3,030	3,979	1951	11,766	Attorney.
	5,947	3,439	2,508	1952	12,563	
	5,631	2,899	2,732	1953	(831)	
	11,725	7,709	4,016	1954	20,841	
8	20,785	5,183	15,602	1954	8,403	Rental property.
	45,682	9,466	36,216	1955	33,776	
	47,689	29,046	18,643	1956	45,069	
9	3,186	75	3,111	1954	4,249	Dentist.
	4,283	75	4,208	1955	4,400	
	4,828	75	4,753	1956	7,720	
	5,665	92	5,573	1957	8,322	
	5,292	----------	5,292	1958	10,892	
10	1,396	----------	1,396	1953	3,289	Self-employed.
	1,576	----------	1,576	1954	2,764	
	1,835	----------	1,835	1955	2,695	
	2,400	----------	2,400	1956	4,240	
11	2,377	----------	2,377	1953	(863)	Cattle dealer.
	3,610	----------	3,610	1954	4,736	
12	12,473	6,128	6,345	1955	80,661	Executive.
	15,216	6,442	8,774	1956	79,800	
	21,777	18,947	2,830	1957	96,223	
13	2,961	1,961	1,000	1953	12,438	Salesman and salesgirl.
	3,171	2,035	1,136	1954	12,637	
	3,677	2,269	1,408	1955	10,400	
14	100,457	----------	100,457	1953	(?)	Real estate.
	78,673	----------	78,673	1954	9,554	
	69,086	----------	69,086	1955	8,558	
	74,496	22,649	51,847	1956	382,043	
15	3,140	----------	3,140	1953	2,000	Extractor.
	3,109	----------	3,109	1954	2,117	
	3,269	755	2,514	1955	2,945	
	3,231	1,420	1,811	1956	1,557	
16	28,693	----------	28,693	1953	(2)	Not stated.
	26,143	----------	26,143	1954	70,347	Delinquent return.
17	1,778	325	1,453	1953	1,660	Farming.
	1,939	350	1,589	1954	2,124	
	2,341	365	1,976	1955	1,960	
18	2,347	1,119	1,229	1956	7,450	Not stated.
19	7,163	----------	7,163	1955	16,876	Farmer.
	12,827	----------	12,827	1956	16,239	
20	$14,647	----------	$14,647	1952	(2)	Not stated.
	14,989	----------	14,989	1953	(2)	
	15,412	----------	15,412	1954	(2)	
	16,704	----------	16,704	1955	(2)	
	18,852	----------	18,852	1956	(2)	
	19,101	----------	19,101	1957	(2)	
21	11,718	----------	11,718	1954	(2)	Do.
	15,266	----------	15,266	1955	(2)	
22	3,132	----------	3,132	1955	(2)	Do.
	2,640	----------	2,640	1956	(2)	
23	973	----------	973	1953	$5,800	Store manager.
	1,117	----------	1,117	1954	7,446	
	1,423	----------	1,423	1955	7,652	
	3,609	----------	3,609	1956	24,659	
24	422	----------	422	1953	(?)	Farming.
	1,669	$658	1,011	1954	3,923	
	2,520	792	1,728	1955	2,907	
	2,424	1,436	988	1956	424	
25	2,239	----------	2,239	1953	8,615	Tax assessor and movie operator.
	2,486	----------	2,486	1954	9,045	
	3,113	----------	3,113	1955	10,638	
26	7,504	4,976	2,528	1952	16,161	Miscellaneous warehousing and trading.
	5,303	5,271	32	1953	14,409	
	7,456	5,646	1,810	1954	15,969	
27	2,334	361	1,973	1954	12,212	Physician and surgeon.
	2,086	611	1,975	1955	13,668	
	3,203	2,310	893	1956	14,203	
	3,664	2,580	1,084	1957	16,336	
	3,714	2,697	1,017	1958	15,445	
28	4,550	----------	4,550	1953	1,632	Retired mail carrier.
	4,654	----------	4,654	1954	1,632	
	6,010	----------	6,010	1955	1,664	
	7,308	----------	7,308	1956	1,824	
29	12,721	4,043	8,678	1954	8,514	Dentist.
	12,082	6,469	5,613	1955	11,247	
	12,877	6,892	5,985	1956	11,950	
	14,902	8,390	6,512	1957	13,612	
30	5,504	523	4,981	1953	7,863	Not stated.
	7,128	873	6,255	1954	9,038	
	8,453	1,023	7,430	1955	8,558	
	10,262	1,523	8,739	1956	6,761	
31	7,226	121	7,105	1953	3,288	Self-employed.
	6,706	1,508	5,198	1954	7,600	
	9,811	164	9,647	1955	10,652	
	18,671	336	18,335	1956	10,762	
	15,848	476	15,372	1957	13,610	
32	117,367	89,940	27,427	1953	89,940	Investments.
	113,671	93,532	20,139	1954	409,516	
	66,592	60,325	6,267	1955	163,899	
	112,950	91,410	21,540	1956	140,116	
33	5,515	2,548	2,967	1953	6,105	Printer.
	4,903	2,023	2,880	1954	6,494	
	6,015	2,885	3,130	1955	7,846	
	6,803	3,426	3,377	1956	9,100	

[1] Convictions secured during 1960.
[2] No return.

Source: Treasury Department.

TABLE 3.—*Selected examples of substantial underreporting of interest income uncovered in 1960 information document survey* [1]

Case No.	Interest covered by information documents			Adjusted gross income per return	Payer of underreported interest
	Determined to be reportable	Reported on return	Underreported		
1	$1,254		$1,254	$1,373	Commercial bank.
2	1,055	$75	980	120,305	Savings and loan association.
3	3,235		3,235	7,034	Corporation.
4	1,211		1,211	[2]	Commercial bank.
5	2,598		2,598	[2]	Corporation.
6	1,052		1,052	3,120	Commercial bank.
7	1,010		1,010	11,736	Savings and loan association.
8	1,468		1,468	102,330	Commercial bank.
9	946		946	9,163	Life insurance company.
10	1,015		1,015	373	Commercial bank.
11	$2,263		$2,263	$7,549	Credit union.
12	1,552		1,552	5,681	Savings and loan association.
13	2,875		2,875	6,902	Corporation.
14	1,028		1,028	5,913	Commercial bank.
15	2,152		2,152	[2]	Life insurance company.
16	1,311		1,311	[2]	Commercial bank.
17	2,636		2,636	6,534	Do.
18	1,227		1,227	21,084	Do.
19	1,962		1,962	55,062	Do.
20	1,200		1,200	54,620	Corporation.
21	6,970		6,970	[2]	Do.

[1] Underreporting confirmed by audit.
[2] None returned.

Source: Treasury Department.

TABLE 4.—*Selected examples of substantial underreporting of dividend income uncovered in 1960 information document survey* [1]

Case No.	Dividends covered by information documents			Adjusted gross income per return
	Determined to be reportable	Reported on return	Underreported	
1	$1,250		$1,250	$354
2	3,962	$2,984	978	2,984
3	2,520	1,317	1,203	93,893
4	5,804	4,642	1,162	7,166
5	5,383	1,983	3,400	6,764
6	1,764	583	1,181	15,256
7	5,367	4,387	980	8,366
8	14,156	9,845	4,311	49,274
9	2,724	1,603	1,121	2,231
10	18,864	17,496	1,368	45,884
11	$16,814	$15,890	$924	$34,161
12	18,075	12,220	5,855	18,932
13	4,544	3,278	1,266	85,481
14	1,742	905	837	3,247
15	974		974	[2]
16	25,238	23,728	1,510	55,235
17	947		947	[2]
18	3,161	1,974	1,187	5,084
19	5,507		5,507	[2]
20	3,515		3,515	3,562

[1] Underreporting confirmed by audit.
[2] None returned.

Source: Treasury Department.

In 1959, under Republican auspices, there was a massive public information program. Banks flooded their depositors with notices telling them that they should report and pay tax on interest income. Corporations included the same kind of notices with their dividend checks. Both the banks and the corporations saw the handwriting on the wall; they saw withholding in the offing if this publicity campaign did not work. What happened? There was, on the basis of comparative audits by the Internal Revenue Service, more underreporting in 1959 than there was in 1958.

What about information returns? The case has been put by the minority that this tax evasion on dividends and interests can be stopped by greater use of information returns along with automatic data processing. What this would require is that every bank and corporation would have to submit an information return on all the dividends and interest they pay. Then the machines would match these information returns with the tax returns of the recipients to find out what dividends and interest were not reported.

This system would require 750 million information returns, 750 million to be matched with about 60 million tax returns.

This would increase by five times the number of information returns that are now received by the Government.

The result of all this matching, after the cost of preparing the information returns and preparing the information for the machines, is just a list of discrepancies which may be explained by other reasons than underreporting. In any case the discrepancies would have to be followed up by correspondence or office audits, with the taxpayer interrupting his own business to come to the internal revenue office, or by field audits with the agent going to the taxpayer's office. After settling the tax liability, it may still be necessary to use special collection procedures, tax liens, and the like, to get the money.

The Commissioner of Internal Revenue, the very capable Mortimer Caplin, has estimated that an information return procedure would produce only $200 million of revenue at a cost of $27 million. Withholding will produce $650 million of revenue at a cost of only $19 million.

I think it is clear that there is a massive tax evasion problem in the matter of dividends and interest. Publicity has not worked. Information returns will not work. Withholding, however, will work simply and efficiently.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. KING of California. I yield to the distinguished Speaker.

Mr. McCORMACK. These are the people under the present law who are supposed to pay their taxes and are not paying them; is that not correct?

Mr. KING of California. The distinguished Speaker is precisely correct.

Mr. McCORMACK. I do not understand how any Members can permit a situation like that to continue when everybody else is covered by withholding, everybody who works, no matter where they are working. Here $650 million is lost from people who are supposed to pay their taxes but are not doing so. I do not see how anybody can vote to eliminate the withholding feature of this bill.

Mr. KING of California. I certainly agree with the gentleman.

Under the bill, after exemption certificates, 15 million people will be subject to withholding. Out of these cases there will be overwithholding in only 2 million cases and in 1 million of these the overwithholding will be less than $10. In virtually all of the other cases, there will be quarterly refunds.

Two million cases of overwithholding out of fifteen million. Only 13 percent. Seventy-three percent of the persons subject to wage withholding have overwithholding today and on wage withholding there are only annual refunds.

To call this massive overwithholding, as the minority does, is, and I am using a charitable phrase, misrepresentation.

Under the bill, the filing of exemption certificates will be extremely easy for those who expect to have no tax liability. The filing of refund applications will be equally easy.

Before voting on the motion to recommit, I want you to give serious thought to the matter of whose interest you are serving when you vote to delete dividend and interest withholding.

A vote to recommit is not a vote to protect low-income widows and orphans. They are protected under the bill.

A vote to recommit is not a vote to prevent massive overwithholding. Compared to what we now impose, with virtually no protest, on wage earners, the overwithholding on dividends and interest under this bill is trivial.

A vote to recommit is a vote for tax evaders, conscious or unconscious. The record is clear. The alternatives to withholding would not work. Withholding will work with minimum inconvenience to the people involved.

No doubt many people have written to you on the basis of frightening propaganda that they have been given about withholding. On any objective analysis of this problem, these scare stories have no substance. These stories have been manufactured by people who know what the facts are and they have been deliberately circulated among other people who do not know what the facts are. The membership of this House should not be taken in by such tactics.

Mr. BAILEY. Mr. Chairman, will the gentleman yield?

Mr. KING of California. I yield to the gentleman from West Virginia.

Mr. BAILEY. Mr. Chairman, I am concerned about a fixed group under this withholding provision of this proposed legislation. I am chairman of a subcommittee that is now conducting nationwide hearings in the field of aid to the aged. I should like the gentleman to explain, so the record will show clearly, what the situation is as it affects our older citizens who have some dividend and interest income. If it is true that nobody after retirement age will be covered by this bill, that answers a part of the problem. Could the gentleman from California say whether people who have reached the retirement age are exempt from the provisions of this bill?

Mr. KING of California. They are not exempt, but there are procedures designed to afford them relief.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. KING of California. I am pleased to yield to the distinguished chairman of the committee.

Mr. MILLS. Is it not true that this matter of whether taxes on interest and dividends are to be withheld from a person above the age of 17 is dependent upon that individual's tax liability? If the individual at any age over 17 feels that he will not owe a tax on the amount of interest or dividend that he receives when he receives it, then he can advise the institution of that fact and there will be no withholding with respect to him, either of interest or dividends; is not that true?

Mr. KING of California. The chairman of the committee is correct.

Mr. MILLS. It should be borne in mind by the gentleman from West Virginia, our friend, Mr. BAILEY, that the people to whom he refers over 65 have what we call a double exemption. Instead of a $600 exemption from income, they are entitled to a $1,200 exemption. A man and his wife, living together, filing a joint return would, therefore, get $2,400 of income before they would be required to pay any tax, not taking into consideration any other deductions. So that most of these people to whom the gentleman refers would be entitled to file an exemption certificate and withholding would not occur against them.

Mr. BOGGS. Mr. Chairman, will the gentleman yield?

Mr. KING of California. I yield to the gentleman from Louisiana.

Mr. BOGGS. The additional fact is that it seems that most of these people are in a special category which is not subject to the tax.

Mr. MILLS. And, in addition, there is a $50 exclusion with respect to dividend income, as the gentleman from California knows, so that all these things added together mean that most of the people over 65 will be entitled to file a certificate exempting them from withholding.

Mr. BAILEY. Mr. Chairman, will the gentleman yield further?

Mr. KING of California. I yield to the gentleman from West Virginia.

Mr. BAILEY. I would like the distinguished gentleman to clarify this situation. In the event an individual files a statement saying that they are not subject to the payment of taxes and files that with the concern from which they are getting their dividends or interest, and suppose that concern does not honor that affidavit or sworn statement and puts that person on the list for withholding, and I am thinking of a man and woman who are trying to live now on $100 a month, and I certainly would not want to see them lose $20 of that because the concern which was paying them the dividends or interest left them on the list to be withheld against and made the deduction.

Mr. MILLS. On the day that the individual is notified of the fact that there has been tax withheld unjustifiably, he can apply for a refund from the Internal Revenue Service, and we are assured by the Internal Revenue Service and the Treasury that these refunds will be forwarded to the people in not longer than 3 to 4 weeks. Actually, there is not a lengthy period involved at present from the time of receipt of a claim for a refund and the time of the actual mailing of that refund. So that at the most, in the instance to which the gentleman from West Virginia refers, there need be a delay of no more than 3 weeks before this person would receive the refund.

Mr. BAILEY. I thank the gentleman.

Mr. MILLS. Mr. Chairman, will the gentleman yield?

Mr. KING of California. I yield to the gentleman from Arkansas.

Mr. MILLS. Would the gentleman from California restate the information he gave the House a few minutes ago on this question of overwithholding in the area of interest and dividends? The charge has been made, as the gentleman knows, that there would be massive overwithholding, and that seems to justify some people in believing that no effort should be made to try to close this gap of escaping tax dollars that are presently due and owing on interest and dividends. Would the gentleman point out to the House what he said a few minutes ago with respect to the number? Did he say there would not be over 13 percent of people who draw interest and dividends who would be overwithheld on; is that the gentleman's statement?

Mr. KING of California. That is correct. The percentage is 13 percent.

Mr. MILLS. Did not the gentleman say that there are some 37 million people presently having salaries that are overwithheld on?

Mr. KING of California. The gentleman is correct.

Mr. MILLS. What percentage of people is that?

Mr. KING of California. The percentage of people there is 73 percent.

Mr. MILLS. And there are only 13 percent here; is that correct.

Mr. KING of California. The gentleman is correct.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. KING of California. I yield to the gentleman from Iowa.

Mr. GROSS. The gentleman from Virginia [Mr. HARRISON] seemed to give the impression that all of these people were wealthy young widows. Does the gentleman concur in that and could he break that down to tell us what percentage of these are wealthy young widows?

Mr. KING of California. I am not able to answer that question.

Mr. Chairman, I suppose I have received more mail opposing the withholding provision than any other Member of this House, not only because of membership on the committee but also because I am a Representative from one of the largest districts in the country. It seems clear that the vast majority of these letters were stimulated. In most instances, I cannot remember the number, perhaps an aggregate of five or six hundred letters have been stimulated by corporations, or by institutions whose leaders through the last month or two have agreed with the Treasury officials that they can live with this provision; that they can live with withholding; that it is not going to immeasurably increase their employee team; and that it is not going to bring about a reduction in the interest paid or dividends.

I must add that I do not want to seem unsympathetic about this hardship. I only wish that some of this concern about aged couples might be expressed by the same Members who are now weeping about overwithholding when it comes to legislation that deals with aged people who are in need. While I have some concern for the overwithholding that will be imposed on the couple with several thousand dollars of dividend income, I must admit that I have greater concern for the aged couple that has several thousand dollars of medical expenses and no dividend income. I have greater concern for the aged couple who are striving to make ends meet on inadequate relief payments.

Unfortunately, many of the people who have opposed dividend and interest withholding have used up all of their sympathy in bemoaning the plight of our senior citizens with common stock and have none left over for senior citizens with common sickness.

Of course, the matter of some overwithholding on aged couples has as much relation to the present problem as the famous red herring. It has been

enormously exaggerated, frequently by the same people who show very little concern for legislation dealing with the welfare of elderly persons who are in need.

Mr. Chairman, I would like now to answer some specific points that are raised about withholding in the minority report.

First. ADP should be substituted for withholding.

The minority report stresses that the Internal Revenue Service is adopting an automatic data-processing system and that this, coupled with account numbers and information returns, should be used to collect the unreported tax on dividends and interest.

The report fails to state that an ADP information return system would probably be more burdensome on the payers of dividends and interest, would be unworkable in some areas, and would, for a higher cost, recoup only one-third as much of the unreported tax as withholding.

Use of ADP information returns would necessitate requiring information returns with respect to almost all dividend and interest payments. At present, only interest payments over $600 must be reported and no reporting is required in the case of bond interest. Because of the millions of interest payments, the information return requirement would be very burdensome on the payers. When the purchaser of a bond receives interest only part of which is includible in his income, he nevertheless will be subject to audit since the information return will show him receiving the whole interest payment. On the other hand, there will be no information as to the amount taxable to the seller.

Even with an expanded information return system and a matching of these returns with the returns of the dividend and interest recipients, not one cent of tax would have been collected. There would have to be audit and enforcement followup in each case where a discrepancy is indicated. The Commissioner of Internal Revenue estimates that no more than $200 million of the $800 million annual revenue loss could be recouped through these enforcement procedures. This would be at a cost of $27 million. For only $19 million, withholding can recoup $650 million each year and still leave free the ADP audit procedures to recapture most of the remaining $150 million of the yearly revenue loss.

Second. Overwithholding on wages example of problem in dividend and interest area.

The minority report states that, despite the allowance for personal exemptions and the standard deduction, wage withholding results in 40 million annual refund claims. This figure is used to show the magnitude of the probable overwithholding on dividends and interest where no such allowance is permitted.

The minority report ignores the fact that much of the overwithholding on wages is voluntary through individuals claiming less than the number of exemptions to which they are entitled. This is done so that withholding will completely cover the wage earner's tax liability or as a form of savings. In addition, very few of the 40 million taxpayers who claim refunds complain of having to do so.

Third. Twenty percent withholding rate exceeds effective rate of tax.

The minority report states that a withholding rate of 20 percent is higher than the average effective tax rate for most recipients of interest and dividends.

The 20 percent withholding rate equals the tax rate at the first bracket. While a taxpayer at the first bracket will have a somewhat lower effective rate because of the standard deduction and dividend exclusion and credit, it is not possible to set a withholding rate at the exact effective rate because of the need for an even gross-up factor.

In addition, many interest and dividend recipients are taxable at higher than the first brackets. For example, about two-thirds of the dividend and interest recipients who file tax returns have gross income over $5,000. In comparison, almost two-thirds of those individuals reporting wages have gross income under $5,000.

Fourth. Unclaimed refunds will be large.

The minority report states in several different places that withholding will result in a large windfall to the Government in the form of unclaimed refunds. As an example, it indicates that there are some 32 million bank accounts involving withholding of less than 40 cents, and that many of the depositors in these accounts will not undertake to file either an exemption certificate or a claim for refund with the result that these withheld funds will be a windfall to the Government.

These figures are very misleading. The 32 million accounts evidently include accounts paying no interest because they are dormant accounts or accounts where no interest is paid as a matter of bank policy. Therefore, this figure in itself is open to question.

However, even assuming they are correct, it is by no means true that all the withheld funds will be forfeited to the Government. First, many of these small accounts will be automatically exempt through the exemption for all school savings accounts without regard to the filing of exemption certificates. It is estimated that savings accounts of 6 million children will fall in this category.

Second, many of the depositors will have other income—such as wages—and, as a result, will owe tax for the year. These individuals are required to file income tax returns on which they will be able to take credit against their tax liability for the 40-cent withholding. The returns will clearly show that these individuals must report their interest income and also that they may take a credit for any withheld tax. There should be no reason for them to forget to take the credit.

Third. Even though they owe no tax for the year, many of these depositors will be required to file tax returns because they have more than $600—$1,200 if over 65—of income. The returns will clearly indicate they are entitled to a refund.

Fourth. Many of these individuals will avail themselves of the exemption certificate procedure.

Therefore, after taking into account all these different situations, it seems clear that only a very small number of people will in fact forfeit their withheld tax.

Fifth. Estimate of unreported tax is overstated.

The minority report states that the Treasury estimate of $800 million of unreported tax is grossly overstated.

These revenue figures are based on Treasury estimates from data compiled from 1959 returns—the latest data available. They are in substantial accord with the estimates of the prior Republican administration. For example, Mr. David A. Lindsay, former General Counsel of the Treasury, in an address before the Tax Institute Symposium on September 29, 1960, estimated that $4 billion of interest and dividends were not reported on tax returns of individuals. To quote him:

> Recent studies have indicated a gap in the amount of dividends paid to individuals and the amount of the dividends reported on individual tax returns of approximately $1 billion, or failure to report about 10 percent of the total amount of dividends received.
>
> * * * * *
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> It was also estimated that about $3 billion of interest, which is about one-half of the interest received by individuals, was not reported.

Sixth. There will be massive overwithholding.

The minority report repeatedly states that the withholding system will result in "massive overwithholding." In this connection, it claims that very few people will be able to avail themselves of the exemption procedures. In addition, the minority argue that the quarterly refund mechanism will be available to only a relatively few individuals.

In this respect, the minority report misstates the facts. It is estimated that 22.5 million individuals receive interest and dividends. Only 2 million of these individuals will be subject to overwithholding and only 1 million of them to the extent of more than $10 annually. Of the latter 1 million, those with annual income of less than $10,000—$5,000 if single—would be eligible for quarterly refunds.

In fact, overwithholding is almost completely avoided by the exemption system. Eight million nontaxable individuals would be eligible to file exemption certificates and, thereby, completely exempt their dividends and most forms of interest from withholding. An additional 6 million schoolchildren would be automatically exempt from withholding on their school savings accounts.

Now, Mr. Chairman, I will speak on the treatment of foreign investment income which is provided by the Ways and Means Committee bill. Of the 12 sections of the bill dealing with foreign income and assets, the minority views concentrate on section 13, dealing with controlled foreign corporations. I will do likewise.

The separate views of the Republican members of the Ways and Means Com-

mittee are not very clear as to just why it is desirable to continue to allow American controlled foreign investments to continue to postpone payment of U.S. tax beyond citing a long parade of previous reports which have favored this. The recommendations of these reports, however, related to the special time and circumstance when the report was written.

The importance of considering the circumstances of each report is made clear on page B22 of the minority views. The statement is made about the policy of deferring U.S. tax on foreign investment income that "the concern of the Treasury stems from the fact that the policy succeeded. Western Europe was transformed from a debtor to a creditor of the United States. The policy was and still is sound." Look at that statement carefully. Tax policy is credited with changing Western Europe from a debtor to a creditor of the United States. The other side of this coin is that the United States was changed, with respect to Western Europe, from a creditor to a debtor. This is the policy that they argue "still is sound." It is sound, on their argument, to continue to build up U.S. debts to Western Europe. What kind of policy is this?

The committee bill recognizes that encouragement of foreign investment had some of the effects that the minority views attribute to it but it also recognizes that this is not always appropriate.

From the standpoint of the economy, there is always some benefit to investment and consequently we tend to look on foreign investment as a good thing because it is investment. Some of the mystery surrounding foreign investment might be removed if we catalog the benefits of investment and then ask how these are affected if the investment takes place abroad.

Investment increases the return on capital funds through the profit earned. In addition, investment increases productivity and thereby jobs and wages. It is clear from our own economic history that the increase in capital invested in American industry has enormously increased U.S. output and the share of labor in this increased output has remained remarkably stable.

Despite all of the mystery surrounding foreign investment, which is accentuated by dark references to the balance of payments, investment of American funds in foreign countries has the same kind of effects. It increases the return on American capital. The return on American capital invested abroad is apt to be relatively good compared to investment in the United States, because funds are being placed in a market where there is, relative to the United States, a capital shortage. On the other hand, many of these foreign investments have particular risk problems associated with them. On balance, the prospective profits must offset the extra risks because foreign investment is undertaken freely.

Foreign investment, like investment in the United States, does increase productivity and wages. Unlike domestic investment, however, the increase in wages and productivity is paid almost entirely to the nationals of another country, wherever the investment takes place.

I want to talk particularly about how these effects of investment work out in the relatively developed countries, such as Western Europe, Canada, Australia, and Japan. Before commenting on these, I will say that foreign investment in the less developed countries has significant advantages to the United States because it tends to bind these countries more closely to the Western alliance. For investment in these less developed countries, some tax advantage is reasonable as an extension of the international political policy of the United States. The committee bill provides this.

In dealing with the more developed countries, however, we are dealing with our trading partners and our approach should be one of enlightened self-interest and not of disguised foreign aid.

Put on these terms, there is no great advantage to the United States in increasing productivity, jobs, and wages in countries like Japan and Germany instead of in the United States. The United States does not have an unlimited supply of investment funds. Actually, we are sufficiently concerned about our available investment funds that in this bill we are providing an investment credit designed to increase investment in American industry.

When funds of American investors are invested in Western Europe or Japan rather than in the United States, it is true that the American investors will derive dividend income from this investment. But this is the sort of return on investment which would arise even if the investment took place in the United States. The difference is that the investment return through increased productivity, higher wages and more jobs takes place in Western Europe or Japan rather than in the United States.

The minority views seem to imply that U.S. capital being invested abroad has no impact on the United States unless it is used to produce something for sale here in competition with U.S. producers. This is a very narrow view. Basically it is a use of capital that could have been employed to increase productivity in the United States. No matter how the investment is used abroad—to produce things for sale in the United States, to cut American producers out of an export market, or to develop a completely new product—this is capital not available in the United States.

A great deal of the investment each year is out of the internal funds of corporations, retained profits, and the depreciation reserves. When American investment takes place in Western Europe or Japan, these retained profits and depreciation reserves will now be in American-owned foreign corporations and are likely to be reinvested abroad instead of here. Foreign investment has a continuing tendency to build up productivity, jobs, and wages abroad, rather than at home.

How is all this related to trade? So far as trade in commodities is concerned, the United States still has a favorable balance although our wage rates are higher than those of any other country. The fact is that the United States has such an advantage in productivity arising from the level of education of our workers and from the quantity of capital which our workers use that they can pay the higher money wages and still compete in most products. In many particular lines of products, the rapid improvement of productivity in Western Europe and Japan has cut into this United States advantage and we find ourselves less competitive.

The basis of the controlled foreign corporation provisions of the committee bill is simply that the present law does not justify continued unlimited deferral as an encouragement to investment of new U.S. funds in the developed countries. Encouragement to U.S. capital to invest in the developed countries makes investment and productivity there higher than it would have been anyway, and investment and productivity here lower than it would have been.

An American business firm might be considering a domestic investment that would promise a return on the investment of 20 percent a year, which after the U.S. taxes would be reduced to 10 percent a year. The same firm might have the possibility of investing abroad in a project which, after making an allowance for the special risks of foreign investment, would return 16 percent a year but which would be taxed at only 25 percent.

On a before-tax basis, the U.S. investment is clearly the more efficient, a 20-percent return compared to a 16 percent return. On an after-tax basis, however, the parent company would realize only 10 percent on its U.S. investment and 12 percent on its foreign investment.

This is the distortion of investment decisions which the committee bill wants to end. The committee bill does not penalize foreign investment. The foreign tax credits are still available as they are under present law, but by reducing the opportunity for the parent company to defer tax on income earned through a foreign subsidiary we simply bring the tax treatments closer together. A foreign investment which is relatively inefficient compared to a U.S. investment will be less likely to appear efficient on an after-tax basis.

In view of the fact that American labor has a substantial interest in domestic investment to increase its productivity and wages in this country, this is a minimum requirement. We are not penalizing; we are just reducing the special encouragement. The fact that the investors themselves might retain a higher portion of their profit when the investment is foreign should not be controlling when we are considering the interests of all of the people in the United States.

The Ways and Means Committee bill does not go as far as achieving complete equality in applicable tax rates on U.S. funds invested in developed countries and in the United States. The committee was impressed with the problem faced by American investors who have a going business situation in the developed countries. A heavier tax on their retained earnings than that on their immediate foreign competitors would be a handicap. The committee bill permits continued deferral on the operating income of an American-controlled foreign corporation

which is reinvested in substantially the same trade or business which the controlled corporation is conducting.

The committee bill also recognizes the national advantages of encouraging investment in the less developed countries. Certain income which is invested in those countries is permitted to continue to enjoy deferral even though the investment in a less developed country might be in a new trade or business.

The committee bill is a realistic adaptation of foreign economic policy to the 1960's. It is not subject to the attack made by the minority views in the committee report that this does not conform to the foreign economic policy of the 1940's and the 1950's when we were participating in the economic recovery of Western Europe and Japan. In the words of the minority views themselves, we have gotten Western Europe out of the debtor class. We do not have to continue making the United States more of a debtor by encouraging investment that raises productivity, jobs, and wages in Western Europe and Japan at the expense of the United States.

The committee bill treatment of foreign investment income is consistent with the word "reciprocal" in our reciprocal trade program. Reciprocal trade is based on open competition. By removing trade barriers, it lets countries realize their respective productivity advantages in developing foreign markets. Under freer trade, the countries of Western Europe and Japan would realize some of the productivity improvements that have come about through recent investment in those countries in the same way that the United States will be able to realize all the productivity improvement arising from its own investment. In this open competition between productivities, there is no justification for our continuing to provide favorable tax treatment to investments which increase productivity abroad compared to investments which increase productivity at home.

Mr. Chairman, I urge rejection of the motion to recommit, and I urge passage of the bill.

Mr. BAKER. Mr. Chairman, I yield such time as he may desire to the gentleman from New York [Mr. OSTERTAG].

Mr. OSTERTAG. Mr. Chairman, I rise in opposition to this tax measure in its present form and ask unanimous consent to revise and extend my remarks. Two glaring deficiencies and inequities in the committee bill cause me to rise in opposition to the bill, even as it is proposed to be amended by the committee.

The first of these is the 7-percent investment credit—which I understand business has not asked for and does not want—and which even former President Truman's economic adviser, Leon Keyserling, calls a tax bonanza.

Members of the Ways and Means Committee have said repeatedly that this proposal perverts the tax laws into an annual subsidy to one segment of the American business community and constitutes a discriminatory loophole which must be dealt with by future Congresses. Note that the windfall from this proposal would be enjoyed by only one segment of the business community. It ignores the service industries and the distribution and retail segments of our economy. It favors the large and penalizes the small.

The committee has recognized that the proposal in its original form would have created tremendous inequities even among the relatively few businesses which would benefit from it. So, the committee has offered an amendment which would limit the windfall to any one company. When we find that a windfall has to be limited, are we not required to find that the whole proposal is a bad one? Can a limitation make it better? I believe there is no such thing as being a little bit evil.

In addition, let me point out that this tax proposal would not accomplish the objective the administration claims for it. Almost without exception, every major organization testifying before the committee, including both the chamber of commerce and the AFL–CIO, opposed the proposal, either doubting that it would produce the benefits claimed, or maintaining the plan was discriminatory.

When a bad bill produces limited windfalls for only a few—when even these few do not want it—and when the only other result is a revenue loss of more than $1 billion, we have no choice but to refuse to enact it into law. I believe the committee has no choice but to agree to remove this section.

Again, Mr. Chairman, section 19 of the bill, providing for withholding on interest and dividends, attacks the historic American principle of voluntary self-assessment, which is the foundation on which the American tax system has produced more revenue—voluntarily—notwithstanding excessively high rates, with greater compliance than any other revenue system in the world.

In addition, withholding on interest and dividends is an administrative monstrosity. It cannot possibly be handled in the same manner as withholding on wages and salaries. The Ways and Means Committee had great difficulty in finding procedures they thought even workable, and the procedure adopted by the committee at the last minute will produce administrative chaos, as well as the further inequity of massive overwithholding. Any additional revenue produced by the measure—and I cannot believe it could possibly be as large as the administration claims—would have to be gobbled up by the increased cost of managing this tremendous administrative job.

But, the greatest evil in this withholding proposal is found in the hardship to the small investor and the small depositor. More than 3 million of the shareholders in American industry are in the low-income group. We have exempted $50 in his dividends from tax. Now, we are asked to nullify that exemption by a withholding tax, even where there is in all likelihood no tax liability. Many of these shareholders will find the filing of claims too onerous, or will overlook filing claims for the refund of nominal amounts.

In addition, more than 7 million depositors in savings and loan associations receive interest, or dividends, of less than $10. And there are 32 million bank accounts which would involve the withholding of less than 40 cents.

The claim has been made that, since we have withholding on wages and salaries, this is no different. On the contrary, there is a world of difference. In the case of wages and salaries, there is only one employer-employee relationship, only one withholder, only one reporter. But with this proposal, we would enforce a withholding relationship whose ramifications are endless and beyond imagination.

Beyond this, we would force every individual who owns a few shares of stock, every individual who has a savings account, in other words, every individual who practices the good old-fashioned American virtue of thrift—we are going to force him to determine what has been withheld. We are going to force him to perform mathematical gymnastics every year—or every quarter—to determine what the Government owes him as a refund. We are going to do this, because the administration and the Ways and Means Committee could find no answer to the problem of asking the companies and financial institutions to report to the taxpayer the amounts they have withheld on his account. We must protest any such additional burden on the already overburdened taxpayer.

I could cite further horrors about this proposal—its inequity regarding churches, charitable organizations, and pension funds, the tremendous bookkeeping and reporting load placed on our businesses and financial institutions. But, the real evil, the greatest hardship, is the burden on the individual, and particularly the individual who needs all of the product of his labor.

It is for these reasons, Mr. Chairman, that I believe we must vote to strike these provisions from the bill. I hope all Members of the House who truly have concern for the best interests of the people of America will join me in this conviction and belief.

Mr. BAKER. Mr. Chairman, I yield 7 minutes to the gentleman from New York [Mr. BARRY].

Mr. BARRY. Mr. Chairman, I believe that the Revenue Act of 1962—H.R. 10650—is seriously defective for the reason that it represents an attempt to influence foreign policy through taxation. This is especially objectionable since, as I now understand it, the Ways and Means Committee did not, in fact, conduct any hearings on certain complicated provisions of the present bill dealing with controlled foreign corporations.

It is true that the majority report recognizes "the need to maintain active American business operations abroad on an equal competitive footing with other operating businesses in the foreign countries"—page 62. The majority report also recognizes that "the location of investments in these countries is an important factor in stimulating American exports to the same areas"—page 57.

In this regard, I would like to refer to a statement by the Otis Elevator Co., which appeared in the CONGRESSIONAL RECORD of January 30, 1962. It points

out that, although Otis has preferred to supply foreign markets by exporting from the United States, it was at times necessary to locate abroad in order to maintain its position in elevator markets throughout the world. Despite an initial adverse effect on the balance of payments, Otis has, over the past 15 years, brought into the United States more than $12 million for each million sent out in loans and investment.

The statement also points out that over 90 percent of the $63 million worth of equipment Otis has exported over the past 15 years has gone to countries where Otis has its own organization. This investment, therefore, has resulted not in an export of jobs as is often claimed by the Treasury Department, but is the direct cause of a great many jobs which otherwise would not now exist.

Apparently the Ways and Means Committee was unanimous in believing it would be a grave foreign policy error for the U.S. Government to carry out the request of the Treasury Department, that full U.S. income tax be imposed upon foreign subsidiaries of U.S. companies at the operating level. On this subject, the committee found:

> To impose the U.S. tax currently on the U.S. shareholders of American-owned businesses operating abroad would place such firms at a disadvantage with other firms located in the same areas not subject to U.S. tax (pp. 57–58).

Despite these reassuring utterances from the committee's report, an examination of the actual provisions of section 13 of the bill itself discloses that the committee has in fact adopted much of the philosophy which these quoted phrases from the report seem to reject. I am afraid that the casual reader of the bill and the committee report might be led to the conclusion that the bill is merely designed to reach such things as passive income or personal holding company type income or tax-haven income or income siphoned abroad but in truth derived from activities carried on within the United States.

Let me say that if the proposed new taxes were confined to these kinds of income, it could properly be regarded as a true tax-haven measure free from foreign implications. According to my information, this area of the bill was so limited until approximately 2 weeks ago, at which time this portion of the bill was suddenly removed from normal committee drafting channels and substantially overhauled and redirected into its present condition.

The result of this maneuver is the bill now before us, the provisions of which have been public for only 10 days. The Ways and Means Committee did, in fact, consider and reject the entire original philosophy of the Treasury Department with regard to a current taxation of foreign earnings, as noted earlier. The committee and its staff did consider and did unanimously adopt provisions designed to reach true tax-haven operations. But the effect of the present section 13 has never been the subject of any hearings by any committee of the Congress, except in a very general way.

Under the circumstances, only a handful of Members of the Congress and the few interested public at large have had time to comprehend the revolutionary impact which these complicated measures will have. Moreover, the committee bill, as now constituted, would have the following effect on our economy:

First. Any first-time investment in a developed country, such as Western Europe, would be a so-called nonqualified investment for tax purposes. This means that no American manufacturer, no matter how difficult it might be for him to export his product to Europe, would be able to enter that market, except under a tax burden which would not be fully borne by his European competitors. This does not sound solely like a tax measure to me, but rather as an indirect attempt to regulate the flow of competitive American capital.

Second. U.S. manufacturers already in Europe will be allowed to go into production of new lines only upon payment of this added U.S. tax at the European operating level which will retard growth of U.S. firms in European markets. Since present tax laws on foreign dividends are merely deferred until brought into the United States it is self-deluding to estimate that this measure will create sufficient new tax revenues to materially offset the cost of the domestic investment credit.

With regard to our competitive ability, foreign observers seem to realize the disadvantages to many U.S. companies which apparently the administration fails to recognize. For example, the March 10 issue of the Financial Post of Toronto, Canada, carried an article entitled "Here's Where United States Aids Rivals in Other Markets," which says in part:

> It is certainly clear, in the field of foreign trade, that a foreign corporation controlled by Canadians, or an oversea trade corporation in Britain, will have a decided advantage over its U.S.-owned competitors after the New Frontier people in Washington achieve their ends. The new law will also serve to trim American sails in Europe, increase the downward pressure on the U.S. dollar, and indirectly assist Britain's entry in the Common Market.
>
> Let's hope that Ottawa encourages Canadian business to take full advantage of the mistakes south of the border.

Third. The claim that the bill reaches only passive, rather than operating, situations is not correct. All large, widely held manufacturing corporations derive income in the form of interest from installment sales, rentals of equipment and dividends from local operating affiliates. In such situations, this is normal operating business income. Yet this bill treats such income as personal holding company income, without regard to the kind of operation in which it is produced.

Fourth. For some reason not made clear the drafters of this bill have taken a dislike to the oversea use of a centralized multicountry selling company, organized to sell U.S. products made abroad. Let us suppose the case of an American firm in the Common Market, which has been manufacturing various products in different countries over a period of many years. Instead of having an operating sales force attached to each plant, the company concludes to set up a centralized sales company and sales force. This will reduce operating expenses and render the company's products more competitive throughout the market and in areas outside the market, such as north Africa and the Middle East. For some undisclosed reason the drafters of this measure object to that, even though no element of avoidance of U.S. tax is in any way involved in this situation.

Fifth. In one other respect, the provisions of H.R. 10650 deal with operating foreign earnings rather than so-called tax-haven income. The Treasury Department, under this bill, would have power to determine what amount of a company's foreign income should be attributed to patents, copyrights, formulas and processes originally developed in the United States. This could cause many problems as I doubt that many American oversea subsidiaries operate without using some processes which were originally developed in the United States. I feel certain that an attempt to break down gross income from a particular sale of a product, as between amounts attributable to this kind of intangible process, on the one hand, and to production, distribution, advertising, and management on the other hand, would present a fantastic problem. Obviously, this bill goes far beyond the taxing of patents which have been assigned to shell corporations overeas and there licensed to foreign operators.

We should not consider this bill as an isolated tax measure and ignore the effect it will have on our foreign policy. Hearings are already underway to consider the Trade Expansion Act of 1962, in which the President asks for significantly increased authority to lower American tariffs so that foreign trade barriers will in turn be lowered for American exports. Many companies, however, cannot compete through exports alone, as they find that often they must compete from within a foreign market or get out. Surely at this moment, when we are on the verge of entering a new era of foreign trade, it would be unwise as well as unfair to penalize those companies whose foreign interests, such as those of the Otis Elevator Co., are directly responsible for a healthy balance of exports.

Finally, we must remember that our foreign relations are not dependent solely upon our diplomatic corps, but also upon our private firms abroad. By working in harmonious cooperation and competition with all sectors of a foreign community, these firms are not only a source of profit to the United States but a source of strength in tying together the free community of nations. To place prohibitive restrictions against them will in the long run weaken not only our own country's position abroad, but the entire free world.

Mr. Chairman, although taxation has been a subject of keen interest to me over two decades I cannot qualify as an expert on the meaning of this bill, since I have only had a few hours to consider these complicated provisions. Nevertheless, I will say this: I have become satisfied that many features of this bill impinge heavily upon the area

of our national foreign economic policy, and are, as my distinguished colleague from Missouri [Mr. CURTIS] has noted, isolationist in concept and discriminatory in effect. Before they are enacted into law I am convinced that interested members of the public should be given a full opportunity to consider and study these proposed measures and to testify as to their desirability and effect before the appropriate committees of this Congress.

Personally, I doubt very much that our tax laws should be used as an instrument to retrench America's position in the world's markets. Even more do I doubt that this should be done in haste and without adequate hearing. The House should not pass on to the Senate ill-considered, complicated, or slovenly legislation on the unsound theory that the Senate will correct its imperfections.

Mr. MILLS. Mr. Chairman, I yield such time as he may desire to the gentleman from California [Mr. ROOSEVELT].

Mr. ROOSEVELT. Mr. Chairman, the Committee on Ways and Means is to be congratulated for their combined efforts in the development of their report accompanying H.R. 10650.

The tax bill, as presented, will go a long way toward closing the present tax loopholes which have allowed too many Americans to escape their just tax obligations.

The effect of this bill will be felt in southern California where so many Americans have been deprived of their income as a result of the general exodus of American capital and American motion picture stars to foreign countries because of tax advantages available under prior tax laws.

The limitation of $20,000 per year for the first 3 years, and $35,000 per year thereafter, on the tax-free income that nonresidents may bring home will act to stop the trend of runaway film production. I hope the industry realizes southern California is the home of the film industry and that this foreign runaway production should come home.

Those who have helped make this industry successful—the electricians, the grips, and other related crafts—should not be penalized because the producers and stars have been able to run away through a tax loophole.

Again I wish to commend Mr. MILLS, Mr. KING, and others of the Committee on Ways and Means for their efforts which have gone a long way toward putting a stop to this run away motion picture film production. I also trust the industry will realize the Congress will do whatever is necessary in the future to keep this industry at home and, because of this realization, I hope they will more carefully police their own activities, and unite wherever possible for measures in the general interest of the industry.

It is true that some inconvenience will come to some persons who will have no tax liability by the withholding provisions of this bill. But this is far outweighed by the large revenue which will be collected from those who actually owe it and who today are receiving an undeserved and unfair exemption. Once this is understood, I believe most good citizens will, perhaps with some annoyance, comply fully with the law.

Mr. MILLS. Mr. Chairman, I yield 10 minutes to the gentleman from Florida [Mr. HERLONG].

Mr. HERLONG. Mr. Chairman, my concern about this bill has been with the overall revenue effects of it as it was brought out by the Committee on Ways and Means and as it will be amended by committee amendments which will later be proposed.

The categorical statement has been made that this bill as brought out by the Committee on Ways and Means is not in balance from a fiscal standpoint.

Mr. Chairman, I want to state at this time that in my judgment the bill as developed by the Committee on Ways and Means will not operate to unbalance the budget for fiscal 1963 or later years but will, on the contrary, contribute toward a surplus.

In estimating the revenue consequences of a measure of this scope, a number of considerations must be taken into account. The estimated effects will vary with the basis of comparison we use and the time periods being considered.

One convenient and commonly used basis for evaluating revenue measures is the gross full year effect after all features of the bill are fully effective. This means offsetting the gains and losses directly and immediately involved in the legislation without allowance for indirect or side effects. On this basis the direct estimated revenue effect of this bill, as it will be amended by the Committee on Ways and Means, would be to increase revenues by $120 million a year. This type of estimate is presented in a table which the Treasury Department has prepared which shows the extent to which the direct loss from the investment credit is offset by other provisions of the bill when all are fully effective. These estimates are based on 1962 levels of income, and this is another thing we have to take into consideration.

This relatively simple approach is useful for some purposes, but it has obvious limitations for some types of revenue estimates. The indirect or side effects of changes in economic conditions may be highly important factors that must be allowed for in estimating some revenue changes. For example, the estimates of tax yields in the President's budget messages and in midyear reviews of the budget are always predicated on the levels of income and profits which are expected to prevail and the revenue estimates, as you know, are revised as expectations of income levels change.

It should be noted that in considering earlier tax bills allowances have been made for the stimulative effects of proposed tax changes on revenues. Spokesmen for the previous administration testified before the Senate Finance Committee in 1954 that the revenue loss that might be expected from more liberal depreciation allowance would be largely recouped through the resulting expansion in investment corporate profits, individual incomes, and employment.

The anticipated effects on economic conditions are of particular significance for the current bill. The purpose of the investment credit is to stimulate increased investment and increase economic growth. The indirect effects on the economy and levels of income must also be estimated and taken into account to obtain a realistic picture for Federal budget purposes. The overall result when all the provisions are fully effective will thus be a net gain in revenue substantially greater than the $120 million that might be expected if we still operated on a static basis and if there were no improvements in our economy by reason of this tax credit.

For estimates of revenue effects for fiscal year 1963 we must also take into account the varying effective dates of provisions in the bill. Some are effective as of the start of this calendar year, some next January 1, and one becomes effective on July 1 of this year. Accordingly, the results that we can expect in the fiscal year starting July 1, 1962, will be different from those of a full year in which all of the provisions have had the opportunity to become fully effective.

Mr. Chairman, the Treasury Department estimates for fiscal 1963 for the bill as amended by the Committee on Ways and Means, these figures show a fiscal year revenue loss for the investment credit of $560 million. Then we offset that by a gain of some $240 million from other provisions of the bill. The net revenue loss, then, for fiscal 1963 would be $320 million. However, these figures give inadequate recognition to the stimulative effects of the credit. These figures allowed for some expansion of investment and rise in incomes, which was computed from statistical relationships in past years between investment and gradual changes in the cost of capital goods and cash flows. But these figures do not allow fully for the market change in the area of investment decisions that will be made by the enactment of the credit. We may confidently expect a sharp rise from the old, established trends as the advantages of the credit bring a quick and substantial shift in the relationship between net investment costs, cash flows, and rate of return from capital goods.

Mr. Chairman, when full recognition is given to the change in levels of investment and incomes that will result from enactment of the credit we must anticipate larger tax bases and a rise in tax revenue.

Mr. Chairman, the Secretary of the Treasury has said that in view of all these factors he is confident that enactment of this bill without any amendment to it, except the committee amendments, will not result in an overall revenue loss to the Government in fiscal 1963, but will, in fact, provide a net gain. The net gain will be larger in successive years as the rates of investment and economic growth are enhanced.

Mr. Chairman, revenue estimates running some 15 to 16 months ahead are, of course, only approximations at best. But if we are to act prudently we must endeavor to appraise all of the relevant factors as carefully as we can. I believe the analysis and appraisal provided by the Secretary of the Treasury is as complete and sound as any we could make at

this time. I am pleased to note that he shares my conviction that this bill as developed by the Committee on Ways and Means will make a net contribution to the tax revenue in fiscal 1963 and an even greater contribution in future years.

The details of these estimates are as follows:

TABLE 1.—*Treasury Department estimates of revenue effect[1] of bill as amended by the Committee on Ways and Means when changes are fully effective, without taking into account the effect on the economy of the provisions*

[In millions of dollars]

Revenue bill of 1962:	
Investment credit	−1,175
Withholding on dividends and interest	+650
Mutual banks and savings and loan associations	+200
Entertainment expenses	+125
Capital gains on depreciable property	+100
Mutual fire and casualty companies[2]	+40
Cooperatives	+35
Foreign items:	
Controlled foreign corporations[3]	+85
Gross-up of dividends	+30
All other items relating to taxation of foreign income, etc	+30
Total	+120

[1] At levels of income and investment estimated for the calendar year 1962 except that the estimate of revenue gain from change in taxation of mutual banks and savings and loan associations is based on income levels for the calendar year 1963, the 1st year affected.

[2] Assumes transitional period has been completed for fire and casualty companies.

[3] The revenue estimates for the controlled foreign corporation provision do not take into account additions to the tax base, in the form of royalties, rents, etc., which reliable evidence indicates will be forthcoming but which cannot be quantified with an acceptable degree of accuracy.

Source: Office of the Secretary of the Treasury, Office of Tax Analysis, Mar. 26, 1962.

TABLE 2.—*Treasury Department estimates of revenue effect of bill as amended by the Committee on Ways and Means (see note) for the fiscal year 1963 taking into account its estimate of effect on the economy of the provisions*

[In millions of dollars]

	Revenue effect	Effective date
Revenue bill of 1962:		
Investment credit (see note)	−560	Jan. 1, 1962
Withholding on dividends and interest	+195	Jan. 1, 1963
Mutual banks and savings and loan associations		Do.
Entertainment expenses	+40	July 1, 1962
Capital gains on depreciable property		Jan. 1, 1962
Mutual fire and casualty companies		Jan. 1, 1963
Cooperatives		Do.
Foreign items:		
Controlled foreign corporations		Do.
Gross-up of dividends		Do.
All other items relating to taxation of foreign income, etc	+5	Do.
Total (see note)	−320	

NOTE.—In estimating the net revenue cost of the investment credit, its favorable effects on the level of investment were computed from statistical relationships in past years between investment and gradual changes in the cost of capital goods (profitability) and cash flow. This procedure thus does not take into account the especially favorable impact on businessmen's decisions to invest of the sudden improvements in these factors resulting from the enactment of the credit. Taking this into account should produce more favorable effects than the table shows for the investment credit. It will eliminate the overall net revenue loss for the bill as a whole and instead would yield an overall net gain.

Source: Office of the Secretary of the Treasury, Office of Tax Analysis, Mar. 26, 1962.

Mr. BAKER. Mr. Chairman, I yield such time as he may consume to the gentleman from California [Mr. BALDWIN].

Mr. BALDWIN. Mr. Chairman, I rise in opposition to H.R. 10650. This bill in its present form would not, in my opinion, provide any financial assistance to our U.S. Treasury. In fact, it would actually reduce our revenues during fiscal year 1963. The budget for fiscal year 1963 is precariously balanced at the present time. The President this week submitted to Congress a request to appropriate $600 million for an immediate public works program, of which $350 million would be applicable to fiscal year 1963. This would reduce his estimated budget balance for fiscal year 1963 to only $113 million. H.R. 10650 would turn this narrow surplus into a deficit for fiscal year 1963.

Although this tax bill proposes to close certain loopholes it would open a new loophole in the form of a 7-percent tax credit for purchase of equipment by business concerns, which would be as big a new loophole as all existing loopholes which are supposed to be closed by this bill. Therefore, nothing would be gained in the way of financial revenues for the Treasury. I do not believe we should grant a 7-percent tax credit at the present time in view of our high level of Federal expenditures. I see no justification to allow a business firm not only to write off 100-percent depreciation on equipment but also to be able to take a 7-percent tax credit off its net tax bill as well.

Mr. BAKER. Mr. Chairman, I yield such time as he may consume to the gentleman from California [Mr. ROUSSELOT].

Mr. ROUSSELOT. Mr. Chairman, I rise in opposition to H.R. 10650, the Revenue Act of 1962.

My reasons for opposing this legislation are:

First. Enforcement of withholding tax on dividends and interest would be a bureaucratic nightmare. Canada has repealed a law requiring a withholding tax on dividends and interest because it was impossible to administer. I say that instead of the withholding tax we should enforce with greater vigor the existing tax law respecting dividends and interest.

Second. It does not give a much needed tax break to large and small retail distributors. I believe these types of businesses should be allowed to defer taxes in an amount equal to 20 percent of their investment inventory.

Third. The 8-percent investment tax credit for manufacturing firms puts the bill in the red by at least $400 million. This flies in the face of the admonition expressed in President Kennedy's 1962 budget message:

> To plan a deficit would increase the risk of inflationary pressures, damaging alike to our domestic economicy and to the international balance of payments.

I think a far sounder approach to the problem of how to encourage more capital investment is to allow a more liberal depreciation allowance than present law permits. A more liberal depreciation allowance for all businesses, not just a few, would help to create the desire on the part of businessmen to expand and modernize their enterprises. This creates one united front within our free enterprise system. The bill before us is discriminatory against small businesses.

Fourth. The tax on foreign subsidiaries of domestic corporations provided for in H.R. 10650 is discriminatory. The subsidiaries will have to pay taxes to the U.S. Government as well as to the governments of the countries in which they are located. Secretary of Commerce Luther Hodges has stated that foreign subsidiaries are an important adjunct to our domestic economy. It seems unwise, therefore, to increase their tax burden and thereby weaken their ability to compete with foreign corporations.

Fifth. For some years there has been a desire to place an equitable tax levy on cooperatives; however, if there is to be a tax on cooperatives such as H.R. 10650 proposes, it should apply to all cooperatives. I strongly urge the defeat of H.R. 10650 so that a new bill can be considered by the Ways and Means Committee.

Mr. BAKER. Mr. Chairman, I yield such time as he may consume to the gentleman from Ohio [Mr. HARSHA].

Mr. HARSHA. Mr. Chairman, I find myself in a rather unique position when considering this tax measure. On the one hand, my Republican friends have adopted the position that the tax credit proviso is not the most acceptable and best method for providing tax relief to certain of our industries. They prefer an accelerated rate of depreciation. With this, I find I must agree. However, on the other hand, I find considable merit in the tax credit approach and I would like to explain to my colleagues my reasons, with the hope or thought in mind that if not today, at some future date, this type of tax incentive be added to the law.

While I agree that the change in depreciation rates will provide the most equitable tax incentive without discrimination to all concerned, I still believe there is considerable merit to the tax credit approach for new investment.

The administration has admitted that the recovery from the so-called recession has not been as full or as rapid as was anticipated. Unemployment is considerably higher than desired. So the President is asking for an additional $0.6 billion to construct public works projects in the depressed areas to help alleviate unemployment and to encourage economic development. The depressed areas legislation was passed by this Congress to encourage business expansion and growth in these areas of substantial and persistent underemployment. This carries with it a price tag of roughly half a billion dollars. These are only immediate and temporary measures to try to eradicate this problem.

While a tax credit as suggested in this bill would be a long-term answer to these problems, this method of encouraging business expansion has been termed by some as a windfall to some industries and a loss of revenue to the Treasury, unbalancing the budget. Call it what you will, it does no more to unbalance the budget than the $0.6 billion for public works and the $0.5 billion for area redevelopment. But the important

feature that seems to be overlooked is that by this tax credit incentive new business would be created, existing business would be encouraged to expand thereby providing new jobs, enhancing the economy on a long-term basis. I repeat, Mr. Chairman, on a long-term permanent basis, not just a temporary shot in the arm manner to boost the economy for the time being.

If this country is to continue to compete favorably with the Common Market and other free nations in the field of international trade, industry, and business must have better tax incentives to expand and promote growth and production. Because our standard of living is so much higher than that in the Common Market countries, we cannot hope to compete unless we do grant more tax incentives.

This House will soon be considering legislation to beef up the unemployment compensation payments and to make permanent the increase in payments we granted last year. This will add to the expense of industry, add to their tax burden and further burden the national budget. It is far better to grant tax relief to provide additional jobs and to get the unemployed off the relief and welfare rolls than to continue to spend money for their assistance while unemployed.

In my humble opinion, there would be no loss in revenue to the Treasury by granting such a tax incentive because the demand for new equipment, the expansion of business would create enough new jobs to more than offset the loss of revenue from the tax credit. In addition thereto, we would save the money spent on area redevelopment, short-term public works projects, and increased unemployment benefits.

The Sixth District of Ohio is one of the depressed areas of this country. Six out of the nine counties have been officially designated as such by the Department of Commerce. Many of the areas have their overall economic development programs approved and are proceeding with specific projects, yet no appreciable change has been made in the rate of unemployment.

However, the Norfolk & Western Railway is in the process of developing a great industrial park in Scioto County. The Norfolk & Western is spending its money to acquire this site because of its faith in the future of this area. The land acquisition alone amounts to approximately $1 million. This tax credit incentive will enable diversified industry to expand and locate on this site. It will create new permanent jobs for the people of this depressed area, thereby taking them off the relief rolls and relieving the State and Federal Governments of this financial burden. It will certainly expand our economic growth and add materially to our gross national product. But, above all, it will be a permanent, lasting addition to our economy via the free enterprise system without intervention of the Federal Government, and, in the long run, mean more to the people of this country than any other single action this Congress could take.

I would earnestly urge my colleagues, with the sincerest conviction, that should this tax credit proviso be deleted from the bill today that it be included at a later date in an appropriate measure. I feel that it will go a long way to answering the problem of the Common Market and expanding our own growth and economy.

I regret that I am going to have to vote for the motion to recommit with instructions, because I am violently opposed to a withholding tax on dividends and interest and this will have the effect of voting down also this tax credit incentive, yet I strongly favor it. That is why I said to you earlier that I am in a difficult position, but rest assured I believe such an incentive should be in the law to encourage new business and industrial expansion.

Mr. BAKER. Mr. Chairman, I yield such time as he may consume to the gentleman from Minnesota [Mr. LANGEN].

Mr. LANGEN. Mr. Chairman, it is rather unique that we have before us today a major tax bill that proposes absolutely no increase in revenue. This is particularly unique when you consider the financial plight of this nation.

We have already increased the temporary debt limit by $2 billion and will be asked to increase it by another $8 billion before this session ends. About 10 percent of our national budget is spent in just paying the interest on this staggering debt.

It is argued that the compromises have leveled the inequities of the original package; that no longer does the bill represent a loss of revenue. I wonder. Some of the revenue-producing provisions of the bill will not take effect until later years, so the prospect for fiscal 1963 is to unbalance the budget by perhaps several hundred million dollars.

Then, just what is this tax proposal, and what does it propose to accomplish? First of all, it contains a dozen different tax changes, none really related to the others. We are asked to vote "yes" or "no," with no chance to consider each unrelated feature on its own merit. I consider this a poor way to legislate.

Even if this tax package corrected a host of glaring inequities, there might be some reason for considering it. But it does not. It opens as many new loopholes as it closes. And in my opinion, these are discriminatory loopholes.

The Revenue Act of 1962 does absolutely nothing except shift the tax burden from one group to another; a basic shift from big business to the individual.

The bill attempts to give consideration to large corporations as an incentive to expand and improve. I have yet to hear any enthusiastic utterings from either big business or labor. In fact, a relatively small group of the largest corporations will really benefit from this windfall, to the disadvantage of smaller industries and the individual taxpayer.

I certainly recognize the need to speed the economic growth of this Nation by encouraging investment in plant and equipment. I have seen proposals, however, that I feel would go much further toward meeting this objective. But here we are today, forced to consider this whole hodgepodge tax package, including the provisions for business incentive, on a take it or leave it basis. The American public deserves a bit more consideration than this.

We all know that you cannot create bonanzas for big business and still balance the ledger without penalizing some other group. This country has a ready scapegoat, the little man who needs every dollar he can lay his hands on. Take the withholding feature on interest and dividend income as an example. Even with the paupers oath exemption in the compromise, we force a great many people to live on 20 percent less income for a whole year before they can be eligible for refunds. And I fail to see that the resulting muddle of overwithholding is going to be eliminated in practice.

Sometimes I wonder what our people back home think when they finally realize what their Congress is doing. They certainly realize this shift of the tax burden is not in favor of the individual and is not in the interest of balancing future budgets. They certainly must come to the conclusion that their Government must seriously distrust the man on the street by the implication that he uses every conceivable loophole to avoid paying his just taxes. One of these days he is going to wonder just who owns this country. And when he exerts the privileges of his rightful ownership, we may find the distrust on the other foot.

Not all of the features of this bill are bad. But enough of them are bad to make the whole package objectionable, especially when we are not allowed to work our will on it. With the increase in the debt limit facing us, I see no merit in a measure that does nothing to raise revenues. Even if this bill corrected inequities, it might be good. But it does not. It merely shifts the tax burden from one group to another, creating more inequities than it solves.

To say that I have serious reservations about this piecemeal tax package is the understatement of the session. I am sure many other Members have similar reservations. It is unfortunate that the taxpayers of our Nation must lose once more by the refusal of this body to allow their elected representatives the privilege of considering more responsible alternatives.

Mr. BAKER. Mr. Chairman, I yield such time as he may consume to the gentleman from New York [Mr. DEROUNIAN].

Mr. DEROUNIAN. Mr. Chairman, the bill that is before you today is a hodgepodge of lures, a hodgepodge of conflicts. Various little expedients, enticements, and panaceas have been put into the bill in hasty fashion right and left to lure a vote here and a vote there in a desperate effort to get this unwise tax package passed and over to the Senate.

The administration which wants to move this bill is promising almost all things to all men to get your votes on this floor knowing perfectly well that once you have sent it to the other body you will have lost complete control of it. Those of you who are planning to

vote for the bill because of any of these scattered panaceas or because of some particular provision for which you may have a great enthusiasm are certainly risking great disillusionment.

This is particularly true for the big cure-all. Those of you who have some special reasons, good or bad, for favoring the investment credit need not expect to find it continued in effect very long if it ever is enacted into law. I predict that if the investment credit becomes operative the consequent revenue loss will be such as to cause Treasury to urge its repeal more urgently than it advocated its enactment.

I think most of you know in your souls that the investment credit is a subsidy which the business community of the United States does not want and that if enacted it is just a temporary pork barrel subsidy, mostly going to big business. Big business may accept the sop handed to it on a silver platter and will not make one additional dime of equipment expenditure other than that which it would make anyway. If the investment credit were the only subject before you it could not muster a majority vote on the floor of this House. It is just that bad.

But those who will vote for this credit will be augmented by the splinter votes of those of you who find some little allure here and there in other provisions of the bill in some of the hastily added, but temporary, panaceas.

Some of these splinter votes, for example, will be the votes of persons who did support the administration's efforts to put increased taxes on mutual savings banks, building and loan associations, et cetera. Just to get the bill reported out of the Ways and Means Committee, the tough administration proposals had to be severely watered down. Many of you who did not like the original tax proposals for these banking institutions will no doubt vote for the bill on the basis that you had better play safe and accept the watered down tax provisions.

But the impact of section 8 on these institutions was only watered down to make this part of the bill palatable on the floor of this House. Once the House passes this bill with these provisions in it we risk not recognizing them when they may return to us with the full administration proposals restored. This will be at a time when we will have little or no effective control over any provisions of the bill.

Some more splinter votes are produced by the truly phony, but temporary, panaceas which were hastily put in to make the withholding tax provisions less unpalatable. Notice I did not say "more palatable."

These panaceas are entirely illusory. One of them is the exemption certificate for children, another is the exemption certificate for those persons who can swear they will owe no income tax at all, and another panacea is the so-called quickie quarterly refund for small taxpayers.

If you have taken time to read these provisions of the bill containing these panaceas you will be shocked at their complexity and amazed that any reasonable person would think the millions of lower income people they are supposed to benefit could make use of them.

But they are put in, and very deliberately, with the thought of soliciting a few more votes on the House floor to help get a majority for this bill. And you have been and will be given all sorts of sweet cliches about how sweeping and effective these panaceas are. But, mark my words, the passage of these withholding provisions in the House bill are just the beginning. The Treasury will be back seeking more stringent rules. We will then have no practical say about the ground rules we established in these temporary items that procured your vote to send the bill to the Senate. The proposed rules will not work and the Treasury will need more stringent rules to replace those it is now willing to accept.

When some of the supporters of this bill tell you with vigor that the withholding tax exemption certificate and refund provisions are very simple and work very easily, ask them about the 98 percent of the 30 million voters who will wear the hair shirt of the withholding tax who cannot possibly use the exemption provisions.

And, also, when they tell you such things—as I am sure they will—ask them this: If that is so, why did the administration repeatedly oppose exemption certificates on the ground that they would be unworkable and too complex? This is spread throughout Treasury testimony of the printed Ways and Means hearings; it is there for you to read. Pleasant words today on this floor cannot erase or obliterate those printed facts.

Many of you are disturbed about the provisions of the bill which put crushing and destructive penalties on U.S. business overseas and I refer to such sections as section 11, section 13, section 15, and section 16. But many of you cannot possibly understand them as written because of their technical complexity. As a result many of you are being lulled into voting for this bill by sweeping cliches by administration spokesmen to the effect that all these sections do is dispose of the problem of those little old sham, phony paper foreign corporations, or those nasty Americans who do some tax chiseling abroad, and also some mumbo-jumbo about the balance of payments, plus pontifications about equality, equity, and neutrality. None of these party line approaches that are being fed to you by every possible medium tell you the real truth.

These are commerce control clauses, not revenue legislation. These provisions are being inflicted on all American oversea businesses of every kind, every single company that flies the American flag through American voting control. Included in their sweep are not only the small fraction of 1 percent of the tax dodgers but the entire group—100 percent—of American controlled oversea companies. Every single company. All honest businesses are lumped in with the tax fraud artists and treated at the fraud level.

Not revealed to you by all the cliches and sweeping broadsides that have been aimed at you is the fact that these provisions are very carefully tailored to cut the throat of U.S. business overseas and to turn their oversea markets over to foreign-owned companies.

Do not take my word for this, just read the bill. I think everyone of you owes a duty to his country, before you vote for this bill, to read the two minority reports which discuss these sections. They are true and they are factual and, because of space limitations, even they do not disclose the entire horror picture of these provisions of the bill.

For years without number every administration has encouraged American business to go overseas, to carry the flag and build up the rest of the world. For years without number every administration, except this one, has cheered for U.S. oversea business. Yet one section of the bill is carefully contrived to punish American oversea business for having gone overseas, and to punish it retroactively all the way back to March 1, 1913. March 1, 1913, is the date the U.S. income tax was first imposed.

The section is section 16 and if you do not believe it is retroactive all the way back to March 1, 1913, read for yourself its true effective date. Just read line 13 of page 161. Just pick up your bill and read the words "after February 28, 1913."

Do you know that under the provisions of section 13 of this bill American individuals who have committed the crime of being controlling stockholders of a good, honest business corporation which in England pays a 53-percent British income tax, will be taxed currently on the earnings of that British corporation at the individual income tax rates, and those rates, as you know, go as high as 91 percent. This is to be done even though British income tax on that British company's earnings has been paid at the British 53-percent rate. Even though this bill would tax these stockholders as high as 91 percent, it also denies them the right to take a foreign tax credit for the 53-percent British income tax paid. This is not taxation; this is confiscation. And I am not talking about tax dodgers. I am talking about sturdy, honest American businessmen.

This section 13 does do this and no administration spokesman can deny it. Does party loyalty require that you vote and cheer for this?

Do you know—it is on the public records—that one of the principal supporting reasons Secretary Dillon gave the Ways and Means Committee for the provisions of this bill which are deliberately intended to destroy and cripple U.S. oversea companies is this shocker; that he wants this done in order to please the finance ministers of the six European Common Market countries?

They want to get the American-owned companies out of their countries and Mr. Dillon wants to help them do this—and this is the weapon for doing it. Do not take my word for it; read page 33 of the Secretary's printed testimony to the Ways and Means Committee.

But I have not heard of a single one of these European foreign ministers proposing that the companies of his own country be treated this way. They

preach "Yankee, go home" and the Secretary agrees and this is his weapon to make the Yankee businessman come home.

Who are you going to vote for: the American businessman or the European finance ministers? This issue is just that raw.

You have the amazing situation on this floor today that many of the sections of this bill, if voted on individually, would be voted down. Put together in a package with the panaceas and lures of the kind I have mentioned they are expected collectively to cook up enough votes to send this bill to the Senate. And I must repeat, then you will find the lures and panaceas removed. What many of you want will have disappeared—only the pain will remain. But it will be too late because your vote will have been used to move this bill this week.

How many of you have any real stomach for voting to put the hair shirt of withholding taxes on 30 million American voters in order to finance a cockeyed administration economic gadget which would feed a lot of pork barrel money into big business. How popular are you going to be at home when the truth of this seeps back to your constituents?

It will be a lame excuse to try to describe to constituents the last-minute razzle-dazzle in the Ways and Means Committee which was used to set up a smokescreen to the effect that the investment credit really would not cost anything at all that was noticeable. If it were going to cause the great administrative revolution that its proponents claim, it would have to be expensive. It is still expensive, but you are being fed a party line in every administration speech on this floor that it will do great things at just about zero cost. It is amazing how little regard some people have for the intellectual acuteness of Members of this body.

What is at stake in this bill is a lot more than party loyalty. Basically, the public welfare is at stake. The only driving reason to pass this bill in this House is to save the faces of the administration, the Treasury and of some American colleges at the expense of the public welfare.

In conclusion, I want to remind you that even the national honor is at stake in this bill. A number of provisions of this bill directly violate a great many tax treaties to which the United States is a party. When we signed these treaties we pledged our national honor to respect them. But section 21 of the bill as a two-line unilateral legislative fiat nullifies these treaties. Again, do not take my word, read section 21. And do not let anyone tell you it is meaningless and just affects one little old clause in one little old treaty. Read the minority report for the true full facts.

I think the basic issue for everyone of you in this bill is whether you wish to save the national interest by voting down the bill or wish to decide that party loyalty and saving the administration face is more important than the public welfare. The issue is that blunt and that brutal.

Mr. BAKER. Mr. Chairman, I yield such time as he may consume to the gentleman from Michigan [Mr. CHAMBERLAIN].

Mr. CHAMBERLAIN. Mr. Chairman, I am disappointed in this bill. Ever since I came to the Congress I have been hearing talk of major tax reform, but we never get around to doing anything. As one who has consistently advocated the reduction or repeal of our discriminatory excise taxes, I want to take this opportunity to call attention again to the fact that the 10-percent tax imposed during the Korean war to discourage automobile production is still on the books although almost every other excise tax has been reduced or repealed. I regret that our Ways and Means Committee has not seen fit to rectify this inequity and that they see nothing wrong with imposing a 10-percent excise tax on one class of manufacturing and not so taxing other manufacturing. As I have urged for the past 6 years, the time for tax reform in this area is long overdue.

Another inequity the committee has ignored in reporting this bill is the fact that the personal exemption has remained unchanged since 1948 and that inflation during this period has in effect reduced the tax benefit of this exemption. We have shown considerable concern about the adjustment of the salaries of Federal employees to compensate for the periodic increases in cost of living. Why should we likewise not be concerned over maintaining the dollar value of the personal exemption for our Nation's taxpayers? According to my own rough computations, we should raise the personal exemption to more than $750 today to maintain the same relative tax advantage accorded the taxpayer in 1948 when the $600 figure was enacted. I regret we have not yet found time to get about the much needed job of major tax revision.

Mr. Chairman, for the reasons that have been brought out in this debate, I intend to support the motion to recommit this bill.

Mr. BAKER. Mr. Chairman, I yield 5 minutes to the gentleman from Missouri [Mr. HALL].

Mr. HALL. Mr. Chairman, I would like to qualify on the basis of the proposer of two additional tax revision bills which I still think would be excellent legislation; and as a taxpayer-doctor I cannot support this bill in its present form for many reasons involving the district from which I come, and the people I represent. But I would like to address myself to three, primarily.

Unfortunately the trend in Washington seems to be not to simplify our tax laws, but to make them increasingly difficult to understand. Instead of recognizing that we ought to start again—from scratch—and make our tax laws simple and understandable to those who must pay taxes; over the years the Congress has relied instead on patchwork legislation, amending previous laws, eliminating old loophooles, and sometimes creating new loopholes in the process.

The end result has been a bureaucratic nightmare, so involved and so detailed that the responsibility for determining tax liability is less and less in the hands of our elected officials, and more and more in the hands of nameless clerks in the Office of Internal Revenue, who implement the law and write regulations. Sometimes they twist the original legislative intent.

I regret to say that the legislation being considered this week on the floor of the House falls into this category. New complex regulations are being piled on top of old complex regulations so that the end result will resemble a patchwork quilt understandable only to the most competent tax accountants, and subject to different interpretation even among them. A year ago the President indicated that he would authorize a study of our tax laws in order to form a basis for overall and comprehensive tax revision.

This has not come to pass, and the legislation before the House this week is, at best, a temporary expedient, which does not begin to touch upon our real problems in the field of taxation.

Secondly, the foreign provisions of the proposed Revenue Act of 1962, hastily and ill conceived, are based on four false assumptions:

First is that because a U.S. corporation owns over 50 percent of the voting stock of a foreign corporation, the former can cause the latter to do what the executive branch of the U.S. Government presently believes these foreign corporations should do. This ignores the corporate laws of foreign countries, the concessions and permits granted by foreign governments for such ownership, the minority stockholders in such corporations, the economic well-being of the foreign corporations and the economic and political interests of the countries in which they are located, and the customs and traditions of those countries. To be successful and endure, a foreign corporation, regardless of stock ownership, must conduct itself in the economic interest of the country of incorporation, not in the interest of the U.S. Internal Revenue Service or in accordance with what some members of the present administration of the U.S. Government think it should do.

Secondly, probably recognizing point one, the executive branch of the U.S. Government says, "So what, you'll be taxed anyway." There are already too many provisions of the present revenue code that tax on the basis of constructive receipt of income instead of actual. The proposed bill is a further and major step in that direction. This is a vicious doctrine. Regardless of how well tax bills are written, they cannot be made exact quantitative formulas in the matters in question. This leaves in the hands of the thousands of agents of the Internal Revenue Service the arbitrary power, with only lengthy and costly recourse, to determine matters of great importance and in effect dictate how foreign business should operate.

Thirdly, contrary to the protestations of the Treasury Department, the long-

term effect of the foreign provisions of the bill would be to:

First. Reduce U.S. tax revenues. A great part of the new taxes imposed by the bill would be taxed by the foreign countries in which U.S. subsidiaries operate, and revenue now received by U.S. industry from foreign subsidiaries would be dried up by the advantages given foreign competition.

Second. The present foreign business of U.S. firms would be hampered to the point that they would probably have to cease operations and their business would be surrendered to foreign companies.

Third. U.S. exports would suffer by reason of the fact that a large part of exports from the United States is made to foreign subsidiaries. As a corollary, employment in the States would suffer.

Fourth. The position of the United States with respect to the balance of payments would suffer from a drying up of royalty, dividend, and other income from abroad and what would undoubtedly follow is a flight of foreign capital from the stock of U.S. companies by reason of the more favorable position of foreign companies in oversea markets.

Finally, or fourth, the foreign provisions of the proposed tax bill are inconsistent with the administration policy, with which I fully concur, as expressed in H.R. 9900 with respect to foreign trade. The results of the application of the tax bill would hinder rather than encourage foreign trade. Here is an excellent example of the right hand of government not knowing, or at least not caring, what the left is doing. The foreign tax provisions are well calculated to alienate allied nations and lose friendship in others.

Third. I believe it totally fails to accomplish its avowed purpose—the stepping up of incentives in order to create new jobs. Thus far the only real progress in putting men back to work since a year ago January has taken place in two fields. First, we have added almost 100,000 employees on the Federal payroll; and, second, we have called up approximately 155,000 reservists. The former method is indefensible and the latter method hardly can be considered a solution to problems of unemployment, nor is it likely to result in an increase in our gross national product.

Reliance on an investment credit rather than on an accelerated depreciation allowance means that we are unwilling to listen to businessmen on questions involving business.

A basic fundamental of tax legislation would seem to be that it not be discriminatory. Yet the use of investment credits is discrimination at its worst. Firms which have expanded on their own without tax inducements, will be penalized in favor of their competitors who by sitting tight, will now receive a tax windfall for their delay.

The use of an investment credit would have very limited if any effect on the retail and service industries, and in our changing economy these industries have been providing a larger and larger share of job opportunities.

On the other hand the United States ranks among the very lowest countries in the world in its allowances for depreciation. One reason that our oversea competitors have made such rapid inroads in American markets is that they have the advantage of being able to write off obsolete equipment at a faster rate than their American counterparts. Combine this easier depreciation schedule with our foreign-aid dollars, and a lower wage rate, and it is not difficult to see why we are being caught in a competitive spider web.

Still another aspect of H.R. 10650 to which I strenuously object is the provision to institute a 20 percent withholding tax on dividends and interest.

Here we are not getting at the wealthy stockholder or the millionaire. His stockholdings are such that he would not dare to evade his taxes. We are instead reaching the widows, the retirees, and those who have small but important savings in banks, in savings and loan institutions, and in stocks, others are thrifty or frugal enough—still to be encouraged in the United States of America—hoping to have put a fund in interest-bearing trusts, not Federal bonds, for their children's education. There are literally hundreds of thousands of these people with limited incomes. A great many of them are over 65 years of age.

In most instances a 20 percent withholding tax is far more than they ultimately are required to pay. These are the people least able to hire accountants or attorneys to handle the maze of paperwork that would allow them to be exempt from its provisions. They have a difficult enough time filing one tax report a year, let alone trying to keep up with quarterly refunds. There are many such retired persons in the Ozarks, and may their tribe increase.

These are the people we are threatening with a new bureaucratic nightmare. I submit that the great majority of these people are honest, they do pay their taxes, it is not necessary to send a swarm of internal revenue agents to harass them as was done recently in the town of Fordyce, Ark.—see daily CONGRESSIONAL RECORD, March 28, 1962, page A2411.

These are the same people for whom the costs of food, of shelter, of housing, of medical care, pose a special problem. I will not be a party to any bill which adds to that problem and therefore I will not support H.R. 10650 in its present form.

Mr. BAKER. Mr. Chairman, I yield such time as he may require to the gentleman from New Jersey [Mr. WALLHAUSER].

Mr. WALLHAUSER. Mr. Chairman, the Revenue Act of 1962, in my opinion, will not accomplish either one of the purposes of a revenue act, which in the first place would seem to be to raise revenue, or in the second place should be designed to stimulate the economy and produce more income for the citizens of the United States, but actually its passage could well have the contrary effect.

The investment credit proposal, which apparently has not been demanded by the main beneficiaries, will provide an unlooked for windfall to a relatively small group. If we were assisting the individual, or if we were rewarding, in a definite and proven way, industry for providing more jobs, one could find no great fault with this effort, but my opinion is that this will not bring about the desired result. The tax on savings institutions could well hurt the housing industry and the financing of homes which is so important in the economy of this Nation, and the withholding on interest and dividends will produce massive overwithholding to the disadvantage of untold numbers of people and prove to be a costly and unnecessary headache for those whose duty it would be to administer this section of the act.

In general, there are so many features of this legislation that could be classed as either unnecessary or unfair, that I have come to the conclusion that I will have to vote against this legislation in its present form.

Mr. BAKER. Mr. Chairman, I yield 5 minutes to the gentleman from Montana [Mr. BATTIN].

Mr. BATTIN. Mr. Chairman, I appreciate the time of the Committee and have some questions and observations concerning the tax bill. The debate so far follows along the lines dealing primarily with the question of withholding on interest and dividends. I would like to ask the gentleman from Wisconsin if it is not true under the present law, that any person who files a fraudulent tax return, that is, leaving out part of his or her income which is derived from any source, is subject to imprisonment in a Federal penitentiary?

Mr. BYRNES of Wisconsin. Of course, if a person files a fraudulent return and it is proved to be a fraudulent return that person would be subject to a criminal penalty, the gentleman is absolutely right.

Mr. BATTIN. It would seem to me then, following the law that we presently have on the statute books, it is not so much a question of people not paying their taxes, but it is a question of failing to enforce the present laws. Therefore, the statements made today are an indictment of a great many people in this country. To say on this floor there are a lot of dishonest people in the United States who do not believe in paying their share of the taxes, and that is what has been said here, is far from the truth.

I would prefer to think, and I certainly believe that a great percentage of the people in this country are honest and they do pay their fair share of the taxes. The figures that are pulled out of the air, for example, a loss in taxes of $850 million from interest on income, is just a figure. Nobody has taken this floor during the 2 days of debate and given any legitimate figure and information as to where they get a tax loss figure of $850 million, or what this new bill would bring in. To bring in legislation just for the sake of trying to bring a bill before the House for consideration that does not do equity to the people involved, as the gentleman from Virginia [Mr. HARRISON] says, to the young widows who are not paying their tax is to me an indictment of a great many people, literally hundreds of people who have written

to every Member of this Congress saying that they are living off of income that they receive from interest and dividends and to penalize them because we are not enforcing the present laws of this country seems to me to be a rather shabby way to treat the taxpayers of this country.

Mr. BAKER. Mr. Chairman, will the gentleman yield?

Mr. BATTIN. I yield to the gentleman from Tennessee.

Mr. BAKER. I compliment the gentleman on his observation, and his excellent remarks. You are absolutely correct. I think more than 90 percent of these taxpayers would pay their tax if they were properly informed and they would include the interest and dividends in their gross income.

The criminal sections apply equally to that part.

Mr. BATTIN. I thank the gentleman.

Mr. GEORGE P. MILLER. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count. Fifty Members are present, not a quorum. The Clerk will call the roll.

The Clerk called the roll and the following Members failed to answer to their names:

[Roll No. 50]

Andrews	Fogarty	Selden
Barrett	Gray	Shelley
Bates	Hébert	Sheppard
Bennett, Mich.	Hoffman, Mich.	Short
Brooks	Holifield	Smith, Miss.
Carey	Johnson, Wis.	Spence
Clancy	Jones, Ala.	Teague, Tex.
Colmer	Kearns	Tollefson
Curtis, Mass.	Moulder	Tupper
Davis, Tenn.	Nygaard	Walter
Dent	Powell	Wilson, Ind.
Dingell	Rains	
Evins	Roberts, Ala.	

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. ROOSEVELT, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill H.R. 10650, and finding itself without a quorum, he had directed the roll to be called when 398 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

Mr. MILLS. Mr. Chairman, I yield 5 minutes to the gentleman from Georgia [Mr. FLYNT].

Mr. FLYNT. Mr. Chairman, I support the Revenue Act of 1962 which is designated as H. R. 10650.

Like most of us when any revenue bill comes up, when any tax bill comes up, there is a normal human tendency to view it with misgivings. That was my reaction when I first began to study the bill which the Committee on Ways and Means reported to the House of Representatives.

When I first began to study this bill, I reached the conclusion that if I had drawn it, I would have made certain major changes in it to begin with. Then upon reading it further and upon reading portions of the hearings before the Committee on Ways and Means, and upon reading the committee report which accompanied H.R. 10650, I began to see that there was good, sound, logical reasoning for nearly every single provision in this Revenue Act of 1962.

Time will not permit me to give any more than just a brief résumé of what this bill would do. I could not even begin to read the index in the time that I have been allowed. Therefore, the bulk of the time allotted to me today will be used to discuss two things which we understand will be contained in the motion to recommit.

I am opposed to the motion to recommit. I shall vote against the motion to recommit.

I shall vote for the bill.

Let me address brief remarks to what the bill as a whole does. First, it provides a new tax on certain potential sources of revenue which may not have been paying their fair share of taxes under the revenue laws which now exist.

Mr. Chairman, this bill provides some limitation on the deduction of entertainment expenses.

This bill provides for increased taxation of our mutual thrift institutions, mutual savings banks, and savings and loan associations.

Mr. Chairman, this bill changes the tax treatment of mutual fire and casualty companies.

Mr. Chairman, this bill changes the tax consequences with respect to the sale of depreciable property.

Mr. Chairman, this bill changes the tax treatment of the earnings of cooperatives.

With regard to those sections which provide for increased taxation of our mutual thrift institutions, mutual savings banks, and savings and loan associations, I certainly do not want to penalize those institutions which encourage thrift. At the same time, when certain of those institutions reach maturity and attain the financial stability that they no longer need the benefits which were provided under the laws which made possible their creation and their establishment, then they should realize they have reached maturity and should assume their normal share of the tax responsibility just like other taxpayers whether they are individuals or corporations.

It is both the obligation and responsibility of all businesses as well as individuals to assume the burden of taxation. This applies not only to mutual savings institutions but also to cooperatives and related membership type corporations.

Like all good citizens I am confident that they will willingly accept the provision of this bill.

It is the responsibility of every segment of the economy to pay its fair share and to assume its responsibility toward paying the taxes which must sustain and support the Treasury of the United States if we are to maintain fiscal strength and financial stability at a time when we need them perhaps more than ever in the history of our country.

Mr. Chairman, this is the first major revision of the internal revenue laws which has been presented to the House of Representatives during the five terms I have served as a Member of this body. I want to take this opportunity to commend the Committee on Ways and Means, and especially the chairman of the committee, the gentleman from Arkansas [Mr. MILLS], who spoke yesterday, and the gentleman from Louisiana [Mr. BOGGS], who spoke earlier today, for their very forthright statements. I want to commend them for the forthrightness and accuracy with which they have explained every single essential element of this bill which is before us today.

Let me come to a major point that I think is in the mind of each of us. It is one about which I had some concern initially, and at the time I read it and discussed it I had considerable reservation about that provision of the bill which provides for withholding of dividend payments and interest payments on certain types of accounts. When I asked these questions which came to me, as they must have come to many of you, I went to the chairman of the Committee on Ways and Means, discussed them with him item by item and question by question; and in every instance he gave me what I thought was a fair answer, a reasonable answer, which answered every question I had raised to him and which I feel answered every single question which has been raised in the many letters which I have received from constituents who reside in the district I represent.

Let me make this as clear as I can: The withholding provision does not impose a new tax on anybody. It collects no tax that would not be due in the absence of this provision. It levies no increased tax on anybody except, Mr. Chairman, those persons who for one reason or other during the years prior to now have evaded a substantial portion of tax liability on income from these sources.

Mr. WIDNALL. Mr. Chairman, will the gentleman yield?

Mr. FLYNT. I yield to the gentleman from New Jersey.

Mr. WIDNALL. Does not this withholding tax take away from the people that which they are entitled to and which the Government is not entitled to and that they will have difficulty getting it back?

Mr. FLYNT. I will say to the gentleman from New Jersey that I disagree with the premise upon which his question is based. I do not believe they have to sue the Government or the Internal Revenue Service to get back any money due them under the law as it is written, and certainly if it is not in it it can be corrected at the proper time.

All the taxpayer has to do is to file a claim for exemption at the source saying that he has reason to believe there will be no tax liability upon him, and then no taxes will be withheld from his dividends or interest. I ask the chairman of the Committee on Ways and Means if I have stated the situation correctly on that point.

Mr. MILLS. The gentleman has correctly stated the situation.

Mr. FLYNT. Furthermore, in regard to the question of withholding of taxes on dividends or interest, if there is no tax liability there is no tax withheld for the individual under 18 years of age, as I understand it, regardless of

what his tax liability may be. All they have to do is file a document with the Internal Revenue Service.

There is no tax withheld on them anyway so long as the institution knows they are under 18 years of age. Normally, every taxpayer, regardless of age, regardless of their financial circumstances, if they will file a truthful statement that they have reason to believe there is no tax liability on them for the coming year, then all they have to do is to file that with the institution which would normally pay them the dividend and the interest to which they would be entitled.

Mr. BYRNES of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. FLYNT. I yield to the gentleman from Wisconsin.

Mr. BYRNES of Wisconsin. I think it has been overlooked by the chairman of the committee and by the gentleman here that these exemption certificates have to be filed every year. That is number one. And, number two, they are not filed with the Revenue Service, they are filed with anybody with whom you have an account. If you have stock in 10 different companies you have to make sure that on file with each one of those individual companies is a certificate, and you have to do that every single year.

Mr. FLYNT. I may say to the gentleman if I had accounts or stocks with 10 or more corporations or 10 or more savings institutions I should be delighted to file the necessary exemption certificate or pay the tax due.

The question has come up that some people would be penalized and that some people would suffer hardship and inconvenience by this new provision. I do not believe that to be the case. I believe that people with no tax liability will be excluded from the withholding on their dividends, savings, and savings bond interest by filing a simple exemption certificate with the payer of the dividend or interest certifying what? Certifying that he has reason to believe he will not be liable for the payment of any income tax for the year in question. For those under the age of 18 the exemption certificate can be filed whether or not the individual expects to have any tax liability.

Those who have some tax liability but less than the amount withheld will apply for a quarterly refund on a simple form supplied by the Internal Revenue Service. Refunds will in most cases be received in a month, as they are now being received by the 35 million taxpayers who have income from salaries and wages, who are already paying withholding from their salary or pay check, whether paid weekly, monthly, bimonthly, or on any other basis within the calendar year.

I have been convinced that withholding is necessary, that it is in the best interest of the Treasury of the United States, and above that, Mr. Chairman, it is in the best interest of those taxpayers who year in and year out and month in and month out pay and pay willingly the necessary tax burden which is theirs.

Withholding of taxes on interest and dividend payments is essential as a matter of equity and as a matter of fiscal responsibility.

There is absolutely no reason why those who receive all or part of their income from interest and dividends should not have their taxes withheld—as wage and salary earners have been for 20 years. What is being considered is not a new or additional tax but simply a method of collecting taxes which are now owed the Government but not being paid.

In addition, the fiscal soundness of the pending bill depends heavily upon enactment of the withholding section, which is the largest single source of uncollected taxes owed: $650 million.

Individuals would suffer no hardship and little inconvenience.

Withholding will pay for itself hundreds of times over.

The estimated administrative cost of the withholding system is $19 million per year but $650 million in presently evaded taxes will be collected.

Withholding is necessary. Publicity campaigns aimed at increasing the level of voluntary reporting of interest and dividend income have simply not worked, and attempted enforcement by tax return audits has been unproductive.

The alternatives are less effective and more costly. Automatic data processing—even when the system is fully in operation, which it will not be for several years—is no solution to the problem of mass nonreporting. Automatic data processing does not collect taxes. Even with a vast increase in information returns which would have to be filed by business, it would merely identify suspected tax evaders. Use of automatic data processing would have to be coupled with an increase of thousands in Internal Revenue's enforcement staff. Even then, only the largest suspected evasions could be checked. At the most this system would collect about $200 million in evaded taxes and would cost some $27 million.

The system will be simple and convenient for payers of interest and dividends. They will make their payment of withheld taxes to the Government in one lump sum quarterly. They will not be required to keep detailed records of individuals to whom they make dividend and interest payments. In addition, they will be permitted to retain use of the withheld taxes for certain specified periods before they are turned over to the Government—a provision which will help offset the cost of withholding.

A strong reason for including the withholding provision on income from interest and dividends is that about $15 billion in dividends and interest were reported by individuals on tax returns in 1959, the latest year for which complete Treasury data are available. In addition, there were about $3.7 billion in dividends and interest that should have been reported in that year but were not. Most of this amount was subject to tax and the Treasury Department estimates that this underreporting resulted in a revenue loss of about $800 million in taxes for the year. Withholding will result in the collection of about $650 million of this amount and it is believed that almost all of the remaining gap will be accounted for when the automatic data processing system is fully developed.

Certainly this is a loophole which should be closed and one which can be closed by enactment of the committee bill but not by the motion to recommit.

Mr. Chairman, may I briefly discuss the investment credit provision. I am convinced, as I hope many of you will also become convinced, that if we are to successfully compete with those nations which are presently a part of the European Common Market, it is going to be necessary for us to do everything we can to make it possible for American industry to cut its production costs wherever it can. I believe this investment credit provision, coupled with a liberalized depreciation schedule, to be submitted by the Commissioner of Internal Revenue, will make it possible for American industry to compete on nearly an equal basis with its counterpart industry anywhere in the world. I believe we can successfully compete if our tax structure is realistic.

In conclusion, Mr. Chairman, let me emphasize that one of the main purposes of this investment credit provision is to create additional jobs for Americans.

Mr. Chairman, I have every confidence that this Internal Revenue Act of 1962 will be fairly enforced; that it will accomplish the purpose which the majority of the Committee on Ways and Means feel should be accomplished. I support the bill as reported by the majority of the Committee on Ways and Means.

Mr. Chairman, I shall therefore oppose the motion to recommit and on final passage I shall vote for the bill as reported.

Mr. BAKER. Mr. Chairman, I yield 10 minutes to the gentleman from Indiana [Mr. HALLECK].

Mr. HALLECK. Mr. Chairman and members of the Committee, I am sure the gentleman from Georgia [Mr. FLYNT], who just preceded me, had nothing to do with the quorum call, and I certainly had nothing to do with it. However, I am glad we do have a few more folks here. I am quite sure there is no filibuster on; at least, I hope there is not, because possibly we might as well go on and dispose of this matter this evening.

Now, I would like to say at the outset a word of commendation for those who have spoken on this very complex and difficult matter. I have listened to the debate. I just want to say that it has been constructive, thoughtful, and helpful. Divergent viewpoints have been expressed, and that is as it should be. I do not know how much I can add to what has already been said, but I am going to try it, anyway, and possibly I can clarify the positions that some of us take.

Mr. Chairman, I have been majority leader of this House of Representatives on two different occasions, in the 80th and 83d Congresses. In the 80th Congress, Harold Knutson, of Minnesota, was chairman of the Committee on Ways and Means. In the 83d Congress Dan Reed, of New York, was chairman of the

Committee on Ways and Means, as my very good and able friend, the gentleman from Arkansas [Mr. MILLS], is now chairman of the great Committee on Ways and Means. And, may I say, as I am sure he knows, that certainly for him I have only the highest respect and admiration.

So, having said as much, I think I can sincerely and truthfully say that I know something of the burdens that are carried by the majority when they bring a tax bill to the floor. That is as it should be, because they have the primary responsibility. But, by the same token, those in the minority have their obligation to try to assist as best they can in writing good tax legislation.

So, Mr. Chairman, we shall have a motion to recommit on our side that I trust will prevail. As I remember it, we had in the 80th and 83d Congresses substantial tax reductions for the American people, and we on our side were happy to write this tax reduction into law first in the 80th Congress, which, if I remember correctly, was passed over a Presidential veto, and that meant, of course, that there was very substantial support for the bill on the Democratic side of the aisle.

Before I speak on the motion to recommit, I just want to refer to what has already happened. We, on our side, tried to vote down the previous question, because we felt that under the limited rule that would be applied—not an open rule but a limited rule—we could offer three amendments that could have been debated in a limited way, with each being considered on its own merits. Our effort against the previous question did not prevail, so the vote came on the rule. It is a matter of record that while I supported the opposition to the previous question in order to try to amend the rule, I voted for the rule in order to bring this matter to the floor, because I realized that we still had the privilege of offering a motion to recommit and that the vote on the rule was in reality simply the beginning of the legislative process that I think we should carry on.

Now, as to the motion to recommit. There were some references made in the debate yesterday to what some called Republican irresponsibility. Well, as I view this motion to recommit, there is nothing irresponsible about it. I might say if one wanted to kick these charges around one might say that perhaps there is something a little irresponsible in a bill here presented by the committee that in my considered judgment is not a balanced bill, but one which would result in several hundreds of millions of dollars lost in revenue. I do not know how responsible it is to bring in here what is called a tax investment credit. The strangest thing about it all is that so far as I can discover the great majority of the business people who are supposed to be the beneficiaries of this action are against it. I might say that this business of what is referred to as withholding of interest and dividends, now made in my opinion unworkable and administratively impossible, results in, I am quite sure, without regard to what anyone might say about filing notification, not in withholding of amounts due, but overwithholding of income needed by millions of people in this country living on dividends and interest.

The motion to recommit is simple and understandable. First of all, in its general effect it will remove any adverse revenue implications that exist in the committee bill. I say that because it will add in my opinion probably $500 million in revenue in the coming year to the already hard-pressed Treasury of the United States. It will eliminate what I believe is an unwarranted subsidy or windfall for certain business interests of the country under the tax credit. There has been some talk about how we Republicans just do not want people to have jobs. Well, first of all, as to who wants this tax credit, we have a chamber of commerce in the State of Indiana. I would say on the whole it is composed of smaller businessmen. There are some larger ones in the organization. But here is what they have just sent to me with respect to the investment credit provision:

> It was the recommendation of a majority of the committee that this proposal not be approved by the Congress for the reason that it had many of the characteristics of an outright subsidy and discriminated against businesses that had gone ahead with expansion and modernization of plants in previous years. The committee majority was of the opinion that a general revision in depreciation schedules and overall tax reform would serve as a greater and more lasting stimulus than the investment credit.

Now, that is the business side of our economy.

I have here a letter from Andrew J. Biemiller whom all of us refer to as "Andy." He served here with us, and he and I have been good friends for years. He writes for the American Federation of Labor and Congress of Industrial Organizations. One would think that the AFL–CIO would be primarily interested in jobs. If this tax credit gimmick is going to provide jobs, then why would Mr. Biemiller write to me as follows:

> Although the AFL–CIO is unhappy with the investment tax credit proposal in the bill, it is far preferable to the accelerated depreciation provision which will be proposed in the motion to recommit.

Mr. Chairman, for the information of all of us—and I trust the information will get to Mr. Biemiller—there will be no arrangement for accelerated depreciation in the motion to recommit. So, if the AFL–CIO is unhappy, as they say, with the investment tax credit idea, then they must be satisfied that that arrangement is not going to provide real jobs.

Mr. Chairman, when we get ready to draw a motion to recommit—and may I say this to some of my friends on our side of the aisle, because it is primarily a minority responsibility—there are all sorts of different ideas about what it ought to be.

Some say it ought to be a straight motion without instructions. Others say it ought to be a motion with instructions. When you get down to the business of a motion to recommit with instructions, I think every one of us ought to recognize that you cannot write complex legislation in that fashion and probably should not undertake it. I think that is one reason why the motion to recommit will not deal with this matter of accelerated depreciation.

I think I should say this, in all sincerity, too, that at this juncture of the affairs of this session of the House of Representatives, a straight motion to recommit would probably mean the end of legislation in this direction. And if that is true then the same result exactly is achieved by the vote on final passage of the bill.

Mr. Chairman, the motion to recommit will simply strike out two sections. And in connection with striking out those two sections it will help tremendously in the fiscal situation of our hard-pressed Government.

Just a further word about the so-called investment credit. As I have said, I think it is discriminatory. I do not think it is sound tax policy. After the credit is given, there still would be granted 100 percent depreciation.

Section 19, which likewise would be stricken out, as I say, refers to the withholding of interest and dividends. I say it will be overwithholding. I say that with the improved methods in the Internal Revenue Service, with a better realization on the part of the people who receive these interest and dividends that they should pay taxes on them, I cannot see any reason why we cannot move without what I say would add to the harassment of millions of taxpayers all over the country.

Mr. Chairman, let me make one other thing clear. As I said, it has been intimated in a place or two, if not openly charged, that when we move to strike out section 19, the withholding provision, that somehow or other we are for tax evasion. Nothing could be farther from the truth. No one condones tax evasion; certainly I do not. But I do not want to compound the confusion that certainly would result if this section goes into effect.

I sometimes wonder why it was put in here, except that apparently it was felt by the administration that they had at least to create the appearance of having a balanced bill, a bill that would not result in a loss of revenue. As I say, if you want to be sure that we do not have an unbalanced bill then I say to you vote for the motion to recommit.

If this bill is just the beginning, if a balanced bill is the goal, let us make sure that we do not start off with the wrong kind of a beginning. There are 21 sections in this bill. The motion to recommit would strike out two of them. I have heard it said here time and again that this strikes out the heart of the bill; that it destroys the bill; that there is nothing left. We always hear about crippling amendments. If we adopt this motion to recommit, in my opinion, it would not strike out the heart of the bill; nothing at all like it. It does do away with two sections that in my opinion are not necessary and should not be adopted at this time.

Mr. Chairman, I certainly hope that the motion to recommit is adopted.

Mr. MILLS. Mr. Chairman, I yield 10 minutes to the gentleman from Missouri [Mr. BOLLING].

Mr. BOLLING. Mr. Chairman, it is a little difficult to get up at this hour, at a point when Members are beginning to cry for a vote; but I have had the privilege of spending about 10 years on the Joint Economic Committee, an assignment which I have taken very seriously. I have been rather fascinated by some of the discussion I have heard, particularly from the other side of the aisle.

I am sure there is no partisanship at all in the recommittal. There was no partisanship at all in the phalanx of votes which attempted to set up a unique method of considering a tax bill. One does not have to look very far back in the record to see that when the Republican Party was in the majority in the House of Representatives, it took exactly the same attitude on a tax bill under those circumstances that we who are in the majority take today. I am sure no one would deny that. That is the ordinary standard approach and the phalanx yesterday, the unanimous, I believe, Republican vote, was a sure indication that this bill was going to receive completely nonpartisan, nonpolitical consideration.

Now let us take a look at this question of recommittal. If we are talking of legislating in a constructive way; if we are talking about passing legislation in a constructive fashion, then I ask—what is constructive about a motion to recommit which offers no alternatives to the two sections, but simply strikes them out. What is constructive about saying, "No, we will not have any part of an effort to solve this fundamental problem that confronts America in dealing with the world situation"—a problem that has been studied and restudied and concerning which problem this is the first real effort to do something? And that is the question of the investment credit provision.

For years and years I have heard my friends on the Republican side talking about how we could, if we would only unleash private enterprise, more effectively compete with the Soviet Union. Then when the Democrats bring in a bill which tries to give private enterprise a more equitable situation in relation to all our friends in Western Europe, where they can write off investments much more quickly than we can in this country, then the Democrats are attacked as being in favor of a bonanza for business. What is the true inward attitude with reference to this problem? It is no secret—everybody in business knows what the real underlying reason is for being against the investment credit provision—they want more, and on more favorable terms. This is not enough. They want a more advantageous pitch, from their point of view.

Mr. Chairman, this is the fair and aboveboard way to meet this problem. This provides, frankly, for an incentive—frankly, it provides a subsidy to increase the amount of investment in automated machinery and the amount of investment in new and modernized equipment. When I tell you that every country in Western Europe has more favorable terms for writing off investments, it is not a myth. And it is not an exaggeration to say that with one or two exceptions the free countries of Western Europe are all experiencing greater economic growth than the United States. Certainly, we have to learn to compete more effectively. Certainly, we have to do things in the field of trade. But this is a good beginning. It is a good start. But our Republican friends on the other hand would offer us nothing as an alternative. They just say, "You are going to try to make a start, but we want nothing in this direction." That much is clear. They take a purely negative position on investment credit—no alternative—nothing—just strike it out.

The other section which they wish to strike out and about which they cry these crocodile tears and about which they tell us that in time when we get these automatic data processing machines in operation—and I know something about this and, fortunately, one of those automatic data processing installations is going into my district and I know when it is going to be set up and it is certainly going to be a number of years from now even if it is on schedule—as I was saying, this provision about which they cry these crocodile tears and say that everything will be all right when these machines get into operation should be adopted now because we need to see now, today, that this loophole is closed. There are many other loopholes and I hope when we have passed this tax bill, and it becomes law, that the great Committee on Ways and Means and this time in a more bipartisan manner will go to work to see if we cannot close a great many of the other loopholes that exist.

This business of crying for the widows and the orphans on the withholding tax provision is as phony as the thing we used to experience when we used to have the office of rent control. The big owners of apartment houses never came to see us; they always sent in to us the ones who had just one or two apartments to rent. They always came and told us what a terrible hardship they were going to experience. The people who are really fighting this withholding on interest and dividends are not the widows and the orphans misled by propaganda, because, despite the fact that they may have to file a certificate once a year, this does not represent a hardship.

If you say that some people will have more withheld than is necessary, what is the answer? That is exactly the present situation that we have when we withhold on salaries and wages; a great many people find at the end of the year that they have had too much withheld.

What is the difference between income from dividends and interest and income from wages and salaries? Why should they not be treated with complete equity?

So what I am saying in effect is that this bill takes a major step forward in a critical area of the U.S. economy, and that is to encourage investment. Mr. Khrushchev has said, and said repeatedly, that he will bury us; and when he talks about burying us he is not talking about burying us with bombs. He has said that he would bury us in what he calls peaceful economic competition. We have the opportunity in this investment credit section of the bill to strike a blow at his attempt to bury us; and in the withholding section of the bill we have a chance to bring equity to a tax structure, greater equity to a tax structure which is not as equitable as it could be.

Mr. BAKER. Mr. Chairman, I ask unanimous consent that the gentleman from New York [Mr. GOODELL], the gentleman from Wisconsin [Mr. SCHADEBERG], and the gentleman from Illinois [Mr. MICHEL] be permitted to extend their remarks on this bill at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

Mr. GOODELL. Mr. Chairman, I rise in opposition to the bill.

As far as I can make out, the only people for the bill are, for some mysterious reason, in the Kennedy administration.

Top union officials opposed the investment tax credit proposal of the bill which would give companies an extra 7-percent credit for expansions meeting with Government approval. The AFL–CIO said it "would grant a major tax windfall to corporations without accomplishing its basic purpose of increasing the efficiency of American productive capacity." A survey revealed that only 1 out of 68 corporations felt the tax credit would have any significant effect on major expansion programs.

Approval of the provision is unique in the history of the Ways and Means Committee. I am amazed the committee would insist on providing a tax benefit so overwhelmingly opposed by virtually all segments of our society. The bill, by dictating what expansion is worth a tax credit, amounts to a drive to put Uncle Sam on the board of directors of every company in America.

The bill also provides for the withholding of taxes on dividends and interest with a complicated procedure for exemptions thrown in at the last minute in an attempt to save the bill.

Big investors have not stirred much on this issue, but average workingmen and retired persons have been pouring an avalanche of mail into Washington against the plan.

What it amounts to is that individual taxpayers will be further harassed by the Government with special certificates, forms, filings and redtape in order to keep the money that they did not owe to the Government in the first place.

I do not think that we have to hit the average honest taxpayer over the head with a sledge hammer in order to catch up with the evaders.

The bill piles complicated new features on a tax code already beyond the comprehension of most. It is a burdensome travesty of reform.

Mr. SCHADEBERG. Mr. Chairman, I am opposed to this bill.

It seems to me that in this day in which this 87th Congress has deemed it necessary to raise the national debt limit by $15 billion and, as is common knowledge, will be asked to raise the debt limit by another $8 billion before the end of this 1962 fiscal year, it is

highly inadvisable and irresponsible to grant a 7-percent investment windfall over and above the 100-percent writeoff business and industry by law can obtain for new equipment and fixtures. We can hardly justify this in view of the increasing attempt of this administration to reach deeper and deeper into the taxpayer's pocket for additional revenues.

In this same bill we find that the Ways and Means Committee deems it necessary to withhold taxes on interest and dividends. On the surface this appears to be reasonable, if, of course, you accept as I do not, the principle of withholding—the right of Government to take a portion of the taxpayer's—citizen's—earned dollar before he receives it, but a careful investigation of the withholding-on-dividends proposal—section 19 of the bill—reveals that this proposal will be especially harmful to our elder citizens, those this administration claims needs socialized medical care because of their unfortunate financial circumstance. Let us put this in proper perspective: Why cannot our elder citizens care for the themselves? Is it not because of inflation which has devaluated their savings? As the years pass by and our citizens approach retirement years, many of them have decreasing income. Having, with no little sacrifice on their own part, invested their small savings, we now want to withhold 20 percent of the income on their savings. This is a hardship on those who can least afford it, since those who have little income—and thus the withholding is not a sizable amount—will be placed in the position of having to claim from the Government that to which under law the Government has no legitimate right and—if made legal—no moral right. Not only will the person not have use of the money withheld—which is needed, but in many cases the individual will have to secure professional advice to recover what was withheld. He will be the victim of technicalities that will result in loss of much-needed income. We ought to be at least as interested in people as we are in their tax dollar.

The facts are that this proposal will require additional help by the Internal Revenue Department to meet the additional load of correspondence associated with the attempt of the ones whose tax on dividend was withheld to recover payment.

It is my understanding that dividends and interest over $10 have to be reported to the Government on form 1099. It is a simple thing to compare form 1099 against the individual income-tax returns.

Let us simplify, not further complicate, our tax structure.

Mr. MICHEL. Mr. Chairman, on April 20 of last year the President sent to Congress a message containing a series of proposals on the review of certain of the present tax laws. Included in these proposals was a recommendation that Congress correct the present inequity in the application of the tax to certain cooperatives.

The President said:

> Contrary to the intention of Congress, substantial income from certain cooperative enterprises, reflecting business operations, is not being taxed either to the cooperative organization itself or its members.

The President pointed out that this inequity had resulted from court decisions which held that patronage refunds in certain forms are nontaxable. The President further recommended that the law be clarified so that all earnings are taxable either to the cooperative or to their patrons.

If my colleagues will bear with me for a few moments, I would like to review the history of the situation which led up to the recommendations of the President.

In 1951 Congress amended the Internal Revenue Code to provide that earnings of farmers' marketing and purchasing cooperatives are taxable in the hands of either the cooperatives or their patrons. Earnings distributed to patrons, in the form of cash, securities, other scrip, or book credits were to be considered taxable income of these patrons.

However, Federal appellate courts have held that some cooperative-issued securities or other scrip were of questionable value, did not in fact represent income to the patrons, and therefore were not taxable to them.

The result is that the earnings of some cooperatives have not been taxed, that is, neither the cooperative nor their patrons paid.

This situation has led to extended consideration of means whereby the objectives of the 1951 amendments could be implemented.

In 1957 the Treasury Department recommended a withholding system on noncash cooperative dividends. The Congress did not take action on this proposal.

In 1959 the Treasury proposed that Congress tax cooperatives on all earnings which are not either first, paid to patrons in cash; or second, paid to patrons in scrip redeemable within 3 years and bearing interest of at least 4 percent.

In response to the request of the President, the Ways and Means Committee conducted hearings last year and has now brought forth a bill which purports to provide for the clarification of the present law. However, in my humble opinion, I submit that the only thing which has been done by the committee and which is part of the tax reform bill before you today is to take from the patron 20 percent of something which he does not have and turn it over to the Treasury, and it forces the cooperative to be the collection agent.

I refer to the provision of the bill which will require that the cooperative withhold at least 20 percent of the patronage dividend allocated to the patron. The real question as to whether or not the scrip certificate or allocation made by the cooperative constitutes taxable income to the patron has not been solved.

Under the 16th amendment, Congress has the power to lay and collect taxes on incomes, from whatever sources derived. The principle has long been recognized by the courts that what is not in fact income cannot be made income by legislative action or by regulations of the executive branch.

In his appearance before the Ways and Means Committee, May 3, Secretary Dillon pointed out that several court decisions have nullified the intent of the 1951 legislation and have held that a patron does not realize income on scrip having no market value. For example, in the Carpenter case—1955—the U.S. Court of Appeals for the Fifth Circuit held that the revolving fund certificates under consideration in that case did not constitute income to the patron. The court added, and I read:

> It is fundamental in income taxation that before a cash basis taxpayer may be charged with the receipt of income he must receive cash or property having a fair market value, or such cash or property must be unqualifiedly subject to his demand (219 Fed. 2d 635).

In the Long Poultry Farms case—1957—the U.S. Court of Appeals for the Fourth Circuit commented as follows:

> It is argued that under implied agreement arising out of the provisions of the bylaws taxpayer in effect received in cash the amount of the credit and reinvested it in the revolving fund of the cooperative; but this is simply to exalt fiction and ignore reality.
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> * * * * *
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> To require the inclusion in income of contingent credits, such as are here involved, would be to require the patrons of cooperatives to pay tax upon income which they have not received, over which they have been given no control and which they may never receive. Apart from the question of constitutionality of such a requirement, which would be a serious one, it is a safe assumption that Congress never intended to impose upon the patrons of cooperatives the hardship and burden which the taxability of these contingent credits would involve (249 Fed. 2d 726).

Those supporting this tax proposal reason that the patron being made aware of the new provision will have consented to this method of taxation at the time of entrance into the cooperative. I doubt seriously whether the courts will sustain this view. In my opinion, patrons will resent this effort to pass along to them a tax liability which is not correctly their responsibility. It places the Government in a position, as I indicated before, of collecting by the withholding method a tax which the patron does not owe under the interpretation of the courts. This, I feel, is an injustice to the patron and it could have serious repercussions on the many patron members of farm cooperatives. For example, those few farmers who enjoy prosperity to the extent that their taxable income exceeds the 20-percent level, would be required to take funds from their own receipts to pay the difference in the tax as it would be assessed.

It does not seem quite right to me to make farmers or other patrons pay tax out of his own pocket when he receives no cash dividend over which he can exercise real dominion or control, and I submit that the courts could hold that he has not received any taxable income because he does not have readily realizable economic value.

Under the provisions of this bill, 20 percent of the so-called patronage dividend or allocation would be withheld by

the cooperative except in certain cases, and the balance of the dividend under the bylaw-consent provision would be held by the cooperative and reinvested for an indefinite period of time and with no assurance that it would ever be paid to the patron. The only alternative for the patron in this situation would be for him to withdraw his membership from the cooperative.

If the courts sustain this point of view which I have presented to you this afternoon—and I have no doubt but what they will—the administration will be in the same untenable position it is in at the present time in regard to collecting this tax from the patrons or from the cooperatives.

I am sure my colleagues appreciate the fact that in certain areas of this country the farmer is limited in membership to a single cooperative, and he has no alternative but to join this cooperative if he wants to market his farm products. To impose this withholding tax on such a patron and force him to maintain his membership in such a cooperative appears to me to be an extremely burdensome load and could be only interpreted by the patron as the cost of membership in such an organization.

Mr. BAKER. Mr. Chairman, I yield the balance of the time on this side to the gentleman from Wisconsin [Mr. BYRNES].

The CHAIRMAN. The gentleman from Wisconsin is recognized for 35 minutes.

Mr. BYRNES of Wisconsin. Mr. Chairman——

Mr. BELCHER. Mr. Chairman, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield.

Mr. BELCHER. In the past few minutes I have heard the gentleman from Missouri and the gentleman from Georgia trying to explain what this bill would do for business. I represent one of the fine industrial cities of the country. Not less than 200 of the businessmen of this city have written me about this investment credit, not a single one supporting it.

I am in this position if I should vote for this bill of having to ask the gentleman from Georgia and the gentleman from Missouri to come out to my district and explain one by one to each of these fine successful businessmen in my district just exactly what they face and show how this would increase their operation or provide more jobs.

I just doubt very seriously if the gentleman from Georgia and the gentleman from Missouri would consent to come out to my State and explain this to my businessmen.

Mr. BYRNES of Wisconsin. Mr. Chairman, I am going to attempt to be just as dispassionate as I possibly can in discussing the merits of this bill and the motion to recommit. First, however, let me set the record straight. The President, I understand, at his press conference today accused the Republicans of attempting to kill the bill and all the proposals that are in it.

I think the President should either have a little better liaison as to what is happening up here or, at least, make some check before he indulges in statements like that. There is no effort to kill this bill as such. There is every effort being made to improve the bill and put it in a condition where this House can be proud to pass it. We do not want to be put in a position of passing a bill that in the future we will be embarrassed by having approved.

This bill contains 21 sections. Generally speaking, 18 of those sections are fairly well worked out and represent desirable changes. Some of the things that the President suggested we were trying to kill today are in the 17 or 18 sections that we on our side participated in improving and encouraged adoption of. On those 18 matters all of us on the committee as individuals in a bipartisan or nonpartisan manner attempted to bring equity into the solution of the problem that exists. I will vote for the bill with all of these 18 sections, if we can eliminate the 3 items we will talk about in the motion to recommit.

Do you know what the remaining 18 sections will do for the revenue? They will add $500 million to the fiscal position of our Government. You cannot say that is not of some significance. They talk about our trying to gut the bill and get rid of the bill completely. If our motion to recommit is adopted and this bill is passed, you will still have made some very important changes in the tax laws and you will improve the fiscal situation by $500 million a year, instead of putting it in a deficit position, which would be the case if you adopted the bill without the motion to recommit.

There are three sections I would like to deal with and on which there is controversy. Peculiarly enough, it seems it was only when we got down to these items that they were not concerned about what the Republicans wanted to do to try to assist them. We tried to be helpful in writing provisions that would meet the situation.

First, let us take the taxation of foreign-controlled corporations. There are other sections in this bill that close up real loopholes in this foreign field, and I am for them. I supported them wholeheartedly. There is another proposition, however, that we ended up with the last day of the session and reversed the action taken by all members of the committee on a proposition that was presented to us by the staff of the Joint Committee on Internal Revenue to take care of the problem that exists here and really hit at the abuses. But, the whiplash came from downtown, and I am not talking necessarily about the White House. I am talking about the AFL–CIO. They said if you do not expand this we are going to have to be against your bill.

So, what happened? On a purely partisan vote they reversed what the committee did. The committee had turned down the Treasury's proposals three or four times, if I am not mistaken. But they reversed the position they had taken, as far as adopting the staff proposal was concerned, by a purely partisan vote. They said, No, we have to get into this area. We want to discourage Americans from being able to operate aboard. This is the most astounding feature of this legislation. At a moment when our Government is prepared to pour more billions into foreign aid to provide economic development for other parts of the world, the Treasury Department is asking for new restrictions which are plainly designed to reduce American industrial activity abroad.

Mr. Chairman, this is inconsistent with the statement of the President urging the stimulation of private enterprise participation in oversea economic development activity. It is inconsistent with the statement of Secretary Dillon, when he was urging the Committee on Ways and Means only 21 months ago to provide tax incentive measures, when he called for his deferral of income abroad by U.S. business corporations. It is inconsistent with the State Department proposal in connection with the Alliance for Progress. It is against the commitment that we signed as an article to the OECD, that agency on which we depend for development and assistance. It is inconsistent with the maintenance by the Commerce Department of a costly bureau devoted to finding better investments abroad for American business.

It is inconsistent with the almost 50 years of U.S. policy designed to encourage and assist American businessmen in expanding our markets and facilities overseas for the benefit of the American worker and the American investor and the American exporter and the U.S. Treasury, which benefits from the income brought back home from such enterprise; yes, and benefit the American balance of payments which result from the bringing back of funds earned abroad. It is inconsistent with the pattern established by other industrial nations of the world through their progressive administrations, including this one up to now. Mr. Chairman, I refer to the pattern of encouraging and enabling our own businessmen to compete at least on equal terms with their competitors of other nationalities. This provision is inconsistent with the standard of fairness toward American businessmen which our own Government has urged to invest billions of dollars abroad to seek expanding markets. It is inconsistent with commonsense, and it is inconsistent with the national interest.

Since World War II, Mr. Chairman, our American business concerns have penetrated with great initiative and great courage into all corners of the free world—many of them areas which have historically been the exclusive preserve of European firms and cartels. They have done so in the belief, supported by the statements of every President, including the present one, that such penetration of foreign markets was in the national interest.

They have competed successfully on their own grounds abroad with such foreign industrial giants as the $9 billion Royal Dutch Shell complex and the $2 billion Unilever concern, both of which are of mixed British and Dutch ownership, with Volkswagen, Siemens, and

Krupp of German, with Philips of Holland, Hitachi of Japan, Fiat of Italy, Imperial Chemicals, British Petroleum, and others—all companies with sales or assets in the billion-dollar class. They have faced the vigorous competition of Pirelli, Renault, and Thyssen, SKF and Petrofina, of Mitsubishi, of Mannesmann, Montecantini, and others. They have competed with them not only in their own countries but in the all-important third-country markets of the world, such as the growing markets of South America, Africa, and Middle East. They have done this without subsidy, without many of the Government helps which are available to the European and the Japanese, and without obscure banking and insurance tieins.

And they have done these things, Mr. Chairman, with honor to themselves and honor to their country. They have played by the rules, and better, they have maintained the high standards of ethics, employee and community relations, fair play, and good products and services. Today in all parts of the world the brand names of American products are popular and friendly symbols of American life.

These business ambassadors have conducted themselves so well that they have not been subjected to the taunt "Yankee go home." But if the Treasury has its mysterious way in this legislation they will hear the cry from Washington of "Yankee come home." And those who are considering investments abroad are already hearing the words, "Yankee stay home."

Now, we have had the suggestion made that if we close this up we are going to be able to provide for the exportation of jobs; that this investment means we will have no jobs for workers here and they will be going abroad. Well, this argument that this bill will provide jobs for Americans is merely a demogogic appeal which has no real basis in fact.

Now, my colleague, the gentleman from Louisiana [Mr. BOGGS], who is present here, agreed with me on this point at one time, because he went over to the Senate Finance Committee in 1960 and he appeared on a bill over there which he was sponsoring. And, what did he say?

> In addition to that I found that a lot of these old shibboleths that make the rounds just are not so. For instance, that investment means the export of American jobs. This is one we hear quite frequently.

In other words, it is just one of these cats under the bed. That is what the Congressman from Louisiana, the present whip of the majority, told the U.S. Senate in 1960. And, I agreed with him and I agree with him now.

Mr. BOGGS. Mr. Chairman, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman from Louisiana.

Mr. BOGGS. If the gentleman is so touchy about that, why did he not make it a part of his motion to recommit?

Mr. BYRNES of Wisconsin. I will be glad to go into that, because I had intended to do so before I finish. We did make that effort. We made the effort when we proposed that you give us a rule to make it possible to offer a substitute for this provision, a substitute that the committee had agreed on up to the final day.

That is what we asked you to vote for, to give us that opportunity to make that our alternative and to make that proposed substitute. You turned it down. I am not dumb enough that I am going to have to be turned down twice by the same people. As far as I am concerned, I lost that battle, but the battle will continue.

Mr. BOGGS. If the gentleman will yield, the gentleman still has the opportunity, does he not?

Mr. BYRNES of Wisconsin. I have learned what the chances of that opportunity are, and you showed us that just the other day by turning down our proposal to have a substitute rule.

Mr. Chairman, I would like to assess, though, a little bit, this argument that the U.S. oversea firms are costing Americans jobs.

Mr. BOGGS. Mr. Chairman, will the gentleman yield once more?

The gentleman referred to me.

Mr. BYRNES of Wisconsin. I thought I yielded to the gentleman. Go ahead; all right.

Mr. BOGGS. I believe it will save time, and we will yield the gentleman additional time.

The argument the gentleman advances so far as having been defeated on the third proposition, would also apply to the other propositions, would it not, since he was also defeated on his other parts of his motion to recommit.

Mr. BYRNES of Wisconsin. No, sir; just on one, not all of them.

Mr. BOGGS. If the gentleman will yield further, on his open rule proposition, the gentleman had three of them.

Mr. BYRNES of Wisconsin. I am not going to yield further, because this has nothing to do with the subject which I quoted the gentleman on.

But I would like to assess this argument that U.S. oversea firms are costing Americans jobs. In the great majority of cases American business has gone abroad because it has found it necessary to do so in order to hold or to penetrate foreign markets in order to meet foreign competition.

I might say that there are American firms abroad which do export to the United States, but most U.S. firms in the foreign lands are selling their total output in the foreign market. That was the evidence before the committee.

Let us first consider the U.S. firm abroad which exports to the United States. The fact that the foreign subsidiary is American owned is not in any real sense the cause of any loss of jobs in the United States. The economic facts of life are such that if an American-owned foreign subsidiary were not manufacturing a given product which was being exported to the United States, you can be quite sure that this same product would be manufactured abroad and exported to the United States by a foreign company. Let us not delude ourselves in the thinking that Great Britain, Western Germany, Japan, or any other industrial, advanced country does not have the economic know-how, the capital, and the will to produce quality products which can be exported and sold in the U.S. market. If American jobs are being lost by the importation of products from abroad, the problem will not be cured by putting an American-foreign subsidiary out of business and turning that business over to a foreign-owned corporation. In any specific case, if we want to protect American workmen from the competition of foreign imports the real answer is in the tariff laws and the remedy is to apply effective tariff protection against the importation of such products. This is a matter about which I am gravely concerned and it is a matter which I am sure many of us want to explore in great depth in our consideration of the proposed Trade Expansion Act of 1962.

It is, therefore, obvious that in those cases where American-owned firms are exporting to the United States, the proposed restrictions on these firms operating abroad will not themselves in any way benefit the workers in our own domestic industry. The only real effect of such restrictions will be to penalize American-owned firms abroad and turn the business over to foreign-owned companies. If under the policies of the administration we are to further lower our tariffs to the benefit of foreign imports, it is far better that at least we permit U.S. enterprises to participate in this trade through their oversea affiliate rather than to leave the market entirely to foreign-owned firms.

By far the great majority of U.S. firms operating abroad today sell their output in the foreign country where they are operating or in other foreign markets. Because of foreign tariffs, import quotas, exchange restrictions, and nationalistic laws favoring the development of local industry it is not always possible to effectively compete in these foreign markets with exports from the United States. If Americans wish to share in these markets it is therefore necessary for them to establish oversea subsidiaries.

If the proponents of this bill prevail and crippling restrictions are placed on U.S. firms abroad then it will be no longer possible for U.S.-owned foreign subsidiaries to continue to share in these foreign markets. And if the U.S. firms are forced to retire from these markets under the "Yankee come home" philosophy, this business will then fall to the foreign competitors. Here again the result would be the surrender of world markets to foreign competitors.

Actually, rather than exporting jobs, U.S. private investment abroad provides jobs at home. These investments abroad provide a market for the export of U.S.-made machinery and equipment as well as raw materials, intermediates, components, and spare parts used in processing finished products and maintenance. On the other hand if these industries are owned and controlled by nationals of Western European or other countries it quite naturally can be assumed that they will turn to their mother countries for their equipment and raw materials. This would reduce exports from the United States, and the related U.S. jobs, to say nothing of the loss of dividends that now flow back to the United States from American-owned

firms abroad to provide dividends to the shareholders of the U.S. parent companies and tax revenues to the U.S. Treasury.

Let me give you another little example of this job proposition that is talked about. I would like to quote from the Secretary of Commerce, and this is not going away back here. This was just March 16. Let me quote him in a speech he made. He said this:

> U.S. investment abroad is important to our export expansion program. Direct investment in manufacturing facilities abroad stimulates our export of capital equipment. Our export of parts and raw materials and our export of finished products do fill out the lines of subsidiaries producing and selling abroad.

That is jobs here that that investment created, and the Secretary of Commerce tells you so.

Mr. Chairman, he goes further and says this:

> To the extent the United States invests abroad, the financial strength and the competitive capability of American companies reinforces our domestic economy. To the extent that the earnings of these investments are returned to the United States, they make a direct contribution to improving our balance of payments.

The very thing that we keep saying we want to do.

Mr. Chairman, this bill closes the door to do it. That is why we are against it and are trying to make a correction in this bill as far as the taxation of controlled foreign corporations are concerned. We are not trying to kill the bill. We are trying to eliminate this bill which will handicap the purpose that the Secretary of Commerce has told us should be our objective. That is what we are trying to do.

Mr. Chairman, why should not Americans be able to compete abroad on an equal basis with the German and French and British counterparts? If they reduce their foreign taxes by operating, let us say, in Switzerland, for their sales operation, who benefits? The United States benefits because when they bring that money back we insist that in toto there should have been a 52-percent tax paid. So, if they have already paid 20 percent, we assess the balance. If they have already paid 52 percent to the German Government or the French Government, we get nothing. Sometimes I just cannot fathom the logic of some of these proposals.

Mr. Chairman, let me talk about the subsidy to business on which the President put such great reliance for accomplishing such wonderful objectives. In fact, we are going to have no more problem with the Soviets, one would conclude from listening to the gentleman from Missouri who preceded me, because this is just going to put us so far ahead that we will not have to worry about the Soviets or the Communists or any other problems like that. But the gentleman from Missouri mentioned that he serves on the Joint Economic Committee. I wonder if the gentleman was present before that committee when Leon Keyserling, the former economic adviser to President Truman testified this year and commented on the tax credit proposal. What did he call it? To refresh the gentleman's memory, he called it a tax bonanza. I do not often agree with some of the economic philosophy of Leon Keyserling, but with this one I do.

The administration presented the proposal on the basis that we should put our depreciation law on a par with that of other countries. That has been expressed here. That is, we have got to get our depreciation laws on a par with those of some of our foreign competitors. But this does not change depreciation laws one iota. They also suggest that it is necessary to spur modernization and I am going to suggest to you that there is a very serious question whether it can do that to any degree. But what about depreciation? It is not depreciation reform, and that is what is needed, and that is what we attempted to give you when we asked for a rule which would make a depreciation reform provision eligible as a substitute for this bonanza section. But that has nothing to do with this provision here.

Under this proposal—and I hope you will follow me on this, because it is not so complicated; in fact, it is very simple, what this bill does under this proposal. A businessman goes out and buys an item and pays $20,000 for it; let us say a machine, or something of that kind, that he uses in his business. It is depreciated. He gets a subsidy for buying that of $1,400, or 7 percent. The Government might just as well, to all intents and purposes, write him a check at that time and say: "You send us the bill and prove that you have this item and it is in place and operating and that it has cost you $20,000; here is your check." But we do make him wait until he files his income tax return and then instead of sending the check his return shows what he owes Uncle Sam and he can deduct $1,400. There is not much difference between the two. It is just that he has to wait a little longer under that system.

Now, what does the taxpayer do then? Although this equipment really cost only $18,600—that is, $20,000, less $1,400—he puts the equipment on his books at $20,000, and through depreciation he gets his $20,000 back. In fact, what he has gotten back is $21,600 from the Government for an investment of $20,000 over the period of time.

To me, that is the gimmick; that is the bonanza; that is the windfall. It is not depreciation reform, because it has nothing to do with how he depreciates this item. The committee would not even permit us to say to this man at least, "Put it on your books for $18,600," because that is all he paid for it. Oh, no, we could not do that.

What about the incentive to expand and modernize? And mark you this: this credit is given not for any increase in investment over what they are investing now, as proposed in the original Treasury suggestion. The original proposition that came from the President—yes, at least, that had that merit, that you only got the credit as you invested more than you had been investing. But not this one—not as it comes to us today. You get it for just doing what you planned to do all the time and you even get it for the fact that by happenstance the machine was put into operation in your plant after the first of this year even before the bill is passed. That is a bonanza. That is a windfall in my book. The taxpayer is going to get credit for doing just what he planned. There are some that have to expand and have to go in and make certain investments. There are certain of your utilities. There is one large utility that will get $80 million a year for doing what it has to do to serve its customers and for doing what it intended to do, but you are going to give them a handout. They do not want it. Why? Because it disrupts their whole bookkeeping operation.

The inequities in this thing are multitudinous. I hope some of you would at least just skim through the minority report where we set out some of those inequities. But let me say this: Nobody is for this credit. The gentleman from Indiana [Mr. HALLECK] referred the letter from the AFL–CIO. I would call your attention to their statement which they issued in Florida and you can see whether it is going to stimulate business and create jobs.

I refer the Members to the statement issued by the American Federation of Labor-CIO executive council, which met at Bal Harbour, Fla., on February 23, 1962. This is pretty current, too. They knew what was in the bill. They knew what the economic situation was that we faced. But what did the executive council of this organization say?

I quote:

> The AFL–CIO has strongly and vigorously opposed the investment tax credit proposal as one that would grant a major tax windfall to corporations without accomplishing its basic purpose of increasing the efficiency of American productive capacity.

Yet, we find all the great economists on the Democratic side today telling us the great wonders that are going to be produced. No, the major business organizations, the major labor organizations, in effect, say, "It stinks"—and I join them.

You have not heard much about the farmers. The farmers have something to say about this too and we finally find the National Farmers' Union and the American Farm Bureau in agreement. On the other provision, we found the NAM and the AFL–CIO in agreement. Now we even find these two great farm organizations in bed together. Let me tell you what they say:

> The overwhelming majority of farmers due to catastrophic low prices do not enjoy the privilege of contributing income taxes to their Government.

That is one of the items we also have in the motion to recommit to strike out.

Then they go on to say:

> Also urge your influence to delete provision giving huge private corporations operating at less than full capacity over $1½ billion and private electrical power monopoly over $100 million in tax subsidies which would result in the flight of capital overseas and further aggravate the dollar crisis.

It is signed "James G. Patton, president, National Farmers' Union."

What about thc American Farm Bureau? They have a longer list but they

point out that they are opposed to this bill. They say:

Our major objections to this legislation are (1) to section 2, the credit for investment in certain depreciable property.

They make the following statement:

SEC. 2. Credit for investment:

The proposed investment credit is a selective form of tax relief—in reality a subsidy. This is clearly indicated by the fact that the proposed credit would be allowed as a deduction from the amount due as taxes rather than as an adjustment in the amount of income subject to tax and the fact that it would not reduce the basis of capital assets for depreciation purposes. The result would be to give some taxpayers a competitive advantage at the expense of others. Furthermore, the adoption of this special treatment for some taxpayers would postpone the day when the present burdensome level of income tax rates can be reduced for all taxpayers. It would be far better to liberalize the treatment of depreciation.

Reports indicate that a motion may be made to recommit the bill with instructions for the Ways and Means Committee to make certain changes, including the addition of an inventory investment credit. In our opinion, the proposal for an inventory credit is as objectionable as the proposed investment credit and for approximately the same reasons.

I would suggest that they in this same letter take the same position as the Farmers' Union, opposed to the withholding tax on dividends and interest. They also make this statement:

SEC. 19. Withholding tax on dividends and interest:

We are opposed in principle to the application of a withholding tax to dividends and interest.

The problems involved in applying withholding to dividends and interest are entirely different from those involved in the withholding of taxes from wages and salaries. The application of withholding to dividends and interest inevitably would lead to confusion and inequity for individual taxpayers, to say nothing of the greatly increased paperwork that would be required of concerns responsible for withholding.

The Republicans do favor acceleration of depreciation and depreciation reform, something that business can depend on, can plan on. Let me point this out, and I think it is one of the bases for the great concern that American business has about the possible adoption of this credit. They know it cannot be anything else but temporary. There was even language when it was first submitted to us that indicated that that might have been the intention of the drafters, and then they came back and said, "No, we think that ought to be permanent." But it can only be temporary, and everybody knows it. It is just a loophole. The temporary nature of this provision will be assured as soon as the taxpayers wake up and find out who will be getting the windfall resulting from the passage of this credit, and they are going to be down here in droves, saying, "Repeal that." The businessmen know that they cannot make any plan to buy a machine that will be installed 3 years from now on the basis of this credit, because they cannot get the credit until 3 years from now when the plant is in operation, and by that time the law will probably be repealed. A true depreciation reform would be meaningful, and we could live with it. It would not be just a plain subsidy. How much will this investment credit really cost? The staff of the Joint Committee on Internal Revenue estimated $20 billion by 1972.

Here is their estimate:

ESTIMATED REVENUE LOSS UNDER INVESTMENT CREDIT PROVISION OF H.R. 10650 AS AMENDED BY WAYS AND MEANS COMMITTEE FLOOR AMENDMENT, 1962–72, ASSUMING AN ANNUAL INCREASE OF 5 PERCENT IN INVESTMENT IN ELIGIBLE ASSETS [1]

Revenue loss attributable to investment credit on assets acquired or constructed in calendar year

[Millions]

On current revenue loss basis [2]		Including deferred revenue loss [3]	
Calendar year	Revenue loss	Calendar year	Revenue loss
1962	$1,400	1962	$1,400
1963	1,470	1963	1,500
1964	1,540	1964	1,610
1965	1,620	1965	1,730
1966	1,700	1966	1,810
1967	1,780	1967	1,900
1968	1,870	1968	2,000
1969	1,960	1969	2,100
1970	2,060	1970	2,200
1971	2,160	1971	2,310
1972	2,270	1972	2,430
1962–66 [4]	7,710	1962–66 [4]	8,040
1962–72 [4]	19,820	1962–72 [4]	20,980

[1] This is the level of increase assumed by the Secretary of the Treasury in address on Mar. 19, 1962.

[2] Without allowance for fact that some of the revenue savings arising out of the $25,000 limitation will be lost in subsequent years through operation of the carryforward provision.

[3] With allowance for the assumption that 50 percent of the revenue savings arising out of the $25,000 limitation will be lost in subsequent years through operation of the carryforward provision.

[4] Detail will not necessarily add to totals because of rounding.

We Republicans urged a 20-percent increase in the amount of depreciation that could be taken. We still urge that, but we are opposed to this so-called depreciation reform.

The President said in his press conference this afternoon that the tax burden should be spread equally. This handout does not spread it equally. Let me make that statement very positively. It is as inequitable as can be. How he can make that statement and then say we should support this particular proposal I cannot understand. If this proposal cannot be replaced by true depreciation reform it should be beaten; and the motion to recommit will so provide. If it is stricken out then the committee can move on—and I am talking about the Ways and Means Committee—move on to the consideration of true depreciation reform.

Now let me talk to the third item that we object to, and that is the matter of withholding on dividends and interest. We are told that this is simple. I state to you in all sincerity I am absolutely convinced that this provision is going to create a nightmare of redtape for those who have interest income or any dividend income or who have any connection with the paying of interest and dividends. It cannot help but do it. There are 350 million savings and shareholder accounts in this country, accounts where the dividend and interest amount to over $10. I suppose that today's interest will approach $250 but look at all the accounts below that. They are not taken into consideration in this $350 million. So you can add hundreds of millions more. It does not take into account either the patrons of cooperatives who have their accounts; it does not take care of policyholders in insurance companies and payments of interest and additions to policies they hold. A modest estimate is at least 500 million accounts that will be subject to filing an exemption certificate. Some will not file and then there will be overwithholding on many of them.

Let me tell you something about this exemption certificate on which the chairman placed so much reliance to the extent that he has now made it into a fair proposition.

It is peculiar that the Treasury Department in our executive session when we were considering this matter said, "Oh, you cannot do that because that will make it unworkable." They said we might apply it limitedly for a while to those over 65, but they recognized at that time that you cannot exempt all of these people, all of these accounts. You would make an impossible situation for us, they said.

The committee removed the exemption. Then they came back and gave it to everyone. I suppose if we had some more time, if this bill was not up today, we would have another session of the committee and we might even have a change in the investment credit feature, because we have had a change there since we reported the bill out last week.

There is no matching of any records of the payer corporation or company with what the taxpayer's records show or what he says as to how much has been withheld. There is no attempt to balance them or match them and see that it is properly enforced. Also, I do not know where the gentleman gets the idea that we are going to have a revolution in the Revenue Service, that if you apply for a refund you will get it back in 2 or 3 weeks. The American people will be glad to learn of this miracle that is coming about. If they have to process all of these certificates and applications for refunds we are going to be waiting a long time to get that done.

There is nothing in this to assure us that you are going to have any more accurate reports of dividends or interest received, there is nothing in here to assure that people will not file for a refund who are not entitled to it, because there is no way to determine it. They do not match them up today.

We say they can be matched today. That they can match the reports that are filed by banks and by corporations with the Internal Revenue Service, and they can do a better job of enforcement and use this effort that we made in the last 2 years to encourage a better compliance. I am not suggesting, and nobody on this side suggests, that people should get by without paying their legitimate tax, but we do say we should not get our administrative machinery so overburdened with redtape that we will make our whole tax system look ridiculous and the voluntary compliance part of it fall down.

Mr. Chairman, I wrote people in my district who communicated with me a year or so ago when we were working on this subject. They wrote me they thought the withholding of dividends and interest was a bad thing. I wrote them and said that if a feasible and administrative way can be found, and that is what the committee is working on, to try to find a feasible way to do it, if it can be found I am going to be for withholding, even though it is different than withholding on wages. But I have had to come to the conclusion that we have not come up with it yet and a feasible way to do it is not in this bill without creating an undue burden on our people who have 500 million accounts scattered all around the country.

We therefore propose in our motion to recommit to strike this section.

Let me talk about the budget and fiscal effects a minute because that does concern some people. The majority of the committee went back to cut down the cost of the bill. There has been a lot of figure juggling in this whole thing. We have heard about this bill being in balance. We heard talk about the other bill being in balance.

First we had the items in the bill as reported by the committee. These are found in your committee report. Then the majority, as I stated, got scared that the deficit would be too big, so they went back and they added an amendment to the bill. This amendment will be presented. But, what will the bill cost now after this amendment is adopted?

The staff of the Joint Committee on Internal Revenue Taxation has furnished us with a report. When fully effective, according to the staff of the Joint Committee on Internal Revenue Taxation, this bill is still $295 million a year out of balance. As far as fiscal 1963 is concerned, this bill is still $1,090 million out of balance. Now, that is the estimate of the staff of the Joint Committee on Internal Revenue Taxation, and I will stand by their estimates much before I will stand by any Treasury estimates.

I will insert the prepared table at this point:

Revenue estimates for H.R. 10650

[In millions]

	Treasury	Staff
(a) Fully effective (table 1, p. 5, of report):		
Estimate in report	−$505	−$775
Committee amendment	+625	+480
Final result	+120	−295
(b) Fiscal 1963 (table 3, p. 6, of report):		
Estimate in report	−1,425	−1,550
Committee amendment	[1] +625	+460
Final result	−800	−1,090
(c) Fiscal 1963 (with adjustment for incentive table 4, p. 7):		
Estimate in report	−660	
Committee amendment	+350	
Final result	−310	

[1] Using full year effect.

Treasury hopes final result for fiscal 1963 will be no loss, for reasons indicated in footnote 1 to table 4 in report. [Not printed in RECORD.]

Now, also, contrary to what the chairman told you yesterday, these losses are not taken into account in the budget, and I would ask you to turn to the budget of the United States, the small one that they put out, and read on page 20 where the President says:

> Any net reduction in fiscal 1963 revenues resulting from the adoption of the investment credit is expected to be offset by additional revenue resulting from the enactment of measures to remove defects and inequities in the tax structure.

And he goes on with these other items that were supposed to be in the bill. This budget does not take into consideration any fiscal effect of this bill presently before us and, as I just pointed out, you are still voting for a deficit, a shortage of receipts, of over $1 billion in 1963 unless you get rid of this investment credit.

Now, what will be the effect if the motion to recommit is adopted? If you adopt the motion to recommit and strike out the investment credit and the section on withholding, where are you left fiscally? According to the staff of the Joint Committee on Internal Revenue Taxation, you will have a plus of $500 million. If you use the figures of the Treasury, it will be $560 million-plus.

I trust, Mr. Chairman, that the motion to recommit will be adopted and, if it is, I shall vote for the bill and for the passage of the bill, but if the motion to recommit is defeated, then the bill should be defeated and let those who insist on the $1 billion tax bonanza take the responsibility.

Mr. MILLS. Mr. Chairman, I ask unanimous consent that the gentleman from Ohio [Mr. VANIK] may extend his remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. VANIK. Mr. Chairman, during the course of the debate on this bill, I have endeavored to place into the RECORD my opposition to the investment tax credit and to the withholding provisions. The investment tax credit creates a bigger loophole than those which the bill attempts to close. I fear that if this tax credit is adopted, it would simply serve to stimulate higher investment credit in periods of high profits in order to conserve tax liability. In periods of recession and reduced profits there would be less or no taxable income toward which the credit would apply. Thus the credit will serve to increase the severity of economic impact. The annual loss to the Treasury will increase until it reaches over $26 billion in the next 10 years.

I represent a community where perhaps less than 10 percent of the residents own any stock and where the average bank deposit is under $1,000. In my judgment the $8 withheld from these savings accounts would constitute improper withholding and result in the unjust enrichment by the Federal Government. The overwhelming number of people in my district—whether they report interest income or not—are overpaying their Federal taxes. They file short forms. They overlook hundreds of millions of dollars in allowable deductions which would reduce their taxes. They will be reluctant and overly cautious in signing exemption applications. Their withheld income will be confiscated for all practical purposes. They will develop a bitterness against the entire income tax system and join in causes to destroy it.

They are bitter about big loopholes in our tax laws. Why do we omit discussion of the oil depletion allowances, the capital gains loophole, the stock option abuse? Has it become a violation of the rules of the House to discuss the propriety of reducing the fat oil and gas depletion allowances?

If the motion to recommit removes the sections on investment credit and withholding my objections to this bill have been substantially met and I must support such a motion. I cannot permit partisan considerations to keep me from doing what I believe should be done.

Mr. MILLS. Mr. Chairman, I ask unanimous consent that the gentleman from Oklahoma [Mr. STEED] may extend his remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. STEED. Mr. Chairman, those of us who have a particular interest in the smaller businesses of this country have over a long period of time developed an approach, and almost an instinctive way of looking at proposed legislation. Legislation which is described by its sponsors as being "in the national interest" is frequently in the interest of only a small portion of the Nation. And, all too commonly, it is the big business element of the economy which will benefit from the legislation, either to the exclusion of or directly contrary to the interests of the small business community.

Small business encompasses so many variables that the impact of a particular piece of legislation is bound to vary, depending upon the competition in the industry, the point in the chain of production or distribution at which the business is placed, and so forth. So it is not always easy to gage the effect of a bill upon small business. But, if we are to keep alive the small business element of our economy, it is absolutely essential that an attempt be made to analyze every piece of legislation from this point of view. Unlike big business interests, the small business community has neither the resources nor the experience to make itself heard. So, if such an examination is not made here—in the Congress itself—it is likely that it will not be made at all.

The Revenue Act of 1962—and particularly the investment credit—is no exception to this general rule. There are many of us who are in complete accord with the motivating policy behind the legislation. It is crystal clear that, in order to maintain the economic health of this country, it is necessary to raise our level of investment in productive equipment. The rate of growth necessary to continued and expanded national prosperity; the attainment of full employment; the restoration of a balance in our

international payments—all these can be helped immeasurably by an increase in investment in more modern and more efficient equipment. The granting of a tax credit, based upon the amount of such investment, is quite obviously a powerful incentive in this direction.

But, granting that big and powerful enterprises will benefit from such a tax credit, the troublesome question which must linger in the minds of many Congressmen is this: What is in it for small business? Is this simply another instance of legislation designed to aid big business, with only an incidental boost to the small firms which constitute the vast majority of all American businesses? Certainly this is a legitimate question, and one with which we should concern ourselves today.

The first area of scrutiny is, logically, the type of purchases which would be eligible for the credit under the proposed legislation. It is important to note that not only machinery or heavy equipment is eligible, but also cash registers, counters, refrigeration equipment, and so forth. Thus, manufacturers are not the sole beneficiaries of this bill. Small wholesalers, retailers—small businesses in every trade and every role—will be able to benefit.

Further, used assets—which are more likely to be sought by the small firm than by its larger competitors—are eligible to the extent of $50,000 a year. There are comparatively few small businesses whose purchases of used equipment, even under the impetus of a tax incentive, would exceed that figure. From the point of view of the small firm, it is particularly interesting to note a side benefit which can be expected to develop. The credit, by accelerating modernization, should certainly increase the supply and thus reduce the prices of used machinery and equipment replaced by the purchase of new assets.

Inventory is not included among the types of purchases which would be eligible for the credit. The small businessman does not suffer particularly from the exclusion; rather, it is the giant retailer, who could use excess funds to increase his inventory substantially, who would get a windfall if the legislation were to include such a provision. A substitute proposal includes a reduction in closing inventory. It is apparent that a one-shot reduction of this nature would be of dubious value as a lasting and sustained incentive; that the stimulus to increases in inventory would be incongruous in a bill designed to encourage modernization of productive facilities; and that it is readily subject to abuse.

Further, from the point of view of the small businessman, such a provision might well be a curse in the guise of a blessing. Since reduced closing inventory becomes reduced opening inventories of the following year, the tax bite is postponed only so long as sales and purchases remain at a high level. When a firm is confronted with declining sales and the need to curtail inventory, however, the chickens come home to roost; the tax payable is increased at the worst possible time.

As to the choice between a credit and a form of increased depreciation deduction, there can be no doubt as to the superiority of the credit. The credit not only acts as a substantially more effective incentive to increased investment; it also has some distinct advantages from the point of view of the small firm. The credit is a direct reduction of tax liability. It does not affect a firm's pretax earnings figure, as would increased depreciation. The small business, which even in the best of times has difficulty showing a sufficiently favorable profits statement to obtain adequate financing, is taking a real risk by increasing its depreciation and thereby impairing its earnings. The credit, on the other hand, presents no such problems. Quite the contrary, it increases cash flow and increases the profitability of new investment, without affecting pretax earnings. Further, it leaves the tax basis untouched. An increased deduction, of course, reduces the basis against which further depreciation may be taken.

This comparison is on the assumption that the alternative to the credit is a form of actual increased deduction. The substitute proposal, however, does not even do that; it simply shortens by approximately one-sixth the period of time during which a taxpayer may take the very same deductions as are available under existing law.

The most important distinction between the two approaches is, of course, the impact which each has upon the lower bracket taxpayer. The deduction for depreciation takes the form of a reduction of income, the value of which in terms of tax saving is much greater for the high-bracket taxpayer. The credit, on the other hand, simply takes the form of a deduction from tax liability.

Thus, a 7-percent credit against tax liability is equivalent to a first-year deduction—over and above allowable depreciation—of $14 per $100 of eligible investment for corporations subject to the 52-percent corporate income-tax rate. But, for a corporation with taxable income of less than $25,000, and therefore subject only to the 30-percent normal tax rate, the equivalent deduction is more than $23. For an unincorporated businessman subject only to the 20-percent starting rate for individuals, the equivalent deduction is $35. For the small businessman, then, the credit is clearly the more desirable approach.

Finally, I should like to point out that the limitation on the amount of tax liability which may be eliminated by the credit is almost irrelevant to the small business community. The recent reduction in the limitation, to $25,000 plus 25 percent of the tax in excess of that amount, actually had the effect of increasing the proportion of the total benefits provided by the legislation which flows to small business. The new lower limit will not affect any business whose expenditures on eligible equipment do not exceed $357,000 per year. Obviously, no more than a handful of truly small businesses would be adversely affected by such a provision. That this is so is illustrated by the fact that the maximum business loan which the Small Business Administration can make to a small business—including the cost of construction, as well as the purchase of equipment—has been set by Congress at $350,000.

In short, I have been measurably reassured by my scrutiny of the bill. It is not a windfall to big business. It does not simply scratch the back of the fat cats. It is not designed primarily as a boon to large enterprises which would be making such expenditures even in the absence of the legislation. It is a significant contribution toward the strengthening of our economy. And it does adequately provide for the interests of small business.

I am for it.

Mr. MILLS. Mr. Chairman, I ask unanimous consent that the gentleman from South Carolina [Mr. HEMPHILL] may extend his remarks at this point in the RECORD.

The CHAIRMAN. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. HEMPHILL. Mr. Chairman, on yesterday, I voted against the previous question and against the rule allowing debate on this bill. I wanted the Ways and Means Committee to take this bill back and rewrite it. I know they were crying this was the best they could do, but I was of the opinion they could do better. I also voted against the rule because I wanted to have open and free debate. I did not believe it when they said it would take a week to study out this legislation and debate it out and that the House could not work its will. I would not have cared if it had taken a month.

I do not like the withholding feature in particular. I am happy they eliminated any withholding of people not liable for tax and under 18 as I was much concerned that the savings of old and young people would be greatly affected.

We of the textile area are most happy that the President of the United States has seen fit to try to help the textile people. The period of starvation has been a long one and the previous administration exhibited the worse sort of hypocrisy in dealing with the textile industry. I think they wanted the textile money and the textile support, but did not want to be of any real help, and they were not.

This new incentive plan should be a great help in retooling and expanding the textile industry so necessary to our part of the country. New industry means new jobs, steady employment, consumer market and 1,000 other things beneficial to our people. Along with a few others here of the affected textile areas, I have often voiced my concern over the plight of the textile industry in the future.

President Kennedy is the first President I have served under who ever offered any real sympathy or took any partial action. For this reason, I endorse that particular feature of the legislation.

I am well aware of the fact that the tax treatment with reference to foreign

properties and investments will be changed. Certainly the American investor and the American industrialist needs to have something done to protect the export of American capital, American manufacturing and American jobs. Why should the American manufacturer or investor be penalized because of domestic investments? It does not make sense.

I am happy that the original plan of the tax treatment of the saving and loan institutions was changed. The initial approach was too harsh, and, along with others, I contacted members of the Ways and Means Committee hoping to lessen the harshness of the treatment. I am happy that the Ways and Means Committee did lessen the harshness, and I salute the distinguished Congressman from New York, Hon. EUGENE KEOGH, for his unfailing efforts to help the thrift institutions.

Again, I say I do not like the withholding, but I do not want to work an injustice on all of us who, salaried, have to pay withholding.

Mr. MILLS. Mr. Chairman, I yield myself 10 minutes.

Mr. ALBERT. Mr. Chairman, will the distinguished gentleman yield?

Mr. MILLS. Gladly.

Mr. ALBERT. Mr. Chairman, as the debate on this important matter draws to a close, I think it would be in order for me to say that I believe I express the feeling of all the Members of the House on both sides of the aisle when I say that the management of this bill by the distinguished gentleman from Arkansas, [Mr. MILLS] has given us legislative leadership of the highest order. Those who have listened to the debate on this bill, as I have, will also agree with me, I am sure, when I say that this debate has been in the finest traditions of the House of Representatives. The Committee on Ways and Means has done a tremendous job with a difficult subject over a long period of time and has brought this bill to the House for our consideration. I had hoped that the distinguished minority leader of the House, the gentleman from Indiana [Mr. HALLECK], for whom I have great personal affection and the highest regard, would have found it possible to support this bill.

I am sorry that this bill has taken, as it did on the motion on the previous question on the resolution that made the rule in order, a partisan direction. I had hoped that this bill could be supported as we supported the Manpower Retraining Act a few days ago in a bipartisan spirit. But, Mr. Chairman, I am prepared to say that if we must pass this bill by Democratic votes, we are prepared to take the responsibility. We believe this bill is good for America and that whatever is good for America is good for either political party.

Mr. Chairman, those who have said that we should strike out the investment credit provision, which stands out in bold letters in the title of this bill, remind me, if the distinguished gentleman from Arkansas will yield further for that purpose, of the old Arkansas story of a man who was cleaning a White River catfish and when it started squirming he said, "Hold still, fish, all I am going to do is to try to gut you."

Mr. Chairman, it seems to me that the presentation which the gentleman from Arkansas has made, and others on his committee, has made it clear that this is the heart and the soul of the measure.

I am not one, Mr. Chairman, who believes that the treatment we give to one taxpayer should not be applicable also to another. I see no reason why we should treat the man who works for wages differently from the person who receives his incomes from dividends or interest. Above all, I do not for my part desire to vote to permit a large group of taxpayers to continue to evade the payment of their taxes.

Mr. Chairman, if the gentleman will yield further, I would like to take this opportunity, since it has been referred to, and because I think it states the position of those of us who are supporting this bill, to read the statement of the President of the United States on this bill at his weekly press conference this morning, and I read:

> I want to take this opportunity to stress again the importance of the tax bill now before the House of Representatives. An attempt is being made in that House to defeat this bill by sending it back to committee, and if it is killed, we will have lost a most valuable opportunity to find jobs for the college and high school graduates who will be seeking those jobs in June of this year. We will lose our best hope of modernizing our machinery and our equipment, and giving our industry an inducement to step up their investment so that they can compete on more equal terms with foreign investors and producers.
>
> We will be abandoning an effort to close those foreign tax havens that drain our jobs and dollars away from our shores, and we will be permitting $630 million a year in taxes due from stockholders and bondholders to go uncollected, even though these taxes are on the books. Even though one-third of these people are paying their taxes in good faith, yet because of the difficulty of collecting them, nearly $630 million due to the Treasury does not come in each year, which means that those wage earners, the small business men and others who have their taxes withheld from their salaries and their paychecks must pay more.
>
> We need this bill, finally, to help close off our loss of gold in our balance of payments. To make that less, we must modernize our equipment and our businesses so that they can compete, and we must close the loopholes which permit and encourage industry to invest overseas. I hope that every Member of the House of Representatives who believes in spreading the tax burdens fairly, who wants to improve our balance-of-payments position, who wants this country to grow with new equipment and new jobs, will support this bill as the best means of achieving these goals today. And I find great difficulty in understanding the position of any political party which makes it a matter of party objective to defeat this bill at this most important time.

Mr. HALLECK. Mr. Chairman, will the gentleman yield to me for a brief observation?

Mr. MILLS. I am glad to yield to the gentleman from Indiana.

Mr. HALLECK. Mr. Chairman, I listened with attention to what I understand are words from the President of the United States. As I understood it, he said that an attempt will be made to send the bill back to the committee, to kill it. I am sure the gentleman from Arkansas will understand that a motion to recommit with instructions directs the committee to report back forthwith with whatever instructions the motion to recommit contains. Then we vote on that as an amendment to the bill, back in the House, and then we go on to pass the bill or defeat it, whatever may be the case.

Mr. MILLS. The gentleman from Indiana has properly stated the situation, as I understand it; and that is why I wanted to take just a few minutes to point out why I thought my friend from Indiana [Mr. HALLECK] and those who intended to vote for a motion to recommit were making a mistake.

Mr. Chairman, I have nothing but the greatest respect, admiration, and affection for every Member of this House regardless of his political party. I know that when a majority of the membership of this House becomes informed and advised with respect to a matter, almost without exception that majority will do the right thing.

Mr. Chairman, there is no argument on the part of our Democratic colleagues or Republican colleagues on the Committee on Ways and Means about the requirements of the future for providing improved ways for business to recoup out of profits before taxes the investments that they make in the operation of the business and the creation of jobs. There is an argument about whether or not we should provide any of that recoupment through an investment credit. There is an argument about whether we should adopt this provision, and it is referred to as a gimmick. I said on yesterday, Mr. Chairman, that I originally had as much question about this proposition as anybody in the Congress ever had. I went into it, as did my Democratic colleagues on the Committee on Ways and Means. Of their own free volition, after having studied the matter fully, they concluded that it was in the national interest. It is in the national interest. And Mr. Chairman, during consideration of this matter by the committee as originally proposed with the help of the Republican members of the committee, we approved the investment credit provision by making it nondiscriminatory, by providing a flat rate, and by making it apply to those who are small as well as to those who operate the larger businesses. We made it applicable to the operations of the dairy farmer in Wisconsin as well as to the cotton farmer in Arkansas.

Mr. Chairman, I feel as confident about this point as I have ever felt about anything that this is a step in the right direction to help business to gain momentum in the creation of jobs.

Now let us see what my friend, the gentleman from Wisconsin, says and let us see what his position is, and I have great respect for him. The gentleman from Wisconsin bemoans the fact that the committee has seen fit to go into the operations of foreign corporations owned by Americans and to tax certain

profits of their businesses by saying they cannot be deferred from the American tax. I have some sympathy with that point of view. But then what does he say? He says, "I am perfectly willing for these American-owned profits abroad to be deferred from the American tax, but I ask the membership of this House to deny an American business operating here at home, which is trying to create more profits and more employment—deny that business even a 7-percent investment credit."

Now I am interested in the operation of American-owned businesses abroad as well as he is, in seeing that they can operate, but I am also interested in the operation of businesses here in the United States that I know will be helped as the result of this section of the bill dealing with the investment credit.

He suggests that we take out of the bill in his motion to recommit the provision for withholding of tax on interest and dividends, and they have offered every conceivable excuse in the world for not wanting it. They say it will cause overwithholding. They say it imposes a burden upon people who live off interest and dividends that ought not to be imposed upon them. They say it will cause a lot of paperwork. But what are they suggesting as an alternative? They are asking you to strike this out and let the Internal Revenue Service collect this money by making these cross-checks with their automatic data processing machines. How much is involved in this cross-checking? Can the Internal Revenue Service with their machines check a return without having the information recorded from a report from somebody on interest and dividends? Ask your bankers, ask your building and loan people and ask your mutual savings banks which they would prefer. Ask them whether they prefer to have to write down the name and address of everyone to whom they pay interest and the amount or would they rather do it through a simple and efficient system of withholding. The fact of the matter is that the only way in the world that their suggestion would work would be to have every dollar of interest paid by every one of these institutions reported to the Internal Revenue Service; and the Internal Revenue Service as an adjunct of the Treasury Department has that authority today. Do you want to defeat this and force the Internal Revenue Service into that position in order to collect this $800 million-plus that is now escaping from taxation? I do not think a reasonable person would say that that procedure which will be forced upon these institutions would be preferable to the procedure we provide for in the bill. And then we hear some say, "You are not going to help these people. They will have to file this statement every year that they owe no tax." Of course, that is true, but they overlook the fact that the bill does provide the authority once this is done and an experience record is established to permit the Secretary of the Treasury to dispense with that requirement for filing of these statements each year.

But there is one thing, my friends, I think, are overlooking. What effect does this proposal to strike out the withholding provision have on the payment of taxes by the American farmer? The provision on cooperatives in this bill states that, as to the cooperative when it allocates to the American farmer who is a member of that cooperative a part of the profits from the business that he is giving to the cooperative, there shall be a withholding of tax. We have said in the withholding provision that we do not think it is fair for this cooperative to hold his money, requiring him to pay the tax out of the profits from other income on this income that is being withheld from him by the cooperative. So we say the cooperative must give up 20 percent of the amount allocated to its patrons to cover the first bracket of the tax of this farmer.

Mr. BYRNES of Wisconsin. Mr. Chairman, will the gentleman yield?

Mr. MILLS. I yield.

Mr. BYRNES of Wisconsin. Can the gentleman tell us how this cooperative will handle the exemption certificate? How are they to tell what is going to be withheld on other funds?

Mr. MILLS. The cooperative will handle the exemption certificates all right. The gentleman realizes the same rules apply here that apply to other payors. But what I am concerned about is that the gentleman has not provided in his motion to recommit a motion to strike out this arrangement on cooperatives that will impose upon his farmers and my farmers the requirement to pay a tax on money that the cooperative is withholding out of his pocket and not giving to him.

This provision in the bill says that the cooperative must pay 20 percent to the Government to represent the first bracket of the tax of that farmer. I hope, therefore, that those of you who are concerned about this aspect of the matter will think twice before you vote for the motion to recommit.

Mr. Chairman, I hope that the membership of the House, not on a partisan basis, will vote down this motion to recommit. I hope then that the membership again not on a partisan basis will send this bill on to the Senate where hearings have already been scheduled to begin, I think, on Tuesday of next week, where adjustments, if necessary, can be made in it filling the needs and the requirements of the hour as seen by those in the other body.

Mr. Chairman, I urge the passage of this bill. I urge the rejection of this motion to recommit.

The CHAIRMAN. The gentleman from Arkansas has 10 minutes remaining.

Mr. WHARTON. Mr. Chairman, it is clear that we have here just another attempt at revenue revision, rather than legislation designed to raise necessary funds for the Federal Government to operate.

This bill proposes to reduce Federal income via a 7-percent subsidy to industry on new equipment. On the other hand, it aims to penalize our businessmen who have successfully penetrated foreign markets. Possibly the administration feels that this would be an even break, but I have serious doubts on that score.

Next we come to the controversial withholding provision aimed at that substantial segment of the American people who have worked and saved money, investing it in a savings institution or in dividend paying stocks. Whether 20 percent of their income is withheld or they file a sort of paupers' oath stating their low incomes are not subject to taxation, they are involved in bureaucracy, delay, and redtape where they have never been before. Mind you, these are the people who habitually pay their tax, their funds are right there on deposit as security to the Government in case they do not, and they know it. Now, we hear a great deal about tax loopholes. How about gambling establishments, racetracks, and sporting events where it is a well-known fact that, frequently, no tax whatsoever is collected on taxable income?

During my 12 years in the House, I have never received such a volume of mail unanimously opposed to a single bill. It comes almost entirely from little people who rely upon this income after a life of toil and savings. Have we reached a point where the old-fashioned virtues are to be penalized by bureaucracy, delay, and redtape? Avid supporters of the Kennedy administration say that they are reluctant to go along with this measure, and I hope that they will heed their consciences in preference to political expediency.

As someone has very aptly put it, the whole ramshackle structure of Federal taxes is a tangled growth of imposts tacked onto the last clear thought on taxation back in Woodrow Wilson's time.

No adjustment for tax grievance in any one sector of American life, no denial of established tax privilege to any one sector of American life can correct the Federal tax system without creating new injustices.

This withholding proposal clearly demonstrates that taxes require thinking through all over again, and the bill should be returned to committee.

Mr. SANTANGELO. Mr. Chairman, I oppose the motion to recommit and support this tax bill.

Fiscal responsibility requires that we raise and provide the funds to carry out the progressive programs of the Kennedy administration. To do otherwise would be irresponsible.

The motion to recommit seeks to eliminate the tax incentive features for our industry. It would prevent the expansion of their facilities to provide additional employment and which would enable them to compete with foreign industries and earn profits upon which they could pay taxes. The incentive program is a far-reaching and farsighted program and will promote the rate of growth of industry in our country so that it could compare with the rate of growth in those countries in Europe which were devastated by the war and which had to rebuild from the ground up.

The second feature of the motion to recommit is to prevent the withholding of taxes on interest and dividends. The wage earners of our country pay

their taxes when their employers withhold the tax on their wages. The professional man, the businessman and the nonsalaried workers pay estimated taxes on the estimated earnings or profits from their occupation or profession. For the past several years our Government and especially the Internal Revenue has engaged in a publicity campaign urging the American people to pay taxes on the interest they receive on their savings accounts and on dividends which they receive on their investments.

To a certain extent some of our citizens have heeded the call of their Government and have paid their taxes on their interest and dividends. But, unfortunately, a large percentage of American taxpayers have failed to report their interest and dividend payments. It has been reliably estimated that over $4 billion of interest and dividends have not been reported. The estimated tax on this unreported and undisclosed income would be approximately $824 million. Another lower estimate is $625 million. In any event, it is a sizable sum. The nonpayment of these taxes by the shirking taxpayers puts a burden upon the honest citizen who has his taxes taken from his wages or who pays his estimated tax and who reports truthfully the interest and dividends he receives.

A vote against this tax bill is a vote to permit those taxpayers who seek to cheat the Government to put upon the honest taxpayers a burden which they should not sustain.

Safeguards are provided for in this bill. Children under the age of 18 are exempt from paying taxes on their interest or dividends because they are not taxpayers or earn insufficient funds.

Our senior citizens above the age of 65 are also exempt from the provisions of withholding taxes on interest or dividends.

Those taxpayers between the ages of 18 and 65 who believe that the interest and dividends are not sufficient for them to pay taxes may be exempt by filing a certificate so stating and they will thereby be exempt from the withholding provisions.

During this year we have approved measures which would give aid to the unemployed, and aid to dependent children. We have increased payments to the aged of our community and to the blind and disabled. The cost of such a program was $140 million. This requires the raising of money in order to provide the much needed facilities and help which we, as a responsible and understanding and humanitarian government, want to provide for our less fortunate people. To vote against this tax bill while at the same time voting in favor of the authorization for such programs is being hypocritical and dishonest.

When we approve a far-reaching program, as responsible legislators, we must raise the funds to provide the money to implement and carry out the beneficial programs that we adopt. This measure is a far-reaching measure. It will carry out the Kennedy program and will move our Government forward. It will tax those American citizens who are living in Europe and who are exempt on the first $35,000 of their income. This bill reaches out and equalizes the competitive conditions between different types of banks and insurance companies. It will permit us to provide for the defense of our country and to continue the programs in outer space and to develop heroes like John Glenn.

Without the funds to carry on this research, we cannot compete with a totalitarian monolithic government like Russia. To oppose this measure would be to grant to the communistic countries an advantage over our democracy. On balance this is a very important measure and as a responsible American citizen and as a person who believes we must implement the social programs espoused by the Democratic Party, I must vote for this tax measure.

I trust that the motion to recommit will be defeated and that this measure will pass.

Mr. O'HARA of Illinois. Mr. Chairman, I am supporting H.R. 10650 because I believe firmly that a tax bill must be balanced and that the best guide for the action of the House is the recommendation of a majority of the members of the Ways and Means Committee, who wrestle for days and weeks with the complex and technical problems of taxation. The Honorable THOMAS J. O'BRIEN is the Chicago member of that distinguished committee. No man is held in higher esteem by the Members of this body and none has a richer background in experience.

Taxes never are popular with those upon whom they are imposed, and yet no American would wish our Government, our way of life, our economy, and our security to fall apart because of lack of revenues. I suppose no tax bill is entirely pleasing to everyone. If tax bills were not brought to the House in blanket form, and Members who had not had the benefit of the lengthy hearings and studies of the Ways and Means Committee were permitted to vote on each item according to their individual whims or interests, we could expect legislative chaos and surely would end up with a barren Treasury. No matter what administration is in power, Democratic or Republican, I feel that a sense of fiscal responsibility compels my support of a blanket tax bill reported by the Ways and Means Committee, even though there may be items on which I would be in disagreement, as doubtless is the case with members of the Ways and Means Committee. After all, in the final analysis good legislation is the child of compromise.

I commend the great Ways and Means Committee on the manner in which in the present bill it has worked out differences in the spirit of compromise. I was troubled by the many letters I had received from aged persons, subsisting on small returns in interest and dividends, and who could ill afford to have withholdings even for a brief time of the money they needed for livelihood. That the Ways and Means Committee worked out in a sympathetic commonsense manner by providing that there would be no withholding when one notified the Government in writing that his total taxable income would not subject him to an income tax. Fair and simple, the bill assures the Government getting the tax from those who should pay, gives complete immunity of withholding to those who have no tax liability.

In the last Congress I have supported the bill introduced by the very able gentleman from Louisiana [Mr. BOGGS], as regards taxation of American industries with foreign operations. The approach in H.R. 10650 is different and this is in an area where there may be honest differences of opinion, largely stemming from the fact that there is scant historic background and shifting conditions in a changing world give confusion to the making of charts. The gentleman from Louisiana is supporting H.R. 10650—indeed his speech this afternoon ranks with the great orations in the history of this Chamber—and this is proof conclusive that he accepts the provision in the present bill, subject to revision later if circumstances and developments would seem to demand.

Mr. Chairman, while supporting H.R. 10650 as necessary tax legislation if our Government is to have the funds for survival, and every legitimate source of tax income is tapped according to its ability and its responsibility, I think it only fair that I should include in my remarks some excerpts from a letter I received today from Lajos Schmidt, distinguished Chicago lawyer and member of one of the Nation's largest law firms specializing in international law. Mr. Schmidt writes me from London:

> In writing this letter from London I want you to know the feeling of the American business community abroad, as well as the feeling of leading foreign businessmen, on the effect of H.R. 10650. * * *
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> Leading foreign businessmen have in fact stated that this legislation would seriously hamper the competitiveness of American companies abroad. As you know, it is increasingly difficult to export finished merchandise from the United States because of the extremely high cost of American labor. As a defense, the ingenuity of American businessmen discovered the possibility of exporting parts and components from the United States and transforming same into finished goods abroad. Through this device hundreds of thousands of new jobs were created in the United States. In fact, it is my opinion that our export volume has increased from year to year partly due to the extremely substantial production of parts and spare parts exported from the United States to controlled foreign subsidiaries. In order to stay competitive in the foreign markets—notwithstanding the handicap of expensive labor—American companies provided sales and service support for their domestic and foreign manufacturing companies through so-called base companies which derived a part of the profit and provided the foreign manufacturing and assembly plants with fixed and working capital.
>
> The new legislation will eliminate the most useful activities of the so-called base companies. The result will be either that these foreign companies will not be able to expand, and thus utilize an increased number of American parts and components and production parts and the multimillion dollars worth of capital assets, or that the U.S. parent companies must contribute investment funds to these foreign enterprises in order to keep them competitive. In both instances the results are disastrous. In the first instance, American job opportunities

will be lost and our balance of payments will deteriorate through a diminishing amount of export from the United States. In the second instance, capital, which otherwise would have been used for investment purposes in the United States, would flow abroad which would finally result in a decreased investment and productivity in the United States itself.

Your friends like Congressman Boggs and others who explored all the ins and outs of this question reached the conclusion that H.R. 5 would have helped American foreign business and the American economy in general. As you stated, in your opinion Congressman Boggs is one of the ablest Members of the House.

Mr. ALGER. Mr. Chairman, too little attention in this debate, it seems to me, has been given to the comparative consideration of this tax bill and the Trade Expansion Act of 1962, both measures coming before the Ways and Means Committee. Interestingly enough, both give evidence to the attempt being made by both the administration and Democratic congressional leaders to lessen the competitive position economically of the United States in the world today. Three general and related statements can be made about the provisions of these bills, even before any attempt is made to wonder why this is being done. First, both bills lessen U.S. industry's ability to compete in the world market. Second, both bills increase Government's control over industry and in so doing threaten to destroy private enterprise, replacing our private ingenuity and incentive with Government-controlled industry. The answer to socialism, communism's challenge of Government-controlled industry, is not to shackle our own with similar controls. On the contrary, we should free up our industry in both tax and trade to place our Nation in a better position economically to compete for the world's market, as freemen and private enterprise.

Freedom and private enterprise can run circles around men who work for Government in Government-controlled industries.

Let us look at both the tax and trade bills. The minority report, the Republican separate views, states the case well, on the tax effect of U.S. foreign controlled corporations—pages 21–27 of the report. These points are made:

First. Congress cannot constitutionally tax shareholders on the undisturbed income of foreign corporations, except in case of evasion. Until the court decides this after costly litigation we will not know if this tax is even constitutional.

Second. This tax bill reverses a long-standing U.S. policy of encouraging expansion of U.S. industry abroad. Trade not aid was part of this theme.

Third. Tax deferral abroad was considered so important last year by the Democrats that H.R. 5 was sponsored with this statement in the report of their position:

The postponement of American tax as long as the funds are used in foreign operations is necessary to place the U.S. corporations operating abroad on a competitive basis with other corporations, either United States or foreign owned, which operate in the same foreign countries.

Today's tax bill completely reverses this policy of last year and many years in the past, placing our U.S. corporations at a disadvantage by now increasing their tax burden.

Fourth. Foreign investment of U.S. industry that accumulates abroad in the long run helps, not hurts, the balance-of-payments problem because a dollar invested abroad increases exports from the United States and produces dividends to the American investor which ultimately exceed the dollar invested. This bill now contradicts this undisputed logic.

Fifth. Any attempt to keep American business at home through the tax laws is isolationism at its worst. The tax laws would then become the equivalent of a discriminatory tariff or duty, applicable only to the American-owned business operating overseas but not to its foreign-owned competitor.

Sixth. Until there is free trade with others, nations lowering tariffs to meet ours, Congress should not penalize the American businessman further for going abroad in order to seek and make a place in that market.

Seventh. American corporations must compete with foreign owned. If the American firm cannot invest equally abroad with his competitors, foreign capital will take its place. Then income flowing back to the United States will be less.

Eighth. The other 14 major industrial nations do not tax undistributed earnings as we are here seeking to do. On the contrary many adopt tax incentives to encourage investment abroad.

Ninth. Liberalized depreciation, not investment credit, as here proposed is the area too where foreign nations can outcompete the United States. In the first 5 years, while U.S. industry can depreciate less than 50 percent of the cost of equipment Japan can write off 100 percent, Germany 67 percent, and others can do likewise.

Tenth. The use of so-called tax havens by an American-owned foreign company actually produces more tax revenue for the United States when funds are repatriated.

Eleventh. The tax bill is likely to cause foreign nations to increase their tax of U.S. industry there to soak up the differential in tax which would otherwise go to the United States. This too will serve to drive American business out of the European market.

Twelfth. The tax on U.S.-controlled foreign corporations violates our tax treaties with other nations. For one, the U.S. membership of the Organization for Economic Cooperation and Development—OECD—permits the United States taxing American shareholders only on those profits which are distributed by the company. This bill violates our agreements with Sweden, the United Kingdom, Germany, France, Netherlands, Denmark, Norway, Switzerland, Austria, Italy, Belgium, Greece, Ireland, and Canada.

Boil these statements down—they say one thing. American firms are in for tougher times in trying to compete in the world market.

Now let us look at the Trade Expansion Act of 1962. The President is given carte blanche authority to cut tariffs 50 percent on broad categories of products and remove all tariffs that are lower than 5 percent. What is and what will be American industry's position in world market? Will it be easier to compete or not?

First of all, U.S. tariffs are now among the lowest in the world. Others in reciprocal trade agreements do not match ours.

On the contrary they impose, in violation of GATT agreements, quotas, licenses, embargoes, cartels, registrations, levies, and subsidies and many other restrictive controls, more restrictive than are tariffs as a control of the free flow of trade. American industries are already hurt not because of ability to compete but because other nations unfairly keep up trade barriers. So what will lowering our tariffs accomplish? Further harm to U.S. industry, less ability to compete. The Trade Act of 1962 asks the Congress to abandon, first, the no-injury policy; second, item-by-item consideration of products in trade; third, the peril point and escape clause protection; fourth, Tariff Commission findings. In place of this the shift of power goes to the President or to whomever he delegates to single out industries and products for devastating foreign competition by lowering our tariffs while others keep up their tariffs and other controls. Then the President, or whomever he delegates, can single out or deny any industry harmed for Federal aid in loans, guarantees, and advisory help as well as monetary assistance to that industry's workers who are displaced by foreign imports; fifth, any court review; sixth, congressional jurisdiction.

Now put the two bills together. What do we have? We have a tremendous increase of governmental control over industry and the transfer of tremendous power to the President by Congress over U.S. industry, dictatorial in scope, beyond recall or repair in damage. Of course, political friends or foes can be properly rewarded or punished. Beyond dictatorial power we see, second, U.S. industry cannot compete with other nations if our creative genius and private initiative is destroyed by bureaucratic governmental control through tax and tariff. Destroyed it will be through regulation by tax and tariff as these bills spell out. Well might we pause to ask ourselves, what is our national purpose? Who is behind this scheme? Why do the President and the Democratic leaders of Congress insist on these two pieces of bad legislation? Our only hope lies in the commonsense and intelligence of our people to see the danger and deny this power and governmental control over our private enterprise and personal freedoms.

Mr. PELLY. Mr. Chairman, several days ago, on March 19, I introduced legislation, H.R. 10809, to amend the Export Control Act of 1949, to extend such act for 2 additional years and to require a prohibition thereunder of all exports of agricultural commodities to Communist countries.

H.R. 10809 would not only extend the Export Control Act of 1949 for 2 additional years, but it would bring Public Law 480 as administered under the Ex-

port Control Act into line with the foreign aid law, Public Law 87–197, thus eliminating the inconsistency in our foreign policy with respect to these exports.

I explored this matter in some detail in my remarks incident to the introduction of the bill. As a result, my office has been the recipient of a large volume of mail from hundreds of people almost 100 percent in support of the legislation.

One letter which I received a day or two ago is from a young lady, an anti-Communist student of Taiwan, presently residing here in Washington, D.C. Included with her letter was an English translation of an editorial which appeared in the Central Daily News, Taipei, Free China, under date of March 20, 1962. I am informed that the Central Daily News is regarded as the most influential and esteemed newspaper in free China. Inasmuch as these editorial comments are on the subject of food to Red China, I believe it is particularly appropriate to include the text of the editorial comments in the CONGRESSIONAL RECORD, as an additional argument for the passage of H.R. 10809:

FAMINE RELIEF VERSUS SUPPLY TO THE ENEMY

Following Pearl S. Buck's letter to the editor of the Washington Post, advocating sale of U.S. surplus food to Communist China, it is reported that two American trade corporations are applying export licenses from the U.S. Government for shipment of food grains to the Reds. As humanitarian reasons are widely used in this matter, we wish to call attention to the difference between famine relief and supply to the enemy from a humanitarian point of view. Without a clear understanding of this important point, any famine relief can only strengthen the vicious force on the mainland and good intention may well produce bitter results. That is a very dangerous game.

We, the free Chinese, are, as always, very much concerned about our brethren on the mainland who are living in misery under the cruel rule of international communism. We have repeatedly endeavored to work out some sort of arrangement to relieve the famine on the mainland. We had made appeals to international charity organizations with a view to contacting the Chinese Communists indirectly, in the hope that some ports at the mainland coast might eventually be opened, so that food could be brought into the mainland and be distributed to the starving people. However, the cold-blooded Communists, without the slightest regard to the welfare of the people, relentlessly rejected our offer.

The Chinese Communists have not been inactive on this matter. They began to buy food from the free world since the beginning of last year. They bought 28 million bushels of wheat and 12 million bushels of barley in their first transaction with Canada, and 2,200,000 bushels of wheat in the second, and 186,700,000 bushels of wheat and 46,700,000 bushels of barley in the third. Of those transactions, as we had closely watched, not even a single word had been mentioned in their broadcasts, newspapers, magazines, and official publications by the Communists. On February 28 this year, Prime Minister Deifenbaker of Canada announced that shipments of grains sold to Red China started from last June. However, among thousands of thousands of letters we received from our relatives on the mainland, none of them indicated any knowledge of such grains, and among thousands of thousands of people who escaped recently from the mainland, none of them ever ate such wheat or barley.

Then where have those grains been? They were disposed of by the Communist leaders. Some of them were used to feed the soldiers who are guarding the regime, some went to other Communist countries, such as Albania, to uphold Red China's international prestige in the Communist world. While large quantity of Canadian grains have been sold to Red China, yet no people in the street have eaten or even heard of it. Will the Chinese Communists treat American grains in a different way and distribute it to the starving people? Certainly not. The American press are not unaware of this fact. Papers like the New York Mirror and the New York Daily News have already pointed out editorially that sale of food to Red China will only reinforce the power of the vicious tyranny which is now in crisis and prolong the sufferings of the mainland people. These are most significant opinions.

All the facts behind the Bamboo Curtain indicate that the Red regime is deeply resented by the people. If they know that the Americans are supplying food to their Red masters so that the tyrannical regime might survive, they will certainly feel disgusted.

Under such circumstances, we may easily realize that to sell food to the Reds is actually to strengthen the enemy. The needy people, however, will have no chance to be benefited. Only after the recovery of the Chinese mainland to the free world, the work of famine relief can be carried out in the true sense of the word.

We point out the importance of this matter in the hope that the American people will not be fooled by few naive persons such as Pearl S. Buck and that the American Government will stand firmly opposing any kind of activities which will help the enemy.

Mr. Chairman, I think about every argument pro and con has been used in the debate on H.R. 10650.

As to the investment-tax credit, as far as I have heard from businessmen who have studied this proposal, it is a handout available to those who invest in tangible personal property and certain real property used in business such as blast furnaces and outdoor machinery.

It is odd that no industrialists or businessmen who stand to benefit have pressed for any such a credit. This benefit would be above the normal 100 percent depreciation on business assets which is allowed, and I wonder if business is not just a little embarrassed or suspicious to be in the position or on the receiving end of such a selective tax credit. Perhaps some persons guess it is political bait and wonder what eventual price they or others will be asked to pay for it.

According to the chairman of the Ways and Means Committee, this credit involves a loss to the Treasury in the form of tax income of $1.175 million.

I have argued always that the business tax is too high, and I would support a general tax cut as against this special credit to certain favored taxpayers who are expanding or installing new facilities.

Actually, the fiscal picture of the country does not justify any tax reduction. Instead, we should be voting an increase in Federal revenue to offset the huge spending of this administration. We should be reducing the deficit and not increasing the national debt.

Here is the story:

On March 27, 1961, the President forecast a $2.1 billion deficit in his budget.

On May 25, he said this deficit would be $3.6 billion.

In July, the figure went up again. This time the President said the deficit would be $5.3 billion.

On January 18, 1962, he came up with a new revised red figure of a $7 billion deficit forecast.

Now, with 5 months to go until the end of the fiscal year, the estimate is for a $9.4 billion deficit by June 30, 1962.

Congress has boosted the debt limit to $300 billion because the Government is overspending. The President is asking an $8 billion further increase in the legal debt limit.

The Treasury has estimated that, by imposing a withholding of 20 percent of interest on savings accounts and dividends payable, some of the tax credit windfall will be made up. I do not doubt that some revenue will be collected by this means that otherwise would be lost. However, I think the redtape and cost to corporations to achieve this revenue is unconscionable.

Therefore, I shall vote to recommit this bill to the committee under the motion which will be offered and which would require the committee to report it back to the House with the tax credit and withholding sections eliminated.

If the motion to recommit fails, as I suspect it will, then I shall vote against the bill on final passage. This is because in all conscience I cannot vote for legislation which will increase the deficit, not only next year, but in the years to come.

Mr. DADDARIO. Mr. Chairman, parts of this tax bill relating to the question of withholding on interest and dividend payments have raised a number of doubts in my mind concerning whether this system will not create more hardship than it will ease. While I recognize that the committee has done much to smooth this problem, it would seem to me that it can still interrupt a flow of cash income to those who earn it, and that such an interruption can work hardship on many who need to meet regular payments.

Aside from individuals who may be hurt, my attention has also been drawn to a specific problem relating to corporations. Although corporations subject to overwithholding also may claim quarterly refunds in addition to using a tax offset, there can be no question that this bookkeeping may involve a delay in the receipt and employment of cash income. When the House considered the Life Insurance Company Income Tax Act of 1959, it was noted that investment income is the principal source of such a tax. However companies must keep their funds constantly in productive use to build up this income, and a delay in the cash flow such as is proposed here would actually cause a loss to the Government in taxes by hobbling efforts to build that income.

I would like to pose a specific problem. Unfavorable underwriting results have placed one company in a position where it is not anticipated that Federal income tax will be paid over the next several years. However, withholding from the income on securities held in this company's portfolio would affect this company's position severely, as 20 percent of its dividend income amounts to about

$800,000 annually, or $200,000 a quarter—obviously an important factor in its cash flow during the year. It is not a large company, and the offset would not meet its needs. While this company is in a position in which many other companies do not find themselves, it raises a question of whether such problems have been considered and whether, in fact, it is an unnecessary hardship to impose withholding of interest directed to institutional holders or corporations where extensive auditing makes certain that every cent of taxable income is reported under existing law. This injustice should be examined as this bill moves further toward enactment into law.

Mr. ADDABBO. Mr. Chairman, it is with regret that I must offer opposition to this bill, H.R. 10650, although it contains several good provisions as to closing tax loopholes, but the people of my district have expressed opposition to this bill, especially the withholding tax on savings interest and dividends. I do not believe that the withholding on interest and dividends is a fair method of collecting tax because the tax reduces the amount of earned interest the taxpayer would have received because of the deductions every 3 months—this takes from him money on which he would otherwise be receiving interest.

It is my belief that the American taxpayer does not seek, in the majority, to defraud the Government and is agreeable to paying his fair share. Under the new system of identification numbers instituted by the Internal Revenue Service, any tax fraud or failure to report can easily be determined.

The tax bill benefits many large concerns which, I believe, if they wish to expand their operations could do so under present high profits.

There is nothing in this tax reform measure which would touch on our greatest source of additional revenue and which needs great revision, and that is the tax credits allowed for oil and mineral depletion. This remains at its high level of 27½ percent. I have introduced legislation relative to a more equitable tax plan for said depletion allowances.

If we are to benefit the economy of this Nation, we must start with the small taxpayer so that on this foundation can be built proper safeguards and tax revision.

Mr. LIPSCOMB. Mr. Chairman, I believe that the tax bill before the House, H.R. 10650, is poor legislation in various vital respects which if enacted could adversely affect the interest and welfare of large segments of the public and our economy.

Certain sections in this tax measure embody needed tax revision and reform that should help toward achieving an improved tax structure, but these in my opinion are far outweighed by the inadvisable sections of the bill.

It is unfortunate that a tax measure with controversial and far-reaching tax provisions such as H.R. 10650 contains comes before us under a closed rule. The bill departs drastically from existing tax philosophy in significant ways and I believe the membership of the House should be given a chance to pass on these aspects of the bill separately. This consideration is not given under the gag rule.

One of the specific sections of H.R. 10650 with which I am not in agreement is the provision for withholding of 20 percent of interest and dividend by the Federal Government. This provision can very adversely affect large groups of people who rely on income from interest and dividends for their livelihood. Many of these are not taxpayers at all in the sense that they would be owing these amounts in taxes under the present system. I have received much mail from residents of the district I represent who advise they will be severely handicapped under interest and dividend withholding.

The withholding of tax could result in significant overwithholding because of the fact that many citizens could not be aware of the fact that interest and dividends had been withheld, many would not know how much had been withheld, and many for one reason or another would fail to claim refunds due or would not submit exemption certificates.

We have heard several times since H.R. 10650 has been under consideration that this provision would be an administrative monstrosity. With that I thoroughly concur.

Another extremely questionable provision of the bill is the proposal to provide a 7-percent investment credit on the purchase of depreciable property. The very amount of the credit, 7 percent, appears to have been nervously and haphazardly arrived at after much last-minute scrambling to settle on some figure which it is thought would help bring about a so-called balanced tax bill revenuewise, which could be displayed to the House as good because it is "balanced." This interest credit gimmick would amount to an outright subsidy to certain areas of our business economy which would be denied to others. Indications are that in many cases the investment credit approach would amount simply to a tax windfall.

Additionally, an unfortunate aspect of this provision is that the Congress in effect forgoes the opportunity to make really sound and lasting gains toward achieving economic incentives through providing adequate depreciation allowances.

In addition to some of its obvious, serious drawbacks, the investment credit approach—so appealing apparently to those intent on shifting ever-increasing authority over our economy and our citizens to an all-powerful Central Government—could establish an unfortunate precedent for future tax tampering and regulation of our economy. What is to prevent legislation from being requested next year, or the next, raising or lowering the 7-percent figure? Or revising its application, according to the goals of Government planners? Before long the Congress could be confronted with the proposal that a set figure for credits for a specified purpose is far too rigid and that flexibility is needed to enable the President to raise or lower the investment credit rate adequately to take care of the needs of the economy. The investment credit plan opens the door for just this type of action in the future, another example of a surrender to centralized government of authority delegated by the Constitution to Congress.

Sections of the bill pertaining to tax on foreign income could seriously interfere with the ability of American firms to compete in foreign markets and generally in international commerce. As has been brought out, the proposal in the bill for taxing of unrealized foreign income moves directly opposite to the 1960 foreign investment tax incentive bill. Despite the many months consumed on tax hearings little opportunity has been afforded for adequate study of certain sections of the bill pertaining to foreign income taxation.

I shall vote for the motion to recommit H.R. 10650 with instructions to delete these sections of the bill, and in the event this motion is not accepted by the House, will vote in opposition to passage.

Mr. PHILBIN. Mr. Chairman, heavy, oppressive taxation is without question reducing our high American standards of living and discouraging those attributes of initative and incentive that lie at the very foundation of our great, free enterprise system.

The pending bill does not presume to furnish real substantial relief for the harassed and taxridden American people. The burning need of the hour is a thorough and basic overhauling and general revision of an archaic, obsolete, unrealistic and incompatible tax system that stems virtually from the horse-and-buggy days and has little reference or applicability to the complex, highly industrialized and mechanized economic society in which we live.

The bill hardly moves in the direction of valid, necessary fundamental tax reform, although I understand such sweeping legislation, long overdue, will be proposed to the Congress, probably before the end of the session. This bill is admittedly piecemeal, comprising vexatious, cumbersome, contradictory and administratively complicated and complicating provisions.

I will not analyze the bill in its entirety at this time. But I will touch very briefly upon some of its provisions I deem to be open to some question as valid, permanent tax legislation.

First. The application of the withholding principle to interest and dividends is bound to be confusing and meddlesome and it falls seriously short of revenue-producing potentials.

Millions of honest, hard-working, industrious taxpayers, many banks, corporations and other thrift and savings institutions would be visited with inconvenience, expense and delay, in some cases causing worry and perhaps hardship.

Since many of the people affected are of the rank and file, who must rely in many cases upon interest and dividends for the support of themselves and families, this provision simply adds another vexation to many others that stem from current tax procedures.

There are many people involved who are already paying their due taxes with scrupulous regularity and honesty even as they are heavily burdened by current taxes. The vexations arising from this provision cannot be solely justified by the relatively meager returns they promise.

Second. Investment tax credits would be helpful to business, but in my opinion it would be far more helpful to provide more realistic depreciation features and fast writeoffs. This field is extremely complex and must be approached with utmost care and most skillful and exacting legislative draftsmanship.

Third. Taxation of foreign income. This provision strikes me as being inconsistent and contradictory of present foreign aid and development programs as well as proposed trade policies. On the one hand, Congress passed laws giving special tax incentives to American business entrepreneurs operating in foreign countries; by this bill, Congress imposes additional onerous taxes upon American businessmen doing business overseas, limits or cancels the tax deferral provisions and makes it impossible for these concerns without crippling, oppressive taxes to utilize profits made abroad in their domestic operations here at home.

Thus, one large internationally known concern employing about 1,000 people in my district is virtually completely barred from using its oversea profits to expand, repair, or otherwise improve their holdings, property, working equipment, capital, and labor improvement operations in my district, so vital to the livelihood of many of my constituents. This kind of economics and this kind of taxation is hard for me to comprehend.

There are other objections and shortcomings of the bill I will not enumerate. Notwithstanding contrary views, it could result in a deficit budget; it gives handouts and windfalls to a favored few; it does not provide adequate writeoffs; it is contradictory in its terms and levies; it does not give the broad tax relief the American people urgently need.

I believe Congress and the committee should take another careful look at the tax picture and come forth with a bill that will relieve our people and businessmen of heavy burdens, strengthen the economy, spur prosperity, increase jobs and employment, insure a balanced budget, and promote prosperity in the country and help dollar imbalances.

In this way the President's overall economic plan for forward-moving, dynamic progress in business, standards of living, and improved prosperity for all the people can be substantially encouraged and advanced. I hope and urge that this course may be adopted.

Notwithstanding the fact that I favor something far more comprehensive and that I am very much opposed to some of the specific provisions of the bill, I am reluctant to vote to block a plan, inadequate in some respects as I feel it is, designed by the President and his advisers and the very able, distinguished gentleman from Arkansas, my friend, Mr. MILLS, and his fine committee, with the view to checking loopholes, providing substantial business incentives by way of tax credits, and aiming at a balanced budget and fiscal stability.

These are considerations which, however untimely some of the specific provisions of the bill may be, must be carefully weighed.

Moreover, the bill goes to the other body where we are assured it will be considered further and perhaps revised in those particular instances that need revision most, and I hope that this may be done.

I also urge, as I have done for some time past now, that the administration at an early date present its proposals for general tax revision, because if anything needs to be done in this country to improve economic health and to relieve business and the people of serious burdens, it is to make drastic sweeping tax reforms that will bring our tax system up to date and eliminate many inequities and injustices that have crept into it throughout the years, not only as a result of basic concepts long since outmoded, but also because of numerous unrelated and uncoordinated piecemeal amendments and changes that have been incorporated into our basic tax laws.

ENACTED ALMOST 50 YEARS AGO

The preservation of the American free enterprise system must always be in our minds. Viewing the steady decline in small business, it is easy to understand that we must provide more incentives, as well as more encouragement, for Americans who are engaged in, or who would like to be engaged in, business operations of their own.

Of these encouragements, proper tax treatment would surely be most effective if it is wisely and judiciously combined, according a larger and fairer share of Government procurement to small business, so that it successfully may compete and survive in the midst of the cyclonic changes that are sweeping through our economic system.

It is not only small business alone that needs to be helped. Big business must also receive fair, appropriate tax consideration that will make due allowances for its financing needs and for plowing more of its profits into the constructive channels of expansion and modernization and growth that must be enjoyed by all business—small and big—if our free enterprise system is to thrive and grow to meet the demands and needs of modern life.

Certainly, there can be no more important aim of a well-conceived tax system than that of lightening the burdens of the people who toil—the workers, the farmers, the skilled craftsmen, the artists, the white-collar workers, the professional classes and all members of the great masses of our people and middle-class citizens who have such a great stake in American prosperity and who are entitled to enjoy the fruits of their labors, their skills, their hard work, their initiative and creative abilities.

It is a formidable challenge, to be sure, to revise the tax system in ways that will bring the results we hope for in the big, complex economic society which is growing and developing so rapidly. But I firmly believe that there is in this Congress the bold, imaginative leadership, knowledge, ability and experience to undertake this great, necessary work to join with the President, and the executive agencies of the Federal Government in preparing and hammering out an overall, comprehensive tax measure that will raise the huge revenues we need these days and, at the same time, insure fairness, equity, justice, and decent consideration for our taxpayers and our people.

Since we have received assurances that this task will be undertaken at an early date, it is my hope that the shortcomings of the present bill may be resolved and corrected in a broad tax bill that will be adjusted to the times, to the problems and to the complexities of modern life. Nineteen of 21 sections of the bill are not generally objectionable to the Members of the House. Under the parliamentary situation that now obtains adequate corrective action is fraught with real difficulty. Although I am not satisfied with some provisions, under the circumstances I do not desire to obstruct a measure which we are assured by the President and the committee is necessary to balance the budget and make desirable changes in the tax system. But I hope that general tax revision will soon be tackled and adopted in the interest of equity and justice for the people and the strengthening of the economic system.

Mr. STRATTON. Mr. Chairman, I rise in support of the pending legislation.

Any change in existing tax legislation is always difficult, as is shown by the fact that this bill is the first major alteration to be adopted in our tax laws by the House in nearly a decade. I support it, however, for reasons which I feel are persuasive.

The chief purpose of the bill—and my main reason for supporting it—is to stimulate new job opportunities, especially in unemployment areas such as we now have in upstate New York, by making it easier for businesses and manufacturing concerns to expand and to acquire new, modern machinery. One of the principal reasons why our section of the country has suffered so heavily from foreign import competition is that foreign manufacturers have had the benefit of the most modern, most automated machinery available, supplied to them in most cases, incidentally, with the help of U.S. foreign aid funds, while competing American firms over here are obliged to keep operating with overaged and obsolete machinery simply because under existing tax arrangements they cannot afford to buy new machinery.

This bill will give U.S. firms a better break against these foreign firms by allowing them a tax credit or forgiveness of 7 percent for any sums spent to buy new equipment, or otherwise to expand their firms. The more businesses can expand, the more new jobs there will be available. Surely we desperately need some such shot in the arm as this to stimulate new jobs in upstate New York. It is my understanding that this proposal has met with wide support from business groups, who also feel it will have a beneficial effect in our area.

Incidentally, this tax credit will also apply to farmers who purchase new machinery, or otherwise expand their facilities. Anything we can do to create new jobs at home and to prevent jobs going overseas will be of great help to all of us.

Now, because this much-needed economic shot-in-the-arm, by easing some tax burdens, will result in some loss of total Government revenue, it is necessary for us to make up for this lost revenue in some other way. Otherwise we unbalance our budget, run a deficit, and risk fiscal irresponsibility. The committee proposes to make up this loss largely by extending to those whose incomes come from dividends or interest on bank accounts the very same tax withholding features that have applied to those whose income is through wages and salaries ever since the outset of World War II.

Because withholding does not now apply to these two special types of income, we are told that the very staggering sum of some $600 million in taxes, which should properly be paid to the Government, is lost each year. Thus by extending this familiar withholding feature to dividends and interest, therefore, we not only pick up this sizable sum, already due to the Government, but we do it without adding any new tax over and above what is already legally due and payable to the U.S. Government.

This much needs to be clear. The bill does not involve any new tax here, only a new method of collection.

I am sure all of us must agree that it is a desirable thing for the Government to collect all the taxes that are due to it fairly and equitably among all classes of taxpayers.

Of course, many persons who receive some of their income from dividends and interest—widows and orphans, for example—do not have enough income from this source actually to be taxable. Obviously it would place an unfair and unnecessary burden on such persons if they were to have a portion of this income withheld and then have to wait until the end of the year to get it back in a refund.

Therefore, the Committee on Ways and Means has wisely added several important features to protect people of this sort. These, incidentally, have largely been overlooked in published accounts of the bill.

First. No one under 18 will have any tax withheld from dividends or interest.

Second. No one who expects to have no tax liability at the end of the year will have any tax withheld at all. All that will be necessary will be for him to sign a simple statement to this effect at the start of the year.

I was also worried that perhaps this new withholding procedure might impose some unnecessary administrative burdens on the corporations or banks required to withhold these taxes. Of course these concerns already do withhold taxes on wages and salaries, and I am glad the bill before us does contain some further features to ease the burden on these concerns, so that with the help of the modern automatic business machinery now in general use today, the implementation of this withholding provision should not be unnecessarily burdensome, costly, or harmful.

In summary, then, I support the legislation because I am convinced it will help us compete more effectively with foreign firms, and will help stop the flow of jobs out of our State to countries abroad that we have been witnessing in recent years. The bill will accomplish this result without unbalancing our budget simply by collecting from one group of taxpayers the taxes they already owe under present law and it will collect them by means of the same procedure we have been applying for years to wage earners and salaried personnel without objection or complaint. Surely this is an eminently fair procedure, it seems to me, to accomplish so vital and necessary a result.

Mr. LANE. Mr. Chairman, I strongly oppose that provision in the Revenue Act of 1962 which imposes a withholding tax at a rate of 20 percent on dividends and interest, and patronage refunds of marketing or producer cooperatives.

This is one of those devices that appear to be so reasonable on the surface, but would, in fact, lead to confusion, waste, and overtaxation. It would intercept part of the interest due to millions of small bank depositors, and the dividends due to millions who own a few shares of stock, under conditions which would prevent them from ever getting the refunds to which they are entitled.

Section 8 is deceptive, impractical, and unfair. Its proponents try to equate withholding on dividends and interest, with the successful withholding on wages and salaries, but ignore the marked differences between the two.

As to withholding on wages and salaries there is only one employer-employee relationship at any one time during the taxable year; the employee claims exemptions to which he is entitled; and the rate of withholding takes into account his normal deductions. In spite of all these precautions to have the tax withheld approximate the tax that is due for the year, the Treasury Department processes more than 40 million refund claims annually, because of "overwithholding" on salaries and wages.

Extension of withholding to interest and dividends will be taxing "in the dark," with none of the safeguards mentioned above. The withholding rate of 20 percent provided in this bill is higher than the average effective tax rate for most people who receive some income through interest and dividends.

Early this year, the Commissioner of Internal Revenue estimated that there were more than 350 million interest and dividend accounts which would be affected by withholding if applied only to payments of $10 or more. When we add the number of people whose income of this nature would be less than $10, the total number of accounts would reach 500 million.

Withholding will result in depriving many people of their money who will not owe any tax. There is no procedure under this bill whereby the individual is advised as to the total amounts, or the separate amounts, which have been withheld from payments otherwise due him. The Treasury will collect a large sum to which it has no right. The taxpayer will have no knowledge of the facts. And no plan has been proposed to refund the overwithholding due him, in the absence of a claim.

The commercial banks have 52 million separate accounts. In more than 80 percent of them, the interest paid amounted to less than $12 per quarter. In almost two-thirds of the accounts, the interest paid amounted to less than $12 per year. The interest paid on about 32 million of those accounts did not exceed $62 million in the aggregate. There will thus be 32 million accounts involving the withholding of less than 40 cents. Many of these depositors will not bother to file either an exemption certificate or a claim for refund, in order to recover a tax of less than 40 cents. The cost to the Government in processing a claim for 40 cents would in itself make the withholding impracticable. This is the ridiculous aspect of the proposed withholding tax.

More than 3 million Americans with low incomes are shareholders in our corporations. The law exempts $50 in dividends from tax. That exemption will be nullified by imposing a withholding tax on total dividends of $50 a year and less where there is no tax liability. Millions of shareholders will be discouraged by the redtape of filing refund claims, or in the confusion will neglect to do so.

The Government will in effect enrich itself at the expense of small depositors and shareholders, collecting a tax which is not due.

If this provision is not stricken from the Revenue Act of 1962 it will victimize millions of Americans who practice thrift in order to supplement their meager incomes through interest and dividends. It will cause them to question the good faith of their own Government.

The proposed withholding of taxes on interest and dividends is ill conceived, unjust, and dangerous.

It must be defeated.

Mr. MILLS. Mr. Chairman, that concludes debate on the measure on this side.

The CHAIRMAN. All time for debate having expired, under the rule the bill is considered as having been read for amendment.

No amendments to the bill are in order except amendments offered by direction of the Committee on Ways and Means. Are there any committee amendments?

Mr. MILLS. Mr. Chairman, there are committee amendments. I offer the first committee amendment.

The Clerk read as follows:

Page 6, line 9, strike out "8" and insert: "7".

Page 6, line 15, strike out "$100,000" and insert "$25,000".

Page 6, line 16, strike out "50" and insert "25".

Page 6, line 17, strike out "$100,000" and insert "$25,000".

Page 7, line 15, strike out "$50,000" and insert "$12,500".

Page 7, line 15, strike out "$100,000" and insert "$25,000".

Page 7,, line 21, strike out "$100,000" and insert "$25,000".

Page 7, line 24, strike out "$100,000" and insert "$25,000".

Page 10, line 4, strike out "50 percent" and insert "3/7".

Page 11, line 13, strike out "$100,000" and insert "$25,000".

Page 24, line 6, strike out "$100,000" and insert "$25,000".

Page 24, line 9, strike out "$100,000" and insert "$25,000".

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

Mr. MILLS. Mr. Chairman, I offer another committee amendment.

The Clerk read as follows:

Committee amendment offered by Mr. MILLS: Page 51, strike out lines 13 through 23, and insert:

"(A) first out of its earnings and profits accumulated in taxable years beginning after December 31, 1951, to the extent thereof,

"(B) then out of the reserve for losses on qualifying real property loans, to the extent additions to such reserve exceed the additions which would have been allowed under subsection (b)(4),

"(C) then out of the supplemental reserve for losses on loans, to the extent thereof,

"(D) then out of such other accounts as may be proper.

"This paragraph shall apply in the case of any distribution in redemption of stock or in partial or complete liquidation of the association, except that any such distribution shall be treated as made first out of the amount referred to in subparagraph (B), second out of the amount referred to in subparagraph (C), third out of the amount referred to in subparagraph (A), and then out of such other accounts as may be proper."

Page 52, line 2, strike out "(A)" and insert "(B)".

Page 52, line 3, strike out "(B)" and insert "(C)".

Page 52, line 11, strike out "(1)(A)" and insert "(1)(B)".

Page 52, line 20, insert quotation marks after the period.

Page 52, strike out lines 21 to 24, inclusive.

DEFINITION OF "QUALIFIED LOAN"

Page 49, lines 18 to 20, strike out "any loan of the taxpayer secured by an interest in improved real property,", and insert: "any loan secured by an interest in improved real property or secured by an interest in real property which is to be improved out of the proceeds of the loan,".

Page 51, line 2, strike out "of the taxpayer".

DEFINITION OF "DOMESTIC BUILDING AND LOAN ASSOCIATION"

Page 55, lines 5 and 6, strike out "the second paragraph of".

Mr. MILLS (interrupting the reading of the committee amendment). Mr. Chairman, I ask unanimous consent that the further reading of this amendment be dispensed with. It was printed in the RECORD yesterday in connection with my remarks dealing with the section on savings and loan associations.

The CHAIRMAN. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

Mr. MILLS. Mr. Chairman, I offer some clerical amendments to correct certain clerical errors in the bills.

The Clerk read as follows:

Committee amendment offered by Mr. MILLS:

Page 42, line 16, strike out "522" and insert "552".

Page 89, line 13, strike out "(B)" and insert "(B))".

Page 150, line 12, strike out "954" and insert "955".

Mr. MILLS. Mr. Chairman, I would now like to comment briefly on the committee amendments which have been offered to the bill.

The series of committee amendments, in addition to certain clerical amendments, relate to two basic subjects—the investment credit provision contained in section 2, and the provisions contained in section 8 relating to mutual savings banks, savings and loan associations, and cooperative banks.

The first group of amendments, those related to the investment credit, have the following effect:

First. The amount generally allowable as a tax credit is reduced from 8 to 7 percent of the qualified investment.

Second. The amount available for most regulated public utilities as a tax credit is reduced from 4 to 3 percent of the qualified investment.

Third. The bill as reported limits the allowance of the tax credit to the full amount of the tax liability up to $100,000 and to 50 percent of the liability in excess of $100,000. The committee amendments reduce the amount of tax liability which may be fully offset by a tax credit from $100,000 to $25,000. They also provide that the credit may offset only 25 percent of the liability above $25,000—instead of 50 percent above $100,000. The amendments relating to mutual savings banks, savings and loan associations, and cooperative banks relate to three subjects:

First, in the case of stock savings and loan associations, an amendment is made which is concerned with the priority of payments to stockholders of these associations. Under the bill as reported, distributions to stockholders are considered as being made first out of post-1962 reserves for losses on qualifying real property loans, then out of pre-1963 supplemental reserve for losses on loans. No taxes have been paid by the associations on amounts in these reserves, so taxes must be paid by the association at the time of the distributions. Only when these reserves are exhausted are distributions considered as being made out of earnings and profits accumulated since 1951 on which taxes have already been paid by the association. The committee amendments, in general, reverse the priority for these distributions to stockholders. They are first to be considered as made out of the tax-paid earnings and profits accumulated since 1951 and only when these funds are exhausted will they be treated as paid out of reserves for losses on qualifying real property loans, and after that from the supplemental reserve for losses. The committee amendments retain the priority provided by the bill in the case of distributions in redemption of stock or in partial or complete liquidation of the association.

Second, the definition of qualified loans is expanded to include not only loans secured by an interest in improved real property but also loans secured by an interest in real property which is to be improved out of the proceeds of the loan. This merely carries out the initial intent of the committee as already is expressed in the committee report.

Third, the definition of a building and loan association is broadened to include those who make loans of the type permitted to be made by a Federal savings and loan association by any part of the section 5(c) of the Home Owners Loan Act and not merely by the second paragraph of that section 5(c).

Mr. Chairman, under leave to extend my remarks, I would like to insert at this point a summary of the bill as it would be amended by the committee amendments:

SUMMARY OF H.R. 10650, THE REVENUE ACT OF 1962 (INCLUDING EFFECT OF COMMITTEE AMENDMENTS)

Section 1. Short title, etc.: The act is to be cited as the "Revenue Act of 1962."

Section 2. Investment credit: Under the committee amendments, an investment credit against tax liability is provided. It generally is 7 percent (3 percent in the case of certain public utilities) of investments in new tangible personal property and most other depreciable real property except buildings and structural components of buildings. No credit is allowed for property with a useful life of less than 4 years. For property with a life of 4 to 6 years, one-third of the investment is taken into account; for property of 6 years to 8 years, two-thirds is taken into account; and for property with longer lives, the full amount of the investment is taken into account. Purchase of used property, up to $50,000 worth, also is eligible for the credit. The credit may offset tax liability in full up to $25,000, but above that point the credit may not reduce tax liability by more than 25 percent. Any unusued credit may be carried over for 5 years and used in those years to the extent permissible under the applicable limitation. This provision is effective for taxable years ending after December 31, 1961, but only with respect to property acquired or to the extent constructed, reconstructed or erected after that date.

Section 3. Appearances with respect to legislation: A deduction is provided for costs relating to appearances before, presentation of statements to, or communications sent to a legislative body, a legislative committee or individual legislator, if the expenses are otherwise ordinary and necessary business expenses. A deduction also is allowed for the portion of dues paid to an organization which are used for similar legislative expenses to the extent they are related to the businesses of its members. In addition, the communication of information between the taxpayer and the organization with respect to legislation is deductible. This provision does not permit the deduction of expenses incurred for advertising or for attempts to influence the general public, or segments of the public, or for expenses concerned with political campaigns. This provision applies to taxable years beginning after December 31, 1962.

Section 4. Entertainment expenses: Deductible expenses for entertainment, amusement or recreation generally are limited to those directly related to the active conduct of a trade or business and in the case of facilities, a further restriction is imposed to the effect that the facility must be used primarily for the furtherance of the taxpayer's trade or business. An exception to this limitation is provided for business meals where the surroundings are such as to be conducive to a business discussion. Eight

other specific exceptions also are provided. A second feature of the provision limits the deduction for business gifts to $25 per year per individual recipient. In a third feature of the provision, rules are set forth providing that the deduction of entertainment or travel expenses will be denied unless they are substantiated as to amount, time and place, business purpose and business relationship to the taxpayer of the persons involved. Fourth, in the case of traveling expenses, only a reasonable allowance for amounts spent for meals and lodging is to be deductible rather than the entire amount so spent. This provision applies to taxable years ending after June 30, 1962, for periods after that date.

Section 5. Distributions in kind by a foreign corporation: Distributions in kind from foreign corporations to domestic corporations are treated as having a value equal to the fair market value of the property distributed (and not the adjusted basis of this property in the hands of the distributing corporation where this is lower). This applies to distributions made after December 31, 1962.

Section 6. Allocation of income in the case of sales to or from a foreign corporation: Where goods are purchased or sold by a domestic corporation to a related foreign corporation, the taxable income arising from these transactions is to be allocated between the parties on the basis of the location of the assets used in the operations, the payroll attributable to them and the related selling expenses. Other factors may also be taken into account. This rule is not to apply where an arm's length price can be established by the taxpayer for the purchases or sales. Sales commissions of a related corporation are to be treated under similar rules. This is effective for taxable years beginning after December 31, 1962.

Section 7. Foreign personal holding companies: At present, the entire income of a foreign personal holding company is taxed to the U.S. shareholders if 60 percent (50 percent after the first year) or more of its income is from passive sources (such as interest, royalties, and dividends). The bill provides that if 20 percent or more of the income is from these passive sources, then the passive portion of the income is to be taxed to the U.S. shareholders and if more than 80 percent of the income is from these passive sources, then the entire income is to be taxed to the U.S. shareholders (to the extent of their holdings). This applies to taxable years beginning after December 31, 1962.

Section 8. Mutual savings banks, etc.: Mutual savings banks, domestic building and loan associations and cooperative banks under present law are allowed to add all of their income to bad debt reserves until reserves reach 12 percent of deposits. In lieu of this, they are to be permitted deductions for additions to bad debt reserves generally of up to 60 percent of their taxable income (before this deduction) or, if larger, an amount bringing their reserves up to 3 percent of improved real property loans, plus a reasonable addition for other loans (existing reserves in excess of this amount are disregarded).

Under the committee amendments in the case of stock savings and loan associations, distributions to shareholders will be considered as paid first out of already tax-paid funds and, only when these are exhausted, out of reserve funds on which a tax has to be paid by the association at the time of distribution. Also, under the committee amendments a domestic building and loan association is defined as one which is insured under the National Housing Act or subject to State or Federal supervision but only if substantially all of its business consists of accepting savings and investing the loans in residential real property or in loans authorized for a Federal savings and loan association under section 5(c) of the Home Owners Loan Act. In addition, the exemption for Federal savings and loan associations from the excise taxes on communications and transportation of persons is repealed.

Generally, these provisions are effective for taxable years ending after December 31, 1962. The excise tax changes, however, are effective as of June 30, 1962.

Section 9. Distributions by foreign trusts: Distributions by foreign trusts established by U.S. grantors (or added to by U.S. transferors) are to be taxed to any U.S. beneficiaries in substantially the same manner as if the beneficiaries had received this income directly in the year earned rather than later when the distribution is made. However, the additional tax is payable at the time of the actual distribution. For those preferring not to make the calculations required under this exact method of taxation, an averaging device is provided. This applies to distributions made in taxable years beginning after the date of enactment of the bill.

Section 10. Mutual fire and casualty insurance companies: Mutual fire and casualty insurance companies are to be taxed on their total income less a deduction for additions to a reserve for protection against losses equal to one-fourth of their underwriting gains plus 1 percent of their insurance claims. After a 5-year interval, the 1 percent set aside with respect to insurance claims and one-half of the amount attributable to underwriting gains is brought back into the taxable income to the extent not already offset by losses. The remainder, to the extent not offset by losses, will remain in the loss reserve but no amount may be added to this reserve which would build it up to a level of more than 10 percent of the current year's premiums. Companies whose total receipts do not exceed $75,000 are to remain exempt from tax, and companies with total receipts of between $75,000 and $300,000 will be taxed only on their investment income. For those with gross receipts above $300,000, a special deduction of $6,000 is provided which decreases as gross receipts rise and disappears at a level of gross receipts of $900,000. Factory mutual companies are to be taxed like stock companies without the special reserve referred to above. However, in computing their underwriting profits they will be permitted to determine their premium income on the basis of "absorbed" premium deposits (i.e. in general, excluding the portion of the deposit returnable to the person insured). The amount so determined is then increased by 2 percent. Reciprocal underwriters and interinsurers are in effect permitted to combine the underwriting income of their corporate attorney in fact with their own for purposes of offsetting losses but not for the purposes of computing additions to their loss reserve. These provisions apply to taxable years beginning after December 31, 1962.

Section 11. Domestic corporations receiving dividends from foreign corporations: Where a domestic corporation receives a dividend from a foreign corporation, the amount included in its tax base, if it elects the foreign tax credit, is to be not only the dividend itself but also the tax paid by the foreign corporations as well. Also, where a foreign corporation is eligible for the 85 percent intercorporate dividends received deduction with respect to income earned in the United States, the 15 percent of this income for which no deduction is allowed is not to be treated as foreign source income for purposes of the foreign tax credit. The subsection of present law making the foreign tax credit available for royalty income received from wholly owned subsidiaries in certain cases is repealed. These amendments become fully effective for distributions received by domestic corporations after December 31, 1964. In the case of distributions received by domestic corporations before 1965 but in taxable years after December 31, 1962, the new rules are to apply in the case of distributions made out of profits of a foreign corporation accumulated in taxable years beginning after December 31, 1962.

Section 12. Earned income from sources outside the United States: Under existing law individuals who are present in a foreign country or countries for 17 out of 18 months may exclude from their U.S. tax base up to $20,000 per year of income earned abroad. If they are bona fide residents of a foreign country there is no ceiling on this exclusion. In the case of these bona fide foreign residents, a ceiling is to be provided of $20,000 for the first 3 years they are abroad and $35,000 thereafter. In addition, contributions made by employers for employee benefits under qualified plans with respect to future employment are to be taxable to the employee when he receives these amounts after retirement. Generally these provisions are effective with respect to taxable years ending after December 31, 1962.

Section 13. Controlled foreign corporations: In the case of controlled foreign corporations, where more than 50 percent of the stock is owned by U.S. persons, U.S. shareholders who own 10 percent of more of the stock in these corporations are to report for tax purposes the undistributed earnings of these corporations to the extent they represent: (a) income from insuring or reinsuring U.S. risks; (b) income from patents, copyrights, and exclusive formulas or processes developed in the United States or acquired here from related persons; (c) passive types of income; and (d) income from purchases or sales with related persons where the goods are produced or grown and the property is sold for use outside of the country of incorporation of the foreign corporation involved. In these latter two cases, the combination of the two types of income must equal 20 percent of total income before it is taken into account (and sales income must equal 20 percent of income other than the passive income to be taken into account). Where this combined income equals more than £0 percent of the total, then all income is attributed to the shareholders. However, reductions in the income taxed to shareholders are allowed in these two latter cases to the extent the income is invested in active business in less developed countries, where the corporation in which the investment is made is, to the extent of 50 percent or more, owned by 5 or fewer U.S. persons, but only if the taxpayer has at least a 10 percent interest.

To the extent the 10 percent U.S. shareholders are not taxed on the income of the controlled foreign corporation under the provisions described above, they are to be subject to taxation on the undistributed earnings of the controlled foreign corporation to the extent these earnings are not invested in substantially the same trade or business as that in which the taxpayer was engaged for the prior 5 years (or on December 31, 1962), or invested in less developed countries in new trades or businesses or in the controlled subsidiaries, 50 percent or more of which is held by 5 or fewer U.S. persons. The 50 percent test referred to above is relaxed where the foreign country prohibits ownership by Americans and others of as much as 50 percent of the stock of a corporation established under their laws.

Undistributed earnings which are taxed to the U.S. shareholders under any of the above provisions may be actually distributed to U.S. shareholders without further payment of tax. These provisions apply to taxable years of foreign corporation beginning after December 31, 1962, and to taxable years of U.S. persons falling in such years.

Section 14. Ordinary income on certain gains from depreciable property: In the case of personal property and most real estate,

other than buildings and structural components, when such property is sold or exchanged at a gain, this gain, to the extent of depreciation taken for taxable years beginning after December 31, 1961, is to be treated as ordinary income for tax purposes. In the case of dispositions of property other than by sale or exchange this same treatment is to apply except that the amount of the presumed gain is to be determined by the excess of the fair market value of the property at the time of its disposition over its then adjusted basis.

This treatment is to apply in the case of most dispositions of property whether or not gain is otherwise recognized. The treatment described above does not apply, however, in the case of gifts although in the case of charitable contributions the amount of the charitable contribution deduction which may be taken is reduced by the amount which would be treated as ordinary income if this provision were applicable. Other exceptions are provided for property transferred by death, for transfers where no gain is recognized and the basis of the property is carried over to the transferor, and for transfers in like kind exchanges and involuntary conversions to the extent no gain is recognized. In the case of partnerships, distributions to partners or sales of partnership interests are taxed to the partners to the extent of the underlying depreciable property in much the same way as if the depreciable property had been sold directly.

The bill also provides that in computing the basis on which depreciation may be taken salvage value may be ignored to an amount equal to 10 percent of the cost or other basis of the property. Also, under the bill taxpayers are permitted to elect after this bill is enacted to change their method of depreciation with respect to property coming within the scope of this provision from any declining balance, or sum-of-the-years digit method to a straight-line method.

This provision applies to taxable years beginning after December 31, 1961, and ending after the date of enactment of this bill.

Section 15. Foreign investment companies: When stock in foreign investment companies is sold, the gain realized by the U.S. shareholders is to be ordinary income to the extent of the earnings and profits of the corporation accumulated in taxable years beginning after December 31, 1962. In the case of stock in a foreign investment company acquired from a decedent, the basis of the stock is not to be increased at the date of death to the extent of the amount which would have been taxed as ordinary income to the decedent had he sold the stock before death. A deduction for estate tax attributable to this amount will be allowed, however, upon subsequent sale of this stock by the heir or legatee.

The companies and shareholders can avoid the treatment described above if the companies distribute 90 percent or more of their taxable income, other than capital gains, designate in a written notice to the shareholders each year their ratable share of the capital gains of the corporation and provide such other information as the Treasury requires to enforce this provision. The shareholders, however, must also report as capital gains their share of the capital gains of the corporation, whether the gains are distributed or not.

These provisions apply with respect to taxable years beginning after December 31, 1962.

Section 16. Gain from sales or exchanges of stock in foreign corporations: Where there is a redemption or liquidation of the stock of a controlled foreign corporation or where stock in such a corporation is sold, then any gain to the extent it represents earnings and profits of the corporation accumulated abroad is to be taxed to 10-percent U.S. shareholders as ordinary income or as dividends. In the case of the redemptions and liquidations, the earnings and profits taken into account are those accumulated since February 28, 1913. In this case, a foreign tax credit is to be allowed corporate shareholders for taxes paid to foreign countries. In the case of sales and other exchanges, the earnings and profits taken into account with respect to any shareholder is his share of profits accumulated during the period in which he held the stock. In this case, no foreign tax credit is available. These provisions apply with respect to sales or exchanges occurring after the date of enactment of this bill. This applies to sales, etc., after the enactment of this bill.

Section 17. Tax treatment of cooperatives and patrons: Cooperatives are to receive a deduction for patronage dividends paid to their patrons in cash or by allocations if the patron has the option to redeem the notices of allocation in cash for a 90-day period after they are issued or if he consents to this income being treated as constructively received by him and then reinvested in the cooperative. The patron may give his consent individually in writing or the cooperative may through its bylaws require all members (after notification) to give this consent. In the case of allocations which do not qualify, the cooperative will initially be taxed on this type of patronage dividends. However, when such a patronage dividend is redeemed, the cooperative will receive a deduction (or refund of tax) at that time.

Where consent is given, or where the option to receive cash was available, the patron will be required to pay taxes on the patronage dividends which arise from business activity. The patron will also be required to take into account nonqualifying patronage dividends when they are redeemed (assuming they arise from business activity).

In addition, all cooperatives (rather than merely tax-exempt cooperatives as under present law) are given until 8½ months after the end of the year in which patronage occurs to allocate amounts to the accounts of their patrons and in most cases are also given this same period of time for the filing of their own income tax returns. These provisions apply to taxable years of cooperatives beginning after December 31, 1962, and with respect to amounts received by patrons attributable to years of the cooperatives to which the new law applies. The new provisions will not, however, apply to future redemptions of patronage dividends declared when the old law was applicable.

Section 18. Inclusion of foreign real property in gross estate: Real property located outside of the United States, in the case of citizens or residents of the United States, is to be included in their tax base for purposes of the Federal estate tax imposed at the time of their death. This provision will be fully effective for decedents dying on or after July 1, 1964. For those dying after the date of enactment of this bill, and before July 1, 1964, real property located outside of the United States will be included in their gross estate only if acquired on or after February 1, 1962.

Section 19. Withholding of tax on interest, dividends and patronage dividends: Withholding at the source is provided for dividends, most interest and patronage dividends at a rate of 20 percent. No receipts are required to be given by the payers to the taxpayers under this system and no significant change is made in the information returns which presently must be filed by the payers with the Federal Government.

No withholding is to occur in the case of dividends, savings account interest, or Government series E bond interest if the recipient files an exemption certificate indicating that he is under age 18. These exemption certificates may also be filed (but on an annual basis) by those over age 18 with respect to any year in which they reasonably expect to have no income tax liability. Claims for quarterly refunds may also be filed by individuals where there is expected to be significant amounts of overwithholding of their tax liability. Corporations and tax-exempt organizations may also file for quarterly refunds. In addition, corporations may claim credits on their dividend or interest payments for amounts withheld with respect to dividend or interest payments they receive. Tax-exempt organizations may also claim credits with respect to amounts withheld on the dividend and interest payments they receive against wage and salary withholding on their employees for income tax and social security tax liability.

Generally these provisions apply in the case of interest and dividends paid on or after January 1, 1963.

Section 20. Information with respect to foreign entities: A number of changes are made in the annual information return which domestic corporations presently are required to file with respect to their subsidiaries or foreign corporations which they control. The changes are: this return is to be filed not only by corporations but by others as well which control foreign corporations; "control" is defined more broadly by adding certain constructive ownership rules; information must be provided not only with respect to subsidiaries of foreign corporations but also for other foreign corporations which are further down the chain of ownership; and additional information may be required which is similar or related in nature to that already specified.

Present law also requires U.S. citizens or residents who are officers or directors of a foreign corporation within 60 days of its organization or reorganization and also 5-percent shareholders who have this status within 60 days of the organization or reorganization to supply certain information to the Treasury Department with respect to the corporation. This same information is also to be required of U.S. citizens or residents who at some later time become officers, directors or shareholders with an interest of 5 percent or more. A penalty provision also is provided.

Generally these additional information requirements become effective as of January 1, 1963.

Section 21. Treaties: It is made clear that any provision contained in this bill is intended to have precedence over any prior tax treaty obligation.

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

The CHAIRMAN. Are there any further amendments?

Mr. MILLS. There are no further amendments, Mr. Chairman.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. ROOSEVELT, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill (H.R. 10650) to amend the Internal Revenue Code of 1954 to provide a credit for investment in certain depreciable property, to eliminate certain defects and inequities, and for other purposes, pursuant to House Resolution 576, he reported the bill back to the House with sundry amendments adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment? If not, the Chair will put them en gros.

The amendments were agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time and was read the third time.

Mr. BYRNES of Wisconsin. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. BYRNES of Wisconsin. I am, Mr. Speaker.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. BYRNES of Wisconsin moves to recommit the bill (H.R. 10650) to the Committee on Ways and Means with instructions to report the same back to the House forthwith with the following amendment:

Strike out section 2 and section 19 of the bill.

The SPEAKER. The question is on the motion to recommit.

Mr. BYRNES of Wisconsin. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 190, nays 225, answered "present" 0, not voting 21, as follows:

[Roll No. 51]

YEAS—190

Abbitt	Curtis, Mo.	Knox
Abernethy	Dague	Kunkel
Adair	Derounian	Kyl
Addabbo	Derwinski	Laird
Alford	Devine	Langen
Alger	Dole	Latta
Andersen, Minn.	Dominick	Lindsay
	Dooley	Lipscomb
Anderson, Ill.	Dowdy	McCulloch
Arends	Durno	McDonough
Ashbrook	Dwyer	McIntire
Auchincloss	Ellsworth	McVey
Avery	Fallon	MacGregor
Ayres	Feighan	Mailliard
Baker	Fenton	Martin, Mass.
Baldwin	Findley	Martin, Nebr.
Barry	Fino	Mathias
Bass, N.H.	Fisher	May
Battin	Ford	Meader
Becker	Frelinghuysen	Merrow
Beckworth	Fulton	Michel
Beermann	Garland	Miller, N.Y.
Belcher	Gavin	Milliken
Bell	Glenn	Minshall
Berry	Goodell	Moore
Betts	Goodling	Moorehead, Ohio
Bolton	Grant	
Bow	Griffin	Morse
Bray	Gross	Mosher
Bromwell	Gubser	Natcher
Broomfield	Hagen, Calif.	Nelsen
Brown	Haley	Norblad
Broyhill	Hall	O'Konski
Bruce	Halleck	Osmers
Byrnes, Wis.	Halpern	Ostertag
Cahill	Harrison, Wyo.	Pelly
Cannon	Harsha	Pike
Casey	Harvey, Ind.	Pillion
Cederberg	Harvey, Mich.	Pirnie
Chamberlain	Hays	Poff
Chenoweth	Hiestand	Quie
Chiperfield	Hoeven	Ray
Church	Hoffman, Ill.	Reece
Clancy	Horan	Reifel
Collier	Hosmer	Rhodes, Ariz.
Conte	Joelson	Riehlman
Cook	Johansen	Robison
Corbett	Jonas	Rogers, Colo.
Cramer	Judd	Rogers, Fla.
Cunningham	Keith	Roudebush
Curtin	Kilburn	Rousselot
Curtis, Mass.	King, N.Y.	St. George
Saylor	Smith, Calif.	Wallhauser
Schadeberg	Smith, Va.	Weaver
Schenck	Springer	Weis
Scherer	Stafford	Westland
Schneebeli	Taber	Whalley
Schweiker	Teague, Calif.	Wharton
Schwengel	Thomson, Wis.	Whitten
Scranton	Utt	Widnall
Seely-Brown	Vanik	Williams
Shriver	Van Pelt	Wilson, Calif.
Sibal	Van Zandt	Winstead
Siler	Waggonner	Younger

NAYS—225

Addonizio	Griffiths	Norrell
Albert	Hagan, Ga.	O'Brien, Ill.
Alexander	Hansen	O'Brien, N.Y.
Anfuso	Harding	O'Hara, Ill.
Ashley	Hardy	O'Hara, Mich.
Ashmore	Harris	Olsen
Aspinall	Harrison, Va.	O'Neill
Bailey	Healey	Passman
Baring	Hébert	Patman
Barrett	Hechler	Perkins
Bass, Tenn.	Hemphill	Peterson
Bennett, Fla.	Henderson	Pfost
Blatnik	Herlong	Philbin
Blitch	Holifield	Pilcher
Boggs	Holland	Poage
Boland	Huddleston	Powell
Bolling	Hull	Price
Bonner	Ichord, Mo.	Pucinski
Boykin	Inouye	Purcell
Brademas	Jarman	Randall
Breeding	Jennings	Reuss
Brewster	Johnson, Calif.	Rhodes, Pa.
Buckley	Johnson, Md.	Rivers, Alaska
Burke, Ky.	Johnson, Wis.	Rivers, S.C.
Burke, Mass.	Jones, Ala.	Roberts, Tex.
Burleson	Jones, Mo.	Rodino
Byrne, Pa.	Karsten	Rogers, Tex.
Carey	Karth	Rooney
Celler	Kastenmeier	Roosevelt
Chelf	Kee	Rosenthal
Clark	Kelly	Rostenkowski
Coad	Keogh	Roush
Cohelan	Kilgore	Rutherford
Cooley	King, Calif.	Ryan, N.Y.
Corman	King, Utah	Ryan, Mich.
Daddario	Kirwan	St. Germain
Daniels	Kitchin	Santangelo
Davis, James C.	Kluczynski	Saund
	Kornegay	Scott
Davis, John W.	Kowalski	Shelley
Davis, Tenn.	Landrum	Shipley
Dawson	Lane	Sikes
Delaney	Lankford	Sisk
Dent	Lennon	Slack
Denton	Lesinski	Smith, Iowa
Diggs	Libonati	Smith, Miss.
Donohue	Loser	Spence
Dorn	McDowell	Staggers
Downing	McFall	Steed
Doyle	McMillan	Stephens
Dulski	McSween	Stratton
Edmondson	Macdonald	Stubblefield
Elliott	Mack	Sullivan
Everett	Madden	Taylor
Evins	Magnuson	Teague, Tex.
Farbstein	Mahon	Thomas
Fascell	Marshall	Thompson, La.
Finnegan	Matthews	Thompson, N.J.
Flood	Miller, Clem	Thompson, Tex.
Flynt	Miller, George P.	Thornberry
Fogarty		Toll
Forrester	Mills	Trimble
Fountain	Moeller	Tuck
Frazier	Monagan	Udall, Morris K.
Friedel	Montoya	Ullman
Gallagher	Moorhead, Pa.	Vinson
Garmatz	Morgan	Watts
Gary	Morris	Whitener
Gathings	Morrison	Wickersham
Giaimo	Moss	Willis
Gilbert	Moulder	Wright
Gonzalez	Multer	Yates
Granahan	Murphy	Young
Gray	Murray	Zablocki
Green, Oreg.	Nedzi	Zelenko
Green, Pa.	Nix	

ANSWERED "PRESENT"—0

NOT VOTING—21

Andrews	Jensen	Sheppard
Bates	Kearns	Short
Bennett, Mich.	Mason	Tollefson
Brooks, Tex.	Nygaard	Tupper
Colmer	Rains	Walter
Dingell	Roberts, Ala.	Wilson, Ind.
Hoffman, Mich.	Selden	

So the motion to recommit was rejected.

The Clerk announced the following pairs:

On this vote:

Mr. Colmer for, with Mr. Brooks against.
Mr. Walter for, with Mr. Dingell against.
Mr. Short for, with Mr. Sheppard against.

Until further notice:

Mr. Andrews with Mr. Tupper.
Mr. Rains with Mr. Wilson of Indiana.
Mr. Roberts of Alabama with Mr. Bates.
Mr. Selden with Mr. Jensen.

The result of the vote was announced as above recorded.

The SPEAKER. The question is on the passage of the bill.

Mr. BYRNES of Wisconsin. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 219, nays 196, not voting 21, as follows:

[Roll No. 52]

YEAS—219

Abbitt	Gilbert	Morrison
Addonizio	Gonzalez	Moss
Albert	Granahan	Moulder
Alexander	Grant	Multer
Anfuso	Gray	Murphy
Ashley	Green, Oreg.	Murray
Ashmore	Green, Pa.	Nedzi
Aspinall	Griffiths	Nix
Bailey	Hagan, Ga.	Norrell
Baring	Hansen	O'Brien, Ill.
Barrett	Hardy	O'Brien, N.Y.
Bass, Tenn.	Harris	O'Hara, Ill.
Beckworth	Harrison, Va.	O'Hara, Mich.
Bennett, Fla.	Healey	Olsen
Blatnik	Hébert	O'Neill
Blitch	Hechler	Passman
Boggs	Hemphill	Patman
Boland	Henderson	Perkins
Bolling	Herlong	Peterson
Bonner	Holifield	Pfost
Boykin	Holland	Philbin
Brademas	Huddleston	Pilcher
Brewster	Hull	Poage
Buckley	Ichord, Mo.	Poff
Burke, Ky.	Inouye	Powell
Burke, Mass.	Jarman	Price
Burleson	Jennings	Pucinski
Byrne, Pa.	Johnson, Calif.	Purcell
Cannon	Johnson, Md.	Reuss
Carey	Johnson, Wis.	Rhodes, Pa.
Celler	Jones, Ala.	Rivers, Alaska
Chelf	Jones, Mo.	Rivers, S.C.
Clark	Karsten	Roberts, Tex.
Coad	Karth	Rodino
Cohelan	Kastenmeier	Rooney
Cooley	Kee	Roosevelt
Corman	Kelly	Rosenthal
Daddario	Keogh	Rostenkowski
Daniels	Kilgore	Roush
Davis, James C.	King, Calif.	Ryan, Mich.
	King, Utah	Ryan, N.Y.
Davis, John W.	Kirwan	St. Germain
Davis, Tenn.	Kitchin	Santangelo
Dawson	Kluczynski	Saund
Delaney	Kornegay	Scott
Dent	Kowalski	Shelley
Denton	Landrum	Sikes
Diggs	Lane	Sisk
Donohue	Lankford	Slack
Dorn	Lennon	Smith, Iowa
Downing	Lesinski	Smith, Miss.
Doyle	Libonati	Smith, Va.
Edmondson	Loser	Spence
Elliott	McFall	Steed
Everett	McSween	Stephens
Evins	Macdonald	Stratton
Farbstein	Mack	Stubblefield
Fascell	Madden	Sullivan
Finnegan	Magnuson	Teague, Tex.
Flood	Mahon	Thomas
Flynt	Matthews	Thompson, La.
Fogarty	Miller, Clem	Thompson, N.J.
Forrester	Miller, George P.	Thompson, Tex.
Fountain		Thornberry
Frazier	Mills	Toll
Friedel	Moeller	Trimble
Gallagher	Monagan	Tuck
Garmatz	Montoya	Udall, Morris K.
Gary	Moorhead, Pa.	Ullman
Gathings	Morgan	Vinson
Giaimo	Morris	Watts

Whitener	Wright	Zablocki
Wickersham	Yates	Zelenko
Willis	Young	

NAYS—196

Abernethy	Fino	Mosher
Adair	Fisher	Natcher
Addabbo	Ford	Nelsen
Alford	Frelinghuysen	Norblad
Alger	Fulton	O'Konski
Andersen, Minn.	Garland	Osmers
	Gavin	Ostertag
Anderson, Ill.	Glenn	Pelly
Arends	Goodell	Pike
Ashbrook	Goodling	Pillion
Auchincloss	Griffin	Pirnie
Avery	Gross	Quie
Ayres	Gubser	Randall
Baker	Hagen, Calif.	Ray
Baldwin	Haley	Reece
Barry	Hall	Reifel
Bass, N.H.	Halleck	Rhodes, Ariz.
Battin	Halpern	Riehlman
Becker	Harding	Robison
Beermann	Harrison, Wyo.	Rogers, Colo.
Belcher	Harsha	Rogers, Fla.
Bell	Harvey, Ind.	Rogers, Tex.
Berry	Harvey, Mich.	Roudebush
Betts	Hays	Rousselot
Bolton	Hiestand	Rutherford
Bow	Hoeven	St. George
Bray	Hoffman, Ill.	Saylor
Breeding	Horan	Schadeberg
Bromwell	Hosmer	Schenck
Broomfield	Joelson	Scherer
Brown	Johansen	Schneebeli
Broyhill	Jonas	Schweiker
Bruce	Judd	Schwengel
Byrnes, Wis.	Keith	Scranton
Cahill	Kilburn	Seely-Brown
Casey	King, N.Y.	Shipley
Cederberg	Knox	Shriver
Chamberlain	Kunkel	Sibal
Chenoweth	Kyl	Siler
Chiperfield	Laird	Smith, Calif.
Church	Langen	Springer
Clancy	Latta	Stafford
Collier	Lindsay	Staggers
Conte	Lipscomb	Taber
Cook	McCulloch	Taylor
Corbett	McDonough	Teague, Calif.
Cramer	McDowell	Thompson, Wis.
Cunningham	McIntire	Utt
Curtin	McMillan	Vanik
Curtis, Mass.	McVey	Van Pelt
Curtis, Mo.	MacGregor	Van Zandt
Dague	Mailliard	Waggonner
Derounian	Marshall	Wallhauser
Derwinski	Martin, Mass.	Weaver
Devine	Martin, Nebr.	Weis
Dole	Mathias	Westland
Dominick	May	Whalley
Dooley	Meader	Wharton
Dowdy	Merrow	Whitten
Dulski	Michel	Widnall
Durno	Miller, N.Y.	Williams
Dwyer	Milliken	Wilson, Calif.
Ellsworth	Minshall	Winstead
Fallon	Moore	Younger
Feighan	Moorehead, Ohio	
Fenton		
Findley	Morse	

NOT VOTING—21

Andrews	Jensen	Sheppard
Bates	Kearns	Short
Bennett, Mich.	Mason	Tollefson
Brooks, Tex.	Nygaard	Tupper
Colmer	Rains	Walter
Dingell	Roberts, Ala.	Wilson, Ind.
Hoffman, Mich.	Selden	

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Brooks for, with Mr. Colmer against.
Mr. Dingell for, with Mr. Walter against.
Mr. Sheppard for, with Mr. Short against.
Mr. Rains for, with Mr. Bates against.
Mr. Roberts for, with Mr. Tollefson against.

Until further notice:

Mr. Andrews with Mr. Wilson of Indiana.
Mr. Selden with Mr. Jensen.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE TO EXTEND

Mr. MILLS. Mr. Speaker, I ask unanimous consent that Members desiring to do so have 5 legislative days to extend their remarks in the RECORD on the bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. MILLS. Mr. Speaker, I ask unanimous consent that those Members speaking on the bill be permitted to include extraneous material, such as charts and tables, with their remarks.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

REVENUE ACT OF 1962

Mr. RANDALL. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. RANDALL. Mr. Speaker, under the closed rule which was sustained by the vote of the House, it was quite apparent that only very few Members could be allotted time to participate in debate with only a total of 8 hours divided equally between the minority and the majority. This meant that most of the membership would be limited to extending their remarks in the RECORD so that there could be preserved a record of the reasons for the votes which were taken.

We supported the closed rule. Like many Members we are against the closed or gag rule in principle, but recognize where there is a legislative body the size of the House of Representatives, it becomes almost a procedural necessity. Yet, just a few short weeks ago, there were those who wanted to increase the size of the House. When the committee has had almost a year to consider the provisions of the bill and then the membership is given a total of 8 hours to debate the bill, without the right of amendment by Members other than those of the Committee on Ways and Means, this seems like cloture that should not exist, and yet, objectionable as the closed rule is in principle, it becomes a necessity to maintain orderly procedure on such a controversial measure. There are instances in the older RECORDS of the House that where a revenue measure came before the body under an open rule permitting unlimited debate, the story goes, the argument continued on for months and in desperation the weary Members finally recommitted the bill as the only way to terminate debate.

The next vote by yeas and nays was on the motion to recommit offered by the minority pursuant to the terms of the closed rule. We voted against the motion to recommit for the reason that it was not a simple motion to recommit but instead, one with instructions. Section 2, the credit for investment in certain depreciable property was stricken in its entirety and also section 19, the withholding of income tax at source on interest, dividends, and patronage dividends was stricken. We could not support such a limited motion for the reason that to take these two provisions only out of the bill, or to simply lift these two provisions in their entirety from the bill without any effort whatsoever to improve or to modify for the better the other deficiencies was not acceptable.

And what is also true is that to remove only section 2 and section 19 and allow the rest of the bill to stand sets the bill up as a purely revenue-producing bill without much, if any, effort to correct tax inequities. To be blunt, it is a tax increase bill by disallowing entertainment expenses, on raising the rates on mutual savings banks, and mutual insurance companies and from such sources as requiring the payment of tax by domestic corporations receiving dividends from foreign corporations. Also, left in the bill by the limited motion to recommit was the increase in the gains from the disposition of depreciable property as well as the change in tax treatment of cooperatives. We could not join in such a motion to recommit containing only such limited instructions for reasons we will hereinafter set forth.

As we have written repeatedly to our constituents, when a closed rule is adopted and there is allowed only one motion to recommit with no amendments permitted by the membership except only committee amendments, the issue concerns a package and under such a parliamentary situation, the burden is on each Member to carefully weigh the good against the bad as to this package, the desirable against the unacceptable, the favorable against the objectionable. Does the good and bad balance out evenly? Is it 51 to 49 percent, 55 to 45 percent, 60 to 40 percent, or 65 to 35 percent, or just what percent is good and what percent is bad? No one can say. In matters of legislation such mathematical certainty cannot be achieved. But if there is any more bad than there is good in the bill, then the bill should not be supported on final passage.

And at this point, Mr. Speaker, we should point out there are two paths to follow—one is, that if the good in the package is almost as large a quantity as the bad, a Member should vote for the measure on final passage to send the bill to the Senate in the hope that the Senate will improve the bill, or as it is sometimes put, "clean it up," which means improvement, simplification, or some betterment in the bill. But it must be emphasized that this is always relying upon just a hope or faith that the other body will make improvements. The other path demands of us that we cannot proceed upon such a premise because by doing so we avoid our responsibility as Members of the House and shift the burden wholly to the Senate. It is for this reason that we voted "no" on H.R. 10650 on final passage. As

it turned out the bill was approved by the House and does go to the Senate, and if there are changes made by the Senate to where it can be made acceptable, those of us who opposed it on final passage may have the opportunity to support the measure after it returns from conference.

Mr. Speaker, we wish to make it very plain that we are not against anything just for the sake of being negative. We are certainly not against the tightening of tax loopholes which we thought was one of the original purposes of the bill, and we are certainly not against any equitable provision which would have raised revenue, because we had thought that such was one of the principal and paramount purposes of this measure. And we are not against the tax credit for investment as a principle. We like to believe that we are moderate in our approach to most legislation. But here we are dealing with a bill which is cited as the Revenue Act of 1962, and I had thought we were all most interested in a balanced budget. My point is, that if the principle of investment credit is good, then let us be sure and certain that it is going to work and I would have hoped that as to this provision the committee would have been a little more conservative. By this I mean there should be nothing sacred or even magical about the figure of 8 percent or 7 percent. My present belief is that we should have tried a 2- or 3-percent credit as a trial to find out or first determine the amount of response from industry. Or if the larger investment credit were set up, then provide for a trial period of from 2 to 3 years, rather than setting this provision up suddenly and all at once as a permanent part of our tax structure and allowing this tax credit for investments to recur year after year, until it could be reevaluated in the light of actual experience.

I am certain every member of the Ways and Means Committee would admit that the tax credit for investment is unprecedented in all of our tax history and it is my opinion that we should have moved a little more cautiously, or carefully, and with a smaller percentage credit to find out the response and benefit, if any, that could or might come from such an experiment.

We proceeded today to grant a credit in substantial proportions which will most likely change this measure from a revenue-producing bill to a measure which can well create a further budget imbalance. Today the House voted a credit that American industry had not asked for and did not expect to receive. This is the only case in all tax legislation where an investor can recover his entire investment through depreciation and then obtain a tax credit over, above and beyond his original investment just as an inducement to make that investment.

The President's original proposal was that the credit be as an incentive over normal investment. For example, if a car leasing corporation would normally spend $100 million a year to replace their old cars, the President proposes that they be given an investment credit beyond this normal replacement. But instead, our Committee on Ways and Means decided to go far beyond this and go back to the very first dollar of investment. How can the tax authorities know what is a normal investment? Well, while we are certainly not expert in the tax field, we suppose there are statistics which can be checked against every business and against every industry which reveal what has been the normal investment or reinvestment that is shown by the depreciation over a period of years. Beyond this normal investment an incentive would be realistic. But to go back to the very first dollar of investment is hardly an incentive for investment which would otherwise be made anyway, but is nothing more or less than an unprecedented and even unexpected tax reduction.

A main objection to the bill as it stood before final passage is that we had all along believed that it was designed to raise revenue and, of course, the committee believes that in the long run these incentives will accelerate business growth and increase revenue, perhaps some day, or at some unknown and uncertain time in the future, but when all is said and done we do not have a bill which is a revenue-producing bill in this calendar year or in the upcoming fiscal year. The important thing which must be understood is that if, because of new demands for our national defense, there may have to be further expenditures, then a deficit should not be further contributed to by a so-called revenue bill which has been turned into, not a revenue bill at all, but a bill which was changed from its earlier large revenue loss to a somewhat smaller revenue loss.

If this bill were simply a bill to fill loopholes we could support it very cheerfully. Instead it has become a bill by which we turn over in tax credits, large sums of money only to those who have depreciable property and then the committee was faced with no other choice but to cast about elsewhere to find ways and places to make up this loss. It seems that this must have been about what went on within the committee: The committee members having once agreed to give an investment credit for one segment of our economy to enjoy, there was nothing else left for them to do but to find ways to offset this loss, and this they did by means of withholding interest and dividends and by such other means as increased taxation of savings institutions and mutual insurance companies, as well as the disallowance of business expense account and in other ways.

Our vote against H.R. 10650 on final passage should not imply that we are not for an improved Federal tax structure and, of course, passage of the bill by the House does not determine its final content. The bill does contain some good features, but it was not a well-balanced piece of legislation. In the final analysis, we had to determine whether the good outweighed the bad by enough to warrant support.

For the reasons cited above and for others we will omit to enumerate at this time, we could not support H.R. 10650 on final passage.

WHO PAYS THE TAXES?

Mr. McSWEEN. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

Mr. McSWEEN. Mr. Speaker, last year each dollar in the Federal budget was paid in to the Treasury as follows: from individual income taxes 53 cents, from corporation income taxes 28 cents, from excise taxes 11 cents, and 8 cents from all other sources. The individual taxpayer pays more than half of the Federal budget revenues through a combination of income and excise taxes.

The average taxpayer with a modest income would probably be surprised to learn just how important to supporting the budget his tax contribution really is. Some persons are under the impression that the wealthy, whose tax rate goes as high as 91 percent, are footing most of the bill. This was the case many years ago, but last year all taxpayers earning $15,000 and over contributed only 31 percent of all Federal taxes, including social insurance.

By comparison all taxpayers earning less than $8,000 paid 45 percent of all Federal taxes, including social insurance, or 14 percent more than the group having incomes of $15,000 and over. So it is the hard-working, average American citizens who are shouldering a major portion of the Federal tax burden.

HOW IT'S SPENT

A typical family whose income is $500 per month—approximately the national average—pays income taxes of $600 per year and other Federal taxes—on gasoline, cigarettes, automobiles, tires, telephone and telegraph service, bus, train, and airline tickets, and so forth—of $492 per year. Thus the total Federal tax bill of a typical family earning $500 per month is $1,092 per year, which is almost $1 for every $5 earned or 1½ hours in wages for each 8-hour day. Local and State taxes are in addition.

The Federal Government last year spent this $1,092, as follows:

	Percent	Amount
Major national security	58	$634
Interest on national debt	11	120
Veterans	6	65
Agriculture	6	65
Labor and welfare	6	65
Commerce, housing, and space	4	44
International	4	44
National resources	3	33
General government	2	22

This heavy tax burden is often not fully realized. The excise taxes are "hidden." Income taxes are withheld from the wage earner at the source and are thus paid on the installment plan. But taxpayers are becoming more concerned with how their tax dollar is spent. They are unhappy with heavy Federal spending and deficits.

A budget of $92.5 billion has been recommended for next year, the largest since World War II. At the rate of current spending the budget will exceed $100 billion by 1964, irrespective of the

effect of new demands for additional spending being advocated daily by pressure groups and lobbying organizations.

The spenders are becoming stronger. Our budget deficits since World War II, including over $7 billion this year, have added over $35 billion to the national debt. The pressure for additional taxes is becoming greater. It is easy to see that we must either increase tax revenues or reduce our rate of increasing expenditures.

My constituents tell me in no uncertain terms that taxes are already high enough. I wholeheartedly agree. In fact, we should make every effort to reduce our rate of increasing expenditures and for an early tax cut. Mr. Speaker, I shall continue my efforts for economy in Government in the interest of the hard-working average citizen whose taxes support our Government. I urge the House to remember that the average taxpayer is carrying a heavy tax burden that should be lightened and could be lightened if Congress would only practice care in the spending of his tax dollars.

TO AMEND THE SMALL BUSINESS ACT

Mr. SPENCE. Mr. Speaker, I ask unanimous consent to address the House for 1 minute, to revise and extend my remarks, and include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

Mr. SPENCE. Mr. Speaker, I have today introduced a bill (H.R. 11020) to amend the Small Business Act, as amended. This bill would place the revolving fund of the Small Business Administration, out of which are financed that agency's programs of financial assistance to the small business community, on a more permanent basis and eliminate unnecessary duplication, by removing the statutory limitation on authorizations to appropriate to the fund and the separate limitations on the amounts of appropriated funds which may be utilized for each of the Small Business Administration's financial assistance programs. Utilization of funds for these programs would, of course, continue to be controlled by the Congress through the normal appropriation process, and the House and Senate Appropriations, Banking and Currency, and Small Business Committees would continue to exercise the same degree of cognizance as they do now regarding the operations of the Small Business Administration.

Under unanimous consent, I include the bill at this point in the RECORD, together with the message from the President urging prompt consideration of this legislation:

A bill to amend the Small Business Act

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 4 of the Small Business Act, approved July 18, 1958 (72 Stat. 384), as amended, is amended by striking out subsection (c) and inserting in lieu thereof the following:

"(c) There is hereby established in the Treasury a revolving fund referred to in this section as 'the fund', for the Administration's use in financing the functions performed under sections 7(a), 7(b), and 8(a) and under the Small Business Investment Act of 1958, as amended, including the payment of administrative expenses in connection with such functions. All repayments of loans and debentures, payments of interest, and other receipts arising out of transactions financed from the fund shall be paid into the fund. As capital thereof, appropriations are hereby authorized to be made to the fund, which appropriations shall remain available until expended. The Administration shall pay into miscellaneous receipts of the Treasury, following the close of each fiscal year, interest on the outstanding cash disbursements from the fund, at rates determined by the Secretary of the Treasury, taking into consideration the current average yields on outstanding interest-bearing marketable public debt obligations of the United States of comparable maturities as calculated for the month of June preceding such fiscal year."

THE WHITE HOUSE,
Washington, March 5, 1962.

Hon. JOHN W. MCCORMACK,
Speaker of the House of Representatives, Washington, D.C.

DEAR MR. SPEAKER: I am transmitting herewith for appropriate reference a bill to amend section 4(c) of the Small Business Act, as amended. This section deals with the revolving fund of the Small Business Administration, out of which are financed that agency's programs of financial assistance to the small business community.

This bill would place the fund on a more permanent basis and eliminate unnecessary duplication, by removing the statutory limitation on authorizations to appropriate to the fund and the separate limitations on the amounts of appropriated funds which may be utilized for each of the Small Business Administration's financial assistance programs. Utilization of funds for these programs would of course continue to be controlled by the Congress through the normal appropriation process, and the House and Senate Appropriations, Banking and Currency, and Small Business Committees would continue to exercise the same degree of cognizance as they do now regarding the operations of the Small Business Administration.

By making the Small Business Administration a permanent agency of the Government in 1958, the Congress wisely recognized the important role that this agency has played in assisting the small business sector of our economy, which comprises by far the greatest number of businesses in the United States and plays a key part in the economic life of our Nation. Under the current administration, that agency has vigorously expanded its assistance to the small business community by increasing significantly the number of small businesses assisted by its programs of business loans, loans to small business investment companies and State and local development companies, procurement and technical assistance, and management assistance.

It is now time to remove the unnecessary statutory limitation on appropriations and on usage of appropriated funds which has resulted in uncertainty regarding the future of these programs and necessitated a double congressional review of funds.

In no respect would the proposed amendment diminish the controls which the Congress presently exercises over the size and character of the programs administered by the Small Business Administration, pursuant to the Small Business Act and the Small Business Investment Act of 1958. These two statutes and the operations of the agency are under frequent study in Congress. Since 1953, when the agency was established, amendments have been made to either or both of basic statutes in every year except two. Indeed, each has undergone numerous and substantial revisions. There is no reason to expect that this legislative activity with its attendant scrutiny of the agency's operations by the Banking and Currency Committees will diminish.

Moreover, the progress of the Small Business Administration in discharging its statutory duties is under the continuing observation of the Senate and House Small Business Committees. At least once a year each of these committees holds hearings at which the Administrator of the Small Business Administration testifies in detail concerning the operations of his agency. The resulting reports issued by the committees contain thorough reviews of the agency's programs and evaluations of its success in conducting them.

Finally, in the course of the budgetary process, the agency's activities are reviewed annually by the Appropriations Committees and the Congress to determine the amount of additional capital for the revolving fund which the agency will require to carry out its financial assistance programs.

However, the necessity for obtaining statutory authorization for additional appropriations virtually every year before Congress can appropriate funds in the regular appropriation act creates unnecessary duplication and confusion. During the last session of the Congress four separate statutes provided increased authorizations to appropriate to the SBA revolving fund, in addition to the actual appropriations themselves contained in the regular appropriation act and a supplemental appropriation act. Sound budgetary procedures argue against this type of duplication and repetitive review over an agency which the Congress has declared to be a permanent one and over programs which serve such an important purpose in assisting our small business community.

The proposed legislation would also simplify the method of computing the interest payable from the revolving fund to the Treasury, and would effect a number of clarifications in the language of the act. A detailed analysis of the bill is attached.

It is my hope that the Congress will consider this proposal promptly and that the bill will be enacted into law.

Sincerely,

JOHN F. KENNEDY.

PROTECTION FROM THERMONUCLEAR ATTACK

Mr. BOW. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. BOW. Mr. Speaker, I ask a moment of this House's time to make a suggestion which I think may prove valuable to every Member. Hardly a day goes by that I fail to hear from a constituent on a topic that is of universal concern across our land—protection from thermonuclear attack. I know that many of my colleagues in the Congress have the same experience. We are asked difficult questions daily by the citizens of our district: Shall I build a fallout shelter? Shall the community build fallout shelters? Will shelters built only for fallout

do any good when the blast and thermal effects of thermonuclear weapons are so severe?

Until now, I have been telling these good people that I personally do not believe we will be attacked, but that I cannot take upon myself the responsibility for making such a decision for them. Anything is possible and none of us has the gift of second sight.

But now, I am happy to say, I can provide new and extremely useful information on this problem. To put it simply, it is this:

It is entirely possible to build a community shelter today with ordinary materials at an ordinary cost that will provide protection over more than 90 percent of the blast area of any bomb. This valuable information has just come to me from the brick and tile manufacturers of my district. It is drawn from a professional study published by the Allied Masonry Council following some 6 years of research by the engineers of the Structural Clay Products Institute.

This study describes seven different walls for various protective needs and three different concepts for shelter designs. It provides useful data on the effects of blast, thermal effects, and radiation, and it contains much interesting data on the psychological and physiological factors in shelter operation.

Let me give you specific information on just two of the walls described in the study entitled "Protective Construction for School and Community Shelters."

One is a 10-inch-thick brick wall reinforced with metal rods. It was first developed years ago to resist earthquakes, tornadoes, and other natural forces. It was later tested for protection against nuclear attack, both at Coal City, Ill., and in the Government's Operation Plumbbob tests in Nevada in 1957. The one-story structure built for the Nevada test withstood a blast force—known as overpressure—of 10 pounds per square inch on its front wall. This wall, I am informed, flexed less than half an inch, less than half what had been expected. Ten pounds per square inch is the force generated by a 20-megaton bomb at a range of 5.1 miles from ground zero. Any wall that will resist a force of 10 pounds per square inch, it is calculated, will provide blast protection over 88.7 percent of the blast area of any thermonuclear weapon.

Yet the cost of this wall in windowless design is less than that of a light metal panel or double plateglass wall to cite two comparative examples. This means that a new schoolhouse might be built in windowless fashion—as many are today—with this thin, extremely strong reinforced masonry wall to resist blast. If an attack occurred, the occupants could then retire to a thick, sand-filled wall built for fallout protection in the interior of the school. This "safety core" would provide protection from radiation until radioactive decay made it possible to emerge into the larger space and, ultimately, the outside world. Or, the shelter might be located underground for maximum protection. In any case, the schoolyard is the logical location for a community shelter.

The second wall has been developed especially for shelter design. It represents a major step forward in protective construction in that it is incredibly strong, extremely economical, and attractive in appearance. As designed, this wall is 24 inches thick, of brick and tile construction with metal rods. It will withstand a blast overpressure of up to 50 pounds per square inch. Mr. Speaker, this is the blast force generated at a range of fewer than 3 miles from ground zero in a 20-megaton surface explosion.

This study makes an extremely vital point: It is entirely possible to survive thermonuclear blast and fire, as well as fallout, over the greatest part of the anticipated area of destruction. It is entirely possible to do so without extraordinary expense in most cases.

I unreservedly recommend this study on protective construction to the Members of this House. So that you may have the opportunity of examining this information, I will shortly mail to every Member of the Congress a four-page insert from a booklet that contains the basic data I have mentioned here. Should you then wish to have the larger booklet with the more comprehensive data on thermonuclear effects and shelter operation, you will be able to obtain it.

Meantime, I wish to commend the masonry industry for having undertaken this study. I should add, in truth, that I am not surprised. It is entirely consistent with the fine record of service which this important segment of the largest single industry in America has been contributing for many years.

URGENT RELIEF IS NEEDED FOR OUR NEW YORK STATE DAIRY FARMERS

Mr. STRATTON. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. STRATTON. Mr. Speaker, I have today introduced a House joint resolution to raise the support price for manufactured milk to $3.40, effective upon the first of the month following adoption of the resolution and until the end of the year. I offer this legislation because of the urgent crisis that confronts dairy farmers not only in my own State of New York but throughout the country as a result of the action of certain Republican and southern Democratic members of the Committee on Agriculture.

This coalition, Mr. Speaker, has turned down flatly President Kennedy's effort to keep our dairy support price pegged at its present level until the end of the year so that we in Congress can find time to consider and debate a new and effective means of assisting the hard-pressed dairy farmers of the Nation. As a result of this refusal to report out favorably to the floor House Joint Resolution 613, the support price of manufactured milk will fall on Sunday from $3.40 a hundredweight to $3.11 a hundredweight. In the New York-New Jersey milkshed area this means a net drop in the farmer's blend price of about $0.15 a hundredweight, or a total loss for all the dairy farmers in our milkshed of $1.5 million a month or $12 million for the balance of 1962.

Considering the serious economic squeeze our New York dairy farmers are in already, it is hard for me to understand how anyone could refuse to act to extend to them the help they need and want.

Mr. Speaker, I suppose the air will be filled after April 1 with all sorts of charges and recriminations and there will be, I am sure, a major effort launched to confuse the farmers and the public about what has happened here.

Let me make it clear first of all that the action of the Secretary of Agriculture which, we are told, will be taken on April 1 in dropping the price support on milk by $0.29 is not a voluntary action. Given the refusal of the Committee on Agriculture of this House to pass the President's saving resolution, the Secretary has no alternative under the present law. The law requires him to fix the support price for milk products above 75 percent of parity—which today is $3.11—only if such an increase is needed to insure an adequate supply of milk. Of course, in view of the present surplus in production and the surprising decline in consumption of milk, we have no need to stimulate additional supply.

Yet it is clear that this present law is far too harsh and far too unrealistic in the present circumstances. To force the Secretary to act at this time under the present law would, as I have suggested, saddle a disaster on our dairy farmers which they surely do not deserve and for which they are most assuredly not responsible. Therefore, we must change the law, and provide some immediate relief. That is what the President's proposal—which has now been rejected—would do. That is what my substitute resolution would also do.

I offer it because I cannot believe that the dairy farm families of upstate New York or elsewhere in the country—or the people themselves for that matter—will condone the refusal of the committee to provide this simple measure of relief.

So let us take another look at the situation. Even if, as things now stand, we cannot change the law in time to prevent the disastrous price drop on April 1, let us at least get relief back to our dairy farmers as quickly as possible.

We in New York State are proud of the contribution our dairy farmers have made to the high standard of living that this country enjoys. From 1950 to 1961 the average milk production per cow in New York increased 24 percent. Although the number of milk-producing cows remained about the same from 1950 to 1961, just short of 1.5 million head, milk production increased during that same period from approximately 8.8 billion pounds to 10.6 billion pounds.

In spite of this enormous increase in productivity, the dairy farmer's income has remained at virtually the same level through this 11-year period. And during this same period the prices farmers have

had to pay for their goods have risen some 15 percent.

If the support price for milk is allowed to drop 29 cents during the rest of this year, and the dairy farmers in New York are deprived in this way of $12 million in income, we will be turning our backs on our State's No. 1 industry, and on our farmers who have heartily contributed to increased productivity, which is the source of our economic growth.

We cannot afford, as a country, to turn our backs on this group of Americans who produce such an important commodity. Milk is an essential part of the American diet, and it should be so. President Kennedy, in a speech made before the National Conference on Milk and Nutrition held in Washington on January 23 of this year, said:

I have long been convinced that milk is an important aid to good health. This has led me to direct that milk be served at every White House meal from now on. And I expect that all of us will benefit from it.

I therefore have today wired each member of the great Committee on Agriculture urging them, in the light of the facts I have presented here, to reconsider the whole matter of temporary relief, and to adopt my resolution as speedily as possible. In this undertaking, I invite the support of every Member of this House who believes in fair play, whether he represents an urban or a rural area.

Let us not make the dairy farmers of upstate New York pawns in some complex political power game that is none of their affair.

"THE LIBERAL PAPERS"

Mr. O'HARA of Michigan. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD and include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Michigan?

There was no objection.

Mr. O'HARA of Michigan. Mr. Speaker, during the last 2 weeks there has been considerable discussion in the Congress and in the press of a collection of essays published by Doubleday-Anchor Books entitled "The Liberal Papers." The Republican National Committee and a number of Republican orators have contended that this publication was sponsored by a group known as the Liberal Project. In addition, they have charged that statements made by the authors of essays included in "The Liberal Papers" represent the views of, or are endorsed by, members of the Liberal Project. They allege that I was or am a member of the Liberal Project and that I, therefore, am a sponsor of the publication and that the views expressed therein are my views or are endorsed by me.

I am not now nor was I at any time a member of a Liberal Project nor any other group of that type. I did not sponsor the publication of "The Liberal Papers" nor was I in any way involved in its publication.

Sometime during the late winter or the spring of 1960, I was invited to hear statements presented by various scholars expressing their views and analyses of current public issues. The purpose of these sessions, as it was explained to me, was to permit an exchange of ideas between those charged with the responsibility for framing the Nation's policies and making its laws and members of the academic community. Following this, I was invited on several occasions to participate in discussions with persons from the academic world in the offices of other Members. I attended part of just one such discussion, but because of other business, I was unable to remain throughout the presentation. I also was sent a copy of a foreign-policy paper prepared by Mr. James Warburg, which may or may not be the basis for this contribution to "The Liberal Papers."

The above activities constitute the extent of my connection with any liberal project or "The Liberal Papers." I have never at any time participated in discussions with such a group with regard to the foreign or domestic policies the United States should pursue or with regard to ideas expressed by any of the authors of the papers or any other person who may have been asked to speak on public policy questions. Neither did I agree to support the viewpoints of any such persons or to support or sponsor the publication of any statements expressing their views. I did not assent to the use of my name by any person in connection with "The Liberal Papers," the Liberal Project, or any similar group, and was not at that time aware that my name had been so used.

I am more or less familiar with Mr. Warburg's thesis after scanning the paper sent to me. I am not in agreement with his analysis of U.S. foreign policy nor with his recommendations. I have never seen the other essays contained in "The Liberal Papers," nor have I met their authors. I have not yet even read the book.

However, the senior Senator from Kentucky [Mr. MORTON] has been kind enough to provide Members of Congress with excerpts from "The Liberal Papers," apparently selected by the research staff of the Republican National Committee. These excerpts, found in Mr. MORTON's statement before the Senate on March 15, 1962, deal with recognition of the Communist governments of China, East Germany, North Korea, and North Vietnam; atomic testing; civil defense; West Berlin; the DEW line; aid to Communist countries; Cuba; border disputes between China and neighboring states; the status of Formosa, the Pescadores and the offshore islands; and other matters.

Since I have never read "The Liberal Papers," I cannot say whether the excerpts from these essays accurately reflect the views expressed by the authors. However, I can say without qualification that the portions of "The Liberal Papers" quoted by the Senator from Kentucky [Mr. MORTON] are not and never have been my views of the international situation.

The quotation designated No. 8 in the remarks of the Senator from Kentucky says, in part, that—

Most Americans are filled with the basically irrational conviction that the only way to avoid military conflict with the Communist world is to prepare for it.

I freely admit that I am one of those Americans holding the allegedly irrational conviction that the essential element of our foreign policy should be the maintenance of military and economic strength adequate to discourage armed aggression by the Sino-Soviet bloc and to successfully resist any such aggression. My disagreement with this and other quoted portions of the book is made clear by my public and private statements, both before and after becoming a Member of this House, and by the votes I have cast as a Member of this House.

AIRLINE INDUSTRY PLAGUED BY STRIKES AND STRIKE THREATS

Mr. JARMAN. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

Mr. JARMAN. Mr. Speaker, for the past few years our scheduled airline industry has been plagued by strikes and strike threats, most of which have been connected with a jurisdictional dispute between rival unions over the makeup of jet aircraft crews.

Despite solutions recommended by labor committees, by impartial commissions, and by emergency boards appointed by the President of the United States, despite continued and consistent willingness of the airlines to accept proposed solutions, the interunion struggle continues unabated.

Rarely a day goes by that some new notice of strike action against one or more of our U.S.-flag airlines is not brought to the public's attention. One day it is an announcement of a strike vote, or perhaps the results of such a vote, another day it is a strike deadline, another day it is a last-minute averting of a strike, and so on.

Caught in the middle of this dispute are the airlines who suffer severe economic penalties with each new strike or strike threat announcement by one or the other of the rival unions. The airlines sell seats and, I dare say, there is no more perishable commodity produced by any business today than an empty airline seat.

Yet, passengers, understandably, hesitate to book passage on airliners that might not be flying, particularly if there is another choice available. Or having booked in advance and paid their fares, who can blame those who get their money back and make arrangements with nondomestic airlines not plagued with such uncertainty?

The effect of all this on a vital American industry that last year suffered its worst financial loss in history is obvious. So is the effect on airline employees who frequently are furloughed because of the shutdowns caused by this interunion dispute. At one point last year some 70,000 airline employees were idled, as one of these unions walked out.

Recently, I called attention on the floor to the drastic year-by-year reductions in the share of international air

traffic carried by U.S.-flag airlines. This problem, a serious factor in our overall balance of payments deficit, is greatly aggravated by the effect of the continuing dispute between pilots and flight engineers.

When we should be doing all in our power to increase the traffic of our own flag airline system to insure the economic strength it needs to compete with government-owned foreign carriers, we are permitting an internal labor union dispute to drive the business to foreign airlines.

As President Kennedy so correctly observed, "the public deserves, expects, and demands" that settlement be reached. The Secretary of Labor said, "The Nation cannot, especially at this critical time, afford continuous warfare and interruptions in the vital air transportation industry."

I most heartily agree. I would urge the members of the feuding unions to recognize their responsibility, not only as employees of a vital national industry but as citizens of a nation whose welfare is threatened today as never before in history. There must be a reasonable solution to this dispute in the immediate future and the Government must bend every effort to insure that there is. We cannot continue to saddle our airline industry with unfair economic penalties of this kind and expect them to continue as free enterprise companies.

PERSONAL ANNOUNCEMENT

Mr. KEARNS. Mr. Speaker, I was standing behind the rail eulogizing our great Speaker after Drew Pearson's article about him. I was here and qualify and vote "no" on the last vote.

The SPEAKER. The Chair regrets that the gentleman cannot be recorded after the vote has been announced. The gentleman can state for the RECORD that he would have voted "no."

AIRLINE INDUSTRY PLAGUED WITH STRIKES AND STRIKE THREATS

Mr. GOODELL. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. GOODELL. Mr. Speaker, for more than 6 years there have been widespread strikes and work stoppages in the scheduled airline industry. During this period many of you have heard the phrase "jet crew complement." This involves the question of how many crewmembers you are going to have in a jet aircraft and what will be the qualifications pertaining to the men selected. Each week for the past several months we have seen news stories indicating that some airline is threatened with a strike apparently evolving from this issue. No doubt the public is beginning to wonder what it is all about; and, of course, the public is the one group that suffers since patrons are unable to make reservations with assurance that the reservations will be honored or that a strike over this issue will not delay their travel plans.

President Kennedy has referred to the crew complement problem as an interunion dispute. The pilots belong to the Air Line Pilots Association—ALPA—and the flight engineers to the Flight Engineers International Association—FEIA. The interests of the two groups conflict in that ALPA wants to provide jobs for pilots in the jet age, and the FEIA wants to safeguard jobs for its members.

During 1958 to 1959 several of our larger domestic and international airlines agreed to add a third pilot in jet aircraft and also agreed to the assignment of the specialist flight engineer at the engineer's panel of jet aircraft. The Federal Aviation Agency regulations do not call for or require a third pilot.

So it seems that the actual difference that is really causing all the trouble is that ALPA says the third man in the crew should be a pilot certificated to function as a flight engineer, and FEIA says the third man should be a specialist flight engineer although they would consider giving him some added pilot training.

Early in 1961, the National Mediation Board found in a United Air Lines dispute the duties of pilots and flight engineers were not sufficiently different to justify them being represented by two bargaining agents. This decision precipitated a seven-carrier, nationwide strike, causing the airlines millions in revenue loss, placing thousands of their employees on furlough, and causing the traveling public untold inconvenience and hardship.

The strike ended when the President of the United States appointed a three-member Commission headed by Professor Feinsinger to investigate and make recommendations concerning the crew complement dispute. In May 1961, the Commission, having studied the problem, recommended that jet aircraft be flown by three-man crews and called for an ALPA–FEIA merger with details to be worked out by the unions.

The airlines accepted the recommendation of this Commission. Later it became evident the unions were not in agreement. In October 1961, the Commission made a second report continuing to ask for merger and listing detailed recommendations for the selection of the crew complement problem.

President Kennedy, in endorsing this last report, said: "One thing is clear; we cannot have further strikes over these disputed issues. There can be no legitimate excuse for interruptions of service now that these Commissions have marked out the areas of fair and reasonable settlement. The public deserves, expects, and demands that such settlements be reached."

Again, the airlines accepted the report.

The problem still faces the air carriers. We continue to see the threats of strikes against the airlines flowing from this problem. The industry is presently suffering financial hardships and the employees realize there is a possibility of furloughs, should strikes be called against the airlines.

I have brought this to the attention of the House because I feel we are all interested in this problem. I feel that the crew complement issue should be settled rapidly. I urge the Department of Labor to help bring this matter to a satisfactory conclusion so that the airlines can begin to operate without the threat of strikes over the issue.

BILL TO PROVIDE FREE ENTRY OF A MICROCALORIMETER FOR USE OF UNIVERSITY OF COLORADO

Mr. DOMINICK. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD and include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Colorado?

There was no objection.

Mr. DOMINICK. Mr. Speaker, several weeks ago I introduced a bill, H.R. 10554, to provide for the free entry of a microcalorimeter for the use of the University of Colorado in the performance of research under a grant from the Federal Government. The bill is now pending before the Committee on Ways and Means.

Recently, Mr. Lawrence T. Paddock, editor of the Boulder (Colo.) Daily Camera, published a very excellent explanation of this scientific instrument and the purpose for which it will be used by the university. Although Mr. Paddock may have been overly kind to me, since this is, after all, a team effort, I am grateful for his explanation of the instrument, and I believe many of my colleagues will find it helpful in understanding the urgent need for this apparatus by the University of Colorado. Therefore, under unanimous consent, I include Mr. Paddock's article at this point in the RECORD:

THREE CHEMISTS AT UNIVERSITY WAITING FOR MICROCALORIMETER

What is a microcalorimeter?

To Congress it's a 50-pound block of copper, 1 foot in diameter and 8 inches tall, which has caused a bill to be introduced to have it imported duty free into the United States from France.

To three chemists at the University of Colorado waiting to use it, the microcalorimeter is a device which measures very small amounts of heat radiated over a long period of time.

Congress became involved in acquiring the microcalorimeter when the Colorado University chemists discovered they would have to use some of a $25,000 U.S. Public Health Service grant to pay import duty for the device.

Representative PETER H. DOMINICK, Republican, of Colorado, introduced a bill to abolish the duty.

The Colorado University chemists—Prof. John R. Lacher, Associate Prof. Stanley J. Gill and Assistant Prof. Mancourt Downing—will use the device to study the heat effect of energies, of chemical interaction in large biological molecules.

"We also will use it to measure the heat effects on germination of certain seeds and perhaps to discover what happens when the seeds are subjected to radiation," Gill explained.

The chemists are engrossed in the first year of a 4-year project designed to tell them something about the forces that determine the biological behavior of materials.

The microcalorimeter is essential to their work.

This unique device has been developed during the last 40 years by French physical chemist, Prof. Edouard Calvet of Marseilles.

Calvet's instrument uses 1,000 tiny thermocouples, devices to detect temperature differences, much like those found in home furnaces connected to thermostats.

Calvet's microcalorimeter was shipped from Marseilles January 15. Present location is unknown.

DOMINICK's bill would allow the full amount of the Federal grant to be used for the research project. He said it was "self-defeating" for the Government to make grants for scientific research with one hand and take part of the grant back in the form of customs duties with the other.

"Congress has recognized this contradictory situation in other instances and has waived the customs duty," DOMINICK said.

REORGANIZATION PLAN NO. 2 OF 1962—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 372)

The SPEAKER laid before the House the following message from the President of the United States, which was read and together with the accompanying papers, referred to the Committee on Government Operations and ordered to be printed:

To the Congress of the United States:

I transmit herewith Reorganization Plan No. 2 of 1962, prepared in accordance with the provisions of the Reorganization Act of 1949, as amended, and providing for certain reorganizations in the field of science and technology.

Part I of the reorganization plan establishes the Office of Science and Technology as a new unit within the Executive Office of the President; places at the head thereof a Director appointed by the President by and with the advice and consent of the Senate and makes provision for a Deputy Director similarly appointed; and transfers to the Director certain functions of the National Science Foundation under sections 3(a)(1) and 3(a)(6) of the National Science Foundation Act of 1950.

The new arrangements incorporated in part I of the reorganization plan will constitute an important development in executive branch organization for science and technology. Under those arrangements the President will have permanent staff resources capable of advising and assisting him on matters of national policy affected by or pertaining to science and technology. Considering the rapid growth and far-reaching scope of Federal activities in science and technology, it is imperative that the President have adequate staff support in developing policies and evaluating programs in order to assure that science and technology are used most effectively in the interests of national security and general welfare.

To this end it is contemplated that the Director will assist the President in discharging the responsibility of the President for the proper coordination of Federal science and technology functions. More particularly, it is expected that he will advise and assist the President as the President may request with respect to:

(1) Major policies, plans, and programs of science and technology of the various agencies of the Federal Government, giving appropriate emphasis to the relationship of science and technology to national security and foreign policy, and measures for furthering science and technology in the Nation.

(2) Assessment of selected scientific and technical developments and programs in relation to their impact on national policies.

(3) Review, integration, and coordination of major Federal activities in science and technology, giving due consideration to the effects of such activities on non-Federal resources and institutions.

(4) Assuring that good and close relations exist with the Nation's scientific and engineering communities so as to further in every appropriate way their participation in strengthening science and technology in the United States and the free world.

(5) Such other matters consonant with law as may be assigned by the President to the Office.

The ever-growing significance and complexity of Federal programs in science and technology have in recent years necessitated the taking of several steps for improving the organizational arrangements of the executive branch in relation to science and technology:

(1) The National Science Foundation was established in 1950. The Foundation was created to meet a widely recognized need for an organization to develop and encourage a national policy for the promotion of basic research and education in the sciences, to support basic research, to evaluate research programs undertaken by Federal agencies, and to perform related functions.

(2) The Office of the Special Assistant to the President for Science and Technology was established in 1957. The Special Assistant serves as Chairman of both the President's Science Advisory Committee and the Federal Council for Science and Technology, mentioned below.

(3) At the same time, the Science Advisory Committee, composed of eminent non-Government scientists and engineers, and located within the Office of Defense Mobilization, was reconstituted in the White House Office as the President's Science Advisory Committee.

(4) The Federal Council for Science and Technology, composed of policy officials of the principal agencies engaged in scientific and technical activities, was established in 1959.

The National Science Foundation has proved to be an effective instrument for administering sizable programs in support of basic research and education in the sciences and has set an example for other agencies through the administration of its own programs. However, the Foundation, being at the same organizational level as other agencies, cannot satisfactorily coordinate Federal science policies or evaluate programs of other agencies. Science policies, transcending agency lines, need to be coordinated and shaped at the level of the Executive Office of the President drawing upon many resources both within and outside of Government. Similarly, staff efforts at that higher level are required for the evaluation of Government programs in science and technology.

Thus, the further steps contained in part I of the reorganization plan are now needed in order to meet most effectively new and expanding requirements brought about by the rapid and far-reaching growth of the Government's research and development programs. These requirements call for the further strengthening of science organization at the Presidential level and for the adjustment of the Foundation's role to reflect changed conditions. The Foundation will continue to originate policy proposals and recommendations concerning the support of basic research and education in the sciences, and the new Office will look to the Foundation to provide studies and information on which sound national policies in science and technology can be based.

Part I of the reorganization plan will permit some strengthening of the staff and consultant resources now available to the President in respect of scientific and technical factors affecting executive branch policies and will also facilitate communication with the Congress.

Part II of the reorganization plan provides for certain reorganizations within the National Science Foundation which will strengthen the capability of the Director of the Foundation to exert leadership and otherwise further the effectiveness of administration of the Foundation. Specifically:

(1) There is established a new Office of Director of the National Science Foundation and that Director, ex officio, is made a member of the National Science Board on a basis coordinate with that of other Board members.

(2) There is substituted for the now existing Executive Committee of the National Science Board a new Executive Committee composed of the Director of the National Science Foundation, ex officio, as a voting member and Chairman of the Committee, and of four other members elected by the National Science Board from among its appointive members.

(3) Committees advisory to each of the divisions of the Foundation will make their recommendations to the Director only rather than to both the Director and the National Science Board.

After investigation I have found and hereby declare that each reorganization included in Reorganization Plan No. 2 of 1962 is necessary to accomplish one or more of the purposes set forth in section 2(a) of the Reorganization Act of 1949, as amended.

I have found and hereby declare that it is necessary to include in the reorganization plan, by reason of reorganizations made thereby, provisions for the appointment and compensation of the Director and Deputy Director of the Office of Science and Technology and of the Director of the National Science Foundation. The rate of compensation fixed for each of these officers is that which I have found to prevail in respect of comparable officers in the executive branch of the Government.

The functions abolished by the provisions of section 23(b) of the reorganization plan are provided for in sections 4(a), 5(a), 6(a), 6(b), and 8(d) of the National Science Foundation Act of 1950.

The taking effect of the reorganizations included in the reorganization plan will provide sound organizational arrangements and will make possible more effective and efficient administration of Government programs in science and technology. It is, however, impracticable to itemize at this time the reductions in expenditures which it is probable will be brought about by such taking effect.

I recommend that the Congress allow the reorganization plan to become effective.

JOHN F. KENNEDY.

THE WHITE HOUSE, *March 29, 1962.*

PROGRAM FOR WEEK OF APRIL 2, 1962

Mr. LANGEN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. LANGEN. Mr. Speaker, I take this time to inquire of the distinguished majority leader as to the program for next week.

Mr. ALBERT. Mr. Speaker, will the gentleman yield?

Mr. LANGEN. I yield.

Mr. ALBERT. In response to the gentleman I may say that the program for next week is as follows:

Monday is Consent Calendar day, and there are 13 suspensions as follows:

H.R. 10162, amend Bretton Woods Agreements Act.

H.R. 852, independent medical review of veteran claims.

H.R. 857, appeal veterans' claims.

H.R. 10743, increase disabled veterans' compensation.

H.R. 10069, authorizing additional prosthetic research.

H.R. 10788, amend section 204, Agriculture Act, 1956, relating to the regulation of textile imports.

H.R. 946, oysters, loans to planters.

S. 860, agriculture, livestock and poultry diseases.

S. 1037, agriculture, license fees, perishable commodities.

H.R. 8484, authorized site, Theodore Roosevelt Birthplace.

H.R. 8567, trial boards, U.S. Park Police.

H.R. 10062, extend the application of certain laws to American Samoa.

H.R. 1171, public use of fish and wildlife areas.

And I may advise the membership, Mr. Speaker, these bills may not be called in the order listed.

Tuesday is Private Calendar Day, and we will also consider the second supplemental appropriation bill for 1962, and H.R. 10700, to amend the Peace Corps Act.

On Wednesday there will be a joint meeting to receive the President of Brazil; and on Wednesday, Thursday, Friday, and Saturday H.R. 4999, Health Professions Educational Assistance Act of 1962, if a rule is reported.

H.R. 4441, expenses, payment to New York.

This program, of course, is subject to the usual reservation that conference reports may be called up at any time.

Any further program will be announced later.

If the gentleman will yield further, in connection with the announcement of the distinguished guest of the Congress on Wednesday, I will submit a consent request.

Mr. Speaker, I ask unanimous consent that it may be in order on Wednesday, April 4, for the Speaker to declare a recess for the purpose of receiving in joint meeting the President of Brazil.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma?

There was no objection.

ADJOURNMENT TO MONDAY, APRIL 2

Mr. ALBERT. If the gentleman will yield further.

Mr. LANGEN. I yield.

Mr. ALBERT. There is no further legislative business for the week. In view of that, Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet on Monday next.

Mr. GROSS. Mr. Speaker, reserving the right to object, the gentleman mentioned something about expenses to New York. Whose expenses are being paid to New York?

Mr. ALBERT. Mr. Speaker, will the gentleman yield?

Mr. GROSS. Yes; I shall be glad to yield.

Mr. ALBERT. That has to do with the payment of certain expenses of certain New York police. It has nothing to do with any trips to New York, I advise the gentleman from Iowa.

Mr. GROSS. I thank the gentleman for that information.

Now, can the gentleman give us any idea as to the Easter recess? I have waited a couple of weeks trying to find out.

Mr. ALBERT. I hope the gentleman will bear with us for at least 1 more week.

Mr. GROSS. That is about all I guess I can do, bear with the gentleman. I hope the gentleman can soon give us some information about it, for I like to make some plans in advance if I am going to take a trip of a few thousand miles.

Mr. ALBERT. If the gentleman will bear with us we will try to accommodate him at a very early date.

Mr. GROSS. I thank the gentleman and withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from Oklahoma that when the House adjourns today it adjourn to meet on Monday next?

There was no objection.

NEW YORK STATE'S REFUSAL TO CONFORM TO DRINKING AGE LAWS OF ALL NEIGHBORING STATES

The SPEAKER. Under previous order of the House, the gentlewoman from New Jersey [Mrs. DWYER] is recognized for 15 minutes.

Mrs. DWYER. Mr. Speaker, on eight occasions within the past week I have inserted in the CONGRESSIONAL RECORD a series of statements, together with supporting news stories and editorials, developing various aspects of the tragic situation resulting from the State of New York's refusal to conform its drinking age law with that of 48 of the other 49 States of the United States, including all of the States along its borders and the Government of Canada.

The fact that New York State persists in allowing 18-year-olds to consume hard liquor, while all her neighbor States prohibit drinking until the age of 21, has created a chain of hundreds of drinking havens around the borders of that State to which hundreds of thousands of young people from the age of 14 on up have flocked from New Jersey, Connecticut, Pennsylvania, Massachusetts, and Vermont.

The consequences of these havens, and of New York's stubbornness, has been a rising tide of fatal and near-fatal automobile accidents involving young people returning to their homes after drinking sessions in New York. These are the tangible tragedies, the countable consequences of New York's failure to act. Beyond them, and of perhaps far greater significance, are the countless family misfortunes, the heartaches brought by the moral and psychological dissolution of young people who truly were not old enough to drink.

Legally, Mr. Speaker, under the 21st amendment to the U.S. Constitution, the State of New York has exclusive jurisdiction to regulate the transportation, sale, and consumption of alcoholic beverages within its own borders. There is nothing, directly, that its neighboring States or the Federal Government or the Government of Canada can do to force New York to change its teenage drinking law. But there are moral and political considerations that surpass the legal limitations. The five States most directly involved have an unavoidable obligation to protect the lives and welfare of their own young people who are lured across the border into New York by that State's free-and-easy liquor laws. And New York cannot rely on a legalistic States right argument to deny the validity of the interest of all its neighbors in the damaging impact of New York's law.

Our interest in New Jersey, Mr. Speaker, and in Pennsylvania, Connecticut, Massachusetts, and Vermont, is the fundamental one of self-preservation. The interest of the Congress and of all our sister States may be less basic but is no less real and valid. It lies in the preservation of the Federal system of government which we have nurtured in this country for 165 years. New York is threatening the easy and cooperative functioning of that system in a highly sensitive area of interstate relations. New York is forcing its sister States to adopt extraordinary measures of law enforcement to cope with the problems created by New York. New Jersey, for example, is utilizing police roadblocks to check on teenagers returning from New York on Friday and Saturday evenings. The results of one such check showed no

less than 93 percent of teenagers who admitted to having consumed alcoholic beverages in New York that evening.

Connecticut has the same problem. The State police this year have maintained a series of weekend roadblocks along the length of the border it shares with New York in an effort to discourage teenagers from going to New York to purchase liquor.

In Pennsylvania, Vermont, and Massachusetts, the Connecticut and New Jersey story is repeated. Increasing traffic fatalities and other highway accidents are directly related to teenagers drinking in New York. Three of the first six highway deaths in Connecticut this year have been blamed on teenage drinking. Nine deaths in New Jersey since last September involved teenagers returning to the State after drinking in New York. In one recent Vermont accident alone, seven teenage boys were killed instantly on their way back home from a drinking session in New York. And this is only a small sampling of the havoc New York is wreaking on its neighbors.

This is not a new situation, Mr. Speaker, but it has become increasingly serious in recent years. It has led several Governors to appeal repeatedly to New York State to revise its drinking age upward. Just last week, the Governors of New Jersey and Pennsylvania joined in a direct appeal to the Governor of New York. The Governors of Connecticut and Vermont have also done so. And the New England Governors Conference officially asked New York to comply with the drinking age specified in the laws of all their member States.

I have been actively involved in this struggle myself since 1955, when I introduced the first resolution adopted by the New Jersey Legislature calling upon the State of New York to raise its drinking age. Later that year, I testified personally before a New York legislative committee on the same subject. I have discussed it both personally and by letter with individual State legislators and with the Governor of New York.

The reaction I have received—like that received by all who have tried to do something—has ranged from chilly negativism to a meaningless form of sympathy, meaningless because the sympathy is seldom translated into any kind of action by State officials with the authority to do something.

This does not mean that the people of New York are blind and deaf to the appeals of their neighbors or to the tragedies brought about by their lawmakers' refusal to heed such appeals. On the contrary, Mr. Speaker, all the evidence supports the contention that New Yorkers themselves oppose their State's 18-year-old drinking age law. I have received a great many letters from residents of New York assuring me that they and their friends support our efforts to raise the drinking age from 18 to 21. The Gannett newspapers, among many others in the State, have carried on a consistent campaign toward this objective. And my good friend, New York State Assemblyman Russo, from Staten Island—a major source for New Jersey youngsters seeking illicit drink—who has introduced bills each year to make New York's law conform to its neighbors, has reported that the people of New York are in favor of raising the drinking age to 21 by a margin of 10 to 1. And just this week, the Board of Supervisors of Rockland County, N.Y.—the scene of much out-of-State teenage drinking—unanimously urged the State legislature to raise the drinking age.

The discouraging fact is, Mr. Speaker, that the New York Legislature and other responsible State officials have so far refused to listen even to their own people. But there is too much at stake for any of us to become discouraged. New York will listen eventually, and it is up to us—the Congress included—to bring that eventuality about at the earliest possible time. There have been enough studies, hearings and consideration already given in New York to the question of teenage drinking. The time for action is now, and I maintain that the way to get action is to let the people know the awful facts and to give voice to their cries of outrage.

One of the most tragic of the facts, and one that is often overlooked, is that New York's 18-year-old minimum drinking age is not the real minimum. Children, boys and girls of 14 and 15 and 16 are able to obtain alcoholic beverages in New York with relative ease. This situation, disclosed in actual interviews with the boys and girls themselves and common knowledge to anyone familiar with the facts of life in New York, demolishes one of the central contentions of New York officials who oppose raising the drinking age. These officials contend, with some truth, that older teenagers are able to drink even in States with a 21-year-old drinking law, by falsifying their ages. But they could never maintain, for obvious reasons, that this "slippage" extends to younger teenagers in such States.

By no stretch of the imagination are children of 14, 15, or 16 capable of handling liquor without inviting disastrous results. And these results are not exclusively the rising tide of traffic fatalities stemming from drinking in New York. The far greater consequences, often intangible and private in nature, are essentially moral and psychological.

One other particularly disturbing fact, Mr. Speaker, was revealed in a front-page story in the Newark Evening News whose very able New York correspondent, Mr. Guy Savino, this week performed a journalistic service in the highest traditions of the profession. Mr. Savino learned that a private foundation to which the New York State Liquor Authority has frequently turned for guidance on juvenile drinking has as its executive director a man who is also counsel for the New York Importers and Distillers Association, an organization Mr. Savino described as no stranger to Albany.

The conflict of interest in this situation is blatantly apparent. The private foundation, the Mrs. John H. Sheppard Foundation, not only shares an office with the Distillers Association but has made a number of special studies for the State Liquor Authority on which the authority has quite apparently relied. And the authority has been a persistent and forceful opponent of those who would change New York's minimum age to conform with the laws of surrounding States.

As Mr. Savino describes it:

The liquor authority is considered one of the chief reasons the legislature is determined not to change the New York law.

He also points out, from his wide first-hand knowledge of New York politics, that despite heavy attack on the authority for its stand on teenage drinking it has managed to exert considerable influence in Albany.

Mr. Speaker, I include the following text of Mr. Savino's story in the Newark Evening News of March 27:

DRINKING STUDIES—ADVISER ON LIQUOR DIVIDES HIS TIME

(By Guy Savino)

NEW YORK.—A foundation to which the State liquor authority has turned for guidance on juvenile drinking has as its executive director a man who is also counsel for a State liquor organization.

This man of dual responsibilities is Lester H. Schreiber. He simultaneously serves the Mrs. John H. Sheppard Foundation, nonprofit organization that has made studies for the liquor authority, and the New York Importers and Distillers Association, no stranger to Albany.

The association and the foundation share offices with the Schreiber firm at 720 Fifth Avenue.

A reporter calling at the office found the name of Schreiber's firm on the left-hand side of the door and the whisky group's name on the other. There was no mention of the foundation.

The liquor authority has been one of the sternest foes of those who would change New York's minimum drinking age to conform to that of surrounding States such as New Jersey and Connecticut.

For many years the authority has been under persistent attack on the age question. But it has warded off such criticism and, while doing so, has managed to exert considerable influence in Albany.

The liquor authority is considered one of the chief reasons the legislature is determined not to change the New York law. In this State 18-year-olds are permitted to drink at bars and to buy liquor in retail stores. In every other State the age limit is 21.

New Jersey, Pennsylvania, Vermont, and Connecticut are fighting to get the New York law changed. But their efforts are making little headway against the powerful front the lobbyists for the liquor industry have erected in Albany.

An idea of the power of the lobby is gleaned from the statement today by Assemblyman Lucio Russo, Republican, of Staten Island, who each year introduces a bill to make New York's law conform to its neighbors.

"The people of this State are 10 to 1 for conformity with other States," said Russo. "We are under terrific pressure from the public. Something has to give. Now I am certain something will give. But it will not happen this year—unless there is a big change up in Albany. The whole situation is amazing."

The outcries in New Jersey and other States against the New York law are actually repetitious of protests within the State.

In 1952 a Nassau County grand jury, aroused over juvenile drinking and failure of police and liquor authorities to do a better job in keeping youngsters out of bars, issued a stinging presentment.

The authority, according to the record, sent a deputy commissioner, Michael J.

Monz, a resident of Nassau, to confer with the aroused people of the county.

Said the 1952 report:

"Mr. Monz expressed the opinion that since no accurate knowledge of the character and extent of the real problem appeared to be available, it would be well to arrange for a scientific survey and study by a capable, objective, and trustworthy organization.

"He suggested specifically that the citizens' committee seek from the Sheppard Foundation support of a survey of that type to be conducted by one of the local colleges. His suggestions were accepted readily and acted upon favorably."

The foundation then engaged Hofstra College to study the use of alcohol by people between the ages of 14 and 18 or 19 who live in Nassau County.

The year 1952 brought an outcry from Buffalo, too. The citizenry angrily denounced juvenile drinking, pointing to the fact that at Angola-on-the-Lake, a resort community, juveniles from other States were taking advantages of the low age limit. Like the grand jury in Nassau, a panel in Erie County issued a blistering persentment.

Whereupon the liquor authority designated another deputy commissioner, William Buscaglia, to confer with the people of Erie County.

Said the report:

"He [Buscaglia] pointed out that the suggested survey should not be considered in any sense a substitute for the performance of official duty by any unit or agency of government. Rather, he characterized it as a logical means of presenting an accurate analysis of an involved social problem by objective scientific procedures."

Continued the report:

"The Sheppard Foundation again responded promptly and a survey was thereafter undertaken by the University of Buffalo for the foundation."

Both the Nassau and Buffalo reports were completed. Both were thick with compilations of statistical material. The sum and substance of both reports was that not as many juveniles as it is thought were drinking, only a small percentage (by their own admission) were intemperate and most of them got their first taste of alcoholic beverages at home.

The Sheppard Foundation has arranged other studies for other States. One was made in Wisconsin by the University of Wisconsin. Another was made in Kansas by the University of Kansas.

Thousands of high school students and youths of high school age were questioned.

Schreiber told the News the foundation is planning to move into New Jersey shortly for a survey. What college has been selected to make the survey is not known.

In its preface to the Wisconsin survey, the foundation explained that it had been named in honor of the late Jeanie Rumsey Sheppard who once served on the State liquor authority.

"These studies," said the foundation, "are being made to obtain factual scientific and reliable data for the advancement of knowledge and understanding of the use of alcoholic beverages and to foster public education for the promotion of temperance.

"The foundation was organized by her friends to perpetuate her work and ideals, and in recognition of her great contribution to State control of alcoholic beverages."

The situation Mr. Savino describes is too obvious to require much comment from me. It emphasizes in a most striking manner the urgent need for all who are interested in decency, in the protection of our youth, and in respectful and neighborly relations between the States, to make their voices heard and their influence felt in the capital of New York.

In their own best interests, Mr. Speaker, the State of New York and the liquor industry in that State should act now before the public outcry brings action of a different and more extreme kind.

It is well to remind our friends in New York that, while the Constitution prohibits Federal legislation affecting the internal regulation of drinking in individual States, the Constitution also provides for amendments to that document which would have force and effect in all 50 States. Since 48 of the 50 States already prohibit the serving of liquor to teenagers, it may well be that a constitutional amendment establishing a uniform drinking age in the United States would be sympathetically received.

In any event, Mr. Speaker, this is a situation which calls for immediate action. We have already waited much too long for New York State to respond to the humanitarian appeals of its sister States. It is time for Congress to act, if only to give voice to the high moral principles that have always been upheld here in the Capitol by the representatives of all the people.

EVEN THE LIBERAL WASHINGTON POST CHARACTERIZES THE PRESIDENT'S $600 MILLION PUBLIC WORKS PUMP PRIMING PROGRAM AS A NEW WPA

Mr. LANGEN. Mr. Speaker, I ask unanimous consent that the gentleman from Florida [Mr. CRAMER] may extend his remarks at this point in the RECORD and include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. CRAMER. Mr. Speaker, hearings are underway before the Public Works Committee of the House, on which I serve, on H.R. 10318, providing for a $2 billion in standby capital improvements program; and a recently proposed amendment, which I can only interpret as a sweetener, proposed only this last Monday for $6 million more in public works to be made available, $25 million in fiscal year 1962, $350 million in 1963, and $225 million in 1964, without relationship to continuing unemployment generally, and goes so far as to propose public works grants up to 100 percent of the cost of any public works project, Federal, State, or local.

The editorial appearing in the Washington Post today properly points out numerous weaknesses in the proposal and, in particular, the fact that it is a warmed-over version of a program that was discarded nearly 30 years ago, known as the WPA.

Even George Meany, president of the AFL–CIO, who testified before our committee today, admitted that over the 3-year period the bill would provide only 90,000 jobs directly for the estimated unemployed which exceed 5 million, using the following analysis:

The job-creating effect of public works construction is about 100 on-site and off-site man-years of work per $1 million of construction expenditure. * * * Thus, this $600 million public works program could result in a total increase in public works expenditures of $900 million, including the $300 million in matching funds from the State and local governments. It could result in the creation of about 90,000 on-site and off-site jobs.

He goes on to suggest that the purchasing power resulting would provide an additional 135,000 jobs for a maximum overall impact of approximately 225,000 jobs for the total 3-year authorization period. This, of course, as is customary for a spokesman for labor, is an optimistic approach.

This obviously shows that this make-work proposal is totally inadequate to do anything substantial and certainly insufficient to overcome the shortcomings of the proposal itself. Therefore, I commend the editorial to the attention of my colleagues:

A NEW WPA?

The President's recommendation for a $600 million public works program correctly diagnoses the need for a stimulus to speed the lagging recovery. His therapy is far more dubious.

The high estimates of gross national product in 1962 put out by the administration have been questionable from the beginning. Events since January have made them more questionable, and the administration seems about to recognize this. Hence the President proposes to spend a total of $600 million, of which $25 million would go out in fiscal year 1962, if the Congress acts promptly, $350 million in fiscal 1963, $225 million early in fiscal 1964. The money is to be spent on capital projects that can be quickly initiated or accelerated and that can be completed within 12 months after startup. It is to be spent in 958 areas comprising 38 percent of the population.

A program of this sort has the earmarks of economic ineffectiveness and political mischief. The immediate stimulation in any case would be small—witness that only $25 million would be spent in the next 3 months in the uncertain case that the Congress acts promptly. The money would be spread very widely, over 38 percent of the population, which works out at an average of $8.60 per head in those areas. It will not be concentrated on the real trouble spots. To select projects by the criterion that they can be terminated within 12 months means to rule out from the start any new major construction and many other high priority projects. What this comes down to is a new WPA, with priority on getting out the money and only secondary regard for what is produced by it.

The political overtones of the proposal are plainly audible. A wide range of localities, far beyond the areas of greatest need, is made eligible because that is the way to bring on board the necessary number of legislators. This means also that the administrator, whoever he may be, will have wide latitude in selecting locations. Much money will be wasted doing low priority things to get done a few with high priority. Projects based on such criteria of "need," moreover, give little hope of ever coming to a logical end. Permanent pork barrel for the administration is the most likely end of the story.

The economy needs stimulation, but not so desperately that time could not be spared to look for a better way of applying it. Activity continues to go up, after all, and is expected to keep going up. The Nation can afford to do this in a way to get the most for its money. In fact, given the urgent need to raise productivity, it cannot afford to do it any other way. The administration can justify a tax cut that would enlarge the

now badly mutilated investment tax credit for new equipment. It can justify public works expenditures for well-selected public investment that will increase output in later years. Compared with these alternatives, the WPA approach is the least attractive. Almost 30 years after the invention of that institution, the administration should be able to think of something better.

"GOD IS REAL"

Mr. LANGEN. Mr. Speaker, I ask unanimous consent that the gentleman from Ohio [Mr. AYRES] may extend his remarks at this point in the RECORD and include extraneous matter.

The SPEAKER. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. AYRES. Mr. Speaker, I call to the attention of my colleagues a book entitled "God Is Real." This tells the poignant story of the experiences of Dr. Dallas F. Billington, founder and pastor of the Baptist Temple in Akron, Ohio.

It has been my good fortune to know Dr. Billington for many years. His book is autobiographical. It is a graphic portrayal of the life and times of a devoted servant of God. It contains pertinent commentary on our way of life, advice and counsel, and a most interesting description of the struggles and success of a man who has spent his lifetime helping others through understanding.

The book is good reading. I highly recommend it to my colleagues. The Library of Congress card number is 62–13202. I am pleased that my hometown of Akron has been chosen by Dr. Billington as the place he has taken "root" after extensive travels across the Nation.

In these days when the emphasis is on materialism, when fear and trepidation stalk the world, the quiet, confident counsel and the deep and abiding faith of a man like Dr. Billington are invaluable. In an age when faith is assailed daily with doubt, the reassurance of the invulnerability of the Supreme Being is a source of inspiration to all of us.

GREEK INDEPENDENCE DAY

The SPEAKER pro tempore (Mr. GEORGE P. MILLER). Under previous order of the House, the gentleman from New York [Mr. RYAN] is recognized for 10 minutes.

Mr. RYAN of New York. Mr. Speaker, March 25 marked the 141st anniversary of the start of the Greek War of Independence. Throughout the war the Greeks displayed the fighting talents of which Homer sang and the individualism which enlivened their ranks in the Trojan War of antiquity. The determined stance of the outnumbered Greeks served as an inspiration to 19th-century liberals who flocked to the support of Greek independence. Throughout Europe arms and money were channeled to the cause of Greek freedom. Across the Atlantic Jefferson and Monroe expressed their earnest hope for the success of the Greek revolt.

Four hundred years of Turkish oppression had only intensified the desire of the Greek people for independence, and the battles of the Greek War of Independence were savage. For 6 years the war was bitterly fought in the mountains and ravines by small bands of guerrillas. Off the coast the Greeks and Turks engaged in bloody naval skirmishes. The Greek partisans, aided by European volunteers, were able to do so well that Sultan Mahaud was forced to call on help from the Mehemet Ali, pasha of Egypt. The pasha, who used Crete as a base of operations, was briefly successful in employing his disciplined troops against the Greek guerrilla bands. However, the Greeks were soon reinforced. They united with British, French, and Russian forces under the able command of Lord Cochrane at sea and General Church on land. The Egyptians and Turks were decisively defeated by the naval forces of the allies at the Battle of Navarino on October 20, 1827.

The success of the Greek revolution served to hearten the liberals of the 19th century even as the victory of allied forces in Greece after World War II inspired those dedicated to freedom in the 20th century. In both struggles the American Government was firm in its commitment to the independence of the Greek people and to the ideals of democracy.

That the struggle for independence is a continuing one no people know better than the Greeks. After the triumph of 141 years ago, after having gained freedom from 400 years beneath the yoke of the Ottoman Empire, Greece was still to have her troubles with Turkey. In the 19th century and in the 20th there was armed conflict between the two countries. Greece suffered most when, as one of the Allies, she was the victim of a combined Turkey and Germany. But Greece again emerged independent.

In happy contrast today Greece and Turkey are allied in the struggle to maintain freedom. They are allied with Western Europe, Canada, and the United States in NATO.

Though the path of independence has been a rocky one for the Greeks, true to their heritage they have, nevertheless, maintained their individuality, their homogeneity, their distinct culture, and their faith in freedom. The influence of ancient Greece on centuries of succeeding generations has been stronger than any other heritage of the Western World. The aid which the Western World gave to Greece in her struggle for independence might be regarded as the payment in part of a debt of the ages. All Western civilization can trace its origins to ancient Greece. The cradle of democratic government, the Greek city states are studied today by political scientists tracing the development of political institutions back through the millenniums to the first rule by the people, the demos, still reflected in the word "democracy."

In all phases of civilization today we can trace the heritage back to ancient Greek culture. In law, in language, in literature, in the arts, in medicine, in athletics, in philosophy, in architecture, in history itself, as well as in our political institutions, we find the elements and the inspiration of modern life. The ideas of freedom, the ideals of true democracy stem from the philosophy and political theories of Socrates, Plato, and Aristotle. Through Greek learning and its influence on successive cultures, the ideas of the early Greeks have been carried forward down the centuries. The Romans were unable to conquer the Greek civilization. Rather were they instrumental in spreading it, and through its incisive influence upon their own, all succeeding cultures were enriched by it. Homer can be traced through Virgil, Dante, Milton, directly through the literatures of Italy, France, England—all modern literature in short. Greek influence is indicated by the tiny insignia of physicians today. The staff and serpent familiar as the mark of medicine was that of Aesculapious, the Roman god of medicine, identified with the Greek god of healing, Asklepios. More scientifically, Hippocrates of ancient Greece is today known as "the father of medicine," as Herodotus is called "the father of history."

The contributions of the Greeks to life today are not, however, only those of the past glories of ancient Greece, brought down through the ages. There are those brought to us by the Greek immigrants to the United States. They averaged less than 10 a year until 1870 and did not begin to increase appreciably until the early 20th century. There are in this country today some million and a half Americans of Greek origin. Although few in number, there were, nevertheless, men of reputation and ability who early made contributions to the country of their adoption. One, Michael Anagnos, a great educator of the blind, was the subject of many public eulogies at the time of his death in 1906. The founder of a Greek school in Boston, he became the son-in-law of Dr. Samuel Gridley Howe and Julia Ward Howe. He was the founder of the Perkins Institute for the Blind; and in 1900 represented both his own institution and the U.S. Government at the International Congress of Teachers and Friends of the Blind which met in Paris.

Other schools and educational organizations were founded by the Greeks in America and led to the comment that they were seekers after wisdom, a phrase which so aptly reminds us of the debt of the ages to Socrates and his world of ancient Greece.

Among the physicians of note whom Greece has given to America is Dr. Papanikolaou, famous for his long recognized contributions to the field of cancer research. There is Dr. L. Hadjopoulos, with his record of brilliance, who was connected with Bellevue and other hospitals in New York.

New York has been well aware of those of Greek origin who have made reputations in various fields of endeavor: research chemists, bacteriologists, lawyers, athletes, musicians. There is the world famous Dimitri Mitropolous.

The revival of Greek culture during the Renaissance greatly enriched the civilization of the Wsetern World. Its influence is apparent all around us. In Washington the Library of Congress

building is considered an outstanding specimen of Renaissance architecture. But for a direct copy of the architecture of ancient Greece what more beautiful edifice can be found than the Lincoln Memorial?

Greece has always shown devotion and admiration for America and her people. Ever since the Greek war of independence there has been an appreciation of the practical sympathy and support which the Americans then evidenced. The bonds of sympathy stretch back to the birth of democracy in ancient Greece, the heritage in the greatest democracy in modern times, and the truly democratic nature, temperament, and upbringing of the people of Greece as well as those of America.

In the quality of their performance and in endurance, whether it be in philosophy, in political contributions, art, architecture, literature, or the pursuit of freedom, the Greeks since ancient times have excelled. This excellence may be directly attributable to the overriding quality of the Greek character—the emphasis upon the independence of the individual. It is that independence which we honor. And it is, indeed, in the struggle for the preservation of an order in which the independence of the individual is respected that the whole Western World is today united.

PERSECUTION OF SOVIET JEWS

The SPEAKER pro tempore. Under previous order of the House, the gentleman from New York [Mr. HALPERN] is recognized for 15 minutes.

Mr. HALPERN. Mr. Speaker, nowhere are the Soviets more vulnerable than in their claims that the U.S.S.R. is a freely established union of many nationalities, a union wherein the principle of self-determination is respected as a fundamental human right.

The Soviets never tire of making this extraordinary claim.

Their constitution flatly asserts the guarantee of freedom to national minorities.

Their laws reinforce this assertion.

And, in their political propaganda they labor to the point of nausea the fallacy that self-determination of peoples is a principle of Soviet policy. In contrast, they declare that the United States is an imperialistic colonial power seeking only the enslavement of man.

On numerous occasions in the past I have discussed in speeches from this floor of Congress the oppressive colonial nature of the Soviet system.

I have cited the case of Soviet oppression of Lithuanians.

I have pointed out the enormity of Soviet oppression of Ukrainians.

Today, I again want to turn my attention to another Soviet minority group, the Jews, a people who have suffered miserably under Soviet rule; a people who now are faced with prospects of a heightened anti-Semitic campaign.

The Soviet leaders claim that all national groups in the U.S.S.R. have the right of cultural freedom.

What, then, is the present state of cultural freedom for the Jews?

Let me say at the beginning that the present state of cultural freedom for the Jews is now as it has been for decades—almost totally nonexistent.

The Soviet Government has had one solitary goal regarding Soviet Jewry: to destroy the Jewish consciousness; to obliterate the feeling among Jews of having a common identity; and to force upon them complete and total assimilation into their totalitarian, godless way of life.

The Soviet Government has continued a longstanding policy of what could be called de-Judaization. In continuous pursuit of this policy the Soviets abolished Yiddish schools, liquidated institutions dedicated to the study of Jewish history and literature, denied the right of Jews to publish their language, and destroyed the vigorous and culturally important Yiddish theater.

More than all of this, the Soviets have struck at the heart of Jewish religious life, the synagogue. There is no freedom of religion in the Soviet Union, that is, no freedom to perpetuate religion. The only existing freedom is that which gives the state the right of antireligious propaganda so that in the course of time the religious faith of the 2½ million Jews will be so eroded under constant Soviet attacks that the driving force of Jewish unity, belief in one God, and faith in the common destiny of the Jewish people, will be weakened and the idea of Jewish existence disintegrate and vanish.

American observers now returning from the Soviet Union attest to the fact that the number of synagogues has been reduced practically out of existence. Let me quote from a report by Harrison Salisbury, correspondent for the New York Times, after his recent tour of the Soviet Union. Mr. Salisbury recalled that the Jewish community in Kiev, the capital of the Ukraine, once used to be the great center of Jewish life and culture and had many synagogues. Today, he said, a single synagogue survives in the heart of the old Podol, the poor Jewish quarter of the city. And what is the condition of this synagogue? It is a small building, he tell us, rundown and worn, on a neglected side street. Mr. Salisbury then records this dialog:

"Is this the only synagogue in Kiev?" a recent visitor asked in surprise.

"Oh, no, there are others," said the tough-visaged administrator of the congregation, probably a nominee of the state security apparatus.

A bearded ancient with a black skullcap shook his head sadly and muttered: "That is not true."

The other synagogues, it finally developed, were two meeting rooms—one on the second floor and the other to the rear in a kind of storage building. Unfortunately, the keys could not be found so that these "beautiful rooms," as the administrator described them, could not be shown.

"Have any synagogues been closed recently?" the administrator was asked.

He shrugged his shoulders and said he had not heard of any. It might be true. Perhaps there were not enough people to support a synagogue.

"We have complete freedom to worship or not to worship," he said belligerently. "Just as you have in America."

"How many members are there in the congregation?" he was asked.

"We keep no statistics," was the reply.

"How many Jews are there in Kiev?"

"Ask the city council. That is not our business."

The old man with the beard and the skull cap shook his head in resignation.

This is a sad story indeed. It records the act of purposeful destruction of the religious life of one of our great world religions, Judaism.

But, the range of Soviet attacks on Soviet Jewry has extended far wider than in the cultural and religious fields. Soviet Jews have long suffered exclusion from diplomatic careers in the Soviet state. They have experienced grave discriminations in admissions to schools of higher learning. What has made discrimination of this dimension so easy has been the Soviet practice of clearly indicating on all official papers the designation of the person's ethnic origin.

The universal character of world Jewry, and particularly the establishment of Israel, has provided the Soviet Government with a convenient excuse for oppressing Soviet Jews. One familiar charge frequently made against Soviet Jews is that they consort with foreign agents and engage in treasonable activities. In November of last year Rowland Evans, Jr., disclosed so perceptively and brilliantly in the pages of the New York Herald Tribune the most recent Soviet attempt to discredit Soviet Jewry. He reported the incident, previously kept secret from the outside world, that Gedalia Rubinovich Pechersky, a leader of the Leningrad Jewish community, along with two subordinates, was arrested in June 1961 and at a secret trial in October convicted of treason. Trud, one of the leading Soviet newspapers, finally revealed the nature of their crime in an article dated January 19, 1962, entitled "Zionism: A Mask for Spies." This article declared that members of the Israeli Embassy in Moscow had allegedly engaged in espionage activities. Trud made this charge:

Facts show that the subversive activity of members of the Israeli Embassy against the Soviet Union is conducted with the knowledge of the Israeli Government and on the orders of their transoceanic masters.

The article went on to say:

Being in complete economic and political dependence on the U.S. imperialists, the Israeli Zionists have completely subjugated their home and foreign policy to the interests of the transatlantic bosses. The Zionist organization and parties of Israel have actually become branches of the American intelligence service.

After making this broad assault on Israel as well as the United States, the article got down to specific charges:

Soviet citizens Pechersky, Dynkin, and Kaganov, recruited by the members of the Israeli Embassy, have recently been exposed. It has been irrefutably established during the trial that besides collecting and handing over spy information to the Israeli diplomats, the traitors Pechersky, Dynkin, and Kaganov spread rumors and inventions slurring the Soviet political and public system and circulated anti-Soviet literature published in Israel, which they received secretly from staff members of the Israeli Embassy, Prat, Sharett, and others. They have also confessed * * * that the tapes with recordings of slanders against Soviet life confiscated

from them were specially prepared for their masters, who planned to use it for anti-Soviet propaganda.

The article concluded with this inflammatory exhortation against alleged treasonable activities of Soviet Jews:

The Soviet people are incensed by the behavior of the Israeli diplomats, who are using their trips in the U.S.S.R. and meetings with Soviet citizens for subversive activity. It is high time for the Zionist provocateurs to realize that their subversive activity against the Soviet Union arouses the wrath and contempt of all Soviet people, regardless of nationality.

There seems to be little doubt that this recent attack on the Jewish community leaders of Leningrad represents ominous forebodings for the future of Soviet Jewry. Indeed, Rowland Evans speculates that this attack could be, in his words, "a harbinger of a new anti-Jewish campaign."

Another straw in the wind to show the present mood of the Soviet Government is the recent report of March 19 by Theodore Shabad, the New York Times correspondent in Moscow, that the Soviets have prohibited the sale of matzoh from state-operated bakeries. True, to the non-Jew this restriction may seem unimportant. But matzoh is the traditional unleavened bread which is so vital a part of the Jewish Passover festival. And to the practicing Jew, this recent Soviet restriction represents another assault on his religious beliefs and an attempt to further erode Judaism from the life of Soviet Jewry.

In the light of these facts that I have brought out here today, certainly the much-voiced Soviet claim of freedom of national minorities has a hollow sound.

There is no genuine freedom for the national minorities in the Soviet Union. These national groups are consistently faced with the calculated Soviet campaign of erosion of their identities.

Can the Soviet Jews withstand the corrosive force of Soviet discriminatory policies?

That is, of course, a serious question that Jews throughout the world now ask themselves.

But, of one thing we can all be confident, and it is that the Jewish people have for thousands of years survived tyrannies.

It is not now a question of whether, they, as a people, will survive the tyrannical regime of the Soviets that now seeks their extinction. There can be no doubt that they will. The question is whether we, the American people, Jew and non-Jew, can sit back, sympathetic, yes, but perhaps too passive in our reliance on our confidence in their eventual survival.

This is a dastardly form of blatant persecution—one which calls for loud voices of protest by our Government, by our officials, by our citizenry, and by free peoples everywhere.

By publicly decrying this maltreatment we will contribute immeasurably to the awakening of the world to another vicious example of the true nature of the Communist way of life.

This is my purpose today: To protest before this great forum of the American people this maltreatment of our fellow man and I do so with all the vehemence that is within me.

MEANS TEST IN FEDERAL PROGRAMS

Mr. LANGEN. Mr. Speaker, I ask unanimous consent that the gentleman from Missouri [Mr. CURTIS] may extend his remarks at this point in the RECORD and include extraneous matter.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. CURTIS of Missouri. Mr. Speaker, one of the major arguments advanced by those who favor the King-Anderson bill for limited hospital insurance under social security is that the present Kerr-Mills Act involves a degrading means test. The Secretary of Health, Education, and Welfare used this line of argument in testifying before the Ways and Means Committee last July:

Requiring older people who have always been financially independent to undergo a means test, with its investigation of their personal circumstances, when serious illness strikes, denies them dignity and self-respect in their days of retirement.

Some of the Secretary's supporters, notably our former colleague, Aime Forand and his senior citizens groups, have attacked the Kerr-Mills bill for requiring a pauper's oath. Mr. Speaker, the pauper's oaths, if such they are, are created by the States under present welfare laws. The Kerr-Mills Act permits them to liberalize existing means tests. It helps older people meet their medical bills so they can stay off relief. Instead of denigrating this fine piece of legislation, the people who are really concerned with the health problems of our aged should be pressing for broader implementation of the Kerr-Mills Act at the State level.

Mr. Speaker, while I have favored liberalizing means tests where their impact is harsh or unjust, I firmly believe in the principle of a means test as do most Americans. Our programs in health, education, and welfare should be focused where there is proven need. We must introduce a scale of priorities in our social expenditure. The Federal Government cannot afford to distribute benefits indiscriminately without reference to an established scale of needs. Both sound fiscal management and social justice point toward the institution of a fair means test. And, Mr. Speaker, this is the conclusion previous Congresses and administrations have reached time and time again. I submit for consideration the following listing of Federal programs financed from general revenue and incorporating a means test. I have omitted the annual means test we all face in the income tax as well as the OASDI earnings test. When we review the facts, can we in all fairness say that these tests are degrading? Or should we conclude that they help us direct assistance to those who are really in need.

OLD-AGE ASSISTANCE

This program generally provides Federal funds for State programs under which needy aged persons are given money to be used to purchase food, clothing, and shelter, and under which medical care is provided.

To be eligible for a Federal contribution, the State must submit a plan, one requirement of which is as follows:

(10) if the State plan includes old-age assistance—

(A) provide that the State agency shall, in determining need for such assistance, take into consideration any other income and resources of an individual claiming old-age assistance;

(B) include reasonable standards, consistent with the objectives of this subchapter, for determining eligibility for and the extent of such assistance; and * * * (42 U.S.C. 302(a)(10)).

The means test for the medical assistance for the aged not on old-age assistance is also contained under this section. It provides as follows:

(D) include reasonable standards, consistent with the objectives of this subchapter, for determining eligibility for and the extent of such assistance (42 U.S.C. 302(a)(11)(D)).

AID TO DEPENDENT CHILDREN

This program provides for Federal contributions to the States for needy dependent children, including a temporary program for the children of unemployed parents.

As in the old-age assistance program, the State must submit a plan, one requirement of which is as follows:

(7) provide that the State agency shall, in determining need, take into consideration any other income and resources of any child claiming aid to dependent children.

Eligibility for the parents of such children is limited as follows:

(11) provide, effective October 1, 1950, that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 302 of this title (42 U.S.C. 602(a)(7) and (11)).

AID TO THE BLIND

This program provides for Federal contributions to State programs in behalf of needy individuals who are blind.

As in the old-age assistance program, the State must submit a plan, one requirement of which is as follows:

(8) provide that the State agency shall, in determining need, take into consideration any other income and resource of the individual claiming aid to the blind; except that, in making such determination, the State agency shall disregard either (i) the first $50 per month of earned income, or (ii) the first $85 per month of earned income plus one-half of earned income in excess of $85 per month (42 U.S.C. 1202(a)(8)).

Eligibility for an individual is limited as follows:

(7) provide that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 302 of this title or aid to dependent children under the State plan approved under section 602 of this title (42 U.S.C. 1202(a)(7)).

AID TO THE PERMANENTLY AND TOTALLY DISABLED

This program provides Federal contributions for State programs under

which needy permanently and totally disabled individuals receive assistance.

As in the old-age assistance program, the State must submit a plan, one requirement of which is as follows:

(8) provide that the State agency shall, in determining need, take into consideration any other income and resources of an individual claiming aid to the permanently and totally disabled (42 U.S.C. 1352(a)(8)).

Eligibility for an individual is limited as follows:

(7) provide that no aid will be furnished any individual under the plan with respect to any period with respect to which he is receiving old-age assistance under the State plan approved under section 302 of this title, aid to dependent children under the State plan approved under section 602 of this title, or aid to the blind under the State plan approved under section 1202 of this title (42 U.S.C. 1352(a)(7)).

LOW-RENT HOUSING

Under this program, the Public Housing Administration is authorized to make loans to public housing agencies for the development, acquisition, or administration of low-rent housing for persons of low income.

In making the loans, the administration retains the right to maintain the low-rent character of the housing project.

A low-income family is defined as:

(2) The term "families of low income" means families who are in the lowest income group and who cannot afford to pay enough to cause private enterprise in their locality or metropolitan area to build an adequate supply of decent, safe, and sanitary dwellings for their use (42 U.S.C. 1402(2)).

Determinations of eligibility for tenancy in these projects is determined as follows:

(8) Every contract made pursuant to this chapter for annual contributions for any low-rent housing project initiated after March 1, 1949, shall provide that—

(a) the public housing agency shall fix maximum income limits for the admission and for the continued occupancy of families in such housing, that such maximum income limits and all revisions thereof shall be subject to the prior approval of the Administration, and that the Administration may require the public housing agency to review and to revise such maximum income limits if the Administration determines that changed conditions in the locality make such revisions necessary in achieving the purposes of this chapter;

(b) a duly authorized official of the public housing agency involved shall make periodic written statements to the Administration that an investigation has been made of each family admitted to the low-rent housing project involved during the period covered thereby, and that, on the basis of the report of said investigation, he has found that each such family at the time of its admission (i) had a net family income not exceeding the maximum income limits theretofore fixed by the public housing agency (and approved by the Administration) for admission of families of low income to such housing; and (ii) lived in an unsafe, insanitary, or overcrowded dwelling, or was to be displaced by any low-rent housing project or by any public slum-clearance, redevelopment, or urban renewal project, or through action of a public body or court, either through the enforcement of housing standards or through the demolition, closing, or improvement of a dwelling unit or units, or actually was without housing, or was about to be without housing as a result of a court order of eviction, due to causes other than the fault of the tenant: *Provided*, That the requirement in (ii) shall not be applicable in the case of the family of any veteran or serviceman (or of any deceased veteran or serviceman) where application for admission to such housing is made not later than October 1, 1961;

(c) in the selection of tenants (i) the public housing agency shall not discriminate against families, otherwise eligible for admission to such housing, because their incomes are derived in whole or in part from public assistance and (ii) in initially selecting families for admission to dwellings of given sizes and at specified rents the public housing agency shall (subject to the preferences prescribed in sec. 1410(g) of this title) give preference to families having the most urgent housing needs, and thereafter, in selecting families for admission to such dwellings, shall give due consideration to the urgency of the families' housing needs; and

(d) the public housing agency shall make periodic reexaminations of the net incomes of tenant families living in the low-rent housing project involved; and if it is found, upon such reexamination, that the net incomes of any such families have increased beyond the maximum income limits fixed by the public housing agency (and approved by the Administration) for continued occupancy in such housing, such families shall be required to move from the project (42 U.S.C. 1415(8) (a), (b), (c), and (d)).

FARM HOUSING

Under this program, the Secretary of Agriculture is authorized to extend financial assistance through the Farmers Home Administration to owners of farms in the United States to construct, improve, or repair farm dwellings and outbuildings.

To be eligible for assistance the farmer must meet the following requirements:

(c) In order to be eligible for the assistance authorized by subsection (a) of this section, the applicant must show (1) that he is the owner of a farm which is without a decent, safe, and sanitary dwelling for himself and his family and necessary resident farm labor, or for the family of the operating tenant, lessee, or sharecropper, or without other farm buildings adequate for the type of farming in which he engages or desires to engage; (2) that he is without sufficient resources to provide the necessary housing and buildings on his own account; and (3) that he is unable to secure the credit necessary for such housing and buildings from other sources upon terms and conditions which he could reasonably be expected to fulfill (42 U.S.C. 1471 (c)).

SCHOOL-LUNCH PROGRAM

The purpose of this program is to safeguard the health and well-being of the Nation's children and to encourage the domestic consumption of nutritious agricultural commodities.

Lunches served by schools participating in the school-lunch program under this chapter shall meet minimum nutritional requirements prescribed by the Secretary on the basis of tested nutritional research. Such meals shall be served without cost or at a reduced cost to children who are determined by local school authorities to be unable to pay the full cost of the lunch. No physical segregation of or other discrimination against any child shall be made by the school because of his inability to pay. (42 U.S.C. 1758).

VETERANS PENSIONS

Pensions are paid to veterans of World War I, World War II, or the Korean conflict who meet service requirements and the following income limitations:

Annual income		Monthly pension
More than—	Equal to or less than—	
	$600	$85
$600	$1,200	70
$1,200	$1,800	40

Source: 38 U.S.C. 521(b).

If the veteran is married or has a child or children, he would be eligible for the following pension if he meets the following income limitations:

Annual income		Monthly pension		
More than—	Equal to or less than—	1 dependent	2 dependents	3 dependents
	$1,000	$90	$95	$100
$1,000	$2,000	75	75	75
$2,000	$3,000	45	45	45

Source: 38 U.S.C. 521(c).

The widow of a veteran of World War I, World War II, or the Korean conflict who meets the service requirements or who at the time of his death was receiving compensation or retirement pay for a service connected disability is entitled to a pension if she meets the following income limitations:

Annual income		Monthly pension
More than—	Equal to or less than—	
	$600	$60
$600	$1,200	45
$1,200	$1,800	25

Source: 38 U.S.C. 541(b).

If the widow has one child, she would be entitled to the following pension if she meets the following income limitations:

Annual income		Monthly pension
More than—	Equal to or less than—	
	$1,000	$75
$1,000	$2,000	60
$2,000	$3,000	40

Source: 38 U.S.C. 541 (c).

A child of a veteran of World War I, World War II, or the Korean conflict who meets service requirements or who was entitled to receive compensation or retirement pay for a service connected disability would be entitled to a pension of $35 a month ($15 per month for each additional child), the total distribution of which would be to the child in equal shares, provided the child's annual income does not exceed $1,800.

In determining annual income under this chapter, all payments of any kind or from any source—including salary, retirement or annuity payments, or similar income, which has been waived, irrespective of whether the waiver was made pursuant to statute, contract, or otherwise—shall be included except—

(1) payments of the six-months' death gratuity;
(2) donations from public or private relief or welfare organizaions;
(3) payments under this chapter, and chapters 11 and 13 (except section 412) of this title;
(4) payments under policies of United States Government life insurance or National Service Life Insurance, and payments of servicemen's indemnity;
(5) lump sum death payments under subchapter II of chapter 7 of title 42;
(6) payments to an individual under public or private retirement, annuity, endowment, or similar plans or programs equal to his contributions thereto;
(7) amounts equal to amounts paid by a widow or child of a deceased veteran for—
(A) his just debts.
(B) the expenses of his last illness, and
(C) the expenses of his burial to the extent such expenses are not reimbursed under chapter 23 of this title;
(8) proceeds of fire insurance policies. (38 U.S.C. 503).

VETERANS HOSPITAL OR DOMICILIARY CARE AND MEDICAL TREATMENT

The Administrator, within the limits of the Veterans' Administration facilities, may furnish hospital care which he determines is needed to—

(1) a veteran of any war for service-connected disability incurred or aggravated during a period of war, or for any other disability if such veteran is unable to defray the expenses of necessary hospital care (38 U.S.C. 610(a)(1)).

Note that the determination of inability "to defray the expenses of necessary hospital care" is made under administrative regulations.

OTHER PROGRAMS

While these programs do not contain a means test as such, they are intended to help the needy.

Indian Health:

Hereafter the Secretary of the Interior is authorized, in his discretion and under such rules and regulations as he may prescribe, to make advances to old, disabled, or indigent Indian allottees, for their support, to remain a charge and lien against their land until paid; such advances for fiscal years after 1939 to be made from appropriations specifically available for such purposes (25 U.S.C. 306a).

SURPLUS FOOD PROGRAMS

The law authorizes the appropriation of funds to encourage the exportation and domestic consumption of agricultural products:

Such sums shall be maintained in a separate fund and shall be used by the Secretary of Agriculture only to * * * (2) encourage the domestic consumption of such commodities or products by diverting them, by the payment of benefits or indemnities or by other means, from the normal channels of trade and commerce or by increasing their utilization through benefits, indemnities, donations or by other means, among persons in low income groups as determined by the Secretary of Agriculture (7 U.S.C. 612c).

To prevent waste of commodities in private stocks or acquire through price-support operations by the Commodity Credit Corporation before they can be disposed of in normal domestic channels without impairment of the price-support program or sold abroad at competitive world prices:

The Commodity Credit Corporation is authorized, on such terms and under such regulations as the Secretary of Agriculture may deem in the public interest * * * (3) in the case of food commodities, to donate such commodities to the Bureau of Indian Affairs and to such State, Federal, or private agency or agencies as may be designated by the proper State or Federal authority and approved by the Secretary, for use in the United States in nonprofit school-lunch programs, in nonprofit summer camps for children, in the assistance of needy persons, and in charitable institutions, including hospitals, to the extent that needy persons are served (7 U.S.C. 1431).

It is under the authority of the above two provisions that the President's pilot food stamp plan is being carried out.

MATERNAL AND CHILD HEALTH SERVICES

The law authorizes appropriations "for the purpose of enabling each State to extend and improve, as far as practicable under the conditions of such State, services for promoting the health of mothers and children, especially in rural areas and in areas suffering from severe economic distress"—42 U.S.C. 701.

This program requires the States to submit a State plan which, while not setting forth a means test, does require the State plan to "(7) provide for the development of demonstration services in needy areas and among groups in special need"—42 U.S.C. 703(a).

SERVICES FOR CRIPPLED CHILDREN

The law authorizes appropriations "for the purpose of enabling each State to extend and improve (especially in rural areas and in areas suffering from severe economic distress), as far as practicable under conditions in such State, services for locating crippled children, and for providing medical, surgical, corrective, and other services and care, and facilities for diagnosis, hospitalization, and aftercare, for children who are crippled or who are suffering from conditions which lead to crippling"—42 U.S.C. 711.

CHILD WELFARE SERVICES

The law authorizes appropriations "for the purpose of enabling the United States through the Secretary to cooperate with State public-welfare agencies in establishing, extending, and strengthening public-welfare services (hereinafter this subchapter referred to as child-welfare services) for the protection and care of homeless, dependent, and neglected children, and children in danger of becoming delinquent"—42 U.S.C. 721.

NATIONAL DEFENSE EDUCATION ACT LOAN PROGRAM

This program authorizes Federal grants to universities and colleges for the purpose of making loans to students: "(1) such a loan shall be made only to a student who (A) is in need of the amount of the loan to pursue a course of study in such institution"—20 U.S.C. 425(b)(1)(A).

TREATMENT OF NARCOTIC ADDICTS

In providing treatment to narcotic addicts:

Any such addict may be required to pay for his subsistence, care, and treatment at rates fixed by the Surgeon General and amounts so paid shall be covered into the Treasury of the United States to the credit of the appropriation from which the expenditure for his subsistence, care, and treatment was made. Appropriations available for the care and treatment of addicts admitted to a hospital of the Service under this section shall be available, subject to regulations, for paying the cost of transportation to any place within the continental United States, including subsistence allowance while traveling, for any indigent addict who is discharged as cured (42 U.S.C. 260(b)).

WITHHOLDING OF TAX ON DIVIDENDS AND INTEREST

Mr. LANGEN. Mr. Speaker, I ask unanimous consent that the gentlewoman from Ohio [Mrs. BOLTON] may extend her remarks at this point in the RECORD and include extraneous matter.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mrs. BOLTON. Mr. Speaker, like many of my colleagues I have received an avalanche of mail in opposition to the proposed withholding of a 20-percent tax on dividends and interest as provided in H.R. 10650. The minority report of Republican members of the House Ways and Means Committee describes this plan as an "administrative monstrosity." The phrase is a masterpiece of understatement.

As the proposal stands, injustice will be done to a tremendous number of our citizens. The Government will receive withholding money belonging to people who do not have a tax to pay and cannot file for an exemption certificate. If these people are to obtain the amount withheld which is rightfully theirs, they would have to file a claim for refund. If the Treasury gives these claims the attention they deserve, the refunds will be slow in coming. The cost of examining and paying the claims will be out of all proportions to revenue derived. The Treasury cannot honor the claims without investigation in fairness to all taxpayers.

A huge percentage of the amount withheld is so small that a claim for refund is not justified. One Ohio savings and loan association made a study of its accounts and found 57 percent of them received less than $20 interest in 1961 at a 4-percent rate.

Many other taxpayers entitled to deduct the amounts withheld will not claim the deduction from their tax because they will not understand how to make the deduction. The net result is that the Treasury will be the beneficiary of money to which it has no legal right which will mean actual hardship to many individuals and heavy expenses to companies and banks.

The burden of administration falls upon all who pay interest and dividends—savings and loan associations, banks, corporations, et cetera. The Treasury has stated these organizations will be permitted to use the money withheld for a short period of time and by employing it, be compensated for their extra expense. That, Mr. Speaker, borders on the ridiculous and the absurd.

Mr. Speaker, there are many reasons why this tax bill should not be enacted in its present form, but this provision

for withholding on dividends and interest is foremost among them. It is my earnest hope that the bill will be recommitted.

TAX REFORM LEGISLATION

Mr. LANGEN. Mr. Speaker, I ask unanimous consent that the gentleman from Indiana [Mr. HARVEY] may extend his remarks at this point in the RECORD and include extraneous matter.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Minnesota?

There was no objection.

Mr. HARVEY of Indiana. Mr. Speaker, the administration, by the very nature of the provisions in H.R. 10650, has recognized a need for tax reform legislation. Certainly if this Nation is to prosper and maintain industrial supremacy, Congress has the responsibility to provide business and industry with a tax climate conducive to sound economic growth.

The captains of American industry are charged today with the responsibility for providing 1 million new jobs each year. Inasmuch as the administration's tax proposal relates in part to the problem of industrial expansion, this bill, in my opinion, is probably one of the most important domestic issues facing us this session. In an effort to meet the needs of an expanding labor market, this bill suggests an expedient subsidy for industry, through the introduction of the 7-percent tax credit for new investment.

One might be led to believe that all phases of business and industry will share in the opportunity to participate in the tax credit for new investment; actually this is not the case. A token 3-percent tax credit for new investment has been awarded to public utilities whereas, on the other hand, the construction industry will not be permitted the privilege of participation. The tax credit feature in this bill is highly discriminatory and can only lead to future tax proposals in order to provide similar tax credits to the businesses which have been barred in this legislation.

Careful examination of the content in this proposal has revealed to me that the small businessman engaged in either a service or distributive type of enterprise will receive practically little or no tax relief at all.

Twice in 15 months the administration has requested the Congress to raise the ceiling on the national debt limit; twice the Congress has responded favorably. Now we are approached and asked to support a bill that will guarantee a substantial tax loss to the Treasury with, I might add, many limited, discriminatory, tax-relief features.

If the administration is genuinely interested in providing industry with a tax climate that will enable our economy to enjoy an increased rate of growth, I suggest the adoption of a general tax reform proposal, such as the type proposed during the last session, the Herlong-Baker bill. Only in this way, in my opinion, will our economy absorb the expanding labor market and provide the Treasury with increased revenue that is so vital to meeting the problem of the balance of payments.

I wish to also voice displeasure over the proviso which would withhold taxes on dividends and interest. There has been no demonstrated proof that enough revenue would be received from evaders of these taxes to even pay the additional personnel needed to administer and police such a program.

I had hoped that H.R. 10650 would be recommitted to the House Ways and Means Committee so that consideration could be given to the tax problems of small business as proposed by me in H.R. 10376. This bill, H.R. 10376, if enacted, would provide much needed tax relief for small business through reduced rates for the small businessman.

COMMITTEE ON GOVERNMENT OPERATIONS

Mr. GONZALEZ. Mr. Speaker, I ask unanimous consent that the Committee on Government Operations may have until midnight tomorrow to file its report entitled "Overseas Military Information Programs."

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

CREATION OF FEDERAL FAIR EMPLOYMENT PRACTICES COMMISSION

Mr. GONZALEZ. Mr. Speaker, I ask unanimous consent that the gentleman from California [Mr. SHELLEY] may extend his remarks at this point in the RECORD and include extraneous matter.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. SHELLEY. Mr. Speaker, today I am introducing a bill to authorize establishment of a Federal Equal Employment Opportunity Commission which is intended to take steps to eliminate discrimination in employment opportunity. In my mind, establishment of such a Commission is one of the most efficacious ways to obtain the social and economic benefits of fair employment practices in our Nation.

Mr. Speaker, I join with a number of my colleagues in the introduction of this proposed legislation, because I have seen firsthand the operation of such a commission in San Francisco and California. Experience shows that these two commissions actually have worked well to eliminate discrimination on account of race or religion by promoting the voluntary compliance among our people.

Equal employment opportunity is the opening of the doors to all our people on an equal basis for jobs which are available in our industries, our service organizations, and employment units.

Mr. Speaker, I firmly believe, the refusal to employ an applicant competent to do the work solely because of his race, country of origin, or age, is diametrically opposed to the American principle of liberty and justice for all. It is also a contribution to lessened efficiency and success of our national endeavors.

To my way of thinking, Mr. Speaker, discriminatory practices in employing an individual which assumes that a member of a minority racial or ethnic group cannot or should not be permitted to rise above a certain job classification, without regard to education, intelligence, personality, and capability is unsound economically and morally wrong. When such practices exist, they deprive individuals in the United States from achieving the jobs to which they are best prepared by ability and inclination. Such practices deprive our country of much needed talent. Such practices, relegating an individual to drawing water or hewing wood for his lifetime because of his race, color, or creed, not only deprives individuals of positions commensurate with their capacity, and to depress their standards of living, but, as well, operates to the serious detriment of the development and growth of this country.

Mr. Speaker, one often hears that good behavior cannot be legislated. Inherent in this argument is the overlooking of legislation as an educational tool. An equal employment opportunity law does more than prohibit prejudiced behavior—the closing of opportunity solely because of race or national origin or religion or age. Individuals subject to the law adapt to the law and savor its full meaning. The penalties of the law are only a minor part of its influence. Individuals learn from laws, accommodate themselves to them and come to accept them as normal human behavior.

Our experience in California, where we have had antidiscrimination legislation for some years, amply brings out the point that good laws create good habits in accordance with the intent of the legislation. With such a statute on the books many employers are quite willing to hire the best qualified applicant without reference to race, color, or creed. Many employers with whom I have discussed the situation in California have told me that they do not give any consideration to such factors as race, religion, or ethnic background in selecting qualified employees. At the same time the existence of the Fair Employment Practices Act fortifies and justifies his selection.

Mr. Speaker, relatively speaking, once such legislation is in effect, not many complaints are brought to the commission. The San Francisco Commission on Equal Employment Opportunity began functioning during the middle of 1957. It was the first fair employment practices law adopted in California. It continued operation until the middle of September of 1960. The San Francisco commission was terminated because of the enactment by the California State Legislature of the State Fair Employment Practice Act in September 1959, which provided that local commissions were allowed 1 year to terminate their pending cases. During the operation of the San Francisco commission, some 90 complaints were filed. A number of these complaints were found to be

without adequate foundation and of those remaining the great bulk of them were satisfactorily adjusted with employment of the aggrieved party or other forms of settlement ranging from collection of backpay or the processing of the complaint through normal company procedures. In no case did a complaint of discriminatory employment practice reach the state of an open hearing.

Mr. Speaker, the first executive director of the San Francisco commission was Edward Howden. With the formation of the California Division of Fair Employment Practices, he was chosen as division chief. Under his able and devoted leadership, complaints with the State division, excepting five, have been resolved through investigation, conference, and conciliation, without public disclosure of the names of the parties and without public hearings.

Based on the successful record of these two commissions in California, and those in other States and cities in the United States, I feel it may be statistically demonstrated that such a Federal commission would insure great rewards to the people and economy of our Nation.

Mr. Speaker, several times over the years I have been asked why I have strong feeling relative to the creation of such a governmental commission. A factor going into my belief occurred in my childhood. I have very vivid recollections of my father telling me of some of his personal experiences when he first came to this country as a young immigrant from Ireland; how as a husky, healthy man of 21 or 22 years of age he had come to this land of freedom and opportunity in about 1889 or 1890 and was shocked by signs "No Irish need apply." How in other instances he would not be hired when the prospective employer found he was a Catholic. These stories, told me as a young boy, shocked me—and when they were related to me by my father, who became an American citizen on the very first day he was eligible to do so and was proud that he picked this country as his own.

I have seen in my lifetime other cases of discrimination, Mr. Speaker, based on religion, race, color, or years of maturity. Is it not about time we stopped this and became the great country in all ways?

Perhaps, Mr. Speaker, the achievements of a Federal Commission will be best marked—as I believe they are in State and local commissions—by the opening of new doors of employment opportunity to those who never have nor will approach a commission with a complaint, but who have and will benefit from the growing awareness in the United States of the existence of fair employment practices commissions.

Mr. Speaker, I would like to say a few additional words about the need of this legislation to protect the older worker—who indeed may be no older than 40 or 45 years of age—in his quest for employment. This prejudice against the mature or older worker who has lost his job in most cases through no fault of his own is one of the toughest to combat, in some cases because there might be an additional cost toward the pension fund because of the older age. The additional cost of group insurance on account of workers in the higher age brackets is quite small and where the fund is vested, as most of them are, there may be no additional cost at all.

Mr. Speaker, in steadiness, and in performance, these mature or older workers have generally established themselves as the backbone of the labor force. Discrimination against hiring such workers, once they are laid off in the ebb and flow and vicissitudes of business, creates unwarranted hardship. The committee bill, which I have the honor to introduce and cosponsor, bars discrimination on account of age along with discrimination because of color, religion, and national origin, to the end that equal opportunity shall exist for our entire working population.

It is my sincere hope that the vigilance of our laws, Mr. Speaker, and the awareness of our citizens will not terminate until our fellow Americans are protected in the right to employment on a merit basis alone.

EIGHTIETH ANNIVERSARY OF THE KNIGHTS OF COLUMBUS

Mr. GONZALEZ. Mr. Speaker, I ask unanimous consent that the gentleman from Rhode Island [Mr. FOGARTY] may extend his remarks at this point in the RECORD and include extraneous matter.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. FOGARTY. Mr. Speaker, today marks the 80th anniversary of the Knights of Columbus.

The story of the Knights of Columbus begins on January 16, 1882, in the parish rectory of St. Mary's Church in New Haven, Conn. The good that would come of a selective, pledge-bound organization of Catholic men had been realized by one of the priests of the Parish, Rev. Michael J. McGivney, the renowned but humble founder of this great order. He resolved to meet the need of the times by recommending the formation of an organization founded on principles in harmony with church and church regulations, a Catholic organization combining fraternal benefits with initiation and selective membership features. Losing little time in the contemplation of the good things such a society could accomplish, Father McGivney set about the task of bringing it into existence. He invited nine men of the parish to talk it over with him. They met at the rectory on January 16, 1882. In a little more than 2 months after the first informal meeting, on March 29, 1882, the charter of the Knights of Columbus was granted and approved by the general assembly of the State of Connecticut.

The purposes for which the Knights of Columbus was founded by Father Michael J. McGivney and those associated with him as stated in the charter were these:

(a) Of rendering pecuniary aid to its members, their families and beneficiaries of members and their families;

(b) Of rendering mutual aid and assistance to its sick, disabled and needy members and their families;

(c) Of promoting social and intellectual intercourse among its members and their families, and

(d) Of promoting and conducting educational, charitable, religious, social welfare, war relief and welfare, and public relief work.

Thus was born the order which has grown in the 80 years that have passed, to a membership of 1,150,000 Catholic men in nearly 5,000 councils in all of the 50 States, all of the Provinces of Canada, in Newfoundland, Mexico, Cuba, Panama, Puerto Rico, and the Philippine Islands.

It was the intention of the founders of the order to confine its activities to the State of Connecticut. Fate decreed otherwise.

Council No. 21 was to have been instituted in Stonington, Conn., on the 15th of April 1885. On the eve of that date a fire destroyed the building in which the ceremonies were to be held. This incident, considered a misfortune at first, was a turning point in the history of the order. Since no other hall was available in Stonington, the officers in charge of the institution, the candidates and the visitors moved across the boundary to our State, Rhode Island, and carried out their scheduled program in Westerly. The unit remained there and became known as Narragansett council, the first council ever formed outside the confines of the State in which the order was founded. With the institution of Narragansett Council No. 21, the idea developed that the order should spread to every State in the Union.

From this humble beginning the order has expanded in Rhode Island until at the present time there are 35 councils with a total membership of close to 15,000.

On April 23, 1893, the Rhode Island State Council was formed. Representatives of the six councils then in existence went into session and elected the first State officers. They included: State chaplain, Rev. William B. Meehan, of Leo council; State deputy, Miles A. McNamee, of Tyler council; State secretary, Eugene J. McCarthy, of LaSalle council; State treasurer, Thomas F. Clarke, of Delaney council; State warden, Thomas Cowley, of Narragansett council; and State advocate, J. Joseph Crofton, of Newman council. Thirty-nine additional State deputies have headed the order in Rhode Island during the intervening years up to the present time. Rhode Island has been honored by the election of four supreme directors during these years. Our first State deputy, Miles McNamee, served as supreme director in 1893. Matthew J. Cummings service in this office covered the years of 1902 and 1903. Charles P. McAlevy was supreme director from 1924 through 1930 and James W. McCormick, Rhode Island's sole living supreme director, served the order from 1945 through 1955.

Seventeen of Rhode Island's past State deputies are still living. The dean of this select group is the Honorable Edward P. Quigley, president of the Providence City Council who this year celebrated

50 years membership in the order. Dr. William L. Callahan, superintendent of the Burrilleville School System, is also marking his golden anniversary of membership this year. Other living past State deputies in the chronological order of their service are: James W. McCormick, John B. O'Rourke, Thomas J. Curley, Donald J. Murray, James F. Stewart, William J. Lynch, Dr. James A. O'Leary, Joseph A. McGarry, Sylvester A. Pezzullo, Joseph H. Driscoll, Leo A. Warburton, Peter J. Barrett, Anthony Giannini, Irvin S. Kane and Paul V. McPeak. James R. McCloskey of East Providence is the present State deputy.

His Excellency Russell J. McVinney, the most reverend bishop of the diocese of Providence, addressed a letter to the Knights of Columbus which appeared in the Providence Visitor on March 23 which stated in part:

MY FELLOW KNIGHTS: When Reverend Michael McGivney and his friends conceived the idea of a Society of Catholic laymen which would, through its dedicated membership, promote, defend and vindicate Catholic thought and the Catholic way of life, they did not in their most sanguine dreams envision the vigorous influential society we know to be the present Knights of Columbus. United in fraternity, charity, and patriotic loyalty, the Knights of Columbus are indeed exemplars of the virtues dearest to the Catholic American heart. Never have they been found wanting.

I would reecho these warm sentiments of tribute of Bishop McVinney coupled with personal genuine felicitations to my brother knights of Rhode Island and throughout the order on this 29th day of March 1962, which marks the glorious 80th anniversary of the Knights of Columbus, an order dedicated and inspired in its service to God.

Mr. Speaker, the Reverend Edmund Fitzgerald, chaplain of Delaney Council No. 57 of the Knights of Columbus, has sent to me a copy of a resolution passed by the General Assembly of the State of Rhode Island. Under leave to extend my remarks I include that resolution, together with the covering letter from Father Fitzgerald:

DELANEY COUNCIL NO. 57,
KNIGHTS OF COLUMBUS,
Pawtucket, R.I., March 16, 1962.

Hon. JOHN E. FOGARTY,
U.S. House of Representatives,
Washington, D.C.

DEAR MR. FOGARTY: At the request of Delaney Council 57, the Rhode Island General Assembly passed the enclosed resolution on the occasion of the 80th anniversary of our order, which is to be celebrated on March 29.

Since you were our honored guest at the fourth degree exemplification in Newport last June (and are recognized as an outstanding member of the fourth degree yourself), we thought you might want to have some mention of the 80th anniversary made in Congress on or near the 29th of the month.

We also felt that you might be good enough to have the Rhode Island resolution inserted in the CONGRESSIONAL RECORD, so that all may see and know how highly our State regards our venerable order.

Many thanks for your kind help in this project.

With a fraternal blessing,
Rev. EDMUND H. FITZGERALD,
Chaplain.

HOUSE RESOLUTION 1436

Resolution of the General Assembly of the State of Rhode Island and Providence Plantations, extending to the Knights of Columbus personal congratulations upon the occasion of the 80th anniversary of the founding of the Knights of Columbus

Whereas the general assembly wishes to take this occasion to extend personal congratulations upon the occasion of the 80th anniversary of the founding of the Knights of Columbus, whose charter was granted by the General Assembly of the State of Connecticut on March 29, 1882; and

Whereas on March 29, 1962, the more than 1 million members of the Knights of Columbus in the more than 5,000 councils in the United States, Canada, Cuba, Mexico, Puerto Rico, Panama, and the Philippines will observe this anniversary; and

Whereas it is recognized by country, church, community, and fellow men, acknowledging contributions made by the Knights of Columbus in the fields of religion, social welfare, youth work, and patriotic endeavor; and

Whereas we of the general assembly now honor and commemorate the efforts, energy, and enthusiasm of the members of the Knights of Columbus, a Catholic fraternal order, in their work of citizenship and charity which so add to the State of Rhode Island and the well-being of our people; and

Whereas we of the general assembly assure our citizens that they should be grateful for the fine record of economic, social, and spiritual values the organization has made to this State and the Nation for the past 80 years. "Charity, unity, fraternity, and patriotism" are the basic principles of the organization, and we express our sincere wish that the Knights of Columbus shall continue to enjoy an existence, abundant with usefulness, productivity and well directed endeavor in the service of God and the Nation; requesting the secretary of state to transmit to the Knights of Columbus a duly certified copy of this resolution.

Attest:

AUGUST P. LAFRANCE,
Secretary of State.

TARIFF COMMISSION SHOULD BE SUPPORTED

Mr. GONZALEZ. Mr. Speaker, I ask unanimous consent that the gentleman from Connecticut [Mr. MONAGAN] may extend his remarks at this point in the RECORD and include extraneous matter.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. MONAGAN. Mr. Speaker, on February 28, 1962, the U.S. Tariff Commission issued a finding which recommended an increase from 20 to 35 percent in the duty on imports of foreign produced pins.

A major portion of the U.S. manufacturers of pins are located in my district and this finding of the Tariff Commission was welcome since the increase in volume of low-wage imports has had a serious effect upon business and employment in our area.

The recommendation of the Tariff Commission will go to the President for action, and before taking action, the President will consult with the Trade Policy Committee.

In support of the finding of the Tariff Commission, I have written the following letter to all the members of the Trade Policy Committee and it is my earnest hope that they will recommend to the President that he sustain the action of the Tariff Commission:

MARCH 21, 1962.

DEAR MR. SECRETARY: The U.S. Tariff Commission has reported to the President that an increase in duty from 20 to 35 percent is necessary to remedy the injury sustained by the straight pin industry as a result of trade agreement concessions. In this report, dated February 28, 1962, the Commission specifically found serious injury to domestic industry. In 1957, the Tariff Commission had found a threat of serious injury.

I am deeply concerned about this matter because some of the largest pin producing plants in the country are in my district and this district is one of labor surplus and in some sections has been classed as a "depressed area." The continually increasing volume of these low-cost imports will inevitably have an effect upon business activity and employment in our area. The Commission has found that the volume of imports is 50 percent greater in 1961 than it was in 1956. It is essential that this increase be held under control. Imports now constitute one-third of the domestic market.

It is significant to note that the net profits of domestic products declined from 5.6 percent of net sales in 1957 to 1.8 percent in 1960.

It is my understanding that the Trade Policy Committee, of which you are a member, presently has this case under consideration for a recommendation to the President.

The Tariff Commission is cautious about making findings in cases such as the instant one and, therefore, when a finding of serious injury has been made, it has the greatest significance. In view of this finding and having in mind the injury which will come to employment and business activity through the increased volume of imports, I strongly urge you to review this matter with care, and to recommend to the President that he approve the report and recommendations of the Tariff Commission.

Sincerely yours,

JOHN S. MONAGAN.

THE EUROPEAN COMMON MARKET—A CHALLENGE TO AMERICA

The SPEAKER pro tempore. Under previous order of the House, the gentleman from New Jersey [Mr. THOMPSON] is recognized for 30 minutes.

Mr. THOMPSON of New Jersey. Mr. Speaker, the European Common Market undoubtedly is one of the greatest challenges to historic American trade policies and practices which has developed in the entire history of our country.

This administration has put forward constructive proposals in answer to the challenge of the European Common Market.

One of the finest analyses of the complexities underlying the foreign trade challenges facing the United States today was made in the address by John S. Stillman, Deputy to the Under Secretary, U.S. Department of Commerce, to the fourth annual midwinter industrial conference sponsored by the industrial management clubs of southern New Jersey, at Pennsauken, N.J., January 20, 1962.

Because of the light this speech sheds on the basic problems which face our country today as a result of the development of the European Common Market, I include this speech here for the information of my colleagues:

ADDRESS BY JOHN S. STILLMAN, DEPUTY TO THE UNDER SECRETARY, U.S. DEPARTMENT OF COMMERCE, TO THE FOURTH ANNUAL MIDWINTER INDUSTRIAL CONFERENCE SPONSORED BY THE INDUSTRIAL MANAGEMENT CLUBS OF SOUTHERN NEW JERSEY, JANUARY 20, 1962, PENNSAUKEN, N.J.

I am indeed happy to be with you, and to participate in this important conference on "Tomorrow's Industrial World."

On behalf of Secretary Hodges and Under Secretary Gudeman, I wish to thank your Congressman, Frank Thompson, and the chairman of your program committee, Mr. John Scudder, for asking our Department to take part in such an interesting and worthwhile program. I was honored to be chosen as the Secretary's representative.

You are to be commended on your choice of subject matter today. It shows how enlightened and forward-looking are the businessmen of south Jersey. In fact although many of my colleagues on the New Frontier are gathered in the Armory in Washington tonight with President Kennedy and his Cabinet to celebrate the first anniversary of his inaugural, I have no regrets about being here instead, to discuss some of the problems posed for our Nation by the European Common Market, and to tell you of some of the things the Kennedy administration has done to promote business and industry—both here at home, as well as overseas—in our first year in office.

Your program lists my topic as "The European Common Market—A Challenge to America." I shall explain what it is, and how it has developed, and then point out that, while we welcome the development of this new economic and political force whose ultimate aim is a United Europe—which aim U.S. policy has fostered since its inception, as a great bulwark in the free world's struggle against Soviet expansion—it is indeed a challenge to the health of our economy because of its threat to our exports.

Following that, in order to lay the foundation for an explanation of the new trade program being proposed this year to replace the Reciprocal Trade Agreements Act—originally passed in 1934 and expiring this summer—I shall outline the vital importance of exports to our balance of payments problem, as well as to the economy of our country to your State, and to these five counties.

I shall briefly describe our Department's efforts to increase exports, and such details as have been announced of the proposed new trade legislation, including the proposals to alleviate any dislocation caused to specific firms, or their employees, by increases in competitive imports resulting from trade liberalization under the new program. This legislation will be known as the Trade Expansion Act of 1962, and will shortly be submitted to the Congress with a special message from the President. Our Department has been working closely with other agencies of the Government in preparing this new approach to tariff negotiations, and in studying its impact on our economy.

Finally, I shall be glad to answer questions on these subjects, on the state of the Nation's business, or on any other aspect of the work of our Department, or the program of the administration.

Three decades ago, in the early days of the New Deal, the plethora of new Federal agencies created to deal with the domestic problems arising out of the depression were often jocularly referred to as "alphabet soup." Now, we have the same problem of throwing around initials when we get into the international economic field in Europe with EEC, EFTA, OEEC, OECD, and GATT. I don't want to get into the international defense treaty organizations—such as NATO, SEATO, and CENTO, any of the U.N. organizations, or economic or political groupings in other areas of the world—it's enough to explain the differences between the first five, because they are all essential to understanding the jargon of world trade.

In order to understand how the European Common Market came into being in 1957, we have to go back to the beginning of the post-World War II period. At the war's end, most of the industrialized countries of Western Europe were faced with great physical destruction and economic dislocation—bombed-out factories, housing in rubble, disrupted transportation and communication facilities, a neglected agriculture, and a demoralized population. Although the needs of the European nations for industrial goods were great, they lacked sufficient international monetary reserves—gold and dollars—with which to buy critically needed goods to rebuild their economies, and they had little to sell abroad to earn the necessary dollar exchange. For the United States was almost the only source of supply.

The United States, inspired by the most laudable humanitarian motives, undertook many measures to help the devastated countries rebuild their industrial plant and regain viable economies. The most important of such measures was the phenomenally successful Marshall plan—proposed by Secretary of State Marshall in a speech at the Harvard commencement in June 1947.

Under the Marshall plan, you will recall, the United States provided Western Europe with dollar aid with which to buy food, machinery, and other American commodities. We also provided a great deal of production know-how, with many prominent American businessmen to explain it, including our Secretary of Commerce, Luther Hodges, then an executive of Marshall Field's Fieldstone Mills. The Marshall plan was known officially as the European recovery program, the ERP. You will also recall that, when the Marshall plan was proposed, it was the expressed view of the U.S. Government that it was the business of the Europeans to take the initiative in preparing a joint recovery program.

The Western European countries, accordingly, met in Paris in 1947 where they drew up a joint recovery program, and, in April 1948, they formed the OEEC, the Organization for European Economic Cooperation, to carry out the ERP. At the same time, in April 1948, the Economic Cooperation Act, implementing the Marshall plan, was adopted by the U.S. Congress.

In the same year that the Marshall plan was proposed, 1947, the United States also took the lead in proposing an approach to the solution of international trade problems through a reduction in the many kinds of trade barriers, tariffs, quotas, etc., with the aim of expanding world trade. The United States invited other major trading nations to participate in negotiating the General Agreements on Tariffs and Trade (GATT), a multilateral trade agreement which was concluded at Geneva in 1947 by 23 countries, and which entered into force in January 1948. The GATT provides general trade rules and schedules of tariff concessions for each participating country. The rules protect the concessions from nullification or impairment. At the end of 1961, there were 44 members of GATT. Together, they account for over 80 percent of the international trade of the whole world. Their schedules of tariff concessions cover about 70,000 items. (The U.S. schedule has about 4,000 items.) The Common Market nations are among the signatories to GATT.

The year 1947 which saw the inception of the GATT, of the Marshall plan, and of the OEEC was the turning point for Western Europe. Under the leadership of Paul-Henri Spaak of Belgium, and of Jean Monnet and Robert Schuman of France, and of other farsighted Europeans, the movement for European economic and political cooperation and unity developed rapidly. The rate of economic recovery also proceeded at a quick pace. The bombed-out factories were replaced by new modern plants with all the latest automated machinery and modern American mass-production methods. It is this, even more than lower wage rates, that makes European manufactured goods so competitive with ours on the world market today. It makes it imperative that we accelerate the modernization of our own industrial plants and increase our research and development expenditures. The economic report which the President will release on Monday places great stress on this, and I urge you all to read it carefully. It is the reason why the President in his tax message last year recommended an investment tax credit, now set at 8 percent, to give industry a $1.5 billion incentive to modernize, as well as more rapid depreciation rates.

To return to the Europe of the late 1940's there was an urgent need among the OEEC countries to reduce the barriers to trade which had been erected under pressure of balance of payments difficulties. The OEEC set up technical committees to deal with special sectors (agriculture, transport, coal, steel, etc.). It also worked out a code of liberalization of trade and other transactions. In 1950, parallel action was taken by the OEEC in the field of payments, with the creation of the European Payments Union which provided for multilateral settlement of all European payments, and for credit to meet temporary payments imbalances. Within the framework provided by the OEEC, there was continuous consultation between the member governments, and by the early 1950's the increase in Europe's production and trade had exceeded all expectations.

The European nations, once their shattered economies had begun to recover, naturally wished to have a greater part in shaping their own destiny. The rise of the United States and of the Soviet Union as superpowers dwarfed even the major nations of Europe. A larger European entity was needed to mobilize and use the potential of Europe.

These various objectives tended to reinforce each other. Only if France and Germany could pull together could Europe hope to shape its own political and economic future. Only dynamic industries could expect to flourish within any common market and compete in the outside world. Growing economies would enable Europe to develop and mobilize the resources for prosperity at home and to play a greater role in the world.

European integration was put forward by its proponents as the best route to these objectives. Cooperation among governments, as in the OEEC, was useful but not sufficient. The pursuit of these common purposes required some transfer of national authority to European agencies which were to exercise their powers in the interests of the whole European community.

The first step on the road toward economic integration had been taken in 1948 when the Low Countries, Belgium, the Netherlands, and Luxembourg, decided to form a custom union which became effective in 1948, the Benelux. This was really the embryo of

the Common Market, or the EEC, the European Economic Community, the Common Market's official name. So, already out of the ashes of war, a new strength was developing—and instead of communism sweeping westward from the Soviet eastern European satellites where Communist puppet governments were taking over under the guns of Russian tanks, and threatening to draw Western Europe into an abyss of economic chaos, a revived private enterprise economy was being restored to buttress the democratic governments of the free Western European countries.

A big step forward in this regard was taken in 1948 when the United States, France, and Great Britain agreed to the formation of the West German Republic. The Soviet threat made it all the more urgent to heal the wounds on the western side.

A concrete step of forging bonds to tie West Germany firmly to Western Europe (to mix several metaphors) was taken in 1952 with the formation of the European Coal and Steel Community—as a result of the Schuman proposal of 1950. This organization of the Benelux Powers, France, West Germany, and Italy, thus, became the first of the three components of the European Community (Eurcom), and the immediate precursor of the European Common Market. European integration of coal and steel was designed to enable West Germany to join in the constructive task of building Europe on a basis which buried the past. The historic enmity of France and Germany, which had blocked all attempts at European unity in the past, began to melt rapidly between the stick of the Soviet threat from the east and the carrot of greater profits from economic efficiency and freer internal trade.

The next and more far-reaching step along the road to European integration and unity was taken in June 1955, when the proposal for the creation of a Common Market was put forward at a meeting of the Foreign Ministers of the Six in Messina.

Two years later, in March 1957, treaties were signed in Rome by the six countries that had formed the Coal and Steel Community, creating the other two components of the European Community; Euratom—as its name implies—the European Atomic Energy Community, for joint development of peaceful uses of atomic power, and the Common Market—the European Economic Community (EEC)—the most significant of the three. The Rome Treaty, creating the Common Market, which went into effect on January 1, 1958, bound its six signatories to create an Economic Community during a transition period of from 12 to 15 years, divided into three stages.

The Common Market was intended to be much more than a customs union. Besides the key provisions of the Rome Treaty which stipulate that all tariffs, quotas, and other barriers to trade within the Community be removed in gradual stages during the transition period and that a uniform external tariff be created between the EEC and the rest of the world, and that trade agreements be negotiated by the Common Market as a unit, the treaty provides for the working out of a common commercial policy, of a common agricultural policy, and of a common transport policy. The treaty also provides for the removal of restrictions on the movement of labor, services and capital, and for the right of establishment of business enterprises within the Community. It likewise contains provisions aimed at regulating private cartels, at coordinating monetary and fiscal policies to promote equilibrium in the member states' balance of payments, as well as high employment and price stability in each member country. It also provides for the harmonization of social policies, including the equalization of wages for men and women.

To further these aims, the treaty provided for the creation of a social fund to finance the retraining, resettling, and the granting of other assistance to workers who might be harmed by the liberalization of trade within the Community—a kind of trade adjustment program.

The treaty also created a European investment bank to finance development projects in the Community's underdeveloped areas, such as southern Italy and elsewhere.

In addition, the treaty created an oversea development fund for economic development and social projects (such as hospitals and schools) in the associated countries and territories of the Common Market. For, the European Common Market extends beyond Europe into Africa and other continents. Presently associated with it are some 16 independent countries and a number of areas in varying degrees of dependency. Most of these associated countries are in Africa. Their combined population exceeds 50 million, and they possess important natural resources. Under present arrangements, the Common Market has extended the benefits of that Market to the exports of the associated oversea countries, while allowing the latter to maintain restraints on imports.

As of now, the Common Market has impressively surpassed its original timetable, and has exceeded the fondest hopes of its founders. Because of the favorable economic situations in the Common Market area, the removal of internal trade barriers among the six member states was considerably accelerated. By January 1962, internal tariffs had been reduced 40 percent, with a further 10 percent cut expected soon, making it 50 percent. In addition, most quotas on industrial products were eliminated by the end of December 1961. The building of the eventual common external tariff was likewise speeded up; this is the tariff which the Common Market will levy on incoming goods of nonmember states, and which has caused American producers great concern.

The rate structure of the common external tariff for most industrial products was virtually completed in July 1960, and the first step in adjusting the individual tariffs of the member states toward the rates of the common external tariff was taken in January 1961, 1 year ahead of schedule. At that time, all of the member states adjusted their existing tariff rates 30 percent toward the ultimate common external tariff which will apply to a wide range of industrial products. The full effect of the common external tariff will not be felt until the end of the transition period, when the external tariff is to be established on a uniform basis. In the case of certain industrial products, however, whose existing tariffs were either 15 percent above or below the ultimate common external tariff, the final external tariff went into effect in January 1961.

How was the rate structure of the common external tariff determined? Under the rules of the GATT—to which the six Common Market states are signatories—the general rate of the customs duties to be applied to nonmembers of the customs union was not to be higher than the rate which was in force in the member countries when the union was formed. The Common Market's external tariff was, therefore, in principle, to be based on the arithmetic average of the rates of customs duties existing in the six member states on January 1, 1957. Although there are many exceptions to the rule, the general result of the averaging of the external tariffs meant that, in the former relatively high tariff countries such as France and Italy, the old tariffs would be lowered, while those in the Benelux countries and in West Germany would be raised.

It is obvious that the Common Market's eventual common external tariff will make it very difficult for American producers to compete effectively against European producers in the Common Market countries. It is equally obvious that such competition will increase rather than lessen, when the present Common Market is enlarged by the inclusion of Britain and other European nations, as seems likely to occur.

Why did Britain and the other OEEC countries not join the Common Market originally? Britain held back for a number of reasons: because of the close trade ties with her Commonwealth, and because of her domestic agricultural policy, as well as for political reasons. Other OEEC countries, particularly the neutral states of Sweden, Switzerland, and Austria, were likewise unprepared to join the Common Market in the early days of its formation.

Both Great Britain and these other countries had hoped that, instead of a customs union, a free trade area could have been formed comprising all members of the OEEC. When this did not materialize, and the customs union of the six came into being, Britain and six other European nations (Sweden, Norway, Denmark, Switzerland, Austria, and Portugal) formed, in 1960, the European Free Trade Association—the EFTA—or the Outer Seven, as it is commonly known. The EFTA—like the Common Market—aimed at the complete removal of internal trade barriers among its members. Unlike the Common Market, however, the members of the EFTA were to be free to adopt their own commercial policy and to determine their individual tariffs toward nonmember countries. The EFTA was strictly a commercial arrangement, and was in no sense aimed at the economic or political unification of the member states.

Most of the seven are now in various stages of negotiating to join with the six—as are also Turkey and Ireland—into an expanded Common Market. An agreement for the association of Greece with the European Economic Community—signed in March 1961—is presently awaiting ratification.

An enlarged Common Market, comprising most of the Western European countries, would possess great economic and political strength. But, even without these accessions—of which Greece, Ireland, the United Kingdom, Denmark, and Norway will probably be among the first—let's look at the formidable economic entity the EEC has now become.

It has a population of 173 million people, excluding that of the associated oversea countries. It has a larger labor force than the United States, despite its smaller population. Its economic growth rate in recent years has been well over 6 percent, as contrasted to ours of 2½ percent in the comparable period (although fortunately ours has been 8 percent this year recovering from the recession). The EEC's industrial production index (with a 1958 base period of 100) rose from 111 in January 1960 to about 132 last October. Last year its external trade increased by 23 percent. There is an acute labor shortage in northern Italy, Holland, West Germany, and much of France. I was in Milan and Turin last September, and things were really booming. Today, the Common Market is the world's second largest producer of steel.

Even more remarkable, Western Europe never felt our recession of 1960–61. It used to be said that, when the American economy caught cold, Europe got pneumonia. That is clearly no longer true; we don't yet know if the reverse will be.

In trade last year we exported about $3.5 billion worth to the six. Of this, about one-third was agricultural products and only one-fourth was manufactured goods. Our import purchases from the EEC were about $2.2 billion. Of New Jersey's production, the outlook for an expanded market in chemicals and sophisticated electronics and electrical machinery is good, but the import competition will also be tougher in some

heavy electrical equipment, office and photographic equipment, and instruments.

It is clear from these facts that, while an economically strong and eventually politically integrated Europe gives the United States a strong partner in the cold war—and, therefore, we welcome it—it is also indeed a challenge to our exports and to the growth of our economy.

Let's now be specific.

Under present circumstances, the external tariff barriers of the Common Market make it very difficult for U.S. producers to compete effectively, and it will become increasingly more difficult as the time nears for the complete removal of internal trade barriers, and the full implementation of the common external tariff.

An American-made car, for example, could be exported to Germany prior to the Common Market at a duty of 17 percent. A French-made Dauphine would have paid the same amount. Today, the Dauphine pays 11.9 percent which will probably be reduced to 8.5 percent in 1962, and at the end of the transition period it will be reduced to zero. On the other hand, the American car now must pay 18.86 percent, and eventually will have to pay 23.2 percent. This is a disadvantage hard to overcome.

A similar pattern could develop for many of the $3½ billion worth of American products now sold to the Common Market—a pattern whose net effect would be a shrinkage of American foreign commerce, a severe loss of jobs and profits, a serious blow to our position of leadership to the free world.

We are in a position today to avert such a situation. We can do this by bargaining with the nations of the Common Market to persuade them to welcome American-made products on a truly competitive basis by lowering their external tariff barriers. But we can do this only by accepting their products on the same basis, that is, by lowering our own barriers to their trade. Only in this way will our Common Market—50 States, 185 million people strong—be able to continue to do an expanding business with theirs, a business upon which many jobs and many enterprises absolutely depend.

This is no giveaway program. It is a straight business deal. The Common Market will lower its external tariff wall only if we are prepared to lower ours. We can lower ours only when we give President Kennedy the necessary new legislative authority to do so—which is why the President will send new trade legislation to Congress later this month. When Congress passes the new trade act, the resulting gains will far outweigh the losses.

To mitigate any temporary dislocations which American business firms may incur from expanded international trade—exports and imports—the administration is proposing a trade adjustment program which will be realistic, businesslike, and economically sound. Where assistance is required, it will not be in the form of a subsidy, nor will it be used to prop up a permanently inefficient enterprise. It will be utilized to strengthen the ability of our businessmen and workers to compete and, thus, to prosper, and to strengthen our free enterprise system.

In this connection, it is interesting to note that, while the Common Market treaty provides for adjustment assistance, should it be required as a result of the lowering of internal trade barriers, there has been no occasion to date to draw on such assistance, despite the fact that the reduction of internal tariffs has been speeded up considerably. The removal of internal trade barriers among the six has, in fact, stimulated trade, and promoted economic growth and prosperity.

Assuming we do receive the requisite tariff reducing authority, we must then ask whether the best method to negotiate with our European friends is to swap one brick at a time off our respective tariff walls, or to offer to trade layer for layer? Most Europeans are convinced that item-by-item reciprocal tariff reductions, the one brick at a time approach, no longer can achieve reductions which will substantially increase the flow of trade from the United States to Europe and vice versa.

Once we know that the Common Market external tariff wall is going to come down, thereby assuring access for products made in the United States, we will stop exporting capital and jobs to Europe in order to get behind the tariff wall. If this happens, we will have launched an attack on our balance of payments and our unemployment problems simultaneously.

And, if you don't think this flight of U.S. capital and jobs to Europe is of consequence, let's look at the record. In the last decade, our private capital investments in all of Western Europe more than tripled. For the Common Market area, U.S. private direct investments rose from $637 million in 1950 to more than $2.6 billion in 1960, and exceeded $3 billion in 1961. According to a recent survey, American manufacturing companies plan to spend in the Common Market countries over one-third of their planned capital expenditures for 1962 of more than $1.6 billion. Nearly one-half of their oversea investment planned for 1962 will go to Europe as a whole. Another survey reveals that more than 700 U.S. firms have located in the Common Market countries in the last 5 years. It is obviously much better for this country, when there is a business choice, for American businessmen to invest in new modern plants and equipment in the United States than in highly developed industrialized countries who are not short of capital. It is also much better for this country to export goods rather than to export jobs.

It is, in fact, in our highest national interest that we make every effort to increase our exports. Without a new trade law, our exports will undoubtedly decline, rather than rise. If that were to occur, it would adversely affect our balance-of-payments position which we can ill afford to have happen. Our serious balance-of-payments difficulties are known to all. For the last several years, despite our having sizable export trade surpluses (our export trade surplus for 1961 exceeding $5 billion), we have had very large overall deficits in our balance of payments which have resulted in a sharp decline in our gold holdings during this period of more than $5½ billion. Our gold stocks will be reduced to a dangerously low point if this trend continues. They have already reached their lowest level since 1939. Rising export sales, and a larger export trade surplus, are essential, if we are to reverse this trend.

Not only does our export trade directly affect our balance-of-payments position, but it creates jobs for American workers. One out of every three manufacturing workers in the United States is employed in making goods for export. In New Jersey, 505 firms employing 296,404 workers made goods for export in 1960. The value of your State's manufacturing exports was $897 million. This placed your State seventh in the Nation. The value of exports per worker here averaged $3,000.

Translating these figures to your five-county basis—as I believe Camden, Gloucester, Salem, Mercer, and Burlington are all represented here—this works out at 75 plants exporting more than $25,000 in 1960, for a total value of $108 million, and employment of 55,000 workers.

A further reason for the United States to maximize its exports is to help us to meet our share of the collective economic growth target set last November by the OECD nations—the Organization for Economic Cooperation and Development—of which the United States is a full member. OECD's goal is for a 50-percent increase by 1970 in the combined real gross national products of the 20 member nations. The latter include all of the former OEEC nations and Canada, as well as the United States.

This new organization—the OECD—which came into being in September 1961—is, in fact, a reconstitution of the former OEEC whose tasks were considered to have been largely accomplished. Like the OEEC, the keynote of the new organization is cooperation. OECD's aims are, however, more outward looking than were those of OEEC which was mainly concerned with European reconstruction. OECD is designed for the tasks of the sixties by providing a forum for consultation aimed at maximizing the member nations' economic growth, at aiding the less developed countries to achieve sound economic expansion, and at contributing to the expansion of world trade on a multilateral, nondiscriminatory basis in accordance with international obligations. OECD's Council of Ministers has stressed the need to reduce trade barriers between its member state, and between the OECD countries and the rest of the world.

The achievement of OECD's growth target for 1970 would result in the addition of nearly $500 billion in the member nations' combined GNP, which would approach the present entire output of the United States. As Under Secretary of State Ball has pointed out, it would mean adding to the Atlantic community the economic equivalent of a new country of the present size and wealth of the United States. This, in turn, would mean a stronger free world and would help to insure the maintenance of peace and security.

To meet our share of OECD's growth target for 1970, we shall need to maintain price stability and to avoid inflation, and to attain—and maintain—equilibrium in our balance of payments. One of the best ways of strengthening our balance-of-payments position, and of eliminating our large payments deficits, is to generate an export trade surplus sufficiently large to offset our private and public expenditure abroad. President Kennedy has called for a 10 percent increase in our exports, which goal, the President is convinced, is not beyond our reach. To achieve that goal, however, the President will need a new trade incentive for the new trading age in which we live.

The time for decision is upon us. The Common Market countries, this month, entered the second stage of their three stage transition period. The passing to the second stage is considered by European experts as the "point of no return" for the economic integration of the Common Market nations. A further acceleration of internal tariff cuts is anticipated, as well as of the steps leading to the eventual common external tariff.

The Department of Commerce, in line with President Kennedy's mandate that it provide energetic leadership to American industry in the drive to develop export markets, is exerting every effort to help expand our exports. Secretary Hodges has put new drive into the national export expansion program, which program, as you know, is designed not only to increase our exports, but also to encourage a greater number of American business firms, not presently in the export trade, to participate in that trade. The 33 regional export expansion committees have been most succesful in stimulating an increasing number of American manufacturers to enter the export market. In addition, Secretary Hodges, last year, invited approximately 900 trade associations, which have specific commodity interests, to participate in the national export expansion program, and he offered them the facilities of the Department to help them set up and carry out export promotion activities.

Among the Department's recent and most ambitious export promotional aids is the

permanent trade center program which went into effect in 1961 with the opening of the first U.S. permanent trade center in London in June of that year. Other trade centers are planned for Bangkok, and for selected areas in Africa, Latin America, and Western Europe. The Departments of Agriculture and State collaborate with the Department of Commerce in managing the trade centers program. These permanent trade centers are designed for the use of U.S. producers and exporters who are interested in exploiting the opportunities of a specific market area. The U.S. Government provides attractive display facilities at no cost to the exhibitor, but participating firms are expected to pay their packing, shipping, and insurance costs to the display point. The goods may be sold abroad, or returned to the United States at the exhibitor's expense. The exhibit themes are worked out in cooperation with trade associations and industry groups. As an example of the sales opportunities provided by these trade centers, nearly $1½ million worth of goods were sold in the London center's first 3 weeks of operation.

Another of the Department's export promotion efforts is our international trade fairs program which offers the newcomer to foreign trade a means of breaking into the export market, while, for those already in that market, it is an excellent medium to increase foreign sales and find new markets. The U.S. Government sponsors the exhibits of American products at these international trade fairs. A midwestern machine tool manufacturer has informed us that, since the appearance of his products in a series of United States small business exhibits in India, he is getting across the board orders from that part of the world. International trade fairs do more, however, than sell American goods. As President Kennedy has pointed out, "they are a positive force for greater international understanding."

A further effort of the Department of Commerce to promote trade and commercial understanding between the United States and foreign countries is our trade missions program. Under this program, from four to six American businessmen at a time—under the leadership of a Department of Commerce official—spend up to 2 months visiting a foreign country or group of countries where they meet with foreign businessmen and foreign government officials for the purpose of promoting American exports, or U.S. capital investment, the latter in the developing areas of the world. The trade missions carry specific requests from American companies seeking oversea trading partners, and they frequently have several hundred business proposals to offer foreign businessmen. On their return to the United States, the missions' findings are relayed to business firms through written reports, consultations, and business conferences. The trade and investment opportunities generated by the trade missions are published in the trade press, as well as in the Department's Foreign Commerce Weekly. The trade missions have proved to be so valuable in promoting U.S. exports that the Department has doubled the number of its trade missions from 11 to 18 a year.

Besides these direct contacts with foreign buyers, the Department provides a number of other promotional aids to U.S. exporters. These include (1) trade lists of foreign business firms, (2) world trade directory reports, (3) a world trade information service, (4) trade contact surveys, and (5) a trade opportunity service. Information on these promotional aids is likewise published in the foreign commerce weekly.

A new service of the Department of Commerce of interest to all businessmen is the business service center which was recently opened in the Department's Washington headquarters. This is intended to enable businessmen coming to Washington with specific problems to find the right Government official quickly, and to see him a short time later. A businessman may either write directly to the Business Service Center, indicating when he will be in town and on what kind of business, or he may contact any of the 33 field offices of the Department of Commerce and ask that the center be notified of his expected arrival date and of his problem.

I would like to emphasize that the vigorous efforts of our Department—which I have briefly outlined—to expand American exports will be sustained, and will not be confined solely to periods of our balance-of-payments difficulties. In today's increasingly competitive world, it is only by increasing our exports that we shall be able to maintain our position as the world's leading trading nation, and our position of free world leadership. In order for our export expansion efforts to succeed, however, we need the full cooperation of American businessmen. We hope that an increasing number among them will acquire the habit of exporting, and that they will discover at firsthand the great opportunities that exist for profitable export sales. We are convinced that there are literally thousands of products now made in this country which could easily be sold abroad with a minimum of adaptation to foreign market needs.

So, let's all work together for more exports—of goods and not of jobs. To do this, and to meet the challenge of the European Common Market, I urge your support for the Trade Expansion Act of 1962. While it is the President's program, it has strong bipartisan support: for example, Henry Ford's speech of 2 days ago, former Secretary Herter's statement of last October, and former President Eisenhower's statement of last December supporting President Kennedy's contention that the United States needs a new trade policy to meet the new challenge posed by the European Common Market, and that the gradual liberalization of trade restrictions—with adequate safeguards for possible injury—will yield positive benefits for the American economy.

REPORT OF THE COMPTROLLER GENERAL

Mr. GONZALEZ. Mr. Speaker, I ask unanimous consent that the gentleman from Wisconsin [Mr. KASTENMEIER] may extend his remarks at this point in the RECORD and include extraneous matter.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. KASTENMEIER. Mr. Speaker, I would like to direct the attention of the House to the February 1962 report of the Comptroller General in "Review of Selected Highway Transportation Activities of the Post Office Department." This report is particularly useful to illustrate what proper agency response can and should be to recommendations of the Comptroller.

The report noted the following deficiencies in Post Office Department contracting for star route service:

First. Authorizing major changes in the service provided by existing contracts without advertising.

Second. Acquiring additional service under existing contracts without negotiating with the contractors for fair and reasonable reductions in contract rates per mile.

In addition the report disclosed a particular need for more adequate documentation in support of contractors' claims of increased operating costs. But even while the reviews were in progress the Department began streamlining its contracting procedures.

The report also recommended replacing highway post office service with less costly transportation. It noted that the Bureau of Operations did not document operational justification for not authorizing such replacement. Within 3 months of this recommendation regional officials in the San Francisco and Los Angeles area had discontinued the HPO's discussed.

Other regional officials advised the Comptroller of similar plans either to discontinue HPO service or survey the real postal service needs of their respective areas. This action, regional officials declared, would save hundreds of thousands of dollars in operational expenditures.

Certainly, the Post Office Department should be commended for taking top speed action to accept, implement and benefit from recommendations of the Comptroller General for money saving improved business procedures.

The Comptroller General is an agent of the Congress, not responsible in any way to the Executive. His well trained staff is constantly reviewing executive operations to check on wasteful procedures. The reactions of different agencies to recommendations made by this impartial judge are often markedly different.

The Deputy Postmaster General informed the Comptroller that his "comments had been helpful in clarifying problem areas in highway transportation activities and that the Department" intended to use his "suggestions and recommendations to the fullest extent."

Mr. Speaker, I strongly urge that other agencies subject to review by the Comptroller General at present or in the future follow the example set by the Post Office Department by taking immediate action on the Comptroller's recommendations.

SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

Mr. RYAN of New York, for 10 minutes, today.

Mr. HALPERN (at the request of Mr. LANGEN), today, for 15 minutes.

Mr. THOMPSON of New Jersey, for 30 minutes, today, and to revise and extend his remarks and include extraneous matter.

EXTENSION OF REMARKS

By unanimous consent, permission to extend remarks in the CONGRESSIONAL RECORD, or to revise and extend remarks, was granted to:

Mrs. KEE.

Mr. LANE and to include extraneous matter.

Mr. VAN ZANDT and to include extraneous matter.

Mr. KNOX and to include "My Office Report."

Mr. FINO.

Mr. BYRNES of Wisconsin to revise and extend his remarks made in Committee and to include extraneous matter and tables.

Mr. KNOX to revise and extend his remarks made in Committee and to include extraneous matter.

Mr. PUCINSKI.

Mr. O'KONSKI.

Mr. LINDSAY to include with his remarks in general debate on the tax bill a speech prepared by a former General Counsel of the Treasury Department.

(The following Members (at the request of Mr. LANGEN) and to include extraneous matter:)

Mr. HALL.

Mr. DEVINE.

(The following Members (at the request of Mr. GONZALEZ) and to include extraneous matter:)

Mr. BAILEY.

Mr. GILBERT in two instances.

Mr. TUCK.

Mr. DANIELS.

Mr. KOWALSKI.

Mr. THOMPSON of Texas to include tables in his remarks of today on H.R. 10650.

Mr. MOSS (at the request of Mr. GONZALEZ) and to include extraneous matter, notwithstanding the fact that it exceeds two pages of the RECORD and is estimated by the Public Printer to cost $202.50.

ADJOURNMENT

Mr. GONZALEZ. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 43 minutes p.m.), under its previous order, the House adjourned until Monday, April 2, 1962, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1871. A letter from the Secretary of Agriculture, transmitting a draft of a proposed bill entitled "A bill to amend section 6 of the act of May 29, 1884"; to the Committee on Agriculture.

1872. A letter from the Secretary of the Treasury, transmitting a draft of a proposed bill entitled "A bill to amend the Tariff Act of 1930, as amended, to provide for reimbursement of services performed at foreign stations, and for other purposes"; to the Committee on Ways and Means.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. MCCULLOCH: Select Committee on Small Business. Minority views on small business problems in the tomato industry (Rept. No. 1471, pt. 2). Referred to the Committee of the Whole House on the State of the Union.

Mr. POWELL: Committee on Education and Labor. H.R. 10682. A bill to authorize the establishment of a Youth Conservation Corps to provide healthful outdoor employment for young men and to advance the conservation, development, and management of national resources to timber, soil, and range, and of recreational areas; and to authorize pilot local public service employment programs; without amendment (Rept. No. 1540). Referred to the Committee of the Whole House on the State of the Union.

Mr. COOLEY: Committee on Agriculture. S. 1037. An act to amend the provisions of the Perishable Agricultural Commodities Act, 1930, relating to practices in the marketing of perishable agricultural commodities; with amendment (Rept. No. 1546). Referred to the Committee of the Whole House on the State of the Union.

Mr. HARRIS: Committee on Interstate and Foreign Commerce. H.R. 6949. A bill to amend section 4(e) of the Natural Gas Act, to authorize a gas distributing company to complain about a rate schedule filed by a natural gas company and to give the Federal Power Commission authority to suspend changes in rate schedules covering sales for resale for industrial use only; without amendment (Rept. No. 1547). Referred to the Committee of the Whole House on the State of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. CHELF: Committee on the Judiciary. H.R. 3595. A bill for the relief of Anna Isernia Alloca; with amendment (Rept. No. 1541). Referred to the Committee of the Whole House.

Mr. FEIGHAN: Committee on the Judiciary. H.R. 3633. A bill for the relief of Angelina Rainone; with amendment (Rept. No. 1542). Referred to the Committee of the Whole House.

Mr. FEIGHAN: Committee on the Judiciary. H.R. 4655. A bill for the relief of Adell Anis Mansour; with amendment (Rept. No. 1543). Referred to the Committee of the Whole House.

Mr. MOORE: Committee on the Judiciary. House Joint Resolution 677. Joint resolution relating to the admission of certain adopted children; without amendment (Rept. No. 1544). Referred to the Committee of the Whole House.

Mr. WALTER: Committee on the Judiciary. H.R. 6330. A bill for the relief of Vincent Edward Hughes; with amendment (Rept. No. 1545). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 4 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BOGGS:

H.R. 11004. A bill to amend the River and Harbor Act of 1945; to the Committee on Public Works.

By Mr. COHELAN:

H.R. 11005. A bill to amend section 2304 of title 10, United States Code, to provide that military procurement agencies shall comply with State minimum price laws for certain perishable subsistence items; to the Committee on Armed Services.

By Mr. CORBETT:

H.R. 11006. A bill to permit the Postmaster General to extend contract mail routes up to 100 miles during the contract term; to the Committee on Post Office and Civil Service.

By Mr. GARLAND:

H.R. 11007. A bill to amend the Internal Revenue Code of 1954 to provide for the medical care of the aged through the allowance of a tax credit as an incentive for health insurance coverage; to the Committee on Ways and Means.

By Mr. GONZALEZ (by request):

H.R. 11008. A bill to amend the Small Business Act to provide that the program under which Government contracts are set aside for small-business concerns shall not apply in the case of contracts for maintenance, repair, or construction; to the Committee on Banking and Currency.

By Mr. HAGEN of California:

H.R. 11009. A bill to amend section 2304 of title 10, United States Code, to provide that military procurement agencies shall comply with State minimum price laws for certain perishable subsistence items; to the Committee on Armed Services.

By Mr. MCFALL:

H.R. 11010. A bill to amend section 2304 of title 10, United States Code, to provide that military procurement agencies shall comply with State minimum price laws for certain perishable subsistence items; to the Committee on Armed Services.

By Mr. CLEM MILLER:

H.R. 11011. A bill to amend section 2304 of title 10, United States Code, to provide that military procurement agencies shall comply with State minimum price laws for certain perishable subsistence items; to the Committee on Armed Services.

By Mr. RODINO:

H.R. 11012. A bill to amend the Small Business Act to make it clear that disaster loans in cases of flood or other catastrophe may be made with respect to property of any type (including summer homes as well as other residential property); to the Committee on Banking and Currency.

By Mr. RYAN of Michigan:

H.R. 11013. A bill to amend the Internal Revenue Code of 1954 to allow a taxpayer a deduction from gross income for tuition paid by him for his education, or the education of his spouse or a dependent, at a duly accredited public or private educational institution; to the Committee on Ways and Means.

By Mr. WATTS:

H.R. 11014. A bill authorizing construction of dam on North Fork of Red River in Powell County, Ky., for flood control and other purposes; to the Committee on Public Works.

By Mr. WILLIS:

H.R. 11015. A bill to provide for public notice of settlements in patent interferences; to the Committee on the Judiciary.

By Mr. LOSER:

H.R. 11016. A bill to amend the Code of Law for the District of Columbia to give the Commissioners of the District of Columbia or their duly designated representative authority to transfer title to motor vehicles when the only assets of a decedent's estate consist of not more than two motor vehicles; to the Committee on the District of Columbia.

By Mr. TOLL:

H.R. 11017. A bill to amend section 4281, title 18, of the United States Code to increase from $30 to $100, the amount of gratuity which may be furnished by the Attorney General to prisoners discharged from imprisonment or released on parole; to the Committee on the Judiciary.

By Mr. WHITENER:

H.R. 11018. A bill to amend the act concerning gifts to minors in the District of Columbia; to the Committee on the District of Columbia.

H.R. 11019. A bill to provide that the Uniform Limited Partnership Act shall apply in

the District of Columbia; to the Committee on the District of Columbia.

By Mr. SPENCE:

H.R. 11020. A bill to amend the Small Business Act; to the Committee on Banking and Currency.

By Mr. DERWINSKI:

H.R. 11021. A bill to provide for the application of power revenues from reclamation projects to the reduction of the public debt; to the Committee on Interior and Insular Affairs.

By Mr. ELLIOTT:

H.R. 11022. A bill to limit importation into the United States of America of crude petroleum and certain petroleum products; to protect the welfare of those engaged in the domestic petroleum industry, particularly small independent oil producers and small independent oil refiners; and for other purposes; to the Committee on Ways and Means.

By Mr. O'KONSKI:

H.R. 11023. A bill to establish a joint select committee to determine whether and what kind of local self-government for the District of Columbia will be in the national interest; to the Committee on Appropriations.

By Mr. OLSEN:

H.R. 11024. A bill to amend the Civil Service Retirement Act so as to include as creditable service certain service performed by emergency relief project employees; to the Committee on Post Office and Civil Service.

By Mr. RANDALL:

H.R. 11025. A bill to amend section 715 of title 38, United States Code, to authorize the issuance of total disability income provision to national service life insurance policies to age 65, under certain conditions; to the Committee on Veterans' Affairs.

By Mr. SHELLEY:

H.R. 11026. A bill to prohibit discrimination in employment in certain cases because of race, religion, color, national origin, ancestry, or age; to the Committee on Education and Labor.

By Mr. SMITH of Mississippi:

H.R. 11027. A bill to amend the Agricultural Adjustment Act of 1938, as amended; to the Committee on Agriculture.

H.R. 11028. A bill to amend that part of the Flood Control Act of 1946 relating to the modification of the project for the lower Mississippi River; to the Committee on Public Works.

By Mr. WHARTON:

H.R. 11029. A bill to amend the Federal Reports Act of 1942 to clarify the responsibility of persons to furnish information requested by Federal agencies, and for other purposes; to the Committee on Government Operations.

By Mr. GLENN:

H.J. Res. 679. Joint resolution to amend the Federal Trade Commission Act, to promote quality and price stabilization, to define and restrain certain unfair methods of distribution and to confirm, define, and equalize the rights of producers and resellers in the distribution of goods identified by distinguishing brands, names, or trademarks, and for other purposes; to the Committee on Interstate and Foreign Commerce.

By Mr. LENNON:

H.J. Res. 680. Joint resolution providing for the establishment of the North Carolina Tercentenary Celebration Commission to formulate and implement plans to commemorate the 300th anniversary of the State of North Carolina, and for other purposes; to the Committee on the Judiciary.

By Mr. STRATTON:

H.J. Res. 681. Joint resolution to fix the support price for milk and butterfat at the level prevailing prior to April 1, 1962; to the Committee on Agriculture.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. GONZALEZ:

H.R. 11030. A bill for the relief of Mrs. Nina Bray; to the Committee on the Judiciary.

By Mr. HÉBERT:

H.R. 11031. A bill for the relief of George Wm. Rueff, Inc.; to the Committee on the Judiciary.

By Mr. LIBONATI:

H.R. 11032. A bill granting a renewal of patent No. 92,187 relating to the badge of the Sons of the American Legion; to the Committee on the Judiciary.

H.R. 11033. A bill granting a renewal of patent No. 55,398 relating to the badge of the American Legion Auxiliary; to the Committee on the Judiciary.

H.R. 11034. A bill granting a renewal of patent No. 54,296 relating to the badge of the American Legion; to the Committee on the Judiciary.

By Mr. RAY:

H.R. 11035. A bill for the relief of Alvin Roy Chin; to the Committee on the Judiciary.

By Mr. SHIPLEY:

H.R. 11036. A bill for the relief of Eugene McVaigh and others; to the Committee on the Judiciary.

By Mr. WRIGHT:

H.R. 11037. A bill for the relief of Mrs. Laverna Ramsey; to the Committee on the Judiciary.

SENATE

THURSDAY, MARCH 29, 1962

(Legislative day of Wednesday, March 28, 1962)

The Senate met at 11 o'clock a.m., and was called to order by the President pro tempore.

Rev. Ellsworth Erskine Jackson, D.D., minister of the Market Square Presbyterian Church, Germantown, Philadelphia, Pa., offered the following prayer:

"Our Father, which art in heaven, hallowed be Thy name. Thy kingdom come. Thy will be done in earth, as it is in heaven."

We bless Thee for the holy state in which Thou dost dwell, and toward which Thou art guiding us, Thy children.

We confess that we have not always been obedient and loving sons and daughters. O Thou great Searcher of hearts, cleanse our souls, that we may be vessels fit for Thy service.

Today our hearts are full of gratitude for the heritage that is ours. We give Thee thanks for daily bread, daily loves, and daily duties, for the dancing sunbeams of this spring day, for the signs of new life, and for the song of the returning birds.

We pray for the coming of that day when the morning shall dawn, a morning without the clouds of suspicion, dread, and fear; when no one shall be afraid, but every man shall dwell under his own vine and fig tree, and all—from the least unto the greatest—shall know the Lord; when nations shall learn war no more; when swords and spears shall be beaten into plowshares and pruning hooks.

We pray for the day when the Prince of Peace shall come, and for the new world declaration of independence from tyranny, bondage, and slavery, that He shall give, for that day when sin, suffering, and death shall be no more.

Grant and bestow upon us Davidic courage to face the lion and the bear, and protect the sheep of Thy pasture.

Give us minds that can think Thy thoughts after Thee, and hearts that can love God and our fellow man, and eyes that will look for heroic and noble virtues in others, and will see beyond the color of skin, the length of the nose, and the slant of the eye.

Bless the Senate and all its Members. May wisdom be given to each Member, as together they plan for the national welfare and security.

We invoke Thy blessing upon the President of the United States and all others who serve Thee and this Nation.

This we ask in the Name that is above every name, the Name of Jesus Christ, our Lord. Amen.

THE JOURNAL

On request of Mr. MANSFIELD, and by unanimous consent, the reading of the Journal of the proceedings of Wednesday, March 28, 1962, was dispensed with.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the Senate by Mr. Miller, one of his secretaries.

REORGANIZATION PLAN NO. 2 OF 1962, RELATING TO CERTAIN REORGANIZATIONS IN THE FIELD OF SCIENCE TECHNOLOGY—MESSAGE FROM THE PRESIDENT (H. DOC. NO. 372)

The PRESIDENT pro tempore laid before the Senate the following message from the President of the United States, which, with the accompanying paper, was referred to the Committee on Government Operations:

To the Congress of the United States:

I transmit herewith Reorganization Plan No. 2 of 1962, prepared in accordance with the provisions of the Reorganization Act of 1949, as amended, and providing for certain reorganizations in the field of science and technology.

Part I of the reorganization plan establishes the Office of Science and Technology as a new unit within the Executive Office of the President; places at the head thereof a Director appointed by the President by and with the advice and consent of the Senate and makes provision for a Deputy Director similarly appointed; and transfers to the Director certain functions of the National Science Foundation under sections 3(a)(1) and 3(a)(6) of the National Science Foundation Act of 1950.

The new arrangements incorporated in part I of the reorganization plan will constitute an important development in executive branch organization for science and technology. Under those arrangements the President will have permanent staff resources capable of advising and assisting him on matters of national policy affected by or pertaining to science and technology. Considering the rapid growth and far-reaching scope of Federal activities in science and technology, it is imperative that the President have adequate staff support in developing policies and evaluating programs in order to assure that science and technology are used most effectively in the interests of national security and general welfare.

To this end it is contemplated that the Director will assist the President in discharging the responsibility of the President for the proper coordination of Federal science and technology functions. More particularly, it is expected that he will advise and assist the President as the President may request with respect to:

(1) Major policies, plans, and programs of science and technology of the various agencies of the Federal Government, giving appropriate emphasis to the relationship of science and technology to national security and foreign policy, and measures for furthering science and technology in the Nation.

(2) Assessment of selected scientific and technical developments and programs in relation to their impact on national policies.

(3) Review, integration, and coordination of major Federal activities in science and technology, giving due consideration to the effects of such activities on non-Federal resources and institutions.

(4) Assuring that good and close relations exist with the Nation's scientific and engineering communities so as to further in every appropriate way their participation in strengthening science and technology in the United States and the free world.

(5) Such other matters consonant with law as may be assigned by the President to the Office.

The ever-growing significance and complexity of Federal programs in science and technology have in recent years necessitated the taking of several steps for improving the organizational arrangements of the executive branch in relation to science and technology:

(1) The National Science Foundation was established in 1950. The Foundation was created to meet a widely recognized need for an organization to develop and encourage a national policy for the promotion of basic research and education in the sciences, to support basic research, to evaluate research programs undertaken by Federal agencies, and to perform related functions.

(2) The Office of the Special Assistant to the President for Science and Technology was established in 1957. The Special Assistant serves as Chairman of both the President's Science Advisory Committee and the Federal Council for Science and Technology, mentioned below.

(3) At the same time, the Science Advisory Committee, composed of eminent non-Government scientists and engineers, and located within the Office of Defense Mobilization, was reconstituted in the White House Office as the President's Science Advisory Committee.

(4) The Federal Council for Science and Technology, composed of policy officials of the principal agencies engaged in scientific and technical activities, was established in 1959.

The National Science Foundation has proved to be an effective instrument for administering sizable programs in support of basic research and education in the sciences and has set an example for other agencies through the administration of its own program. However, the Foundation, being at the same organizational level as other agencies, cannot satisfactorily coordinate Federal science policies or evaluate programs of other agencies. Science policies, transcending agency lines, need to be coordinated and shaped at the level of the Executive Office of the President drawing upon many resources both within and outside of Government. Similarly, staff efforts at that higher level are required for the evaluation of Government programs in science and technology.

Thus, the further steps contained in part I of the reorganization plan are now needed in order to meet most effectively new and expanding requirements brought about by the rapid and far-reaching growth of the Government's research and development programs. These requirements call for the further strengthening of science organization at the Presidential level and for the adjustment of the Foundation's role to reflect changed conditions. The Foundation will continue to originate policy proposals and recommendations concerning the support of basic research and education in the sciences, and the new Office will look to the Foundation to provide studies and information on which sound national policies in science and technology can be based.

Part I of the reorganization plan will permit some strengthening of the staff and consultant resources now available to the President in respect of scientific and technical factors affecting executive branch policies and will also facilitate communication with the Congress.

Part II of the reorganization plan provides for certain reorganizations within the National Science Foundation which will strengthen the capability of the Director of the Foundation to exert leadership and otherwise further the effectiveness of administration of the Foundation. Specifically:

(1) There is established a new office of Director of the National Science Foundation and that Director, ex officio, is made a member of the National Science Board on a basis coordinate with that of other Board members.

(2) There is substituted for the now-existing Executive Committee of the National Science Board a new Executive Committee composed of the Director of the National Science Foundation, ex officio, as a voting member and Chairman of the Committee, and of four other members elected by the National Science Board from among its appointive members.

(3) Committees advisory to each of the divisions of the Foundation will make their recommendations to the Director only, rather than to both the Director and the National Science Board.

After investigation I have found and hereby declare that each reorganization included in Reorganization Plan No. 2 of 1962 is necessary to accomplish one or more of the purposes set forth in section 2(a) of the Reorganization Act of 1949, as amended.

I have found and hereby declare that it is necessary to include in the reorganization plan, by reason of reorganizations made thereby, provisions for the appointment and compensation of the Director and Deputy Director of the Office of Science and Technology and of the Director of the National Science Foundation. The rate of compensation fixed for each of these officers is that which I have found to prevail in respect of comparable officers in the executive branch of the Government.

The functions abolished by the provisions of section 23(b) of the reorganization plan are provided for in sections 4(a), 5(a), 6(a), 6(b), and 8(d) of the National Science Foundation Act of 1950.

The taking effect of the reorganizations included in the reorganization plan will provide sound organizational arrangements and will make possible more effective and efficient administration of Government programs in science and technology. It is, however, impracticable to itemize at this time the reductions in expenditures which it is probable will be brought about by such taking effect.

I recommend that the Congress allow the reorganization plan to become effective.

JOHN F. KENNEDY.

THE WHITE HOUSE, *March 29, 1962.*

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Maurer, one of its reading clerks, announced that the House had passed a joint resolution (H.J. Res. 441) to commemorate the 75th anniversary of the Interstate Commerce Commission, in which it requested the concurrence of the Senate.

HOUSE JOINT RESOLUTION PLACED ON CALENDAR

The joint resolution (H.J. Res. 441) to commemorate the 75th anniversary of the Interstate Commerce Commission was read twice by its title and placed on the calendar.

EXECUTIVE COMMUNICATIONS, ETC.

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

REPORT ON OVEROBLIGATION OF AN APPROPRIATION

A letter from the Secretary of Agriculture, reporting, pursuant to law, on the overobligation of an appropriation in that Department; to the Committee on Appropriations.

REPORT UNDER SALINE WATER ACT OF 1952

A letter from the Secretary of the Interior, reporting, pursuant to law, under the Saline Water Act of 1952, for the calendar year 1961; to the Committee on Interior and Insular Affairs.

ADDITION OF CERTAIN LANDS TO NATIONAL FORESTS IN COLORADO AND NEW MEXICO

A letter from the Secretary of Agriculture, transmitting a draft of proposed legislation to add certain lands to the Pike National Forest in Colorado and the Carson National Forest and the Santa Fe National Forest in New Mexico, and for other purposes (with an accompanying paper); to the Committee on Interior and Insular Affairs.

PETITIONS AND MEMORIALS

Petitions, etc., were laid before the Senate, or presented, and referred as indicated:

By the PRESIDENT pro tempore:

Resolutions adopted by the Board of County Supervisors of Alpine County, Calif., and the City Council of the City of Santa Rosa, Calif., protesting against the enactment of legislation to impose a Federal income tax on income derived from public bonds; to the Committee on Finance.

A resolution adopted by the Yorkville, N.Y., Zionist District No. 6, of the Zionist Organization of America, protesting against the Arab boycott on transactions with Jews; to the Committee on Foreign Relations.

A letter in the nature of a memorial from the National Sculpture Society, of New York, N.Y., signed by C. Paul Jennewein, president, remonstrating against the enactment of legislation providing Government support of the fine arts, as outlined in Senate bill 741; to the Committee on Labor and Public Welfare.

EXECUTIVE SESSION

Mr. MANSFIELD. Mr. President, I move that the Senate proceed to the consideration of executive business, to consider the nominations on the Executive Calendar.

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

EXECUTIVE REPORTS OF COMMITTEES

The following favorable reports of nominations were submitted:

By Mr. EASTLAND, from the Committee on the Judiciary:

James A. Coolahan, of New Jersey, to be U.S. district judge for the district of New Jersey;

Robert A. O'Neal, of Indiana, to be U.S. marshal for the southern district of Indiana;

Robert E. Hauberg, of Mississippi, to be U.S. attorney for the southern district of Mississippi;

Alfred W. Moellering, of Indiana, to be U.S. attorney for the northern district of Indiana;

Wesley E. Brown, of Kansas, to be U.S. district judge for the district of Kansas; and

Jesse E. Eschbach, of Indiana, to be U.S. district judge for the northern district of Indiana.

By Mr. LONG of Missouri, from the Committee on the Judiciary:

John W. Oliver, of Missouri, to be U.S. district judge for the western district of Missouri; and

John K. Regan, of Missouri, to be U.S. district judge for the eastern district of Missouri.

By Mr. McCLELLAN, from the Committee on the Judiciary:

Dan M. Douglas, of Arkansas, to be U.S. marshal for the western district of Arkansas; and

Alfred P. Henderson, of Arkansas, to be U.S. marshal for the eastern district of Arkansas.

By Mr. SCOTT, from the Committee on the Judiciary:

Ralph C. Body, of Pennsylvania, to be U.S. district judge for the eastern district of Pennsylvania.

EXECUTIVE REPORTS OF COMMITTEE ON ARMED SERVICES

Mrs. SMITH of Maine. Mr. President, from the Committee on Armed Services, I report favorably the nominations of 1 lieutenant general in the Air Force, 3 generals, 5 lieutenant generals, 42 major generals, and 4 brigadier generals in the Army, 3 rear admirals in the Naval Reserve, 2 vice admirals to be retired, and 1 vice admiral for special assignment in the Navy; also the nominations of 4 brigadier generals and 1 major general in the Marine Corps Reserve. I ask that these names be placed on the Executive Calendar.

The PRESIDING OFFICER. The nominations will be placed on the Executive Calendar, as requested by the Senator from Maine.

The nominations are as follows:

Maj. Gen. Harold W. Grant, Regular Air Force, to be assigned to a position of importance and responsibility designated by the President, in the rank of lieutenant general;

Lt. Gen. Paul D. Harkins, U.S. Army, to be assigned to a position of importance and responsibility designated by the President, in the rank of general;

Maj. Gen. James Lowell Richardson, Jr., Army of the United States (brigadier general, U.S. Army), to be assigned to a position of importance and responsibility designated by the President, in the rank of lieutenant general;

Walter A. Churchill, for temporary appointment to the grade of major general in the Marine Corps Reserve;

Charles H. Cox, George E. Tomlinson, and John L. Winston, for permanent appointment to the grade of brigadier general in the Marine Corps Reserve;

Charles F. Duchein, for temporary appointment to the grade of brigadier general in the Marine Corps Reserve;

Charles E. Rieben, Jr., Stephen E. Jones, and Moore Moore, Jr., for temporary promotion to the grade of read admiral in the Naval Reserve;

Vice Adm. Roland N. Smoot, U.S. Navy, and Rear Adm. George L. Russell, U.S. Navy, for appointment to the grade of vice admiral on the retired list;

Rear Adm. Robert T. S. Keith, U.S. Navy, for commands and other duties determined by the President, for appointment to the grade of vice admiral while so serving;

Lt. Gen. Garrison Hold Davidson, Army of the United States (major general, U.S. Army), for appointment as senior U.S. Army member of the Military Staff Committee of the United Nations;

Maj. Gen. Thomas Weldon Dunn, Army of the United States (brigadier general, U.S. Army), and Maj. Gen. John Southworth Upham, Jr., U.S. Army, to be assigned to positions of importance and responsibility designated by the President, in the rank of lieutenant general;

Lt. Gen. Barksdale Hamlett, Army of the United States (major general, U.S. Army), and Lt. Gen. Paul Lamar Freeman, Jr., Army of the United States (major general, U.S. Army), to be assigned to positions of importance and responsibility designated by the President, in the rank of general;

Maj. Gen. Frank Schaffer Besson, Jr., U.S. Army, to be assigned to a position of importance and responsibility designated by the President, in the rank of lieutenant general; and

Lt. Gen. Hamilton Hawkins Howze, Army of the United States (brigadier general, U.S. Army), and sundry other officers, for appointment in the Regular Army of the United States.

Mrs. SMITH of Maine. Mr. President, also from the Committee on Armed Services, I report favorably 11,696 appointments and promotions in the Navy in the grade of captain and below; 3,349 appointments and promotions in the Marine Corps in the grade of colonel and below; 13,001 appointments and promotions in the Regular Air Force in the grade of major and below, 3 colonels to be permanent professors at the U.S. Air Force Academy, and 1,388 appointments and promotions in the Army in the grade of colonel and below.

All of these names have already appeared in the CONGRESSIONAL RECORD. In order to save the expense of printing on the Executive Calendar I ask unanimous consent that they be ordered to lie on the Secretary's desk for the information of any Senator.

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

The nominations ordered to lie on the desk are as follows:

Warren L. Mobley, and sundry other officers for temporary appointment in the Marine Corps;

Edward G. Abersold, and sundry other officers for promotion in the Regular Air Force;

Herbert A. Adamson, and sundry other officers for promotion in the Regular Air Force;

Col. Alfonse R. Miele, Col. Wilbert H. Ruenheck, and Col. Wayne A. Yeoman, for permanent professors of the U.S. Air Force Academy;

Richard J. Camden, and sundry other officers for appointment in the Regular Air Force;

Clark E. Aamodt, and sundry other officers for promotion in the Regular Air Force;

William R. Abele, and sundry other officers for permanent appointment in the Marine Corps;

John C. Abercrombie, and sundry other officers for promotion in the Regular Army of the United States; and

Horace E. Knapp, Jr., and sundry other officers for permanent appointment in the Marine Corps.

By Mr. CANNON, from the Committee on Armed Services:

Maj. Gen. Marshall Sylvester Carter, Army of the United States (brigadier general, U.S. Army), for appointment as Deputy Director, Central Intelligence Agency, with the rank of lieutenant general.

By Mr. JACKSON, from the Committee on Armed Services:

Edward A. McDermott, of Iowa, to be Director of the Office of Emergency Planning.

The PRESIDENT pro tempore. If there be no further reports of committees, the nominations on the Executive Calendar will be stated.

FARM CREDIT ADMINISTRATION

The Chief Clerk proceeded to read sundry nominations in the Farm Credit Administration.

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

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

ASSISTANT SECRETARY OF STATE

The Chief Clerk read the nomination of Robert J. Manning, of New York, to be an Assistant Secretary of State.

The PRESIDENT pro tempore. Without objection, the nomination is confirmed.

U.S. ARMS CONTROL AND DISARMAMENT AGENCY

The Chief Clerk read the nomination of Dr. Franklin A. Long, of New York, to be an Assistant Director of the U.S. Arms Control and Disarmament Agency.

The PRESIDENT pro tempore. Without objection, the nomination is confirmed.

AGENCY FOR INTERNATIONAL DEVELOPMENT

The Chief Clerk proceeded to read sundry nominations in the Agency for International Development.

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

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

DIPLOMATIC AND FOREIGN SERVICE

The Chief Clerk proceeded to read sundry nominations in the Diplomatic and Foreign Service.

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

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

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

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

LEGISLATIVE SESSION

Mr. MANSFIELD. 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.

COMMITTEE MEETING DURING SENATE SESSION

On request of Mr. MUSKIE, and by unanimous consent, the Committee on the Judiciary was authorized to meet during the session of the Senate today, to receive testimony by the Attorney General of the United States on proposed wiretap legislation.

TREASURY-POST OFFICE DEPARTMENTS APPROPRIATIONS, 1963

The Senate resumed the consideration of the bill (H.R. 10526) making appropriations for the Treasury and Post Office Departments, the Executive Office of the President, and certain independent agencies for the fiscal year ending June 30, 1963, and for other purposes.

The PRESIDENT pro tempore. The unanimous-consent agreement entered into yesterday now comes into effect.

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

The PRESIDENT pro tempore. The clerk will call the roll.

The Chief Clerk proceeded to call the roll.

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

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

Mr. WILLIAMS of Delaware. Mr. President, let me ask whether the Senator from Virginia [Mr. ROBERTSON] desires to obtain recognition by the Chair at this time.

Mr. MANSFIELD. Mr. President, a parliamentary inquiry.

The PRESIDENT pro tempore. The Senator from Montana will state it.

Mr. MANSFIELD. Let me ask the Chair what the pending measure is and under what auspices it is being considered.

The PRESIDENT pro tempore. The Senate has before it House bill 10526, making appropriations for the Treasury Department and the Post Office Department, the Executive Office of the President, and certain independent agencies for the fiscal year ending June 30, 1963; and the question is on agreeing to the motion of the Senator from Delaware [Mr. WILLIAMS] to suspend the rule.

Mr. MANSFIELD. I thank the Chair.

Mr. ROBERTSON. Mr. President, this morning I conferred with the distinguished Senator from Delaware [Mr. WILLIAMS] concerning the suggestion which he made shortly before the taking of the recess yesterday, namely, that today he might move to suspend the rule, in order to offer to the pending appropriation bill an amendment relating to the privilege of civil service employees to address public meetings.

The Senator from Delaware told me that upon further reflection, he realized that I, and perhaps all the other members of the Appropriations Committee, would feel that we would have to oppose such a motion in connection with his amendment, because the amendment would apply to only this one appropriation bill, and because there had been no opportunity for the committee to consider the matter, and because we realize what we would be faced with in conference; and that, therefore, no doubt we would be inclined to endeavor to prevent such a change in this bill, in order to avoid encountering such a jam with the House conferees.

So he said he would like to have the privilege of explaining to the Senate why he had brought up this matter; and he said that at a later time—in fact, I believe it will be next week—when the supplemental appropriation bill comes before the Senate, he intends to present the matter to the special subcommittee of the Appropriations Committee which will deal with the supplemental bill, so that if they wish to move to suspend the rule and include such an amendment, they can do so.

Mr. President, I yield the floor.

Mr. WILLIAMS of Delaware. Mr. President, as the Senator from Virginia has said, I discussed this matter with him following the taking of the recess last night.

I understand that the Senator from Virginia is in sympathy with what we are trying to do in this case, and I also understand that he is not in agreement with the new ruling by the Civil Service Commission and, in particular, as it has been interpreted by the Attorney General.

I recognize the reason for his decision that as chairman of the subcommittee and as the Senator in charge of the pending bill he could not accept the amendment at this time.

Under the circumstances I said that rather than put him in a position in which, as chairman of the subcommittee and as Senator in charge of the bill, he would have to oppose such a move at this time I would wait until the supplemental appropriation bill came up next week, at which time I would hope to have the support of almost all the members of the Appropriations Committee.

I should like to have an understanding with the Senator from Virginia so no question will be raised about the propriety of taking up the matter at that time.

As I stated before, I am certainly not in the least trying to change practices which have no doubt been in effect for civil service employees under all preceding administrations with which I have had experience, both Democratic and Republican. We are not trying to change that practice one iota, but the recent ruling passed down by Commissioner Macy in February of this year—I think the actual ruling was passed down on the 10th of January—provides that now civil service employees can go out before interested public groups, service clubs, and so forth, and speak on behalf of the administration's legislative program.

The Attorney General has ruled that that is in accord with the laws as he interprets the intent of Congress. That was not my understanding. But the Attorney General in making the ruling has gone further and said that while this ruling would extend to civil service employees the legal right to speak against the administration's program if they so desired, it would, nevertheless, be considered "a serious impropriety" on their part if they did say anything against the programs. He even went so far in his ruling as to say that if a civil service employee objected to any legislative program of the administration he could voice his objections to his superior officers only, but once the superiors said, "This is our policy or legislative program," then, notwithstanding the private beliefs of the civil service employee, it was his responsibility to ignore his own opinion, and go out and speak on behalf of the administration's proposal.

I do not believe that a civil service employee—I do not care under which political party—should be ordered by his superior either to support or defeat a legislative program. That was not the intention of Congress, and the whole principle of civil service was that employees would not be involved in legislative programs or political activities.

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

Mr. WILLIAMS of Delaware. I yield to the Senator from Florida.

Mr. HOLLAND. Is my understanding correct that the two distinguished Senators intend to leave me this problem by consigning it to the Deficiencies and Supplementals Subcommittee, of which I am chairman, which is going to handle the next appropriation bill?

Mr. ROBERTSON. Mr. President, may I answer that question?

Mr. HOLLAND. Yes.

(At this point Mr. HICKEY took the chair as Presiding Officer.)

Mr. ROBERTSON. Yesterday I stated that although I was in sympathy with the objective of the Senator from Delaware, because I thought under the Hatch Act civil service employees were prohibited from taking part in political campaigns, yet I would have to object, under the rules of the Senate, to any amendment that was legislation on an appropriation bill; and I called attention to the fact that the Senator had not mentioned it to the subcommittee or to the full committee, and that the Appropriations Committee had not considered it.

Then I mentioned the fact that this bill will not become a law until the 1st of July, and that the bill applies only to two Departments, the Treasury and the Post Office Departments and a few independent agencies, but that next week we would have before us a supplemental bill that would become law as soon as it was agreed to in the two Houses and approved by the President, that it applied to nearly all agencies, and that if the Senator wanted the Appropriations Committee to consider the advisability of suspending the rules and putting legislation on an appropriation bill, he should go before the proper subcommittee and present his views. That is as far as I went. I did not commit myself to legislation of this character on an appropriation bill.

Now, to that extent I unloaded the problem on my distinguished friend, the Senator from Florida.

Mr. HOLLAND. Mr. President, I appreciate the benevolent design of the Senator from Virginia, and also that same design on the part of the Senator from Delaware, but I remind both of them that there are some very urgent items in the supplemental bill, for example, one which relates to the State of the Senator from Delaware—the disaster relief items which apply to property damage along the middle Atlantic seaboard, including Delaware, by the recent storm—and there are other urgent items in that bill. While I am not going to prejudge, and while I always welcome the appearance of the Senator from Delaware or any other Senator before the committee, I call attention to the fact that if there are to be highly debatable issues which would delay passage in both Houses of the supplemental bill, containing as it does these urgent items, I would not be inclined to put on that bill a proposal of general legislation which is so highly controversial.

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

Mr. HOLLAND. I yield.

Mr. ROBERTSON. That is the reason why the Senator from Virginia declined to say he would support the suggestion as to that bill. It is controversial. It is an amendment of the Hatch Act, really amplifying what we thought was meant. But there can be no doubt of the fact that it will not be easy to get the House conferees to agree, and it may involve considerable debate on the floor of the Senate.

All the Senator from Virginia said was that we should certainly leave the amendment off this bill, and if the Senator is going to bring it up, let the whole committee know what is involved. The Senator from Arizona will read what the instructions are as to legislation on an appropriation bill. I was operating under the instructions of the committee.

Will the Senator yield and permit the Senator from Arizona to read what the instructions are?

Mr. WILLIAMS of Delaware. Yes, I yield.

Mr. HAYDEN. Mr. President, I would like to advise the Senate with respect to the standing order of the Committee on Appropriations, adopted away back in 1931, which has been followed scrupulously ever since. It reads as follows:

> The following rule for the guidance of members of the committee in handling bills on the floor of the Senate was submitted by the chairman and adopted:
>
> "Any member or ex-officio member of the Committee on Appropriations of the Senate who has in charge an appropriation bill, is hereby authorized and directed to make points of order against any amendment offered in violation of the Senate rules on the floor of the Senate to such appropriation bill."

Mr. WILLIAMS of Delaware. I thank the Senator for reminding me of that rule. I am well aware of the rule, but it has been suspended many times.

Mr. HAYDEN. The point I am trying to make is that the rules must be suspended by a two-thirds majority.

Mr. WILLIAMS of Delaware. The motion to suspend the rules has on occasion been made by the chairman of the committee, the senior Senator from Arizona, for whom I have such great respect, and I have supported suspension of the rules many times. This is not a new procedure.

Mr. HAYDEN. There is no question that the rules can be suspended by a two-thirds majority, but we cannot accept amendments of this kind except by that action.

Mr. WILLIAMS of Delaware. It is a fact that there is a procedure for suspending the rules. I intended to call the matter to the attention of the committee earlier, but the bill was reported on the 16th of March and I have been trying ever since the 27th of February to get a reply from the Attorney General. I am not going to accept all of the responsibility for having delayed. I was waiting, very properly, for a reply from the Attorney General, but the Attorney General was on his worldwide tour, and he was not able to answer the letter. But now that he is back he has sent the reply.

In this reply he has ruled very specifically that civil service employees can and are expected, notwithstanding their personal opinions, to defend the legislative programs and policies which are outlined by this administration without any regard to what they may privately believe. On the other hand, he rules that if they say anything in opposition to the administration's program it would be considered "a serious impropriety." Therefore, they would, undoubtedly, jeopardize their promotional chances. I think it is grossly unfair to civil service employees to expect them to promote the policies of the administration without any regard to the question of whether they believe in them or not.

I should like to quote one sentence from the Attorney General's letter. He refers to the administration as "they." He says:

> And they are entitled to that cooperation and support from him even though he may not agree with the policy.

It is going pretty far to say in effect that the administration can order civil service employees to lobby for the administration's legislative program but that they dare not oppose it. The ruling means that, if this stands, since the administration has sent to the Congress a recommendation for a pay bill for the civil service employees the employees must support it whether or not they agree with the formula in that bill. Under the ruling they are supposed in all their public utterances to defend in its entirety the administration's recommendation on its pay bill.

Certainly it was not the intent of Congress that the employees be restricted from expressing their personal opinions. Under this ruling if employees speak before any public groups they are to endorse or explain the administration's views only without regard as to whether or not they are for them. They dare not say one word against the

administration's formula in the pay bill, and they are not to say one word against the postal rate increase.

If any Director of Internal Revenue Service says one word against the proposed tax bill or the formula in the pending tax bill, which will come before our committee next week, he will be violating the ruling. They must advance the administration's views only. They cannot speak against it even though there are items in that bill which they think would not work to the best interests of the people.

My own opinion is that the civil service employees ought to stay out of discussions on pending legislative programs. Surely, they have a right to petition the Congress as to matters dealing with themselves. No one quarrels with that right. They have always had that right.

So far as the administration programs are concerned, with respect to whether we should amend the tax laws, whether we should increase or lower taxes, whether we should change the formula for the paying of taxes, that is something for the Congress to determine after consulting with the administration and after public hearings. Congress is to make that determination. These people merely carry out the law. Surely, they can interpret it once it has been passed.

I do not think we ought to condone such arbitrary power on the part of this administration. It is something never suggested before by any administration. To my knowledge no administration has ever suggested that it have that power—the power to mobilize 1 million civil service employees with instructions that they have to defend the New Frontier policies.

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

The PRESIDING OFFICER (Mr. HICKEY in the chair). Does the Senator yield?

Mr. WILLIAMS of Delaware. Khrushchev may be able to do that in Russia, but in America that is not the way we operate.

I yield to the Senator from Florida.

Mr. HOLLAND. I think the Senator will recall various occasions in the past when the Senator from Florida, as chairman of a subcommittee handling appropriations for the Department of Commerce and other agencies, has joined the Senator from Delaware in efforts to secure general legislation on an appropriation bill. The Senator from Florida wishes to give clear notice now, however, that this is a different situation, when there is talk about putting such an item on a supplemental bill which contains so many emergency items.

I have in my hand a communication from the President, printed as Document No. 365 of the House of Representatives of the 87th Congress, containing two urgent items. There are other urgent items in the other supplemental requests, but these two I wish to bring to the attention of my distinguished friend from Delaware.

The first is under "Funds appropriated to the President" for "Disaster relief," $25 million. This is the explanation:

> This proposed supplemental appropriation is needed to provide immediate relief to the coastal areas of the eastern seaboard which were devastated by recent storms. Amounts are also included to cover flood damage in West Virginia, Kentucky, and Idaho.

Then, for the Small Business Administration, there is a request for an urgent appropriation of $10 million for their disaster relief funds. This is the explanation, in part:

> The recent storms on the Atlantic coast and floods in other areas have resulted in extensive damage to businesses and homes. These additional amounts will be used to assist in restoring the damaged properties.

I have the full document available, if the Senator wishes to read it. I think the Senator will agree that it would be unfortunate indeed for us to get mixed up in a fight with the very excellent committee of this body which handles civil service items. We have had some fights with that committee before. I note on the floor now the ranking minority member of that committee, the Senator from Kansas [Mr. CARLSON].

Mr. WILLIAMS of Delaware. The Senator from Kansas is a cosponsor of the pending proposal.

Mr. HOLLAND. It would be even more unfortunate to have this urgent item, which will become available as soon as the bill is signed by the President, tied up in a conference fight with the other body.

While I am always willing to hear the distinguished Senator—he is invited now to appear, if he wishes, in the hearings—I wish to tell him that even if I become sold on his plan entirely, and I may be, I shall never agree to put this amendment on the supplemental bill, because of the urgent nature of the items covered by it.

I suggest that we shall be considering civil service items, to be reported from that legislative committee. The proper place for the Senator to be heard, and the proper place for him to seek to impose his amendment, it seems to me, would be in the consideration of a bill from the proper legislative committee.

Mr. WILLIAMS of Delaware. Mr. President——

Mr. HOLLAND. I repeat, I invite the Senator from Delaware to come before our committee. He will have a courteous and full hearing. I do not wish to have him think, from that statement, I am encouraging him to do so, because I think the supplemental bill is the very last one of the appropriation bills which should be used in this way, to inject items which are apt to prove obstructive in their nature both on the floor of the Senate and in conference.

Mr. WILLIAMS of Delaware. Mr. President—

Mr. HOLLAND. I wish to proceed a little further than I had intended. I close on this item by saying at this point, I remind the Senator that the Senate Committee on Post Office and Civil Service has been exceedingly interested always in insisting upon its jurisdiction. On one or two occasions the committee has yielded to the Appropriations Committee, when urgent items had to be passed, which I could recite, but in the normal instance the committee has insisted there be hearings before the committee with respect to matters which propose to change the law which is under their jurisdiction. I hope that my distinguished friend will be mindful of that trouble which we have had in the past, both on this floor and in conference, before insisting upon anything.

My distinguished friend from Virginia [Mr. ROBERTSON] has handed to me the United States Code, titles 1 to 9. In title 5, section 118i there is reference to "Executive employees; use of official authority; political activity; penalties; reports to Congress."

I ask unanimous consent that the section be printed in the RECORD at this point.

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

> § 118i. Executive employees; use of official authority; political activity; penalties; reports to Congress.
>
> (a) It shall be unlawful for any person employed in the executive branch of the Federal Government, or any agency or department thereof, to use his official authority or influence for the purpose of interfering with an election or affecting the result thereof. No officer or employee in the executive branch of the Federal Government, or any agency or department thereof, shall take any active part in political management or in political campaigns. All such persons shall retain the right to vote as they may choose and to express their opinions on all political subjects and candidates. For the purposes of this section the term "officer" or "employee" shall not be construed to include (1) the President and Vice President of the United States; (2) persons whose compensation is paid from the appropriation for the office of the President; (3) heads and assistant heads of executive departments; (4) officers who are appointed by the President, by and with the advice and consent of the Senate, and who determine policies to be pursued by the United States in its relations with foreign powers or in the Nation-wide administration of Federal Laws. The provisions of the second sentence of this subsection shall not apply to the employees of The Alaska Railroad, residing in municipalities on the line of the railroad, in respect to activities involving the municipality in which they reside.
>
> (b) Any person violating the provisions of this section shall be removed immediately from the position or office held by him and thereafter no part of the funds appropriated by any Act of Congress for such position or office shall be used to pay the compensation of such person: *Provided, however,* That the United States Civil Service Commission finds by unanimous vote that the violation does not warrant removal, a lesser penalty shall be imposed by direction of the Commission: *Provided further,* That in no case shall the penalty be less than ninety days' suspension without pay: *And provided further,* That in the case of any person who has heretofore been removed from the service under the provisions of this section, the Commission shall upon request of said person reopen and reconsider the record in such case. If it shall find by a unanimous vote that the acts committed were such as to warrant a penalty of less than removal it shall issue an order revoking the restriction against reemployment in the position from which removed, or in any other position for which he may be qualified, but no such revocation shall become effective until

at least ninety days have elapsed following the date of the removal of such person from office.

(c) At the end of each fiscal year the Commission shall report to the President for transmittal to the Congress the names, addresses, and nature of employment of all persons with respect to whom action has been taken by the Commission under the terms of this section, with a statement of the facts upon which action was taken, and the penalty imposed (Aug. 2, 1939, 11:50 a.m. E.S.T., ch. 410, § 9, 53 Stat. 1148; July 19, 1940, ch. 640, § 2, 54 Stat. 767; Mar 27, 1942, ch. 199, title VII, § 701, 56 Stat. 181; Aug. 8, 1946, ch. 904, 60 Stat. 937; Aug. 25, 1950, ch. 784, § 1, 64 Stat. 475.)

AMENDMENTS

1950—Subsec. (b) amended by act Aug. 25, 1950, which added the provisos to give the Civil Service limited discretion in the imposition of penalties and removed the restriction against reemployment.

Subsec. (c) added by act Aug. 25, 1950, to require the Civil Service Commission to make annual reports to Congress.

1946—Subsec. (a) amended by act Aug. 8, 1946, to permit Alaska Railroad employees to participate in local political matters involving municipal governments only.

1942—Subsec. (a) amended by act Mar. 27, 1942, to except part-time officers and employees serving without compensation or nominal compensation during World War II, but such amendment has been omitted as it expired on Mar. 31, 1947, under provisions of section 645 of Appendix to Title 50, War and National Defense.

1940—Subsec. (a) amended by act July 19, 1940, to give all persons the right to express their political opinions.

Mr. HOLLAND. That is the section which I understand the distinguished Senator proposes to amend. It is very obvious that it deals with the controversial section of the Hatch Act.

Mr. WILLIAMS of Delaware. Mr. President, if the Senator will yield to me for the purpose of clarifying the RECORD, I submit that the amendment which I propose would not amend that section. What I propose is merely a limitation on the appropriation bill. The Senator from Florida has in other years voted for such limitations even though it was legislation on an appropriation bill. We passed such a proposal last year unanimously through the Congress.

Mr. HOLLAND. The Senator is correct, except that he would have to limit himself to a regular appropriation bill, and not to a supplemental appropriation bill.

Mr. WILLIAMS of Delaware. Not necessarily.

I say to the Senator from Florida that I am as much interested as he is in those emergency appropriation items in the supplemental appropriation bill. I represent one of the areas which is involved. But these agencies have adequate funds to proceed. I have talked with their representatives, and while they need the extra money they can proceed with existing funds. They will need the money to implement their funds as they deplete them. I am wholeheartedly in support of their request.

But this proposal would not tie up anything. There is somewhat of an emergency in regard to this ruling. This represents a drastic change in the policy on the part of the administration in regard to the activities of civil service employees.

I emphasize again that the reason this was not done before is that I had to wait about a month to get an answer from the Attorney General. The Attorney General was on a worldwide tour. I do not find fault with him for going away. Some people would say that he should have stayed away a little longer. I am glad that he is back.

The Senator from Kansas [Mr. CARLSON] to whom the Senator referred as one who might object to the usurpation of the jurisdiction of the committee is a cosponsor of this amendment. He recognizes its importance.

I have every intention of going along with the request of the Senator from Virginia [Mr. ROBERTSON], and I would be delighted to wait and consider this subject in connection with a supplemental bill.

I appreciate the offer of the Senator from Florida to afford me a hearing if that action is taken, but I would not appreciate being heard before a chairman of a committee who has already said that he will oppose the measure after he has heard it. If we are to take such a firm position in advance we should have the vote now. Let us settle the issue today if we can get the kind of hearing that has been proposed.

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

Mr. WILLIAMS of Delaware. I yield to the Senator from Kansas.

Mr. CARLSON. I believe that my interest in behalf of civil service or Federal employees in this Nation is well known. In my past years of service in the Senate I have been greatly distressed by the situation in this regard, and I was greatly distressed when the ruling was issued early this year. At that time I made some statements on the subject on the floor of the Senate. I had discussed it with the Chairman of the Civil Service Commission. I told him I thought the ruling was unfortunate, because we have a group of Government workers who should be free from pressure from any admininistration or group.

I do not see how those employees can be free from such pressure under the ruling that the Commission has issued, which states that the employees may, and possibly should, go out and make speeches in behalf of proposals of the administration. For that reason I support the proposal of the Senator from Delaware.

However, I think it is unfortunate that the measure is proposed as an amendment to the pending bill, but it is the first opportunity to present it. I assure the Senate that it is an action which I think should be taken in the interest of our Government employees. Several employees have called my attention to the fact that they did not want to be placed in that position. If we take the one step proposed, and our Federal employees must go out and defend the administration's position, what might be the next step? The next step might be that they would engage in political activities. That is something we should try to avoid.

I hope the Senate will give some thought to that problem when the issue is presented today. I sincerely regret that it is before us at the present time. However, I commend the Senator from Delaware for bringing the issue to the attention of the Senate. I think we should take some action on it. We ought to express our views on it, and I hope we may have the opportunity to do so.

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

Mr. WILLIAMS of Delaware. I yield.

Mr. HOLLAND. So far as the Senator from Florida is concerned, he had heard all these points stated before. He is inclined to think that he will agree with his friends from Delaware and Kansas when the proper time comes to take appropriate action upon the proposal. The Senator from Florida notices that the amendment that has been offered by the Senator from Delaware would not apply in any case until the appropriation bill for the regular year 1963 would become operative, and that will not be until after July 1.

He sees no point at all in the Senator's urging his proposed change in the appropriation in the way he has offered it at this time, which would not bring any immediate relief. Certainly long before July 1 there will be civil service bills reported from the committee of which the distinguished Senator from Kansas [Mr. CARLSON] is such an able member, and of which the Senator from South Carolina [Mr. JOHNSTON] is the able chairman. I think that would be the time to consider the measure.

So long as there are disaster items in the supplemental bill, I am going to be very hard to sell. As sincerely as I invite and as cordially I will welcome the Senator from Delaware, the Senator from Kansas or anyone else before the hearings on the supplemental bill, I am not inclined to encumber emergency items in such a way as is now proposed. I will be very difficult to sell on the inclusion of any such item in the supplemental bill.

I reiterate my intention to extend every courtesy to any Senator who may have an interest in this or any other proposal on which he may wish to be heard. I shall be insisting on the same philosophy as I have expressed here. There must be more appropriate ways to present the issue than by attaching to a supplemental appropriation bill containing various emergency and disaster items a general legislation measure which is highly controversial.

That is all I care to say.

Mr. WILLIAMS of Delaware. Mr. President——

Mr. HOLLAND. I strongly support the position taken by my friend on the other side of the aisle. I think the Hatch Act should operate fully in both directions, and that there should be no partisan implications. But this is not the time to present such a measure. In hearings on a supplemental appropriation bill there would be opportunity at an appropriate time to consider such a proposal.

Mr. WILLIAMS of Delaware. Mr. President, the Senator from Florida said that he would object to a highly controversial proposal being added to a supplemental appropriation bill. As I see it, my amendment is not a highly controversial matter. The issue was explained yesterday. The Senator from Virginia [Mr. ROBERTSON] and the Senator from Florida [Mr. HOLLAND] both said that they were for it in principle. I have yet to hear one Senator say that he is opposed to the principle of the amendment. All Senators are saying is, "Do not do it today. Do it tomorrow."

I will yield to any Member of the Senate who says that he is opposed to the principle of the amendment or that he defends the ruling handed down by Commissioner Macy and the interpretation placed on the ruling by Attorney General Kennedy. I do not think the Senator from Florida is in favor of that ruling. If we are opposed to the ruling there is nothing controversial about it; let us go ahead and do the job. Let us not put it off.

The reason I suggested the use of a supplemental bill is that that bill would become law immediately upon its receiving the signature of the President and would mean an immediate overriding of the ruling of Commissioner Macy. But if, without regard to the merits of the proposal, we are to have determined opposition on the part of the subcommittee, let us have such determined opposition today and let us settle the question now.

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

Mr. WILLIAMS of Delaware. I promised to yield first to the Senator from Iowa.

Mr. MILLER. Mr. President, I wish to ask the Senator from Florida a question. In view of the Senator's comments about the undesirability of putting the kind of amendment proposed on supplemental appropriation bills, do I correctly understand that the Senator would have no objection to placing it upon the bill that is now pending before the Senate?

Mr. HOLLAND. On that question I shall be governed by the attitude of the Senator who is handling the bill and who conducted the hearings. I understand from him that this subject was not brought before his subcommittee. Certainly it was not brought before the full committee. I think such a question, on such an important matter, should be considered.

I wish to comment on a statement of the Senator from Delaware. There are 10 Senators in the Chamber. There are 90 additional Senators. Some are quite obstinate in their adherence to their views, whatever they may be. I shall never assume that 10 Senators can speak for all 100. Besides, the chairman of the legislative committee who is involved in this matter is not present in the Chamber. I do not believe that any other member of that committee is in the Chamber except my distinguished friend, the Senator from Kansas [Mr. CARLSON].

Furthermore, unlikely as I am ever to try to speak for 90 absent Senators, I am much less likely to try to speak for the attitude of the other body. We do not have the faintest information on what their attitude would be in the event of a conference.

I believe that the distinguished Senator from Delaware probably has a very meritorious proposal. I shall probably be joining him at the time the measure comes before the Senate in the proper way. The Senator has an unfortunate aptitude, however, for advancing proposals at a time when it is least appropriate to consider them, and I think that this is one of those times.

I hope the distinguished Senator will give us an opportunity to vote for this proposal as an amendment to a civil service bill coming from that committee. My friend from Kansas is still in the Chamber. I am sure he would tell us that his committee has been diligent, and that it will make reports. Probably it already has made reports on certain bills. There will be appropriate bills for such an amendment.

If such action cannot be taken, there are certainly more appropriate bills in connection with which to advance such a proposal than a supplemental appropriation bill containing disaster relief items. There are certainly opportunities for Senators to be heard. I have already said that we invite Senators to a hearing before the subcommittee which I have the responsibility of heading and which will consider supplemental bills.

But let us have some approach that is at least partially regular and would give Senators who have some responsibility in the field of appropriations an opportunity to weigh the merits and demerits of the proposal and decide whether they favor it, and, if so, in what kind of bill they propose to place such a proposal.

I will stand with the Senator from Virginia in opposing the placing of this particular amendment on the bill.

Mr. ROBERTSON. I should like to answer as the chairman of the subcommittee handling the bill on the floor of the Senate. I thought I had made it perfectly plain yesterday that I opposed the proposal. I made a point of order against it, which was sustained. The distinguished Senator from Iowa then brought in an amendment which is even broader than the Williams amendment. He would not only prohibit civil service workers from speaking out at a meeting, but he would also prohibit their sending even a written statement to be read at the meeting. In addition, he would include State employees of the Soil Conservation Service in the prohibition. The chairman of our full committee has stated that even if I wished to do so, I am precluded by the rules of the Committee on Appropriations to agree to accept it. I am compelled to follow the rules.

So what is the situation? The Chair has ruled that an amendment similar to the amendment of the distinguished Senator from Iowa is out of order.

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

Mr. ROBERTSON. The Senator has filed no notice that he would move to suspend the rule. Therefore, under the rule his amendment is out of order.

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

Mr. ROBERTSON. I yield.

Mr. MILLER. Does the Senator from Virginia realize that my amendment has not been offered? I believe I understood the Senator from Virginia to say that it had been.

Mr. ROBERTSON. Oh, if the Senator wishes to go through the process, he can offer it. The Chair will rule on it, and we will then vote. However, he cannot move to suspend the rule, because he must first give a full day's notice. If the Senator wishes to follow that path, he may do so. We know where that effort will wind up.

Mr. MILLER. I merely wish to point out that the Senator from Iowa has not yet offered the amendment; that the amendment which had been offered, and to which the point of order was made by the Senator from Virginia, was the amendment of the Senator from Delaware, and not the amendment of the Senator from Iowa.

Mr. ROBERTSON. I understand that the Senator had asked if an amendment which was broader than the one to which I had objected was satisfactory to me. I said of course it was not satisfactory.

Mr. MILLER. The only question that the Senator from Iowa asked informally of the Parliamentarian was whether or not my amendment would conform with the changes made by the Senator from Delaware to the extent of not being subject to a point of order. I received that assurance.

Mr. ROBERTSON. I do not know who gave the Senator that assurance. I do not know how it could be given. If the Senator wishes to bring up the amendment, I will make a point of order. Then we will see what happens. The distinguished Senator from Delaware first brought up the matter. I discussed it with him. He agreed that it should not be put on a bill that applies to only two departments of the Government, and which law shall not become operative until next July, and which we know the House conferees will not accept. There is no point in arguing it one way or the other. We know they will not accept it.

Mr. MILLER. I would merely like to point out that the amendment I had prepared is identical to the amendment identified as "E" of the Senator from Delaware, in the first part of the amendment. The original amendment of the Senator from Delaware, amendment B, read:

> No part of any appropriation contained in this or any other Act.

The Senator from Virginia made a point of order against the words "or any other Act."

Thereupon the Senator from Delaware offered his amendment E, which reads:

> No part of any appropriation contained in this Act.

He deleted the words "or any other Act." The Senator from Iowa had the same words in his amendment in order

to conform it to the Williams amendment.

Mr. ROBERTSON. If the Senator will read the RECORD he will find that the distinguished minority leader, the Senator from Illinois [Mr. DIRKSEN] asked why we did not have a ruling on the point of order made by me. Rule XVI in two places prohibits us from adding *legislation* limiting an appropriation based on a contingency that may happen in the future. That prohibition is contained in two places in rule XVI. The Williams amendment also provided that his amendment was to apply even on legislation which had not yet been introduced. The Presiding Officer ruled that the Williams amendment was out of order, because it applied to all acts.

Then the minority leader insisted that we have a ruling on the point that I had made, with reference to a limitation based on a contingency happening in the future.

That is just as crystal clear as anything can be. We cannot say, "You can have this money, but if at some future time you make a speech, you cannot have it." We cannot say, either, "You can have this money, but if you write a letter which is read at a public meeting, you cannot have the money."

As I pointed out, the whole purpose of the restriction is to keep the Appropriations Committee from exceeding its functions, which is solely to appropriate money.

The rule has been relaxed with respect to one phase, namely, that we can say specifically, "You shall not spend this money for one purpose, propagandizing." That is the present law. That provision will be in the appropriation bill for the independent offices, and will apply to all agencies, when it comes from the House.

The second part of the Williams amendment, the real heart of the amendment, and as offered by the Senator from Iowa is to amend the Hatch Act with respect to the right of civil service employees to attend and speak at public meetings and functions. But the Miller amendment, as I pointed out, goes beyond the Williams amendment. The Williams amendment applied only to speaking. The Senator from Iowa does not want civil service employees to write anything. The Senator from Iowa also wants to include State employees who are paid with Federal funds.

Mr. WILLIAMS of Delaware. Will the Senator take the amendment as I submitted it? That is the amendment that we are discussing here—not the Miller amendment.

Our amendment would apply only to these two agencies that are mentioned in the bill. It would give an indication that the Senate disapproved the use of money in that manner.

Mr. ROBERTSON. The Senator from Virginia will not accept it. He has said so time after time. He does not think that he has a right to take it. He will not take it. He knows the House will not take it. I will not yield for 1 minute on that.

Mr. WILLIAMS of Delaware. Then we will vote on the question today.

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

The PRESIDING OFFICER. Does either of the Senators in control of the time yield for that purpose?

Mr. MILLER. I withdraw my request.

Mr. COOPER. Mr. President, I do not intend to speak on the procedural question, because that has been fully debated. I do wish to take this opportunity to say that I hope there will be some way, either with respect to the pending bill or another bill, to avoid such a situation being brought about by a civil service ruling. This is a matter on which there should be no partisanship. It should not be a Republican issue or a Democratic issue. When we consider the history of the efforts that have been made in this country to secure a free and independent civil service, under which the employees would not be under pressure by the administration in power, it is unexplainable that we should see such a situation develop in a new administration which has characterized itself as one of high purposes—one, in its own words, devoted to improving the quality of the people of this Nation in the fields of education and general cultural activities. It is truly unexplainable to see such a callous, cynical and, I may say, monstrous attempt made to influence employees and to deny them—there would be such a denial—their freedom of expression and political rights.

I think it is unexplainable. I also believe the President himself can stop it. It ought not to be necessary to quarrel about it. The President should direct the Civil Service Commission to stop the order and to cancel it.

Mr. President, I simply wished to express myself on the situation. As I said, I have not in any way been able to speak about the procedural question. However, I am speaking about the question of substance and of the honor of the administration, after all the years that have been spent to achieve an independent civil service.

I hope this situation can be corrected by an order of the President so as to restore to the civil service their proper independence and remove any attempt to influence them, interfere with their political liberty and right of political expression.

Mr. ROBERTSON. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Virginia will state it.

Mr. ROBERTSON. The distinguished Senator from Delaware told me over the telephone this morning that although he had filed a motion to suspend the rule respecting his amendment, he had decided not to bring it up and would not ask for a vote.

Mr. WILLIAMS of Delaware. The Senator is correct; but I did so with the understanding that consideration would be given to such an amendment on the supplemental appropriation bill. But the chairman of the subcommittee handling the supplemental appropriation bill has indicated that he will oppose such an amendment to that bill without regard as to its merit. If there is to be such opposition anyway, we might just as well vote now.

I was and still am willing to withdraw my amendment on the basis of a statement that I will get a hearing before a committee. But when the chairman of the committee says in advance that he will oppose the amendment after hearing a discussion on it, why waste time?

This is a very important proposal. We are dealing with policies regarding 1 million civil service employees. I have not heard any Senator say—and if there is one I shall be glad to yield to him—he will defend the Commissioner's ruling and that the rule should stand or that he thinks the administration should be able to direct the civil service employees to speak for the administration's proposed legislation but that it would be a great impropriety if the civil service employees spoke against proposed legislation. I do not think civil service employees should be used for the purpose of either supporting or defeating pending legislation.

Mr. PASTORE. Mr. President, will the Senator from Delaware yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. PASTORE. The Senator from Rhode Island certainly opposes that. I think it is a rule I could support. What we seek to do is to say to certain civil service employees, "If there is a matter pending on which you are versed, a bill about which the people wish to know something, from hearing about it in a political campaign, we would like to have you go out and explain it."

For example, the President of the United States has spoken about the Common Market and free trade. What would be wrong with having someone from the State Department, who is a civil service employee, or someone from the Commerce Department, who is a civil service employee, explain the Common Market or free trade to people who might be interested in those subjects, not on the basis that they are trying to sell something, but are merely trying to explain the purpose.

If an employee of the Department of Commerce does not like a suggestion that is being made by the President of the United States, the Senator from Delaware is saying he ought to be invited to the Rotary Club to oppose the administration.

Mr. WILLIAMS of Delaware. I have never said anything of the kind.

Mr. PASTORE. Is not that what the Senator suggested?

Mr. WILLIAMS of Delaware. No, I did not. If the Senator from Rhode Island had been in the Chamber he would have known that. But he has come into the Chamber after the debate is over and seeks to interpret what another Senator has said. If he wants to be certain of what has been said I suggest that he remain in the Chamber and listen.

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

Mr. WILLIAMS of Delaware. I yield.

Mr. PASTORE. The Senator from Rhode Island heard the Senator from

Delaware say that if there was any Senator in the Chamber who challenged him, he should speak up. I spoke up.

Mr. WILLIAMS of Delaware. Yes; but the Senator should speak his own opinion and not try to speak the opinion of another Senator.

Mr. PASTORE. I am speaking my opinion; I did not speak the opinion of the Senator from Delaware at all.

Mr. WILLIAMS of Delaware. Thank you.

Mr. ROBERTSON. Mr. President, the Senator from Virginia cannot be the keeper of the conscience of the Senator from Delaware; but when he told me he would not bring up his amendment, I so informed the majority leader. The majority leader is not in the Chamber. The minority leader was so informed; he is not here. The majority whip was so informed; he is not here. A number of members of the Committee on Appropriations, who feel it necessary to protect the bill, are not in the Chamber.

If the Senator from Delaware feels he has sufficient reason under those circumstances—and we expect to vote in about 5 minutes—to go back on what he told me——

Mr. WILLIAMS of Delaware. Let us complete the rest of our conversation. The Senator from Virginia indicated that in principle he favored this proposal, and I understood he would like to support it if it were offered to the supplemental appropriation bill.

Mr. ROBERTSON. I beg the Senator's pardon; I did not say that. I said I am in sympathy with the purpose and intent of the Senator's proposal, but I cannot accept it on the pending bill. I said the more appropriate way would be to offer it to the supplemental appropriation bill; then it would become effective almost immediately. The bill under consideration will not become effective until July 1. The supplemental appropriation bill will apply to a number of departments. The pending bill applies to only two.

If the Senator proposed his amendment to the supplemental appropriation bill, he could appear before the committee, and the committee could then vote on whether the subcommittee chairman handling the bill would be authorized to move to suspend the rule.

Mr. WILLIAMS of Delaware. On that point I agree, and I would agree again. But the point I make is that since the time I spoke to the Senator from Virginia, the chairman of the Subcommittee on Supplemental Appropriations has indicated he will oppose the amendment without regard to its merits. What is the use of postponing this question for a hearing before a committee when the chairman of the subcommittee has already rendered a decision? I think this far too important a proposal.

Mr. ROBERTSON. I shall have to oppose the Senator's proposal. A vote has been ordered. I am ready to vote.

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

Mr. WILLIAMS of Delaware. I yield.

Mr. MANSFIELD. I feel quite certain the Senator from Virginia did not say he would not consider the proposal on its merits. The Senator from Delaware must have misunderstood, because I have known the Senator from Virginia, both in the House and the Senate, for 20 years——

Mr. WILLIAMS of Delaware. I did not mean to suggest that the Senator from Virginia is going back on his word or that he would not be fair.

Mr. MANSFIELD. He has always said he would be willing to consider the proposal on its merits. I am sure he would say so again.

Mr. ROBERTSON. I am simply not at liberty to accept any legislation on the pending bill.

Mr. MANSFIELD. That is understood. I hope this problem can be settled amicably.

Mr. WILLIAMS of Delaware. I hope so too. I am willing to go along with the Senator in that desire. But I think the majority leader will agree that recognizing the circumstances, at least we are entitled to a hearing on the supplemental appropriation bill without having the question prejudged by the chairman of the subcommittee which will handle that bill, in a statement that while he might favor the proposal he would not accept it under any circumstances.

All I seek to do is to get the proposal before Congress in some manner. The reason why I did not submit it to the committee earlier is that I waited for nearly 30 days for a reply to a letter I sent to the Attorney General. I am not raising any question about that; that is beside the point. However, I did not get a reply to my letter of February 27 until the last weekend.

The Senator from Massachusetts [Mr. SALTONSTALL] with whom I spoke about the situation, thought we had worked out a constructive solution. I still am willing to go along with such an arrangement.

Mr. SALTONSTALL. Mr. President, will the Senator from Delaware yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. SALTONSTALL. Mr. President, I shall simply say, as I have said in a private conversation with the Senator from Florida [Mr. HOLLAND], that I talked with the Senator from Delaware this morning on this problem. I told him that I thought the proper procedure would be not to push his amendment at this time because there had not been any opportunity for the committee to discuss it or hear it. I said that if he wished to write a letter to the chairman of our committee, the distinguished Senator from Arizona [Mr. HAYDEN], and would send a copy of it to me, I would agree to bring it up before the full Committee on Appropriations when the supplemental appropriation bill was being considered.

I did not commit myself to say that the committee would agree to or act upon the Senator's proposal, but I said I would agree to bring it before the committee. My idea in making that proposal was that the supplemental bill will cover all departments of the Government, whereas the bill now under consideration covers only two departments of the Government; therefore, the other departments would not be considered in the pending bill. That was the result of the conversation I had this morning with the Senator from Delaware. I said that if he would write a letter to the chairman of the committee, I would agree to bring it before the committee to see if they would consider the Senator's proposal when the supplemental appropriation bill was considered by the Committee on Appropriations.

Mr. WILLIAMS of Delaware. I thank the Senator from Massachusetts. That is exactly as I understand the matter.

I am not asking any member of the committee to say he will vote for this amendment without looking at it. But I am asking that there not be a predetermination by any member of the committee to oppose my proposal, no matter what it covers.

If I now withdraw my amendment I think I should have assurance that the proposal will be considered on its merits, rather than to be opposed solely on the basis that it is to be offered as an amendment to the supplemental appropriation bill.

The PRESIDING OFFICER. The hour of 12 o'clock has arrived.

Mr. MANSFIELD. Mr. President, I ask that the time under the unanimous-consent agreement be extended 5 minutes.

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

Mr. WILLIAMS of Delaware. Mr. President——

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

Mr. WILLIAMS of Delaware. I yield.

Mr. MANSFIELD. Mr. President, it appears to me that this proposal does not, in effect, have the prerequisites for consideration on the basis of an amendment to an appropriation bill, but, instead, that it would best be considered as a piece of regular legislation, because it is specifically, at least to an extent, tied up with the Hatch Act. Furthermore, the procedure under the rules relating to appropriation bills calls for the maintenance of a rather delicate balance.

I understood the Senator from Massachusetts to say he had discussed this matter with the Senator from Delaware, and that the Senator from Delaware had agreed to write a letter to the chairman of the Appropriations Committee; and that, on the basis of the letter, the Senator from Massachusetts, the ranking member of the committee on the Republican side, would take up this matter with the chairman of the committee, and would see what could be done at a future time.

I hope the Senator from Delaware will not attempt at this time to bind the committee to an agreement to consider the proposal in connection with the supplemental appropriation bill, but—instead—will, following the debate which has been had, provide an opportunity to determine what could be done in a regular parliamentary manner in connection with his proposal.

Mr. HOLLAND. Mr. President, will the Senator from Delaware yield to me?

Mr. WILLIAMS of Delaware. I yield.

Mr. HOLLAND. In the absence of the majority leader, I had already gone further, I think, than the Senator has indicated he had gone in his conference with the Senator from Delaware, which the Senator had very kindly communicated to me.

I told the Senator from Delaware that I now invite him to appear before the Appropriations Subcommittee which I happen to head, and there be heard; and I stated that any other Senator could be heard there at the same time. But I also told the Senator from Delaware that I would be hard to sell on his proposal to include in that appropriation bill general legislation of this type, regardless of whether I support the proposal, even when properly presented as an amendment to a supplemental appropriation bill, for that bill includes appropriations of $35 million in emergency funds for disaster relief and loans to the areas on the middle Atlantic coast, and elsewhere, because of recent storms and floods.

I now repeat that I gladly invite the Senator from Delaware to appear before the subcommittee; and he does not have to write a letter to anyone—any more than he has had to do so in the past; and he will be heard fully and courteously.

My own feeling is that he will be coming to the wrong place in order to get such a controversial proposal enacted into law as part of that particular appropriation bill. I am frank to make that statement.

Mr. MANSFIELD. Mr. President, if the Senator from Delaware will yield further——

Mr. WILLIAMS of Delaware. I yield.

Mr. MANSFIELD. I would have no doubt that if this proposal were made before a regular Appropriations Subcommittee, all members would approach the proposal with open minds, and would consider it on its merits.

Mr. HOLLAND. Mr. President, I certainly agree with the statement of the majority leader. I, at least, mean that if I thought this proposal should not be considered as an amendment to a particular appropriation bill, I would vote to add it as an amendment to another bill. Every one of the 27 members of the Appropriations Committee has a right to cast his vote on any such matter as he thinks best, and that is what generally is done. If I felt that such a proposal should be attached to an appropriation bill, I would be glad to assist in getting it so attached.

However, for the reasons I have already stated, I do not think it would be appropriate to attach it to the supplemental appropriation bill.

Mr. WILLIAMS of Delaware. But do I correctly understand the Senator from Florida to say that he would approach this matter with an open mind?

Mr. HOLLAND. Yes, as to its desirability; but I have already said that I do not think it would properly be a part of the supplemental appropriation bill.

Mr. CARLSON. Mr. President, will the Senator from Delaware yield to me?

Mr. WILLIAMS of Delaware. I yield.

Mr. CARLSON. In view of the statements which have been made, I hope the Senator from Delaware will withdraw his amendment at this time. Of course, I said earlier that I regretted the decision which had been made in regard to the announced position taken by the Civil Service Commission. I believe that was a mistake.

Mr. HOLLAND. Mr. President, if the Senator from Delaware will yield further, let me say that I think we need to have an opportunity to have more light thrown on this matter and more consideration given to it. As I understand, yesterday the proposal was changed several times, with the result that at various times three different versions of it were under consideration, following the making of the various changes.

I invite the Senator from Delaware to appear before the Appropriations Subcommittee which I happen to head—and of course I am a member of other Appropriations Subcommittees, and I am also a member of the full Appropriations Committee. One of the members, as the Senator knows, is the distinguished Senator from Massachusetts [Mr. SALTONSTALL]—and there is no more highly respected member than he—who already has taken a clear position on this matter.

So I think the Senator from Delaware will serve best his own cause, rather than do it a disservice, if he thus proceeds to lay a predicate for a sound hearing of his proposal and for its consideration by the committee.

Mr. WILLIAMS of Delaware. That is what I wanted, Mr. President—to have the matter heard and fairly considered; and the Senator from Florida has now assured us that such will be the case, and I know the Senator from Florida well enough to know that he means it. This is an important matter because it relates to all civil service employees. Before concluding, however, I point out that this proposal is not one to amend the Hatch Act. Instead, it would amend a law which previously was enacted as a part of an appropriation bill. It was approved in July of last year as part of the Department of Commerce appropriation bill and covered not only the appropriations made under that act but also the appropriations made under all other appropriation acts of that year. In view of the language used at that time, I supported it, and I think it received the unanimous support of the Appropriations Committee notwithstanding the fact that all recognized that it was legislation on an appropriation bill. All of us supported it at that time and thought that the language was broad enough to protect the workers.

The PRESIDING OFFICER. The additional time made available for debate on this subject has expired.

Mr. WILLIAMS of Delaware. Mr. President, may we have an additional 5 minutes?

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the time for debate on this matter be extended for 5 additional minutes.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

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

Mr. WILLIAMS of Delaware. I yield.

Mr. DIRKSEN. I wonder whether the distinguished majority leader will restate his assurances in regard to this matter.

Mr. MANSFIELD. The assurances were made by the distinguished senior Senator from Florida [Mr. HOLLAND]. I am prepared to support him in what he has stated today on the floor of the Senate, and I think that is satisfactory to the Senator from Delaware.

Mr. WILLIAMS of Delaware. Yes; it is.

Mr. DIRKSEN. In the interest of clarity and understanding, may I ask the Senator from Florida to restate the understanding?

Mr. HOLLAND. Mr. President, the first time I discussed this matter today, I stated to the Senator from Delaware that as chairman of the subcommittee which handles the supplemental appropriation bill—which soon will be before the Senate; the hearings on it will begin next week—I cordially invite him to appear before the subcommittee and state his case. I told him he would receive a courteous and generous hearing, and so will any other Senators who wish to appear in connection with the matter.

I also told him that in my judgment that bill would be an unfortunate one to which to attach his proposed amendment—even if all of us agreed that it was appropriate to attach his amendment to an appropriation bill—because of the fact that that bill includes appropriations of $35 million of disaster relief funds, to enable badly needed disaster relief work to proceed immediately on the middle Atlantic seaboard and at other places, but particularly there.

In my last statement, to which the Senator from Montana has referred, I said that probably I would maintain the positon that the supplemental appropriation bill would be an unfortunate bill to which to attach the amendment; but I said that as a member of the full committee, if I were "sold" upon the desirability of attaching this amendment to any appropriation bill, I certainly would feel free to endeavor to attach it to the next bill which comes up—a bill which would not include such emergency items—because it will not be effective until the 1st of July.

I have expressed the hope that that course would be followed, because there has been no hearing on this question. The wording has been changed even since it has been introduced. We do not have the presence of the senior Senator from South Carolina [Mr. JOHNSTON], who is chairman of the legislative committee involved. We do not know what his attitude would be. I think a hearing either before the subcommittee, and getting to the full committee through that course, or before any other subcommittee, and getting to the full committee in that way, will give more light on this matter and probably will result, in my

judgment, in the adoption of the amendment.

I have expressed general approval of the objectives which I understand the Senator from Delaware has in mind. I am going to be hard to "sell" that such a proposal should have application on an emergency appropriation bill which contains disaster funds, without knowledge of what the legislative committee feels should be done, and of course without knowledge of what the other body may decide is its own position, either through the committee or the conference which would ensue.

I think that is a pretty sound position and makes good commonsense. I think it will give us light, where nobody has had any light on it, because no Member of Congress saw the wording until yesterday, and it has been changed twice since that time.

I think the Senator from Illinois will say it is a fair proposal and fairly made.

Mr. WILLIAMS of Delaware. I would like to comment on what the Senator from Florida said about the language and the fact that it was changed. First it was extended to cover all other acts, and the second change was to confine it to this bill alone. The substance of the language remained the same in both amendments.

Mr. MANSFIELD. Mr. President, I may add to what the Senator from Florida has said that the ranking minority member of the Appropriations Committee has said he has discussed this matter with the Senator from Delaware and has suggested that a letter be written to the chairman of the Appropriations Committee, the Senator from Arizona [Mr. HAYDEN], that every consideration be given to the expression by the Senator from Delaware.

Mr. SALTONSTALL. That is correct.

Mr. DIRKSEN. Only one comment, Mr. President. I think there is a tendency to look with real disfavor upon a line or a proposal being attached to an appropriation bill. I do not regard that as an absolute. First, under the rules, we do provide for suspension of the rules to admit legislation on an appropriation bill; but it is never to be forgotten that we are dealing with funds out of the Federal Treasury, and that it is within the province of Congress, and in fact its duty, to prescribe proper limitations for the extension of the funds and to delimit the purpose for which they are expended. This proposal comes within that purview. So limitations are always in order.

It is not always easy to spell out in an amendment language which does not admit of contingency or give directions which are subject to points of order; but if Congress is not to utilize the power to place a limitation on the funds, then it will have to make an accounting for the extravagance and waste that occur.

But, more importantly, and as involved in this amendment, Federal employees may be undertaking something that, in my judgment, is in contravention of the Hatch Act, and, along with that, something which goes to the heart of the ruling that was issued by Mr. Macy on the Civil Service Commission.

I do not concur with that ruling at all. There were 1,079,000 civil service employees as of June 30, 1961. If we are going to turn them loose to become propagandists and salesmen, then I despair of the very future of our Government, because they would do so if they had a vested interest in something that served their purpose and well-being. And, believe me, that is a very substantial machine.

This is a serious matter. Therefore it merits careful attention on the part of the Senate.

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

Mr. DIRKSEN. I yield.

Mr. PASTORE. Is it not a fact that the pending appropriation bill does not become operative until the 1st of July 1962?

Mr. DIRKSEN. That is correct.

Mr. PASTORE. I quite agree with the Senator that there are instances in which there have been motions to suspend the rules in order to have limitations on an appropriation bill. That is perfectly proper. In this particular case I think the amendment is far reaching. We are assuming many things for which no proof has been given. What we are saying here is that this administration is deliberately employing civil service employees to go out and campaign politically. That is the implication that has been leveled at the Senate, not only today, but yesterday.

I believe the place where the amendment ought to go is before the legislative committee. There everybody will be able to vent his spleen. Everyone can make whatever political speech he desires to make. Everybody can make whatever whistlestop speech he wishes to make. Then it can be ascertained whether this administration is deliberately using civil service employees to play the game of politics, as it has been accused of doing. I am not in favor of that practice but I do not believe the administration has been doing it. That is my objection to the amendment at this time.

Mr. DIRKSEN. Mr. President, are we still within the time limitation?

The PRESIDING OFFICER. The time has expired.

Mr. DIRKSEN. I ask unanimous consent that the time be extended for 5 minutes.

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

Mr. DIRKSEN. I can concur with what the distinguished Senator from Rhode Island has said, but I call attention to the fact that when we go before the Appropriations Committee with a legislative proposal dealing with this subject matter, time runs out, and I have seen it happen so often in both branches of Congress, so that we get nowhere. So, as a matter of quiet desperation, ofttimes we have to resort to limitations on appropriation bills to get done what we desire. I do not think there is anything wrong with it, nor is that technique offensive under the rules. When we are dealing with limitations, sometimes it is the only effective course we can pursue.

Ever since the Pendleton Act, which goes back to 1893, the whole hope has been to establish a career service based upon merit, so that those who are in the service are protected, and I think they must be protected regardless of the administration that is in power, so they can freely refuse to become salesmen or propagandists for something, or can enter into such activity within the provisions of the Hatch Act. That security of the American citizen who works for his Government must always be protected. That is the first consideration.

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

Mr. DIRKSEN. I yield.

Mr. PASTORE. I agree wholeheartedly with what the Senator has said. I believe in the Hatch Act. I do not believe we ought to use career or civil service employees to play politics. I have said that before. This is a serious question, because several letters in the possession of the Senator from Delaware have exceedingly disturbed him over the way this administration is alleged using civil service employees to play the game of politics, something which has never been done before. I do not believe it. That accusation has not been proved. It has not been documented. The Senator from Rhode Island does not believe the case has been proved.

Mr. DIRKSEN. What disturbs me is Mr. Macy's letter, which was read on the floor today, wherein he says, in response to the Senator from Delaware, that in his remembrance or recollection this has never been done before. There we are dealing with something that is new, and in fact quite disturbing.

Mr. WILLIAMS of Delaware. Mr. President, with the assurance I have received from the minority leader, the majority leader, the ranking minority member of the committee, and the chairman of the Appropriations Committee that this matter will be considered on its merits I am not going to press at this time for a suspension of the rules; instead I will appear before the Appropriations Committee at the appropriate time, and I will notify the chairman of the committee of the request for such an opportunity. I think this is far too important to be brushed aside. I notify the Senate that I will not press the matter now.

I desire to say this in reply to what the Senator from Rhode Island has said about this ruling being nothing new. I asked Chairman Macy for a copy of the ruling and I also asked him to search the records, to see if there were any precedent for such a ruling heretofore. I quote from Chairman Macy's letter, under date of February 15:

> To the best of my knowledge, the text of this statement has not been previously distributed.

Chairman Macy went further. I asked him to give his interpretation of the law as he understands it, not as I understand it. I wish to quote from Chairman Macy's statement in which he refers to the law as it governs the manner in which the civil service employees can speak before interested public groups on

behalf of or against pending legislation. He stated:

A more difficult decision is faced when new or changed programs are pending before Congress in the form of proposed legislation. Definitive statutory language prohibits the use of appropriated funds for "publicity or propaganda designed to support or defeat legislation pending before Congress."

I repeat that sentence:

Definitive statutory language prohibits the use of appropriated funds for "publicity or propaganda designed to support or defeat legislation pending before Congress."

That is not my statement. That is Chairman Macy's argument on the existing law. He states further:

Aware of these implications, however, the career official may explain the position of the administration in the proposed legislation before interested public groups.

I then directed a letter to the Attorney General, and I received his reply thereto as to his interpretation of this ruling. The Attorney General in his reply, which I did not receive until a couple of days ago, upheld the legality of the ruling for civil service employees to support the position of the administration or as he says "to explain."

I then asked if civil service employees are to speak in behalf of the administration programs and are so directed what would happen if they spoke against pending legislative proposals of the administration. I should like to read the question and the answer.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. WILLIAMS of Delaware. Mr. President, with the withdrawing of the motion, there will be no vote at this time, will there?

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

Mr. WILLIAMS of Delaware. In just a moment. May I have a ruling?

Mr. ROBERTSON. Mr. President, I ask unanimous consent that my colleague may have an additional 5 minutes to complete his statement.

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

Mr. WILLIAMS of Delaware. We have debated this subject. I wish to read my question to the Attorney General, in my letter of February 27. This question was based on the premise that his ruling confirmed their right or duty to to speak for pending legislation.

I asked:

Can career employees who may differ with the position of the administration speak before interested public groups in opposition to the administration's position on pending legislation without any fear of retaliation or without jeopardizing the security of their position?

The question was asked in the event the Attorney General ruled that they could be instructed to speak for the program.

I ask unanimous consent that the Attorney General's reply be printed in the RECORD at this point.

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

The legal considerations pertinent to your question concerning a career employee's publicly expressed opposition to an administration's legislative recommendation are to a large extent the same as those discussed above. But, granting the legality of such public action in a particular instance, I believe it would nevertheless constitute a serious impropriety. Although a career official is entitled and expected to present his independent views to his superiors, they in turn are entitled to his cooperation and support in respect of a policy once it is settled. And they are entitled to that cooperation and support from him even though he may not agree with the policy. Whatever may be proper for such an official acting in a clearly private capacity, I think it would be a distinct breach of his duty as a career official to use his official position publicly to oppose the policies of the administration he serves.

Mr. WILLIAMS of Delaware. In the letter the Attorney General states that the career employees can legally speak either for or against pending legislation but, that it would be considered to be a "serious impropriety" if they exercised their right to express opposition. He insists that the administration is entitled to the public support of these civil service employees even though they may not agree with the policy which they are being asked to defend.

I shall not ask again to include in the RECORD the complete ruling of Commissioner Macy and the letter or ruling of the Attorney General, but Senators who are interested in the full correspondence can find it in yesterday's CONGRESSIONAL RECORD on pages 5286 and 5287. Commissioner Macy's letter and ruling as well as the Attorney General's interpretation are all in the RECORD along with a copy of the provision of law which we are proposing to amend.

Again I wish to call specific attention to the fact that what we are proposing to amend is a legislative proposal which was attached last year to an appropriation bill by the Appropriations Committee and which was approved by the Congress. It represents section 509 of the General Government Matters, Department of Commerce, and Related Agencies Appropriation Act, 1962, which is now Public Law 87-126.

Mr. President, I ask unanimous consent that the provision of law which we are seeking to amend at this time be printed in the RECORD as a part of my remarks.

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

Section 509 of the General Government Matters, Department of Commerce, and Related Agencies Appropriation Act, 1962, approved August 3, 1961 (Public Law 87-126):

"No part of any appropriation contained in this or any other Act, or of the funds available for expenditure by any individual, corporation, or agency included in this or any other Act, shall be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress."

Mr. WILLIAMS of Delaware. I point out again that the provision of the law which I am seeking to amend, upon which the ruling is based, is a legislative proposal which was approved by the Congress last year on an appropriation bill and supported, as I understand, by every member of the Appropriations Committee with the full knowledge that it was legislation governing the rights of employees to actively support or oppose pending legislation.

To make sure there is no misunderstanding, I read the law as it was approved and as it was intended:

No part of any appropriation contained in this or any other Act, or of the funds available for expenditure by any individual, corporation, or agency included in this or any other Act, shall be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress.

We thought we had done the job properly when we passed that provision. It clearly says: "designed to support or defeat."

Clearly it was the intention of the Congress to prevent civil service employees from being used to support or to defeat legislation.

However, since there has been a ruling that this language is not adequate, what I propose is to broaden the language to make sure we override the recent ruling and reestablish civil service employees to their historical basis.

Mr. President, I withdraw the motion to suspend the rules.

Mr. ROBERTSON. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Virginia will state it.

Mr. ROBERTSON. Is my understanding correct, that yesterday, by unanimous consent, the committee amendments were agreed to?

The PRESIDING OFFICER. The committee amendments have been agreed to.

Mr. ROBERTSON. Mr. President, if there are no further amendments to be proposed, I ask for the third reading of the bill.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. DIRKSEN. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. DIRKSEN. Is there an appeal pending from the ruling of the Chair on yesterday?

The PRESIDING OFFICER. The Senator made an appeal yesterday.

Mr. DIRKSEN. Mr. President, I withdraw the appeal.

The PRESIDING OFFICER. The appeal is withdrawn.

The bill is open to further amendment. If there be no amendment to be proposed, the question is on the engrossment of the amendments and third reading of the bill.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill (H.R. 10526) was read the third time.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass?

The bill (H.R. 10526) was passed.

Mr. ROBERTSON. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. TALMADGE. Mr. President, I move to lay that motion on the table.

The PRESIDING OFFICER. The question is on agreeing to the motion to

lay on the table the motion to reconsider.

The motion to lay on the table was agreed to.

Mr. ROBERTSON. Mr. President, I move that the Senate insist upon its amendments, request a conference with the House of Representatives thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. ROBERTSON, Mr. MCCLELLAN, Mr. MONRONEY, Mr. BIBLE, Mr. HAYDEN, Mr. JOHNSTON, Mr. HRUSKA, Mr. KUCHEL, and Mr. ALLOTT conferees on the part of the Senate.

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

The PRESIDING OFFICER. The Clerk will call the roll.

The Chief Clerk proceeded to call the roll.

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

The PRESIDING OFFICER (Mr. BURDICK in the chair). Is there objection? The Chair hears none, and it is so ordered.

CALL OF THE CALENDAR

The PRESIDING OFFICER. Under the previous order, the Senate will now proceed to the consideration of measures on the calendar, beginning with Order No. 1197, S. 1180.

CARLOS TEODORO TREVINO SANCHEZ

The bill (S. 1180) for the relief of Carlos Teodoro Trevino Sanchez was considered, ordered to be engrossed for a third reading, was read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of the Immigration and Nationality Act, Carlos Teodoro Trevino Sanchez shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this Act, upon payment of the required visa fee.

KENNETH DAVID WOODEN

The bill (S. 1962) for the relief of Kenneth David Wooden was considered, ordered to be engrossed for a third reading, was read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of sections 101(a)(27)(A) and 205 of the Immigration and Nationality Act, the minor child, Kenneth David Wooden, shall be held and considered to be the natural-born alien child of Harold Hoover Wooden, a citizen of the United States: *Provided,* That no natural parent of Kenneth David Wooden, by virtue of such parentage, shall be accorded any right, privilege, or status under the Immigration and Nationality Act.

DOMENICO MARTINO

The bill (S. 2003) for the relief of Domenico Martino was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, notwithstanding the provisions of paragraph (9) of section 212(a) of the Immigration and Nationality Act, Domenico Martino may be issued an immigrant visa and admitted to the United States for permanent residence if he is found to be otherwise admissible under the provisions of such Act: *Provided,* That this Act shall apply only to grounds for exclusion under such paragraph known to the Secretary of State or the Attorney General prior to the date of the enactment of this Act.

TINA JANE BELAND

The bill (S. 2099) for the relief of Tina Jane Beland was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of sections 101(a)(27)(A) and 205 of the Immigration and Nationality Act, the minor child, Tina Jane Beland, shall be held and considered to be the natural-born alien child of Marcel Albert Beland and Lottie Beatrice Beland, citizens of the United States: *Provided,* That the natural parents of the said Tina Jane Beland shall not, by virtue of such parentage, be accorded any right, privilege, or status under the Immigration and Nationality Act.

FELIPE O. PAGDILAO

The bill (S. 2147) for the relief of Felipe O. Pagdilao was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of the Immigration and Nationality Act, Felipe O. Pagdilao shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this Act, upon payment of the required visa fee. Upon the granting of permanent residence to such alien as provided for in this Act, the Secretary of State shall instruct the proper quota-control officer to deduct one number from the appropriate quota for the first year that such a quota is available.

MANUEL ARRANZ RODRIGUEZ

The bill (S. 2186) for the relief of Manuel Arranz Rodriguez was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of the Immigration and Nationality Act, Manuel Arranz Rodriguez shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this Act upon payment of the required visa fee.

WONG GEE WONG

The bill (S. 2232) for the relief of Wong Gee Wong was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of sections 101(a)(27)(A) and 205 of the Immigration and Nationality Act, the minor child, Wong Gee Wong, shall be held and considered to be the natural-born alien child of Hom Quock Min, a citizen of the United States: *Provided,* That the natural parents of the said Wong Gee Wong shall not, by virtue of such parentage, be accorded any right, privilege, or status under the Immigration and Nationality Act.

LEE R. GARCIA

The bill (S. 2243) for the relief of Lee R. Garcia, also known as Lino Rios Garcia, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Attorney General is authorized and directed to cancel any outstanding orders and warrants of deportation, warrant of arrest, and bonds, which may have issued in the case of Lee R. Garcia, also known as Lino Rios Garcia. From and after the date of the enactment of this Act, the said Lee R. Garcia, also known as Lino Rios Garcia, shall not again be subject to deportation by reason of the same facts upon which such deportation proceedings were commenced or any such warrants and orders have issued.

ROBERT RABIN

The bill (S. 2284) for the relief of Robert Rabin (Kazuo Inoue) was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of sections 101(a)(27)(A) and 205 of the Immigration and Nationality Act, the minor child, Robert Rabin (Kazuo Inoue), shall be held and considered to be the natural-born alien child of Stanford Rabin, a citizen of the United States: *Provided,* That the natural parents of the said Robert Rabin (Kazuo Inoue) shall not, by virtue of such parentage, be accorded any right, privilege, or status under the Immigration and Nationality Act.

BYRON WONG

The bill (S. 2300) for the relief of Byron Wong was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, for the purposes of the Immigration and Nationality Act, Byron Wong shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this Act upon payment of the required visa fee. Upon granting of permanent residence to such alien as provided for in this Act, the Secretary of State shall instruct the proper quota-control officer to deduct one number from the appropriate quota for the first year that such quota is available.

ARIE ABRAMOVICH

The bill (S. 2736) for the relief of Arie Abramovich was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Attorney General is authorized and directed to cancel any outstanding orders and warrants of deportation, warrant of arrest, and bonds, which may have issued in the case of Arie Abramovich. From and after the date of the enactment of this Act, the said Arie Abramovich shall not again be subject to deportation by reason of the same facts upon which such deportation proceedings were commenced or any such warrants and orders have issued.

DR. TING-WA WONG

The Senate proceeded to consider the bill (S. 315) for the relief of Dr. Ting-Wa Wong, which had been reported from the Committee on the Judiciary, with an amendment, in line 6, after the word "of", where it appears the first time, to strike out "the date of the enactment of this Act" and insert "September 11, 1958,"; 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, for the purposes of the Immigration and Nationality Act, Doctor Ting-Wa Wong shall be held and considered to have been lawfully admitted to the United States for permanent residence as of September 11, 1958, upon payment of the required visa fee. Upon the granting of permanent residence to such alien as provided for in this Act, the Secretary of State shall instruct the proper quota-control officer to deduct one number from the appropriate quota for the first year that such quota is available.

The amendment was agreed to.

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

MARIJA GRUSKOVNJAK

The Senate proceeded to consider the bill (S. 317) for the relief of Marija Gruskovnjak which had been reported from the Committee on the Judiciary, with an amendment, on page 1, line 7, after the word "fee.", to strike out "Upon the granting of permanent residence to such alien as provided for in this Act, the Secretary of State shall instruct the proper quota-control officer to deduct one number from the appropriate quota for the first year that such quota is available.", and insert "Upon the enactment of this Act, the Attorney General shall reduce by one number the number of refugees who may be paroled into the United States pursuant to sections 1 and 2(a) of the Act of July 14, 1960 (74 Stat. 504), during the fiscal year ending June 30, 1962."; so as to make the bill read:

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That, for the purposes of the Immigration and Nationality Act, Marija Gruskovnjak shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this Act, upon payment of the required visa fee. Upon the enactment of this Act, the Attorney General shall reduce by one number the number of refugees who may be paroled into the United States pursuant to sections 1 and 2(a) of the Act of July 14, 1960 (74 Stat. 504), during the fiscal year ending June 30, 1962.

The amendment was agreed to.

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

YICK YUEN LEE

The Senate proceeded to consider the bill (S. 732) for the relief of Yick Yuen Lee, which had been reported from the Committee on the Judiciary, with an amendment, in line 6, after the word "of", to strike out "Soon Lee, a citizen" and insert "Mr. and Mrs. Soon Lee, citizens"; 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, for the purposes of sections 101(a)(27)(A) and 205 of the Immigration and Nationality Act, the minor child, Yick Yuen Lee, shall be held and considered to be the natural-born alien child of Mr. and Mrs. Soon Lee, citizens of the United States: *Provided,* That the natural parents of the said Yick Yuen Lee shall not, by virtue of such parentage, be accorded any right, privilege, or status under the Immigration and Nationality Act.

The amendment was agreed to.

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

RUDOLPH AMBRA

The Senate proceeded to consider the bill (S. 1630) for the relief of Rudolph Ambra, which had been reported from the Committee on the Judiciary, with an amendment, in line 7, after the word "fee", to insert a colon and *"Provided,* That nothing in this act shall be construed to waive the provisions of section 315 of the Immigration and Nationality Act."; 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 for the purposes of the Immigration and Nationality Act, Rudolph Ambra shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this Act, upon payment of the required visa fee: *Provided,* That nothing in this Act shall be construed to waive the provisions of section 315 of the Immigration and Nationality Act.

The amendment was agreed to.

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

ORSOLINA CIANFLONE IALLONARDO

The Senate proceeded to consider the bill (S. 1915) for the relief of Orsolina Cianflone Iallonardo, which had been reported from the Committee on the Judiciary, with an amendment, in line 5, after "(Public Law 86–363)", to insert a colon and *"Provided,* That the natural parents of the beneficiary shall not, by virtue of such parentage, be accorded any right, privilege, or status under the Immigration and Nationality Act, and the provisions of section 24(a)(7) of the Act of September 26, 1961 (Stat. 657), shall not be applicable in this case.", 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 Orsolina Cianflone Iallonardo is deemed to be within the purview of section 4 of the Act of September 22, 1959 (Public Law 86–363): *Provided,* That the natural parents of the beneficiary shall not, by virtue of such parentage, be accorded any right, privilege, or status under the Immigration and Nationality Act, and the provisions of section 24(a)(7) of the Act of September 26, 1961 (Stat. 657), shall not be applicable in this case.

The amendment was agreed to.

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

MICHELE EMILIO MAFFEO

The Senate proceeded to consider the bill (S. 1937) for the relief of Michele Emilio Maffeo, which had been reported from the Committee on the Judiciary, with an amendment, to strike out all after the enacting clause and insert:

That, notwithstanding the provisions of sections 212(a)(9), (10), (17), and (19) of the Immigration and Nationality Act, Michele Emilio Maffeo may be issued an immigrant visa and admitted to the United States for permanent residence if he is found to be otherwise admissible under the provisions of such Act: *Provided,* That these exemptions shall apply only to grounds for exclusion of which the Department of State or the Department of Justice has knowledge prior to the enactment of this Act.

The amendment was agreed to.

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

HAJIME SUMITANI

The Senate proceeded to consider the bill (S. 1943) for the relief of Hajime Sumitani, which had been reported from the Committee on the Judiciary, with an amendment, in line 7, after the word "fee", to insert a colon and *"Provided,* That a suitable and proper bond or undertaking, approved by the Attorney General, be deposited as prescribed by section 213 of the Immigration and Nationality Act."; 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, for the purposes of the Immigration and Nationality Act, Hajime Sumitani shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this Act, upon payment of the required visa fee: *Provided,* That a suitable and proper bond or undertaking, approved by the Attorney General, be deposited as prescribed by section 213 of the Immigration and Nationality Act.

The amendment was agreed to.

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

ANIELA WOJTOWICZ

The Senate proceeded to consider the bill (S. 2167) for the relief of Aniela Wojtowicz, which had been reported from the Committee on the Judiciary, with an amendment, on page 1, line 7, after the word "fee.", to strike out "Upon the granting of permanent residence to such alien as provided for in this Act, the Secretary of State shall instruct the proper quota-control officer to deduct one number from the appropriate quota for the first year that such quota is available" and insert "Upon the enactment of this Act, the Attorney General shall reduce by one number the number of refugees who may be paroled into the United States pursuant to sections 1 and 2(a) of the Act of July 14, 1960 (74 Stat. 504), during the fiscal year ending June 30, 1962."; so as to make the bill read:

Be it enacted, That, for the purposes of the Immigration and Nationality Act, Aniela Wojtowicz shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this Act, upon payment of the required visa fee. Upon the enactment of this Act, the Attorney General shall reduce by one number the number of refugees who may be paroled into the United States pursuant to sections 1 and 2(a) of the Act of July 14, 1960 (74 Stat. 504), during the fiscal year ending June 30, 1962.

The amendment was agreed to.

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

MRS. HEGHINE TOMASSIAN

The Senate proceeded to consider the bill (S. 2184) for the relief of Mrs. Heghine Tomassian, which had been reported from the Committee on the Judiciary, with an amendment, to strike out all after the enacting clause and insert:

That, for the purposes of the Immigration and Nationality Act, Mrs. Heghine Tomassian shall be deemed to have been born in France.

The amendment was agreed to.

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

JOZEF BUDNY

The Senate proceeded to consider the bill (S. 2203) for the relief of Jozef Budny, which had been reported from the Committee on the Judiciary, with an amendment, on page 1, line 7, after the word "fee", to strike out "Upon the granting of permanent residence to such alien as provided for in this Act, the Secretary of State shall instruct the proper quota-control officer to deduct one number from the appropriate quota for the first year that such quota is available." and insert "Upon the enactment of this Act, the Attorney General shall reduce by one number the number of refugees who may be paroled into the United States pursuant to sections 1 and 2(a) of the Act of July 14, 1960 (74 Stat. 504), during the fiscal year ending June 30, 1962."; 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, for the purposes of the Immigration and Nationality Act, Jozef Budny shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this Act, upon payment of the required visa fee. Upon the enactment of this Act, the Attorney General shall reduce by one number the number of refugees who may be paroled into the United States pursuant to sections 1 and 2(a) of the Act of July 14, 1960 (74 Stat. 504), during the fiscal year ending June 30, 1962.

The amendment was agreed to.

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

JAMES TAKEO NIGO

The Senate proceeded to consider the bill (S. 2276) for the relief of James Takeo Nigo, which had been reported from the Committee on the Judiciary, with an amendment, in line 6, after the word "residence", to strike out "on February 18, 1955" and insert "as of the date of the enactment of this Act upon payment of the required visa fee."; 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, for the purposes of the Immigration and Nationality Act, James Takeo Nigo shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this Act upon payment of the required visa fee.

The amendment was agreed to.

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

GEORGE ROSS HUTCHINS

The Senate proceeded to consider the bill (S. 2339) for the relief of George Ross Hutchins, which had been reported from the Committee on the Judiciary, with an amendment, to strike out all after the enacting clause and insert:

That, notwithstanding the provision of section 212(a)(3) of the Immigration and Nationality Act, George Ross Hutchins may be issued a visa and be admitted to the United States for permanent residence if he is otherwise admissible under the provisions of that Act: *Provided,* That the exemption granted herein shall apply only to a ground for exclusion of which the Department of State or the Department of Justice has knowledge prior to the enactment of this Act.

The amendment was agreed to.

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

SHUNICHI AIKAWA

The Senate proceeded to consider the bill (S. 2340) for the relief of Shunichi Aikawa, which had been reported from the Committee on the Judiciary, with an amendment, in line 6, after the word "residence", to strike out "on January 25, 1955" and insert "as of the date of the enactment of this Act,"; 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, for the purposes of the Immigration and Nationality Act, Shunichi Aikawa shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this Act, upon payment of the required visa fee. Upon the granting of permanent residence to such alien as provided for in this Act, the Secretary of State shall instruct the proper quota-control officer to deduct one number from the appropriate quota for the first year that such quota is available.

The amendment was agreed to.

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

MARIA CARMINA CONTI

The Senate proceeded to consider the bill (S. 2389) for the relief of Maria Carmina Conti, which had been reported from the Committee on the Judiciary, with an amendment, on page 1, line 8, after the word "Act", to insert a colon and "*Provided,* That a suitable and proper bond or undertaking, approved by the Attorney General, be deposited as prescribed by section 213 of the said Act."; so as to make the bill read:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, notwithstanding the provisions of paragraph (1) of section 212(a) of the Immigration and Nationality Act Maria Carmina Conti may be issued an immigrant visa and admitted to the United States for permanent residence if she is found to be otherwise admissible under the provisions of such Act: *Provided,* That a suitable and proper bond or undertaking, approved by the Attorney General, be deposited as prescribed by section 213 of the said Act. This Act shall apply only to grounds for exclusion under such paragraph known to the Secretary of State or the Attorney General prior to the date of the enactment of this Act.

The amendment was agreed to.

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

ELAINE ROZIN RECANATI

The Senate proceeded to consider the bill (S. 2418) for the relief of Elaine Rozin Recanati, which had been reported from the Committee on the Judiciary, with an amendment, to strike out all after the enacting clause and insert:

That, in the administration of the Immigration and Nationality Act, section 352(a)(2) shall not be held to have been or to be applicable to Elaine Rozin Recanati, a citizen of the United States, provided she returns to the United States for permanent residence prior to March 15, 1967.

The amendment was agreed to.

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

HRATCH SAMUEL ARUKIAN

The Senate proceeded to consider the bill (S. 273) for the relief of Hratch Samuel Arukian, which had been reported from the Committee on the Judiciary, with an amendment, to strike out all after the enacting clause and insert:

That, for the purposes of the Immigration and Nationality Act, Hratch Samuel Arukian

shall be deemed to have been born in Ethiopia.

The amendment was agreed to.

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

NINA LONGFIELD-SMITH

The Senate proceeded to consider the bill (S. 2011) for the relief of Nina Longfield-Smith, which had been reported from the Committee on the Judiciary, with an amendment, at the beginning of line 5, to strike out "Nina" and insert "Antonia"; 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, for the purposes of sections 101(a)(27)(A) and 205 of the Immigration and Nationality Act, the minor child, Antonia Longfield-Smith, shall be held and considered to be the natural-born alien child of Captain and Mrs. John W. Longfield-Smith, citizens of the United States: *Provided,* That the natural parents of the beneficiary shall not, by virtue of such parentage, be accorded any right, privilege, or status under the Immigration and Nationality Act.

The amendment was agreed to.

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

The title was amended, so as to read:

A bill for the relief of Antonia Longfield-Smith.

WAHIDI ROMANOS JARIASH

The Senate proceeded to consider the bill (S. 2461) for the relief of Wahidi Romanos Jariash (also known as Waheeda Bachus Romanos), which had been reported from the Committee on the Judiciary, with amendments, on page 1, at the beginning of line 3, to strike out "That, notwithstanding the provisions of paragraphs (22) and" and insert "That, notwithstanding the provisions of paragraph"; in line 6, after the name "Wahidi", to strike out "Romanos" and insert "Romanus", and in line 7, after the name "Bachus", to strike out "Romanos" and insert "Romanus"; so as to make the bill read:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, notwithstanding the provisions of paragraph (25) of section 212(a) of the Immigration and Nationality Act, Wahidi Romanus Jariash (also known as Waheeda Bachus Romanus) may be issued an immigrant visa and admitted to the United States for permanent residence if she is found to be otherwise admissible under the provisions of such Act. This Act shall apply only to grounds for exclusion under such paragraphs known to the Secretary of State or the Attorney General prior to the date of the enactment of this Act.

The title was amended, so as to read:

A bill for the relief of Wahidi Romanus Jariash (also known as Waheeda Bachus Romanus.)

The amendments were agreed to.

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

SALLY ANN BARNETT

The Senate proceeded to consider the bill (S. 2562) for the relief of Sally Ann Barnett, which had been reported from the Committee on the Judiciary, with amendments, in line 5, after the name "Ann", to strike out "Barnette" and insert "Barnett"; in line 7, after the initial "W.", to strike out "Barnette" and insert "Barnett", and in line 8, after the name "Ann", to strike out "Barnette" and insert "Barnett"; 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, for the purposes of sections 101(a)(27)(A) and 205 of the Immigration and Nationality Act, the minor child, Sally Ann Barnett, shall be held and considered to be the natural-born alien child of Mr. and Mrs. Charles W. Barnett, citizens of the United States: *Provided,* That no natural parent of Sally Ann Barnett, by virtue of such parentage, shall be accorded any right, privilege, or status under the Immigration and Nationality Act.

The amendments were agreed to.

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

The title was amended, so as to read:

A bill for the relief of Sally Ann Barnett.

BILL PASSED OVER

The bill (H.R. 3008) for the relief of Hom Hong Hing, also known as "Tommy Joe" was announced as next in order.

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

Mr. MUSKIE. I ask that the bill go over.

The PRESIDING OFFICER. The bill will go over.

JOHN E. BEAMAN AND ADELAIDE K. BEAMAN

The bill (S. 508) for the relief of John E. Beaman and Adelaide K. Beaman was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, notwithstanding any statute of limitations or lapse of time, suit may be instituted in the Unied States Court of Claims at any time within one year after the date of the enactment of this Act to hear, determine, and render judgment on the claim of John E. Beaman and his wife, Adelaide K. Beaman, for compensation for depreciation of real property owned by them, the value of which allegedly has depreciated as the result of jet aircraft activities carried on by the United States at and in the vicinity of MacDill Air Force Base, Tampa, Florida.

SEC. 2. Proceedings in the suit authorized to be instituted by the first section of this Act, appeals, and judgments rendered therein shall conform to proceedings, appeals, and judgments in cases heard under section 1491 of title 28, United States Code. Nothing in this Act shall be construed as an inference of liability on the part of the United States.

HARVEY BURSTEIN

The bill (S. 2151) for the relief of Harvey Burstein was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Harvey Burstein of Mamaroneck, New York, is hereby relieved of all liability to repay to the United States the sum of $1,047.34, representing overpayments of salary which he received as an employee of the Department of State for the period from October 7, 1953, through February 19, 1954, as the result of his appointment to a position in grade GS–14 in violation of section 1310 of the Supplemental Appropriation Act, 1952 (the so-called Whitten amendment), as amended.

SEC. 2. The Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to the said Harvey Burstein, the sum of any amounts received or withheld from him on account of the overpayments referred to in the first section of this Act.

EDWARD L. WERTHEIM

The Senate proceeded to consider the bill (S. 2549) for the relief of Edward L. Wertheim which had been reported from the Committee on the Judiciary, with an amendment, on page 1, at the beginning of line 5, to strike out "the payment of compensation and allowances" and insert "medical care"; so as to make the bill read:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of Veterans' Affairs is authorized and directed to pay, out of any money available for medical care to veterans, to Edward L. Wertheim, of Douglaston, Long Island, New York, the sum of $314.07, in full satisfaction of all his claims against the United States for reimbursement of certain medical expenses which he incurred while receiving outpatient medical treatment during the period from November 14, 1959, through June 16, 1960, after his discharge from the Veterans' Administration Hospital, New York City, New York, on November 10, 1959, the said Edward L. Wertheim having failed to obtain an authorization for such outpatient treatment as a result of erroneous advice given him by an official of the United States.

The amendment was agreed to.

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

BILL PASSED OVER

The bill (S. 17) conferring jurisdiction on the Court of Claims to make findings with respect to the amount of compensation to which certain individuals are entitled as reimbursement for damages sustained by them as a result of the cancellation of their grazing permits by the U.S. Air Force, and to provide for payments of amounts so determined to such individuals, was announced as next in order.

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

Mr. MUSKIE. I ask that the bill go over.

The PRESIDING OFFICER. Objection is heard. The bill will go over.

MARLYS E. TEDIN

The Senate proceeded to consider the bill (S. 704) for the relief of Marlys E. Tedin which had been reported from the Committee on the Judiciary, with amendments, on page 1, after line 9, to strike out:

SEC. 2. The Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to the said Marlys E. Tedin, the sum of any amounts received or withheld from her on account of the payment referred to in the first section of this Act.

And, in lieu thereof, to insert:

SEC. 2. That Elizabeth O. Reynolds of Pine Ridge, South Dakota, is hereby relieved of all liability for repayment to the United States of the sum of $646.30, representing an amount erroneously paid her for cost-of-living allowance during the period from March 19, 1956, to August 24, 1956, while she was an employee of the Public Health Service on detail at Seattle, Washington, from her headquarters at Juneau, Alaska.

And, on page 2, after line 11, to insert a new section, as follows:

SEC. 3. The Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated to the said Marlys E. Tedin and Elizabeth O. Reynolds, the sum of any amounts received or withheld from them on account of the payment referred to in the first section of this Act.

So as to make the bill read:

Be in enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Marlys E. Tedin of Sitka, Alaska, is hereby relieved of all liability for repayment to the United States of the sum of $580.38, representing an amount erroneously paid her for cost-of-living allowance during the period from September 23, 1955, to March 26, 1956, while she was an employee of the Public Health Service on detail at Seattle, Washington, from her headquarters at Juneau, Alaska.

SEC. 2. That Elizabeth O. Reynolds of Pine Ridge, South Dakota, is hereby relieved of all liability for repayment to the United States of the sum of $646.30, representing an amount erroneously paid her for cost-of-living allowance during the period from March 19, 1956, to August 24, 1956, while she was an employee of the Public Health Service on detail at Seattle, Washington, from her headquarters at Juneau, Alaska.

SEC. 3. The Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to the said Marlys E. Tedin and Elizabeth O. Reynolds, the sum of any amounts received or withheld from them on account of the payment referred to in the first section of this Act.

The amendments were agreed to.

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

The title was amended, so as to read:

A bill for the relief of Marlys E. Tedin and Elizabeth O. Reynolds.

BILL PASSED OVER

The bill (H.R. 1361) for the relief of James M. Norman was announced as next in order.

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

Mr. MUSKIE. Mr. President, I ask that the bill go over.

The PRESIDING OFFICER. Objection is heard. The bill will be passed over.

ERNEST JOHN LARGE

The bill (H.R. 1492) for the relief of Ernest John Large was considered, ordered to a third reading, read the third time, and passed.

EUGENE C. HARTER

The bill (H.R. 2180) for the relief of Eugene C. Harter was considered, ordered to a third reading, read the third time, and passed.

GEORGE A. McDERMOTT

The bill (H.R. 3376) for the relief of George A. McDermott was considered, ordered to a third reading, read the third time, and passed.

THEODORE T. REILMANN

The bill (H.R. 6216) for the relief of Theodore T. Reilmann was considered, ordered to a third reading, read the third time, and passed.

GEORGE W. ROSS, JR.

The bill (H.R. 7676) for the relief of George W. Ross, Jr. was considered, ordered to a third reading, read the third time, and passed.

DR. CARL F. ROMNEY

The bill (H.R. 8780) for the relief of Dr. Carl F. Romney was considered, ordered to a third reading, read the third time, and passed.

WALTER SINGLEVICH

The bill (H.R. 8781) for the relief of Walter Singlevich was considered, ordered to a third reading, read the third time, and passed.

HARRY A. SEBERT

The bill (H.R. 8947) for the relief of Harry A. Sebert was considered, ordered to a third reading, read the third time, and passed.

BILLS PASSED OVER

The bill (H.R. 1961) to amend sections 1, 17a, 57j, 64a(5), 67b, 67c, and 70c of the Bankruptcy Act, and for other purposes, was announced as next in order.

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

Mr. MUSKIE. I ask that the bill go over. This item is not calendar material.

The PRESIDING OFFICER. Objection is heard. The bill goes over.

The bill (H.R. 4473) to amend the Bankruptcy Act with respect to limiting the priority and nondischargeability of taxes in bankruptcy was announced as next in order.

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

Mr. MUSKIE. Over. This is not calendar material.

The PRESIDING OFFICER. The bill will be passed over.

SEYMOUR ROBERTSON

The bill (S. 505) for the relief of Seymour Robertson was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury is authorized and directed to pay out of any money in the Treasury not otherwise appropriated, to Seymour Robertson, of Pearl River, New York, the sum of $1,269.01. The payment of such sum shall be in full settlement of all claims of the said Seymour Robertson against the United States for loss of compensation incurred by him between April 21, 1944, and November 27, 1944, the period during which he was denied the opportunity to perform service in the field service of the Post Office Department following his discharge from the United States Navy: *Provided,* That no part of the amount appropriated in this Act in excess of 10 per centum thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this Act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding $1,000.

NORTH CAROLINA TERCENTENARY CELEBRATION COMMISSION

The joint resolution (S.J. Res. 147) providing for the establishment of the North Carolina Tercentenary Celebration Commission to formulate and implement plans to commemorate the 300th anniversary of the State of North Carolina, and for other purposes, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) there is hereby established a commission to be known as the North Carolina Tercentenary Celebration Commission (hereafter referred to in this joint resolution as the "Commission") which shall be composed of fifteen members as follows:

(1) Four members who shall be Members of the Senate, to be appointed by the President of the Senate;

(2) Four members who shall be Members of the House of Representatives, to be appointed by the Speaker of the House of Representatives; and

(3) Seven members to be appointed by the President.

(b) The President shall, at the time of appointment, designate one of the members appointed by him to serve as Chairman. The members of the Commission shall receive no salary.

SEC. 2. (a) The functions of the Commission shall be to develop and to execute suitable plans for the celebration of a series of anniversaries occurring during 1963, commemorating the three hundredth anniversary of the Carolina charter of 1663, together with significant events in the history of North Carolina from 1663 to 1763, both years inclusive.

(b) In carrying out its functions the Commission is authorized to cooperate with and to assist the Carolina Charter Tercentenary Commission and any other agency created or designated by the General Assembly of the State of North Carolina for the purpose of planning and promoting the Carolina charter tercentenary celebration. If the participation of other nations in the celebration is deemed advisable, the Commission may communicate to that end with the governments of such nations through the Department of State.

SEC. 3. The Commission may employ, without regard to the civil service laws or the Classification Act of 1949, as amended, such employees as may be necessary in carrying out its functions. Service of an individual as a member of the Commission, on a part-time or full-time basis, with or without compensation, shall not be considered as service or employment bringing such individual within the provisions of section 281, 283, 284, 434, or 1914 of title 18 of the United States Code, or section 190 of the Revised Statutes of the United States (5 U.S.C. 99).

SEC. 4. (a) The Commission is authorized to accept donations of money, property, or personal services; to cooperate with patriotic and historical societies and with institutions of learning; and to call upon other Federal departments or agencies for their advice and assistance in carrying out the purposes of this joint resolution. The Commission, to such extent as it finds to be necessary, may, without regard to the laws and procedures applicable to Federal agencies, procure supplies, services, and property and make contracts, and may exercise those powers that are necessary to enable it to carry out efficiently and in the public interest the purposes of this joint resolution.

(b) Expenditures of the Commission shall be paid by the executive officer of the Commission, who shall keep complete records of such expenditures and who shall account also for all funds received by the Commission. A report of the activities of the Commission, including an accounting of funds received and expended, shall be furnished by the Commission to the Congress within three months following the celebration as prescribed by this joint resolution.

(c) Any property acquired by the Commission remaining upon termination of the celebration may be used by the Secretary of the Interior for purposes of the national park system or may be disposed of as surplus property. The net revenues, after payment of Commission expenses, derived from Commission activities, shall be deposited in the Treasury of the United States.

SEC. 5. The Commission shall expire upon the completion of its duties, but in no event later than April 1, 1964.

The preamble was agreed to.

BILL PASSED OVER

The bill (S. 919) to amend section 9(b) of the act entitled "An act to prevent pernicious political activities" to eliminate the requirement that the Civil Service Commission impose no penalty less than 90 days suspension for any violation of section 9 of this act was announced as next in order.

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

Mr. CARLSON. Over, by request.

The PRESIDING OFFICER. The bill will be passed over.

LATIN AMERICAN AND UNITED STATES POLICIES

The resolution (S. Res. 302) to print, with illustrations, a report on "Latin American and United States Policies," submitted by Senator MANSFIELD, was considered and agreed to, as follows:

Resolved, That there be printed with illustrations, as a Senate document, a report entitled "Latin American and United States Policies", submitted by Senator MIKE MANSFIELD to the Senate Committee on Appropriations on January 13, 1962; and that two thousand additional copies be printed for use of that committee.

PRINTING OF ADDITIONAL COPIES OF HEARINGS OF SPECIAL COMMITTEE ON AGING

The resolution (S. Res. 310) authorizing the printing of additional copies of part 1 of its hearings entitled "Retirement Income of the Aging," for the use of the Special Committee on Aging was considered and agreed to, as follows:

Resolved, That there be printed for the use of the Special Committee on Aging two thousand five hundred additional copies of part 1 of its hearings entitled "Retirement Income of the Aging," held by the special committee during the Eighty-seventh Congress, first session.

WINIFRED S. GUNN

The resolution (S. Res. 315) to pay a gratuity to Winifred S. Gunn was considered and agreed to, as follows:

Resolved, That the Secretary of the Senate hereby is authorized and directed to pay, from the contingent fund of the Senate, to Winifred S. Gunn, widow of John O. Gunn, an employee of the Senate at the time of his death, a sum equal to one year's compensation at the rate he was receiving by law at the time of his death, said sum to be considered inclusive of funeral expenses and all other allowances.

G. L. BERNHARDT CO., INC.

The bill (H.R. 9612) relating to the elections under section 333 of the Internal Revenue Code of 1954 by the shareholders of the G. L. Bernhardt Co., Inc., of Lenoir, N.C., was considered, ordered to a third reading, read the third time, and passed.

CHRISTINE FAHRENBRUCH

The bill (H.R. 3105) for the relief of Christine Fahrenbruch, a minor, was considered, ordered to a third reading, read the third time, and passed.

PERPETUAL SUCCESSION OF AMERICAN NUMISMATIC ASSOCIATION

The bill (S. 2939) to grant the American Numismatic Association perpetual succession, was announced as next in order.

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

Mr. MUSKIE. Mr. President, there is an identical House bill on the calendar, Calendar No. 1276, H.R. 10573.

I ask unanimous consent that the Senate proceed to its consideration.

The PRESIDING OFFICER. The bill will be stated by title for the information of the Senate.

The LEGISLATIVE CLERK. A bill (H.R. 10573) to grant the American Numismatic Association perpetual succession.

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

There being no objection, the Senate proceeded to consider the bill.

The PRESIDING OFFICER. The bill is open to amendment. If there be no amendment to be offered, the question is on the third reading of the bill.

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

Mr. MUSKIE. Mr. President, I ask unanimous consent that the Senate bill, S. 2939, be indefinitely postponed.

The PRESIDING OFFICER. Without objection, the bill will be indefinitely postponed.

THE 25TH ANNIVERSARY OF SOIL CONSERVATION DISTRICTS

The resolution (S. Con. Res. 62) commemorating the 25th anniversary of the establishment of soil conservation districts was considered and agreed to, as follows:

Resolved by the Senate (the House of Representatives concurring), That Congress hereby acknowledges the debt owed the soil conservation districts, expresses its appreciation of, its gratitude to, and its pride in these districts which are the custodians of the Nation's agricultural lands, and extends its congratulations to the fifteen thousand nonsalaried supervisors, commissioners, and directors of soil conservation districts, and the thousands of their predecessors who pioneered in this remarkable demonstration of self-government and grassroots democracy.

MRS. EVA LONDON RITT

The Senate proceeded to consider the bill (S. 2143) for the relief of Mrs. Eva London Ritt which had been reported from the Committee on the Judiciary, with an amendment, to strike out all after the enacting clause and insert:

That, in the administration of the Immigration and Nationality Act, as amended, Mrs. Eva London Ritt shall be held and con-

sidered to be and to have been on July 30, 1961, within the purview of section 354(5) of that Act.

The amendment was agreed to.

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

HARRY E. ELLISON

The Senate proceeded to consider the bill (S. 2319) for the relief of Harry E. Ellison, captain, U.S. Army, retired, which had been reported from the Committee on the Judiciary, with an amendment, on page 1, at the beginning of line 9, to strike out "February 26, 1943" and insert "September 10, 1942"; 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 Harry E. Ellison, captain, United States Army, retired ([redacted], of Seattle, Washington, is hereby relieved of all liability for repayment to the United States of the sum of $3,998.54, representing the amount of overpayments of basic pay, foreign duty pay, and rental and subsistence allowances received by him for the period from September 10, 1942, through January 31, 1954, while he was serving as a member of the United States Army, such overpayments having been made as a result of administrative error.

SEC. 2. The Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to the said Harry E. Ellison, the sum of any amounts received or withheld from him on account of the overpayments referred to in the first section of this Act.

The amendment was agreed to.

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

JOSEPH MIKULICH

The Senate proceeded to consider the bill (S. 2375) for the relief of Joseph Mikulich which had been reported from the Committee on the Judiciary, with an amendment, to strike out all after the enacting clause and insert:

That, for the purposes of sections 101(a)(27)(A) and 205 of the Immigration and Nationality Act, the minor child, Joseph Mikulich, shall be held and considered to be the natural-born alien child of Mr. Sebastian F. Mikulich, a citizen of the United States: *Provided,* That the natural parents of the said Joseph Mikulich shall not, by virtue of such parentage, be accorded any right, privilege, or status under the Immigration and Nationality Act.

The amendment was agreed to.

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

MARIA HUSZTY BOROS

The Senate proceeded to consider the bill (S. 2471) for the relief of Maria Huszty Boros which had been reported from the Committee on the Judiciary, with an amendment, on page 1, line 7, after the word "fee.", to strike out "Upon the granting of permament residence to such alien as provided for in this Act, the Secretary of State shall instruct the proper quota-control officer to deduct one number from the appropriate quota for the first year that such quota is available." and insert "Upon the enactment of this Act, the Attorney General shall reduce by one number the number of refugees who may be paroled into the United States pursuant to sections 1 and 2(a) of the Act of July 14, 1960 (74 Stat. 504), during the fiscal year ending June 30, 1962."; 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, for the purposes of the Immigration and Nationality Act, Maria Huszty Boros shall be held and considered to have been lawfully admitted to the United States for permanent residence as of the date of the enactment of this Act, upon payment of the required visa fee. Upon the enactment of this Act, the Attorney General shall reduce by one number the number of refugees who may be paroled into the United States pursuant to sections 1 and 2(a) of the Act of July 14, 1960 (74 Stat. 504), during the fiscal year ending June 30, 1962.

The amendment was agreed to.

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

KIM CAREY

The Senate proceeded to consider the bill (S. 2486) for the relief of Kim Carey (Timothy Mark Alt) which had been reported from the Committee on the Judiciary, with an amendment, in line 7, after the word "States", to insert a colon and *"Provided,* That the natural parents of Kim Carey (Timothy Mark Alt) shall not, by virtue of such parentage, be accorded any right, privilege, or status under the Immigration and Nationality Act."; 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, for the purposes of sections 101(a)(27)(A) and 205 of the Immigration and Nationality Act, Kim Carey (Timothy Mark Alt) shall be held and considered to be the natural-born alien child of Mr. and Mrs. Raymond L. Alt, citizens of the United States: *Provided,* That the natural parents of Kim Carey (Timothy Mark Alt) shall not, by virtue of such parentage, be accorded any right, privilege, or status under the Immigration and Nationality Act.

The amendment was agreed to.

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

GIUSEPPE ANIELLO

The bill (H.R. 1352) for the relief of Giuseppe Aniello was considered, ordered to a third reading, read the third time, and passed.

MRS. ELBRIEDE PRISCHL ROGERS

The bill (H.R. 1451) for the relief of Mrs. Elbriede Prischl Rogers was considered, ordered to a third reading, read the third time, and passed.

EDVIGE CIANCIULLI

The bill (H.R. 1671) for the relief of Edvige Cianciulli was considered, ordered to a third reading, read the third time, and passed.

MOHAN SINGH

The bill (H.R. 2684) for the relief of Mohan Singh was considered, ordered to a third reading, read the third time, and passed.

MRS. VARTANUS UZAR

The bill (H.R. 6082) for the relief of Mrs. Vartanus Uzar was considered, ordered to a third reading, read the third time, and passed.

ATHANASIA DEKAZOS

The bill (H.R. 6276) for the relief of Athanasia Dekazos was considered, ordered to a third reading, read the third time, and passed.

MRS. IZABEL A. MIGUEL

The bill (H.R. 6343) for the relief of Mrs. Izabel A. Miguel was considered, ordered to a third reading, read the third time, and passed.

TEOFILO ESTOESTA

The bill (H.R. 6740) for the relief of Teofilo Estoesta was considered, ordered to a third reading, read the third time, and passed.

BILL PASSED OVER

The bill (H.R. 7777) for the relief of Elisabetta Piccioni was announced as next in order.

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

Mr. MUSKIE. I ask that the bill go over.

The PRESIDING OFFICER. The bill will be passed over.

SISTER M. THEOPHANE

The bill (H.R. 8422) for the relief of Sister M. Theophane (Jane Carroll) was considered, ordered to a third reading, read the third time, and passed.

PRESERVING RIGHTS OF CERTAIN RESERVISTS AND NATIONAL GUARDSMEN

The bill (S. 2697) to amend chapters 33 and 35 of title 38, United States Code, to preserve the rights of reservists and National Guardsmen called or ordered to active duty on or after August 1, 1961, was announced as next in order.

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

There being no objection, the Senate proceeded to consider the bill, which had been reported from the Committee on

Labor and Public Welfare, with amendments, on page 2, line 4, after the word "the", to strike out "eight-year period" and insert "eight- and five-year periods"; in line 7, after the word "of", to strike out "active"; in line 8, after the word "to", where it appears the first time, to insert "(1)"; in line 9, after "1961", to insert a comma and "or (2) an involuntary extension of an enlistment, appointment, period of active duty, period of active duty for training, or other period of obligated service in any branch of the Armed Forces after August 1, 1961." "; in line 13, after the amendment just above stated, to strike out "Notwithstanding the final termination date of January 31, 1965, prescribed in subsection (a) of this section, such veteran may be afforded education or training beyond such date for a period equal to but not greater than the period of active duty disregarded in the case of such veteran under the provisions of the first sentence of this subsection." "; on page 3, line 1, after the word "of", to strike out "active"; in line 2, after the word "to", where it appears the first time, to insert "(1)"; in line 3, after "1961", to insert a comma and "or (2) an involuntary extension of an enlistment, appointment, period of active duty, period of active duty for training, or other period of obligated service in any branch of the Armed Forces after August 1, 1961." ", and, after line 7, to insert a new section, as follows:

SEC. 3. Section 2 of Public Law 86–236, and section 5 of Public Law 86–785, are each amended by inserting "(a)" immediately before "In the case of", and by adding at the end thereof a new subsection as follows:

"(b) In computing the five-year period prescribed in subsection (a), the Administration of Veterans' Affairs shall disregard in the case of any eligible person any period of duty performed by such person pursuant to (1) a call or order to active duty as a Reserve on or after August 1, 1961, or (2) an involuntary extension of an enlistment, appointment, period of active duty, period of active duty for training, or other period of obligated service in any branch of the Armed Forces on or after August 1, 1961."

The PRESIDING OFFICER. The question is on agreeing to the amendment on page 2, line 4.

The amendment was agreed to.

The PRESIDING OFFICER. The question is on agreeing to the amendment on page 2, line 7.

The amendment was agreed to.

The PRESIDING OFFICER. The question is on agreeing to the amendment on page 2, line 8.

The amendment was agreed to.

The PRESIDING OFFICER. The question is on agreeing to the amendment on page 2, line 9.

The amendment was agreed to.

The PRESIDING OFFICER. The question is on agreeing to the amendment on page 2, line 13.

The amendment was agreed to.

The PRESIDING OFFICER. The question is on agreeing to the amendment on page 3, line 1.

The amendment was agreed to.

The PRESIDING OFFICER. The question is on agreeing to the amendment on page 3, line 2.

The amendment was agreed to.

The PRESIDING OFFICER. The question is on agreeing to the amendment on page 3, line 3.

The amendment was agreed to.

The PRESIDING OFFICER. The question is on agreeing to the amendment on page 3, after line 7, to insert a new section.

Mr. MUSKIE. Mr. President, I offer an amendment to that committee amendment.

The PRESIDING OFFICER. The amendment will be stated.

The LEGISLATIVE CLERK. On page 3, line 13, it is proposed to strike out the word "Administration" and insert in lieu thereof the word "Administrator." This amendment is offered at the request of the author of the bill, the Senator from Texas [Mr. YARBOROUGH].

The PRESIDING OFFICER. The question is on agreeing to the amendment to the committee amendment.

The amendment was agreed to.

The PRESIDING OFFICER. The question is on agreeing to the committee amendment, as amended.

The committee amendment, as amended, was agreed to.

The PRESIDING OFFICER. 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, as follows:

Be it enacted in the Senate and House of Representatives of the United States of America in Congress assembled, That section 1613 of title 38, United States Code, is amended—

(1) by inserting "(a)" immediately before "No";

(2) by inserting ", except as provided in subsection (b) of this section," immediately before the words "in no event"; and

(3) by adding at the end thereof the following new subsection:

"(b) In computing the three-year period referred to in section 1612(a) of this title and the eight- and five-year periods referred to in subsection (a) of this section, the Administrator shall disregard in the case of any eligible veteran any period of duty performed by such veteran pursuant to (1) a call or order to active duty as a Reserve on or after August 1, 1961, or (2) an involuntary extension of an enlistment, appointment, period of active duty, period of active duty for training, or other period of obligated service in any branch of the Armed Forces after August 1, 1961."

SEC. 2. Section 1712 of title 38, United States Code, is amended by adding at the end thereof the following new subsection:

"(c) In computing the five-year period following duty with the Armed Forces referred to in paragraph (3) of subsection (a) of this section the Administrator shall disregard any period of duty performed by an eligible person pursuant to (1) a call or order to active duty as a Reserve on or after August 1, 1961, or (2) an involuntary extension of an enlistment, appointment, period of active duty, period of active duty for training, or other period of obligated service in any branch of the Armed Forces after August 1, 1961."

SEC. 3. Section 2 of Public Law 86–236, and section 5 of Public Law 86–785, are each amended by inserting "(a)" immediately before "In the case of", and by adding at the end thereof a new subsection as follows:

"(b) In computing the five-year period prescribed in subsection (a), the Administrator of Veterans' Affairs shall disregard in the case of any eligible person any period of duty performed by such person pursuant to (1) a call or order to active duty as a Reserve on or after August 1, 1961, or (2) an involuntary extension of an enlistment, appointment, period of active duty, period of active duty for training, or other period of obligated service in any branch of the Armed Forces on or after August 1, 1961."

The title was amended, so as to read:

A bill to waive certain time limitations prescribed in chapters 33 and 35 of title 38, United States Code, in the case of certain veterans and eligible persons ordered to active duty with the Armed Forces, or whose period of duty with the Armed Forces was involuntarily extended, on or after August 1, 1961.

The PRESIDING OFFICER. That concludes the call of the calendar.

ORDER FOR ADJOURNMENT UNTIL MONDAY NEXT

Mr. MUSKIE. Mr. President, I ask unanimous consent that when the Senate adjourns today, it adjourn to meet at 12 o'clock noon on Monday next.

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

TRANSACTION OF ROUTINE BUSINESS

By unanimous consent, the following routine business was transacted:

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. DIRKSEN, from the Committee on the Judiciary, without amendment:

S.J. Res. 99. Joint resolution to commemorate the 75th anniversary of the Interstate Commerce Commission (Rept. No. 1311).

WORK STOPPAGES AT MISSILE BASES (S. REPT. NO. 1312)

Mr. McCLELLAN. Mr. President, on behalf of the Committee on Government Operations, I submit a report made to it by the Permanent Subcommittee on Investigations entitled "Work Stoppages at Missile Bases." This report is a factual presentation of the evidence developed by the subcommittee during the course of 8 days of public hearings held in April and May of 1961, along with certain findings and conclusions of the subcommittee. I ask that the report be printed.

Mr. President, in May of 1961, at the close of these hearings, I spoke at length before the Senate as to the shocking disclosure of work stoppages, wildcat strikes, featherbedding, and other improper activities which resulted in unnecessary delays and excessive costs in this Nation's intercontinental ballistics program. However, because of the extreme importance of this program upon which our very existence as a Nation depends, I should like to summarize the subcommittee's findings as based on the evidence in the record of the public hearings, as well as the beneficial results flowing from the hearings.

From the commencement of the missile base construction program in 1956

and during the ensuing 4½-year period, that is, until March 31, 1961, over 325 work stoppages occurred at some 19 missile operational and test sites resulting in a total loss of 162,872 man-days.

Our space and missile programs were intolerably delayed by wildcat strikes, work stoppages, slowdowns, and a deliberate policy of low productivity engaged in by workers at missile bases. The rate of slow productivity is estimated to have reached as low as 40 percent of normal capacity.

It was demonstrated at the public hearings that many of the workers on missile construction projects, through strikes and other pressure tactics, including featherbedding and loafing, have collected millions of dollars in exorbitant, unnecessary overtime pay.

The subcommittee found that the officers of the international unions, whose members were involved in these practices, took no action to control their local officers or discipline their local unions during the 4½-year period to prevent the work stoppages. In this connection it was not until the subcommittee had commenced its inquiry into this situation that the building and construction trades department of the AFL–CIO, issued a statement of policy opposing work stoppages at missile bases. I might add, Mr. President, that this action proved ineffectual since, immediately following the statement of policy, some 39 strikes occurred at missile bases including strikes by workers of locals affiliated with unions adopting the no-strike policy.

The subcommittee found also that management, as well as military and civilian Government officials, were not blameless. It was apparent that many employers, operating on a cost-plus-fixed-fee contractual basis, were indifferent to excessive overtime payments, overmanning of jobs and improper supervision. The military and civilian Government officials are to be criticized for their passive attitude over a 4½-year period without taking aggressive action.

In this investigation the subcommittee also found that many of the strikes and work stoppages were due to jurisdictional disputes between building and construction labor unions and the industrial labor unions arising out of the application of the Davis-Bacon Act to Government contracts for construction of missile bases and the installation and checkout of ground support equipment. The problem in this area, the subcommittee found, is attributable to a delay on the part of the Department of Labor in establishing a well-defined criteria upon which the application of the act can be based.

Mr. President, I am indeed gratified to be able to report to the Senate that the hearings held by the subcommittee relating to work stoppages at missile bases have produced some extremely beneficial results.

First, on February 27, 1961, following the subcommittee's inquiry, the Office of the Secretary of Defense issued a memorandum setting forth guidelines with a view of limiting the amount of overtime work which would be permitted at missile sites and missile test centers. We have been advised by the Office of the Secretary of Defense that this action has had a salutary effect in controlling excessive overtime which heretofore has resulted in exorbitant costs to the Government.

Second, on April 25, 1961, the Secretary of Labor established a Missile Site Public Contracts Advisory Committee for the purpose of recommending to the Secretary impartial criteria for the determination of what is or is not the construction under the Davis-Bacon Act.

On October 14, 1961, the Secretary of Labor released a report of the Committee dated August 25, 1961, wherein the Committee recommended certain defined standards to be used in applying the act to missile sites and missile test sites. Under date of December 16, 1961, the Secretary of Labor advised that the standard recommended by the Missile Site Public Contracts Advisory Committee were still under study and as yet have not been approved. The subcommittee has recommended in its report that the Secretary take action on the Committee's recommendations as soon as is practicable.

Third, on May 21, 1961, President Kennedy, by Executive order, established the Missile Sites Labor Commission under the chairmanship of the Secretary of Labor, Arthur Goldberg, with the objective of bringing to an end the work stoppages and assuring an uninterrupted and economical operation of these programs. The accomplishments to date of the Missile Sites Labor Commission have indeed been most worthwhile. For example, in June of 1961, the first month after the establishment of the Commission, man-days lost due to work stoppages totaled 312, as compared to 26,217 man-days lost in June of 1960. I reported the accomplishment of the Commission to the Senate on July 28, 1961, and commended the President and the Secretary of Labor.

However, Mr. President, in addressing the Senate on September 23, 1961, I made note of the fact that I was skeptical of the lasting success of the Missile Sites Labor Commission not because I doubted the industry and the good faith of this Commission, but because it is dependent completely on voluntary cooperation between labor, management, and Government. The number of man-days lost due to work stoppages was drastically reduced following the hearings by this subcommittee and the establishment of the Missile Sites Labor Commission. Some losses did continue. As I pointed out, the man-days lost during the last half of 1961 were a small fraction of the losses that had occurred during the previous 4½ years. However, a disturbing trend has been noted so far during 1962. During January, some 2,400 man-days were lost due to work stoppages as compared with the monthly average of 835 man-days lost for the previous 5-month period. The effect of this was to bring the work at missile sites from well under the 1960 national average of time lost to a point somewhat in excess of the national industrial average.

If this is a continuing trend, it cannot be treated lightly. As a matter of fact, not only did the number of man-days lost increase during January, but the number of types of disputes increased. Notable among the increased types of disputes is the increasing frequency of jurisdictional disputes; this is unpardonable.

In February, we see that the same trend continues: At missile sites throughout the country 2,465 man-days were lost. It would be some comfort to be able to say that the outlook for March is more favorable. Unfortunately, there is every indication that the work record at missile sites for March of this year will be worse than either January or February.

Mr. President, on September 23, 1961, I introduced a bill (S. 2631) which would prohibit strikes at certain strategic defense facilities, including missile bases. In introducing this proposed legislation, I questioned whether or not this Government should be required to depend solely upon labor-management voluntary cooperation for the uninterrupted and economical operation of this most vital program. At that time I urged Senators to consider and study this proposed legislation very carefully. In the light of recent experience I urge that the Senate consider immediate action on this legislation.

The PRESIDING OFFICER. The report will be received and printed, as requested by the Senator from Arkansas.

BILL INTRODUCED

A bill was introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. BIBLE (for himself and Mr. CANNON):

S. 3089. A bill to amend the act directing the Secretary of the Interior to convey certain public lands in the State of Nevada to the Colorado River Commission of Nevada in order to extend for 5 years the time for selecting such lands; to the Committee on Interior and Insular Affairs.

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

CONVEYANCE OF CERTAIN PUBLIC LANDS TO COLORADO RIVER COMMISSION OF NEVADA

Mr. BIBLE. Mr. President, on behalf of my colleague, the junior Senator from Nevada [Mr. CANNON], and myself, I introduce, for appropriate reference, a bill to amend the act directing the Secretary of the Interior to convey certain public lands in the State of Nevada to the Colorado River Commission of Nevada in order to extend for 5 years the time for selecting such lands.

The need for this legislation arises from the fact that when the original bill was passed on March 6, 1958, the State of Nevada was required to select and purchase the land within a 5-year period. The bill also provided that the land must be appraised and a plan of development submitted prior to the purchase by the State.

Four years have now passed and the Bureau of Reclamation has just completed the appraisal of the property. The State of Nevada is not satisfied with these appraisals, and negotiations are now underway seeking a revision. Unless the extension of time is granted, the period will expire and the State will be forced to accept the Bureau's findings or forfeit its right under the bill.

Governor Sawyer has urged that this measure by speedily considered so that the State will be in a position to more properly exercise its option which means so much to the development of southern Nevada.

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

The bill (S. 3089) to amend the act directing the Secretary of the Interior to convey certain public lands in the State of Nevada to the Colorado River Commission of Nevada in order to extend for 5 years the time for selecting such lands, introduced by Mr. BIBLE (for himself and Mr. CANNON), was received, read twice by its title, and referred to the Committee on Interior and Insular Affairs.

AUTHORIZATION FOR COMMITTEES TO REPORT ON NOMINATIONS DURING RECESS

Mr. MUSKIE. Mr. President, I ask unanimous consent that committee reports on nominations may be filed during the recess of the Senate.

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

PURCHASE OF UNITED NATIONS BONDS—AMENDMENT

Mr. SCOTT submitted an amendment, intended to be proposed by him, to the bill (S. 2768) to promote the foreign policy of the United States by authorizing the purchase of United Nations bonds and the appropriation of funds therefor, which was ordered to lie on the table and to be printed.

NOTICE OF HEARINGS ON IMPROVEMENT OF EDUCATIONAL QUALITY ACT

Mr. MORSE. Mr. President, due to the floor situation last week, it became necessary to postpone previously scheduled hearings upon S. 2826, the Improvement of Educational Quality Act.

It now appears feasible to reschedule the hearings on this important part of the President's program; I therefore give notice to all having an interest in this legislation that the subcommittee will convene on April 10, 11, and 12, 1962, to hear testimony on the bill.

The hearings are open. The meeting will start at 10 a.m., Tuesday, April 10, 1962, in room 4232, New Senate Office Building.

It is anticipated that only administration witnesses will be called the first day, all other witnesses being heard on April 11 and 12.

NOTICE OF HEARING ON NOMINATION OF WILLIAM B. JONES TO BE U.S. DISTRICT JUDGE, FOR DISTRICT OF COLUMBIA

Mr. EASTLAND. Mr. President, on behalf of the Committee on the Judiciary, I desire to give notice that a public hearing has been scheduled for Wednesday, April 4, 1962, at 10:30 a.m., in room 2228, New Senate Office Building, on the nomination of William B. Jones, of Maryland, to be U.S. district judge, for the District of Columbia, vice F. Dickinson Letts, retired.

At the indicated time and place persons interested in the hearing may make such representations as may be pertinent.

The subcommittee consists of the Senator from South Carolina [Mr. JOHNSTON], the Senator from Nebraska [Mr. HRUSKA], and myself, as chairman.

FACTS AND FABLES ON AMERICAN INVESTMENT ABROAD

Mr. MORTON. Mr. President, both Republican and Democratic administrations have recognized for many years the great value of American investment abroad in stimulating U.S. exports and in promoting the economic and social development of the free world. Under this longstanding attitude of encouragement, the successful operation of American private enterprise abroad has become a show window for democracies in their struggle against Communist ideologies. Private investment abroad has become, indeed, a major weapon in the defense of freedom.

It is surprising, therefore, that in this year when economic competition with both the Communists and our allies has become more intense, the current administration has reversed longstanding policy and would openly discourage foreign investment. The attack takes the form of a proposal to place unprecedented tax burdens on American business firms abroad. Some of our colleagues in the Senate have forewarned us that this extreme proposal will be offered as an amendment here.

I hope the Committee on Finance and the Senate will review soberly, without the sound and fury and confusion that have hitherto marked some of the discussion on this issue, the proper taxation of foreign income earned by foreign subsidiaries of American business firms.

The subject is of such vital importance that it should command a careful examination to separate fact from fable, sound principle from emotional prejudice. I am concerned that some of the recent speeches have echoed old slogans, superstitions and shibboleths against American investment abroad which have been long since disproved. We have been lectured on this complex subject in the manner of a professor speaking to uninitiated freshmen; but a little analysis of the lectures discloses that the professor perhaps has not completed his homework. In fact, as I examine some of the recent discourse, it seems evident some of my friends are talking about an imaginary world of their own rather than the world in which we actually live and conduct business today.

And so my purpose is to review a few of these fables and fictions about foreign investment and see if we can bring to bear some of the light of fact and reality.

We should bear clearly in mind, as the context for this discussion, just what has been proposed by the administration and by some of our colleagues in the Senate. The proposal concerns the taxation of American parent corporations on the income earned by their subsidiary corporations in the developed countries of the world—subsidiaries which are chartered and operated under the laws and tax systems of a foreign country. Under our present system, the United States follows the normal and logical principle of taxing this income when it is received in the United States, that is, the American parent corporation is taxed when income earned by subsidiaries abroad is received by the American parent. The basic proposal of the administration, however, is that the United States should tax the American corporation as soon as its subsidiaries earn the income in the foreign country—even before this income is received by the parent corporation in the United States. We should understand that this proposal to tax undistributed foreign income is unprecedented in this country or so far as I know in any other country. In effect we would be taxing one corporation on income earned by another; and one country would be taxing income earned in another country and retained for business purposes in the other country.

Aside from the important question of whether such a strange law would be constitutional—and there are many who believe it would not be—one of the results of such a law would be, of course, to reduce American investment in economic opportunities in foreign countries. Thus it is inevitable that in our examination of this issue, we find both sides concentrating on arguments about the good or bad effects of American investment abroad. If these investments actually are harmful to our domestic economy and to the free world, as claimed, then perhaps we should impose restrictions on the flow of investment to foreign countries; if these investments are generally beneficial to the United States and the free world, then certainly we should not take sweeping action to choke them off.

I should like to make one further point clear at the outset. I join my friends in condemning any business which would twist and distort the reasonable and legitimate principle of present law to arrive at unreasonable and illegitimate ends. We should not allow companies to evade taxes by crediting foreign subsidiaries with income which is properly attributable to activities in the United States. We should not permit companies to evade taxes by piling up income in foreign subsidiaries far beyond the amounts needed for any business purposes, solely in order to avoid returning the income to the United States and paying a proper

tax on it. I will support any sound administrative action or new legislation which is needed to correct tax abuses and evasions. We should make certain, however, that the pending tax bill does just this, nothing more.

The problem is that the proposal made by the administration, and supported now by some Senators, permits no distinction between improper tax evasions and perfectly normal and justified business investment abroad. The proposal, I reiterate, would tax the undistributed income of foreign subsidiaries in developed countries no matter how desirable this business activity might be in our own interest. Surely our fundamental approach must be to strike at the shady and harmful, not at the legitimate and beneficial.

Similarly, while I am pleased that the House has rejected the administration's basic proposal, the pending House bill includes other provisions, notably in section 13, which would go far beyond the correction of abuses and evasions and would tax substantial portions of the income of many foreign subsidiaries. These complex provisions were inserted by the Ways and Means Committee in the closing days of its consideration, without time for thorough study of the new language, reversing the much more reasonable approach approved earlier by the Committee on Ways and Means. Thus there has been much confusion and uncertainty with respect to these provisions.

Although my comments today are mainly on the administration proposal, both the House bill and the administration proposal move in the same direction; the difference, although it is an important difference, would be one of degree.

Both of these proposals would hurt American firms in their efforts to sell American goods abroad, place American firms abroad at an acute disadvantage with their foreign competitors, violate longstanding and ethical principles of taxation, and negate the very objectives of the President's trade program.

Let me now proceed to review some of the basic fallacies which have entered into the recent discussion of taxation of foreign income.

I. THEY NEVER COME HOME

First, we have been presented in recent weeks with the strange concept that when American businessmen invest abroad, they are throwing their money into a sort of bottomless pit from which nothing of value ever returns to the United States. We have been told that American funds are invested abroad, and stay there perpetually, for the sole benefit of foreign economies, not our own.

To be more specific, I wish to offer for the Senate's consideration a few phrases of the junior Senator from Oklahoma [Mr. MONRONEY], presented to us on last February 12:

> There is in fact little, if any, repatriation of earnings on these investments abroad.

And I quote further from a few sentences later:

> I cannot see any reasonable prospect, unless there is a severe war scare or a severe threat of the taking over by an irresponsible or unreliable government, that the dollars will finally come back to the United States in the form of dollars to be taxed.

And a moment later, all qualifications were dropped and we were confronted with the remarkable statement that under present U.S. policy:

> We insure that the dollars will never return to the United States. They will go on and on, like the babbling brook, and forever the income from the original investment will remain abroad to benefit the economies abroad.

The junior Senator from Oklahoma has not been alone in this view. In fact, he was assured by the junior Senator from Tennessee [Mr. GORE], a most prolific speaker on this subject, that his statement was correct. On March 1 the junior Senator from Tennessee reminded us again:

> Having gone into bricks, mortar, and machinery in Europe, these profits never come back to the United States to be taxed * * * in such an instance, deferral extends into eternity.

Mr. President, these statements by my friends, who are very able and usually well informed, reflect a strange misunderstanding of the purpose and the results of foreign investment. They attribute to American businessmen either an altruism or a muddle-headedness in foreign investment which must come as a surprise to most observers of American business. For the simple truth is that the only reason American business ever invests a dollar abroad is a cool calculation that this dollar in the foreseeable future will return many more dollars to the United States. That is the only reason for sending the dollar abroad in the first place, and the reason for reinvesting it there. Americans are not in business abroad out of benevolence to foreign countries.

Experience overwhelmingly demonstrates that despite certain handicaps American business in fact has been singularly successful in returning earnings to this country from its investments abroad. Far from the little or no return of which my friends speak, the facts are that American direct investment abroad returned $2.4 billion in earnings to this country in 1960, $2.2 billion in 1959, $2.2 billion in 1958, $2.3 billion in 1957, and so forth. In the years 1950 through 1960, repatriated earnings from abroad amounted to $20.5 billion—and it is difficult to see how one could dismiss such a sum as little or nothing.

It is well known, further, that the income returned to this country from American investment abroad far exceeds our outflow of capital to foreign countries. From 1950 through 1960, for example, the outflow of direct investment amounted to $12 billion. And so we had $8.5 billion more coming back to this country than we sent abroad.

Moreover, from 1957 through 1959, American subsidiaries in Europe, the area most often singled out for discussion, distributed an average of 53 percent of their earnings to their U.S. parents—a perfectly normal and natural ratio of dividend payout to the funds retained for reinvestment.

And so, if we are to distinguish between fact and fable in examining the value of foreign investment, we must recognize what should have been obvious all along—American business invests abroad in order to bring back to this country far more than it sends out. This is in fact what has happened in a dramatic way, bringing billions in income back to the United States. To curtail this investment would be to undermine a major source of strength for our American economy.

II. THE FLOOD OF IMPORTS AND EXPORTING JOBS

A second unfounded fear with respect to foreign investment rests on the old superstition that American business invests in manufacturing facilities abroad in order to send back a flood of goods into the United States. And this, we have been told, has dire effects in displacing the jobs and wages of American workers.

To offer for your examination some of the words of this fable, I quote from the junior Senator from Tennessee [Mr. GORE] on February 12:

> There are many instances in which virtually entire industries have been moved abroad * * * and then the product is shipped back to the United States. Payrolls are lost. People are left unemployed.

I regret to say that our distinguished majority leader, who has a deserved reputation for his scholarly and factual approach to the problems before us, also has told us:

> Some of the companies are incorporated in other lands, but their main source of consumption or sale is in the United States.

In the same vein, the senior Senator from Tennessee [Mr. KEFAUVER] has reported:

> The record shows that quite often the factory built abroad with American capital * * * competes by means of importing materials back to the United States.

And even the President, in his December speech to the AFL–CIO, expressed the fear that American investors will decide to build plants in Europe and then American labor will suffer and "the country suffers."

And what are the facts? We have here a strange case of alarm about an almost negligible level of imports from American subsidiaries abroad, or other allegedly adverse effects of foreign investment. At the same time my friends overlook the far greater exports and the other beneficial results attributable to our foreign subsidiaries. My friends strain to concoct an imaginary mountain out of a molehill, while overlooking the real mountain.

The real mountain in the case of foreign subsidiaries is not the displacement of American business but the additional business created for American firms. The Department of Commerce, in its special study of foreign investment in 1957, found that of all the goods manufactured abroad by firms with even 25 percent or more American ownership, only 6 percent were sold in the United States, and 94 percent were sold in foreign countries. More important, in a later survey, in 1960, the Department of

Commerce reported that foreign subsidiaries of American firms accounted for the sale abroad of $2.7 billion of products made in America. While all the imports into the United States from these same subsidiaries amounted to only $475 million. In other words, exports developed by our foreign subsidiaries amounted to almost 6 times the imports we received from them.

I do not contend, of course, that none of these export sales could have been achieved without the foreign subsidiaries; it is conceivable that some of the sales would have been made anyhow by the American parent. But certainly the foreign subsidiaries contributed very substantially to these export sales, many of which would not have been made otherwise; and in view of the 6-to-1 ratio the net effect of the investment in these subsidiaries certainly has been to provide thousands of jobs and hundreds of thousands of dollars in wages for American workers.

A favorable balance in trade is evident in any reasonable breakdown of the Department of Commerce study of 1960. If we consider manufacturing subsidiaries only, worldwide exports amounted to $1.8 billion and imports to $379 million. If we consider all subsidiaries in Western Europe alone, exports amounted to $712 million and imports to $96 million. And if we consider only manufacturing subsidiaries in Western Europe, exports amounted to $291 million and imports to $90 million. It should also be noted, perhaps, that the great bulk of these exports were sent directly to the foreign subsidiaries; only a relatively small portion was attributed more indirectly to the activities of the subsidiaries abroad.

The reasons for this striking surplus of exports over imports, with respect to foreign subsidiaries, are not difficult to understand. They have been described in convincing detail by businessmen relating their actual experience abroad. Some foreign subsidiaries, of course, are primarily engaged in marketing goods made in America. And even when an American firm establishes a manufacturing plant abroad, it often creates an immediate sale for American machinery and equipment. Operation of the plant then often provides a continuing demand for American materials and components. Servicing of the goods made and sold abroad creates a continuing demand for American spare parts. There is often a corollary need for American technical and advisory services. And the American firm which has established a foot in the door of the foreign market, through the establishment of a plant there, often finds that it can then sell abroad many other products, manufactured in America, which otherwise could not penetrate the foreign market. All these are reasons why foreign investment stimulates far more in exports made in America than in imports to America.

It is good to know that the Secretary of Commerce seems to understand the importance of foreign investment in developing our exports, even if the President and some of his other supporters evidently do not. The Secretary of Commerce in an address last March 16 made precisely the point I am emphasizing today. He said:

> U.S. investment abroad is important to our export expansion program. Direct investments in manufacturing facilities abroad stimulate our exports of capital equipment, our exports of parts and raw materials, and our exports of finished products to fill out the lines of subsidiaries producing and selling abroad. Our overall economic objectives require the continued expansion of U.S. investment.

Let me emphasize that we are concerned here with a basic question: Why do American firms decide to invest in facilities abroad? It is clear that the major purpose, with very few exceptions, is not to send products back to the United States, or to sell goods in foreign markets which otherwise could be supplied from the United States. The major purpose and effect by far are to reach foreign markets which cannot be reached satisfactorily from the United States. There are many reasons for this: to avoid prohibitive foreign tariff walls, import quotas, or currency restrictions; to meet foreign legal requirements; to avoid prohibitive freight costs; to compete against lower cost production by foreign competitors; or to realize the benefit of better relations with foreign governments, customers, and employees. When American firms invest abroad for these reasons, they do not displace production in their American plants; their principal competition is not with American business, but with foreign business; and they develop markets and income for Americans which otherwise would go to competing foreign firms. If we penalize foreign investment through the administration's proposed tax law, we will simply surrender many of these markets to our foreign competitors, with seriously adverse effects on our own economy.

And finally on this point of imports and exports, I must confess amazement that the administration and some of the other proponents of new tax burdens on foreign investment also profess to be advocates of liberal trade. The evidence is unmistakable that American foreign investment contributes inseparably to the healthy stimulation of American foreign trade. We cannot restrict one and encourage the other; or be "half free and half protectionist." The advocates of liberal trade properly recognize that we must import from abroad if we are to sell abroad. They apparently are agreeable to a large volume of imports from foreign firms as a means of sustaining a large volume of U.S. exports—and yet they view with alarm the much smaller level of imports from American firms abroad. They insist, and rightly so, that we must increase our exports—and yet they also insist that we must reduce the foreign investment which, as we have clearly seen, is a major generator of exports. They want America to show the free world that its ultimate economic and political strength lies in unfettered exchange of resources, technology, and capital; yet they would impose restrictions on investment of American capital abroad, at the very moment that U.S. businesses are striving to hold their ground in international competition with a resurgent Europe and Japan. I particularly regret that the junior Senator from Tennessee [Mr. GORE], who came to Congress as a disciple of the great Cordell Hull, should now become one of the principal purveyors of the discredited protectionist slogan about exporting American jobs. Can it be that those who profess to wear the mantle of Cordell Hull have now put on the garb of a new protectionism? We are all concerned with American economic progress, but certainly we should recognize that sound foreign investment, just as foreign trade, is a major contributor to our domestic economic strength and to jobs and wages for American workers.

III. THE DRAIN ON OUR BALANCE OF PAYMENTS

A third major fiction repeated almost constantly in the discussion of foreign investment is that investment by American business firms abroad results in a serious drain on our balance of payments. This supposition is advanced so often there is little need to quote here the many variants in the language employed. Perhaps the succinct summary of the junior Senator from Oklahoma [Mr. MONRONEY] will suffice. On February 12 he assured us:

> It is the investment abroad which causes the difficulty.

And again we find that an imaginary world has been described to us. We can reconstruct the major effects of direct foreign investment on our balance of payments with a little arithmetic. With respect to capital movements, we should of course place the outflow of funds for direct investment abroad on the minus side of the ledger; and on the plus side we would place the return of earnings from these investments. As we have already seen, the return of earnings exceeded the outflow of investment by $8.5 billion during the period from 1950 through 1960. More specifically, we find that the net contribution on this account to our balance of payments amounted to $854 million in 1960, $925 million in 1959, $1.1 billion in 1958, and so forth. In fact, each year during this 11-year period, the earnings from foreign investment exceeded the outflow of capital, and thus made a welcome contribution to our balance-of-payments picture.

Again, the Secretary of Commerce has recognized this contribution to our balance of payments even if others in the administration have not. The Secretary of Commerce said on March 16:

> To the extent that the earnings on these investments are returned to the United States, they make a direct contribution to improving our balance of payments.

And as we have seen, the extent to which these earnings are actually returned is very great—amounting to $20.5 billion in 1950 through 1960.

I think the Senate will be interested in some examples of how foreign investments made by American companies strengthen the U.S. balance of payments through the return of profits to this country.

I have developed some data from the experience of several large organizations.

Earnings remitted to General Motors in 1961 from the business done by this company outside of Canada and the United States, plus the excess of GM exports over imports, contributed $450 million to the flow of funds into this country. In the 16 years since the end of World War II, the net inflow of funds from General Motors to the United States from its foreign activities have amounted to approximately $5 billion.

The Standard Oil Co. of New Jersey in 1960 repatriated to the United States, dividends and profits totaling $514 million. In the same year, that company made new direct investments in foreign operations of about $180 million. Allowing for other factors, Jersey Standard's worldwide operations contributed a net exchange gain of over $300 million to the U.S. balance of payments. The major portion of this net inflow of funds, it should be added, was derived from the developed countries of the world. In the 5-year period, 1956–60, Jersey Standard repatriated to the United States, profits and dividends amounting to $2.5 billion, while it made new direct investments of about $1 billion net, contributing a net gain of $1.5 billion in U.S. balance of payments.

Another company, Procter & Gamble, invested in the past 10 years a total of $11 million abroad and returned to the United States as dividends $47 million, thus contributing to the United States in dividends more than four times the amount of dollars sent out of the country.

Many of the investments which have produced these exchange gains for the United States would probably not have been made if the provisions on foreign income sought by Treasury and by a few of my colleagues had been in effect.

Although the balance-of-payments discussion is often confined to a comparison of capital outflow and the return of earnings, this is by no means the only, or perhaps even the major, consideration. We must also apply our arithmetic to the tabulation of exports and imports attributed to foreign subsidiaries. And again the balance is dramatically in our own favor; I reiterate that the exports attributed to foreign subsidiaries—in the Commerce Department study of 1960—amounted to six times more than the imports from these subsidiaries, or a favorable balance of $2.2 billion in this one year alone.

The simple truth is that the overall surplus of exports over imports, and the surplus of earnings returned over direct investment funds sent abroad, comprise the two largest favorable factors in our balance of payments. It is strange indeed that in seeking to redress our payments deficit, some would concentrate their attack on the very sources of our strength.

IV. THE OUTMODED LOOPHOLES

Fourthly, Mr. President, in reviewing a few of the most important fables that have been advanced about foreign investment, we should examine this colorful word "loophole" which has been dinned into our ears and, I fear, into the consciousness of some, with reckless abandon. I am afraid that we have here—unwittingly, I am sure—an endless repetition of label phraseology which tends to foster misunderstanding and prejudice rather than careful and objective analysis.

As a corollary on this point, we have been told in effect that the purpose of this so-called loophole—the present treatment of foreign subsidiary income—was to encourage investment in the rebuilding of Europe after World War II. It is asserted that this policy is now outmoded, and, ergo the so-called loophole must be repealed.

For example, the junior Senator from Tennessee [Mr. GORE] told us on February 12 that while the free world was suffering from a dollar shortage after World War II:

> There may have been justification for a policy of tax incentives to encourage such investment.

And a moment later he asserted:

> The need for such a policy ended in 1954 or 1955. But we still have the policy.

And at another point, the Senator complained:

> Long after the goals of this policy had been accomplished, the policy was continued.

I regret to say that our President also has fallen into this error. In his recent address to the AFL–CIO convention, the President stated:

> We passed laws in the days of the Marshall plan when we wanted capital over there, and as a result of that there are provisions on the tax book which make it good business to go over there.

I do not know whether the junior Senator from Tennessee [Mr. GORE] has misinformed the President, or whether the administration has misinformed the junior Senator from Tennessee, but I do know they are equally wrong. One would expect the President certainly would have been informed of the facts. The truth is that there were no substantive changes in the relevant tax laws in the Marshall plan period. Rather, the basic provision involved here has been a part of our income tax law ever since the law was first enacted in 1913. It was not enacted in 1913 to extend a special inducement for foreign investment, because foreign investment was not a major goal or issue at all at that time. The provision was placed in our income tax laws from the outset because of basic considerations of fairness in correctly defining just what is taxable income and what is a taxable entity. And yet this is what my friends endlessly call a loophole.

The existing law simply recognizes the elementary principle that income must be received before it is taxed. It recognizes the principle of national sovereignty that one country should not tax income earned and retained for proper business reasons by a local taxpayer in another country. It recognizes the principle of integrity of the corporate charter in that one corporation cannot be arbitrarily taxed on income earned by another corporation, a separate legal entity.

The principle, in fact, is precisely the same as that applied and generally accepted with respect to business within the United States. Unless the related corporate accounts are consolidated, which produces the same effect taxwise as in branch operations, a domestic parent corporation pays taxes on the earnings of a domestic subsidiary only as dividends are received by the parent corporation. And similarly, the stockholders of a domestic corporation pay taxes on the earnings of the corporation only when, and to the extent that, dividends are received by the stockholder.

And so our present law is not a loophole, or a special inducement for foreign investment enacted after World War II; it simply asserts basic tax equities which have been an integral part of our income tax system from its foundation.

V. EQUALITY WITH DOMESTIC INVESTMENT

Mr. President, the final myth we shall consider today is the repeated and important contention that the principal effect of the administration's proposal would be simply to place foreign investment on an equal tax footing with domestic investment. I regret to say that the distinguished Secretary of the Treasury has been perhaps the chief expositor of this strange conclusion.

The problem with this argument is that it looks entirely in the wrong direction. It relates foreign investment solely to domestic investment, but this misses the main point. The vast majority of American business abroad is not in competition with American business at home. American business goes abroad to compete in foreign markets with foreign firms.

Foreign markets, as we all know, are developing at a tremendous pace. There is a striking increase in demand for both capital equipment and consumer goods. Great economic opportunities are opening up—for someone. But the taxation of undistributed earnings of American subsidiaries would place American firms at a grave disadvantage in their competition for these markets with foreign firms—for, as we have seen, no other major trading country in the world has embraced so drastic a tax provision. In fact, many foreign countries give special tax benefits to help their firms in international competition.

Thus the principal effect of the administration's proposal would be not to help business at home, but to discriminate against American business abroad in its competition with foreign firms. Moreover, there is little evidence that promising economic opportunities at home are being neglected because some funds are going abroad to develop opportunities there.

VI. SUMMARY

In summary, Mr. President, I believe we have replaced these fables with these facts:

Fable: Funds invested in American business abroad never return to provide income and revenue to this country. Fact: Earnings returned to this country amounted to $20.5 billion from 1950 through 1960—far exceeding the funds invested abroad.

Fable: American investment in foreign subsidiaries results in serious displacement of goods made in America and causes unemployment in this country. Fact: Foreign subsidiaries were the channel for $2.7 billion in exports of American-made goods in 1960 alone—six times the imports sent back to this country from these subsidiaries. These exports mean good jobs and good wages for thousands of Americans.

Fable: Foreign investment results in a serious drain in our balance of payments. Fact: The earnings and exports generated by foreign investment constitute the major favorable factors in our balance of payments.

Fable: The proposal to tax undistributed earnings of foreign subsidiaries would remove a glaring loophole which reflects an outmoded post-World War II policy of inducing investment in Europe. Fact: The basic provision under attack was part of the income tax law of 1913 and has been retained since then because it expresses the fundamental and equitable principle that income should be taxed only as received by the taxpayer.

Fable: The principal effect of the administration proposal would be to place domestic investment on a par with foreign investment. Fact: The proposal would have little effect on domestic investment; instead of helping the American economy, its principal effect would be to give foreign competitors a major advantage over American business abroad.

And this, it seems to me, is a strange objective for American policy.

TRIBUTE TO ARTHUR E. BURGESS

Mrs. SMITH of Maine. Mr. President, I want to say a word of tribute to the retiring staff director of the Senate Republican policy committee, Arthur E. Burgess. He gave me and my office more cooperation and more assistance than any other staff director has.

In my opinion, he has been the best staff director the Senate Republican policy committee ever had, and his appointment illustrated the wisdom of the late Styles Bridges, who, in appointing him, exercised his prerogative and power as the chairman of the committee, just as Senator Hickenlooper did in his choice of Mr. Teeple.

I do not know Mr. Teeple, but I do know that he will have some very large shoes to fill in the record of his predecessor, Art Burgess.

CHRONIC DISEASE AND MEDICAL CARE

Mr. HICKEY. Mr. President, Dr. James W. Sampson, the director of public health for the State of Wyoming, will deliver a thought-provoking paper to members of the medical profession in Wyoming tomorrow morning. He has provided me with an advance copy and which I ask unanimous consent for it to be made a part of the RECORD immediately following my remarks.

The paper is particularly interesting to me because Dr. Sampson headed a committee concerned with problems of the aging while I was Governor of Wyoming; and in this paper he deals positively with medical care recognizing both the problems of the profession and the problems of the aging. I commend the contents to my colleagues as a positive approach to a common ground in the health field.

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

CHRONIC DISEASE AND MEDICAL CARE

(By James W. Sampson, M.D., director, Wyoming Department of Public Health)

Gentlemen, the local health officer in Wyoming has an unusual opportunity to exert leadership in the field of chronic disease as he is basically and primarily a private physician who has his own patients to satisfy as well as himself.

As a civic-minded, community-oriented individual he is a public health officer who functions with little pay, and unfortunately little, if any, thanks.

Advances in all sciences and technology, with the raising of the standard of living over the past half century, has brought about miraculous things. Among them and particularly in the medical field has been the reduction of infant mortality, the virtual elimination of some diseases in our part of the world, examples being typhoid, smallpox, and malaria, though they still wreak havoc in some parts of the world today.

By advancement in anesthesiology and the control of sepsis, we are at a point where various surgical procedures can now accomplish almost unbelievable things in all parts of the human body.

Brain surgery, heart and lung surgery are not now restricted to the hands of one or two in some of the leading medical centers of the world. Stomach and intestinal surgery is now perfected to a point where it may be done safely in the hands of the competent surgeons who practice in any licensed hospital in America.

We mention here the dramatic, which has been observed by most of us. I could also mention the control or detection, as well as treatment of nonsurgical conditions such as stroke, diabetes, and polio.

We recognize that specific therapy goes back many, many years, that quinine was used in 1638 empirically. The era of chemotherapy began with Ehrlich with his discovery of salvarsan. It is hard to realize that Ehrlich did not die until 1915. Yet, it was not until 1935 that the day of antibiotics dawned when the sulfonamides were introduced in the form of prontosil and we began, almost day by day, to see the dramatic change in medicine.

I would be remiss, however, to feel that this was the breakthrough which has caused us to have an older and older population. This goes back well over a hundred years and more and such classics are available in the medical literature as John Snow's report on cholera and the Broad Street pump in London.

The Panama Canal, where disease need be conquered before it could be built, is an example of disease control through altering enviroment, using the combined efforts of many disciplines, notably engineering.

Without a modern, safe, and reasonably economical water supply and sewage system no present-day community could exist.

Our increase in palatable and wholesome foods has raised our physical capacity and being to the place where we are truly a productive people.

The saving of the lives of infants and children, by saving our youth, an example being pneumonia, which was a killer of about one-fourth of the young men who acquired the disease when I left medical school in the thirties, and other advances has permitted people to live to an older and older age.

Chronic disease is not limited to the elderly, as we all know, but being elderly permits one to be the active proprietor of more and more of the chronic diseases. Some individuals can have a half dozen and exhibit pride in the accomplishment.

The field of public health has been the active area for the professional career of physicians for at least 200 years. This means that it is one of the recognized specialties. During this time, I am sure, it is impossible to point a finger of scorn at this group and say that public health physicians have introduced socialized medicine.

By and large, public health has had the same interest as the profession as a whole, and that is, to eliminate disease and by definition to promote public health.

We have helped by keeping statistical accounts of a vital nature which has helped the public as a whole and the profession specifically to know where we are, where we have been, and where we need to go in health matters and in many other ways.

No one questions our right in the field of acute communicable disease, to quarantine, which is one of the most arbitrary of police powers, nor are we questioned as to our right to educate, to assist with immunization and help control these conditions, or to point up the incidence and, in general, interest ourselves in this field.

We have, I feel, the same responsibility to both the public and to the medical profession when it comes to chronic disease.

There are at least hundreds of cases of some type of chronic disease in a treatable or arrestable condition in Wyoming unknown to the patient or physician and these we would like to uncover. When these cases turn up, our already overworked physicians will be up against it, for, as I see public health, we are not planning to go into the treatment business.

May I say that to me our most critical area in health is the shortage of physicians, nurses and the entire paramedical personnel field.

What are the conditions of which I speak? You could compile a list yourself, for I have no new or esoteric diseases to report. We are briefly touching on some of them at this meeting. Heart disease, cancer, diabetes, glaucoma, arthritis, sclerosis, and so forth.

Medical care has unfortunately become a political football. It has almost become a dirty word. This is unfortunate since it is one of our basic rights as individuals in this modern day.

You will note, please, I have mentioned medical care and not the means of achieving it and certainly not of paying for it. I hope in the short time allotted me to present some of my views on this serious and important subject.

To go back historically and look at the time when the physicians' position became different in this matter, we must look to 1935. The exact day is not important nor was anyone aware of it at the time. Some are not even aware of it today. Prior to that time, and with some known exceptions, most of what could be done for a patient could be done at home and with the medications carried by the physican in his handbag. These medicines were neither complicated nor expensive.

The home at that time also was not as complicated as it is today neither was our society.

With the change developed by blood transfusions and other wonderful techniques; together with the antibiotics and other, and need I say expensive drugs, the practice of medicine became a new matter both to the physician and his patient, as well as to the community at large.

The physician could no longer treat the patient at home when procedures which re-

quire hospital equipment were indicated. Certainly he could not furnish expensive medicine out of his own pocket for all his charity patients. Equally, if not more important, he could not stand expensive malpractice suits for failure to supply his poorest patient with indicated therapy or diagnostic methods. If such were indicated for those who could afford them, the doctor became vulnerable, if he did not use them for those who could not pay. For it is a legal fact that one is charged with supplying adequate and usual treatment available in your community and this applies to the poor as it does to the rich and this is as it should be.

People have selective memories. They grow nostalgic about the charity, kindness and personality of the old time family doctor. Yet today, if one tried to get by on charity, kindness, and personality he would find that today's patient wants a physician up-to-date, able and with the most modern armamentarium if their own person or family is afflicted.

They damn the cost of medical care, measuring in inflated dollars medications and treatment which permit them to live, yea, to recover in a few days from an illness which 30 years ago would have meant weeks or even months in bed, if they were fortunate enough to recover. When did you last see "blood poison"?

The physician, like his patient, being a member of the human race has forgotten something too. This is his responsibility as a civic-minded member of his community. His need to exercise medical leadership in a large, varied and extremely numerous group of conditions which are of grave concern to many laymen in his area.

All the newspaper publicity, the TV ads and the public relations men cannot compare with the interest shown by just one physician when he gives an hour of his time by visiting and discussing matters with, say, a group of parents of mentally retarded children, or spastics, or a group interested in multiple sclerosis, mental disease or cancer.

If physicians do not exercise their leadership in areas of medical concern, ignorant but interested laymen will. We will then find programs develop which are unsound and not acceptable to the medical profession and we will not have bonifide substitutes to relieve the problems presented. Logically we are considered obstructionists who are interested only when we personally are affected, viewing this from the standpoint of the concerned layman.

Now as to medical care. We in the Wyoming Department of Public Health do not view this matter as relating only to the aging, nor do we view it from the standpoint of the indigent. Though we must admit that these are the areas which are most critical.

We are conducting an experiment in Albany County on home care. We know that even with money it is almost impossible for some persons with chronic conditions to have proper professional supervision at home. This can also apply to convalescents and to some conditions for which one could be discharged from the hospital sooner with a saving to the patient and with the release of a hospital bed.

You will hear more about the Albany County project later in the program and I am sure you will find the topic timely and interesting.

Medical care for the aging is a subject which is controversial not as to need as much as to method and as to who should be entitled to it.

The Mills-Kerr bill is Public Law 86-778 and is currently functioning in a number of States. Wyoming is not one of them as the 36th legislature did not provide enabling legislation nor did it appropriate the needed funds to implement this law, which in our State would be on a 50-percent matching basis.

The King-Anderson bill is not law. It is proposed legislation and would provide "payment for hospital services, skilled nursing services, and home health services furnished to aged beneficiaries under the old-age, survivors and disability insurance program (social security), and for other purposes."

It was my intention to list the various matters covered in these two bills. The one that is a law and the proposed one. However, I have requested copies of each and am supplying them to you with the request that you review them and draw your own conclusions.

Since I am satisfied with neither of the bills I am suggesting a new approach.

To me social security is a fact. It has been a factor in the lives of many Americans since 1935. It has, for those covered by it, one feature which was called to our attention at the White House Conference on Aging in January 1961 by Mr. Larson, the man who wrote "A Republican Looks At His Party," which is very important to our American concept of freedom and that is the permissive mobility it gives. One's social security follows one from State to State and one of our basic freedoms is our ability to go where we please, when we please if transportation is available and within our means.

I would like the same permissive mobility included in a medical care plan but safeguards must be built in so that each State pays only its proportionate share of the recipients care. This I will develop later.

Before going further I would like to make it clear that I prefer an economy and condition which would make everyone self-sufficient and not dependent upon the State.

One of my concerns in the matter of aging and medical care is the apparent willingness of States, at least some of them, to await Federal leadership. Perhaps this spells up what has become apparent to me after 2 years of active interest in this area the fact that both the Federal Government and State government have responsibility in this matter.

I would propose that an X percentage of the personal income tax collected by the Federal Government be returned to the State from which it is collected, earmarked for a medical care program for the aging. Such a fund would be set up and used for that purpose only. It would be administered by the State under laws passed by each State for its own use and conditions. Appropriations needed in greater amounts than that furnished by the X percent should be appropriated by the State to implement their own program.

Administration of such program should be under the supervision of the State health department, which has had wide experience in this field, as exemplified by the crippled children's program which has been functioning many years.

This agency would contract with both the physicians and the hospitals on such a basis as would be acceptable by the physicians of that State and with the hospitals on a similar basis.

An understanding should be reached through the State medical society on such matters as utilization, overutilization and abuses at the onset. Provision for review and adjustment of fees should be made periodically.

If sufficient funds were available a State might actually purchase standard Blue Cross and Blue Shield. If a person carried such a standard plan the State might pay the difference and supply the preferred plan. Any private type of insurance with the resources and ability, should also be considered from the standpoint of our belief in free enterprise.

Since funds would come from personal income tax those on the program could be given credit if they purchase their own. These are details which could be worked out.

I would also consider the number of years an individual resided in a State. A "bank" can be established which would credit and debit States and a patients' cost could be prorated on the basis of the number of years of residency in each State, example of 25 years in Wyoming 10 years in Colorado, and 3 years in California. The bank system is present now in Blue Cross.

To start this program the Congress could appropriate the equivalent of the X percentage of the 3 years just preceding.

I feel a Federal office should be maintained in HEW, which could exercise much the same type of control as the Inspector General of the Army, and who would be responsible that certain standards are maintained, as is done in the crippled children's program.

I do feel strongly that Wyoming as a State has the integrity, ability, and capacity to carry out such a program and with some assistance in financing can solve such problems on its own.

I am satisfied that all the other States should face up to the matter and make their own decisions.

To me, one of the advantages is that our own tax money would be coming back for a most useful purpose.

Using the 1960 census figures Wyoming had almost 26,000 persons over 65 years of age, current standard Blue Cross and Blue Shield is $14 per month. This would mean that for $364,000 all people in Wyoming over 65 could have standard Blue Cross and Blue Shield, per month or $4,368,000 per year. This is a lot of money.

Between 1950 and 1960 Wyoming's population 65 years of age increased 42.6 percent. In actual numbers the increase was 7,743 from 18,165 to 25,908. There were 3,500 more men over 65 years of age and 4,393 more women. The men outnumber the women by 13,440 to 12,468. This difference is not as large as in 1950. In 1950 there were 125 men per 100 women. In 1960, 108 men per 100 women. The ratio of men to women is still atypical but it is approaching the national ratio which shows more women than men 65 years of age and older.

The older groups show an even greater percentage increase. The population 75 years of age and over increased 57.6 percent and the population over 85 years of age increased 72 percent.

To close my dissertation on aging, elder care, and chronic disease, I shall read what two of our poets have to say.

Robert Browning in his poem, "Rabbi Ben Ezra," said:

"Grow old along with me!
The best is yet to be,
The last of life for which the first was made;
Our times are in his hand
Who saith, "A whole I planned,
Youth shows but half; trust God: see all, nor be afraid.' "

And Longfellow:

"Age is opportunity no less
Than youth itself, though in another dress
And as the evening twilight fades away
The sky is filled with stars invisible by day."

It seems to me that it takes a bigger heart and a more serene mind to care for our older crippled individuals than it does to care for our crippled children.

The reason is fairly obvious. A child has an appeal to the paternal or maternal instinct present in all normal individuals.

A helpless child can be snuggled, cooed at and cared for without bringing up the unpleasant picture of a possible future of our own.

While the majority of our senior citizens develop into dignified and wholesome examples, as in the case of Churchill and Grandma Moses, a too large number become bedfast, confused cripples, who may have nasty dispositions and unpleasant personalities, which, while occasionally, are the result of organic changes, are most often a defense against a hostile world.

It has amazed me during the past year or so to observe how patients can change from a disagreeable helpless invalid, to a fine and wholesome, active person through the efforts of those who care for them because they care about them.

It is a fact that older patients can be rehabilitated and made productive just as child patients can.

This is not only a wonderful thing in itself, but can be tremendously important viewed from a financial standpoint, be it that of the individual or the State.

We should be selfish in this for we can, by our example and attitude, establish the pattern of care which we would like available to us when we need it, for we can assume, that barring an atom war which would exterminate the human race, that we can live to an age which may require some supervision over our personal needs or activities.

SHORTAGE OF ENGINEERS AND SCIENTISTS

Mr. PELL. Mr. President, earlier in the session, my distinguished colleague, the Senator from Wisconsin [Mr. PROXMIRE], brought to our attention a serious problem facing the United States in the 1960's. I am referring to our shortage of engineers and scientists, and to the danger of an increasing gap between the number of Soviet and American professionals in this field. In so doing, he cited "Education and Professional Employment in the U.S.S.R.," by Nicholas DeWitt, which points out:

> Since the average quality of Soviet science and engineering graduates is comparable to that of American graduates, the superiority in numbers must be considered a crucial advantage.

In this respect, I find it alarming that "during the current decade, the Soviet rate of production in these fields will reach 250,000 a year, more than twice the expected American rate."

While our total college enrollment for 1958–60 increased by 18.9 percent over the 1957 level, engineering enrollment fell by 9.2 percent over those 3 years. Although this downturn was halted in 1961, the increase was but three-tenths of 1 percent; engineer enrollment was still far below the 1957 level.

With these disturbingly low figures in mind, and with the hope of discovering an explanation for them, I requested Mr. G. G. Gould, the technical director of the U.S. Naval Underwater Ordnance Station in Newport, R.I., to poll his staff of 174 engineers on the matter. They were asked:

First. Why do you feel that enrollment of engineers is declining?

Second. What influenced you to become an engineer?

Third. Would you advise your son to become an engineer?

The 130 responses to these questions shed light on some important factors which, to a large extent, have been neglected. For example, 31 percent felt that inadequate high school preparation coupled with the difficulty of an engineering curriculum accounted for the low figures. Accordingly, Mr. Gould emphasizes that there exists, "an ever-increasing gap between the quality of instruction up to and including the high school level and the requirements for admission to engineering courses in college."

Twenty percent replied that high school or home guidance was crucial in determining their choice to enter the engineering profession. This brings to the fore another aspect of the important role played by our high schools in this area.

Only about one-third gave an unequivocable "yes" to the question: "Would you advise your son to become an engineer?" Mr. Gould makes the interesting observation, and I quote him directly:

> The major, single cause for failure to attract young talent is the social status of the engineering profession. The most important ingredient for building up the future engineering capability is to provide a respectable social status to the engineering profession.

In further support of this point, 16 percent of the respondents explicitly did state that the lack of prestige of the profession was the major factor in keeping engineering enrollments low.

This survey along with the letter and comments by Mr. Gould comprise a useful study of this especially important problem. It could provide the basis for improving many of our educational policies. I ask unanimous consent that the survey and accompanying material be printed in the RECORD at this point.

Mr. President, I also ask unanimous consent to insert in the RECORD an editorial which appeared in the February 17 edition of the New York Times which makes additional interesting observations about the need for more engineering graduates.

There being no objection, the survey, material, and editorial were ordered to be printed in the RECORD, as follows:

TECHNICAL DIRECTOR, U.S. NAVAL
UNDERWATER ORDNANCE STATION,
Newport, R.I., December 22, 1961.

HON. CLAIBORNE PELL,
U.S. Senator,
Newport, R.I.

MY DEAR SENATOR PELL: As I mentioned to you in our telephone conversation, this station's supervisory staff appreciates and welcomed the opportunity of meeting you at their last monthly meeting.

We have canvassed our professional employees to obtain a sampling of their opinions regarding enrollment in engineering curriculums and also to determine what influenced each to become an engineer. You may find the results of this poll, enclosed herewith, to be of interest. Also enclosed is a memorandum from our personnel director which discusses in more detail some of the responses to the questions.

It is interesting to note that insufficient salary is listed as a reason for declining interest by only one-quarter of the staff. This confirms my own beliefs which have been formulated over a period of 25 years in active practice as an engineer. It is my belief that the major, single cause for failure to attract young talent is the social status of the engineering profession. Historically, this has been the case for a long time. Before World War II, not too many entered the profession since the needs were small. There appeared to be a short upsurge in the number of young people who wanted to be trained as engineers shortly after World War II. I believe this stemmed directly from the postwar realization that it was American technology, based on American engineers' know-how, that contributed so importantly to our success in the war.

When the shouting and the memories declined, the engineering profession once more found itself in the position of being "just workers." This, to a large extent, is exemplified in our technical societies. The large engineering companies and utilities play a leading and guiding role in the affairs of the engineering societies. This is different from many other professions such as for medicine, law, or physics wherein the individual is the key to the activities and guidance of his professional society. The most important ingredient for building up the future engineering capability of this country is to provide a respectable social status to the engineering profession. This should be done in many different ways, but perhaps the single, most effective way is to require, by legislation, licensing of all engineers.

I hope these comments and survey are of value to you in the important task you have undertaken. This is a vital problem not only to those in the engineering profession but to our entire Nation. I would welcome an opportunity to assist you in any way I can toward finding acceptable courses of action. We look forward to seeing you at your convenience early next year.

Very truly yours,

G. G. GOULD.

(Enclosure.)

SURVEY BY MR. G. G. GOULD

1. Why do you feel that enrollment of engineers is declining?

Insufficient salary, 20 percent; lack of prestige, 16 percent; more difficult curriculum, 15 percent; inadequate preparation at high school level, 16 percent; cost of education too high, 4 percent; other careers more lucrative, 7 percent; scientists overshadow engineers, 5 percent; interruption of education by military service, 1 percent; soft living of youngsters—lack of drive, 10 percent.

2. What influenced you to become an engineer?

Personal aptitude, 12 percent; curiosity and desire to know how and why things worked, 18 percent; guidance received in high school or at home, 20 percent; liked and excelled in math and science, 24 percent; subsidy by GI bill, 1 percent; employment as mechanic or technician, 3 percent; promising future, 13 percent; experience in Armed Forces, 4 percent.

3. Would you advise your son to become an engineer?

Yes, 34 percent; no, 8 percent; if he had interest and aptitude, 56 percent.

4. When did you graduate?

Did not, 1 percent.

[From the New York Times, Feb. 17, 1962]

THAT ENGINEER SHORTAGE

Once again a high Government official—this time Secretary of Health, Education, and Welfare Ribicoff—has sounded the alarm about the shortage of engineers and engineering students. The number of students in college has been climbing sharply, but the number of freshman engineering students has remained roughly constant these past several years. Only about 45,000 engineering graduates received degrees last year as against the 72,000 new engineers the Department of Labor believes we will need annually during the next

decade. There are chronic vacancies in good engineering schools. Mr. Ribicoff raises the specter of the balance of brain power tipping against us, especially since the Soviet Union is turning out many more engineers than we are.

That there is a genuine shortage of top-flight engineering talent is clear. What is less clear is why engineering is proving so relatively unattractive to college students despite the many exhortations on this subject which have been published in recent years. Economic theory tells us that when a particular talent is in short supply, the market acts to correct the situation by raising the earnings of those having this ability, thus stimulating entrance of newcomers into the field in order to correct the shortage. It would be useful to know why this has not happened with regard to engineers. Moreover, it is doubtful that all our engineers are being used properly. Many are probably engaged in work in which engineering education is not really required.

We would question any automatic assumption that the United States must produce more engineers simply because the Soviet Union produces so many. Attentive readers of the Soviet press have been noting suggestions there recently that perhaps Soviet schools are turning out too many engineers and not enough people who are capable of running an enterprise efficiently and economically. Soviet engineers are often used in the kind of post to which we assign people with an education in business administration or economics. There is no magic in simply turning out a very large number of engineers.

SCIENCE LEADER IN HOUSE: GEORGE PAUL MILLER

Mr. ENGLE. Mr. President, on March 23 the New York Times ran a biographical story on my old friend and colleague, Representative GEORGE P. MILLER, of California. In the same edition it ran an article on the committee that Congressman MILLER has headed since last fall, the House Science and Astronautics Committee. I commend the articles to the attention of my colleagues.

The biographical sketch does an excellent job of catching the personality, spirit, and character of GEORGE MILLER. It describes him as more interested in committee work and the problems of his constituents than in seeking publicity. Here the article hits on a quality that is unique among men in public life. It is this quality that has endeared him to the people of Alameda County who have sent him to Congress nine consecutive times. And it is this quality that makes GEORGE MILLER the outstanding public servant that he is.

The country as a whole is beginning to hear a lot about Congressman GEORGE MILLER. Under his leadership, the House Committee on Science and Astronautics is being transformed in scope and purpose to consider the broad scientific problems confronting the Nation. GEORGE MILLER cares intensely about solving the troubles that plague a country with an exploding growth in population. That is why he feels that more important than being the first to the moon is the scientific knowledge derived from space technology that can be used to improve life here on earth.

I ask unanimous consent that the articles in the New York Times be printed 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, Mar. 23, 1962]

SCIENCE LEADER IN HOUSE: GEORGE PAUL MILLER

WASHINGTON, March 22.—On the wall of GEORGE PAUL MILLER'S fifth story office in the Old House Office Building is an aerial photograph of the San Francisco area where he was born 72 years ago. The picture is a sentimental reminder to a reminiscent Congressman of a varied life that has included careers as a civil engineer, travel agent, street sweeper, fish and game official, State legislator, and U.S. Representative, in that order.

To the new chairman of the House Committee on Science and Astronautics, the picture is also a bothersome reminder of problems confronting him as a legislator—problems including the future of the San Francisco area and of the Nation in the future.

As he notes, in another few decades, some 14 million persons are expected to be crowded into the area—a population growth that prompts him to ask:

"How are you going to feed and clothe all those people there and in similar metropolitan areas throughout the Nation without some breakthroughs in science?"

His concern helps explain why he is now attempting to redirect his committee away from its emphasis on space exploration into becoming the scientific observer and policy-setter of Congress.

AN UNUSUAL MEETING

One of the first steps was taken today when a panel of distinguished scientists was assembled before the committee for a discussion—unusual in the annals of Congress—that ranged from the possibility of life on other planets to the impact of Federal research grants on universities.

Mr. MILLER accepts the race to the moon as inevitable and necessary. But more important than being first to the moon, in his opinion, are the scientific knowledge that will flow from space technology and the resulting technical advances here on earth.

His emphasis on the scientific importance of space exploration reflects his proudly mentioned educational background as a civil engineer. As one of the few engineers in Congress, he likes to needle his lawyer colleagues in the House with the comment:

"You guys think in circles; I am one of the few guys around here who has been trained to think in straight lines."

Mr. MILLER is the son of a Sacramento River dredger captain. He received his civil engineering degree from St. Mary's College near his boyhood home of San Francisco in 1912. The next decade he divided between practice as an engineer and World War I service as a first lieutenant in the field artillery.

TURNED TO STREET SWEEPING

In the 1920's, he switched over to running a travel agency, an enterprise that failed in the depression. Thrown on relief, he was forced to sweep streets in Alameda, Calif., to receive relief allotments. The street-sweeping interlude led him into politics.

He served two terms in the California State Assembly from 1937 to 1941 and then became executive secretary of the California Division of Fish and Game.

In 1944 he was elected as U.S. Representative from the Eighth Congressional District in Alameda County and has been successively reelected ever since.

In Congress, he gained a reputation as a quiet-spoken legislator who voted a moderate liberal line and was more interested in committee work and the problems of his constituents than in seeking publicity.

By virtue of his membership on the Armed Services Committee he was assigned to a special House committee that set up the National Aeronautics and Space Administration and the House Space Committee. With the death last fall of Overton Brooks, of Louisiana, he moved over a seat to become chairman of the committee.

HELPED OCEANOGRAPHY

Previously he served as chairman of the Oceanography Subcommittee of the House Merchant Marine and Fisheries Committee.

While in that post, through persuasion and testimony, he was able to convince the scientific community of oceanographers that it should bring in industry to help in the expanding program of oceanographic research.

Colleagues describe Mr. MILLER as an easy-going, story-telling person with a quick, perceptive, analytical mind. A somewhat cautious person, he dislikes controversy, but can be a skilled politician in averting or settling an argument.

Despite his 72 years, Mr. MILLER is a spry man who likes to take jaunts in the Washington countryside and hikes in the Sierras of California. Some 7 years ago he broke the sonic barrier aboard a Navy jet fighter.

Mr. MILLER was married in 1927 to the former Esther Perkins, who had come from Overton, Nebr., to be a personnel manager in a San Francisco department store. They have one daughter—Mrs. Ann Miller Muir, of San Lorenzo, Calif.—and two grandchildren.

[From the New York Times, Mar. 23, 1962]

SCIENTISTS AND CONGRESS PONDER IF LIFE EXISTS IN OTHER WORLDS

(By John W. Finney)

WASHINGTON, March 22.—In the dimly lit caucus room of the House of Representatives today, a committee of Congress and a group of scientists discussed whether life exists in other worlds.

The scientists told the Congressmen that life might well have developed on far distant planets. But they were pessimistic, for political reasons, about ever establishing radio contact.

They were pessimistic because they doubt that legislators on other planets, any more than on this earth, would put up the money to build the costly transmitter needed to send messages to other worlds.

A serious discussion of such a subject would have caused laughter and ridicule a few years ago. The subject is one that scientists prefer to talk about only in private to avoid public scorn. Thus today's discussion pointed up a significant transformation taking place in consideration in Congress of scientific problems.

Under the leadership of its new chairman, Representative GEORGE P. MILLER, of California, the House Committee on Science and Astronautics is being transformed in scope and purpose into the first group in Congress to consider the broad scientific problems confronting the Nation.

The result is to fill what has been regarded within the executive branch and the scientific community as the major gap in the present organization of the Government to handle scientific problems and policies.

For congressional hearings, the committee today had an unusual slate of witnesses—12 of the Nation's outstanding scientists who make up the committee's advisory panel on science and technology. There was a foreign scientist, Sir Bernard Lovell, director of the Jodrell Bank Experimental Station in England. It was Dr. Lovell, along with Dr. Harrison S. Brown, a geochemist at the California Institute of Technology, who discussed, in answer to committee members' questions, the possibility of life in other worlds.

From an astronomical point of view, Dr. Lovell said, there is a real possibility because at least 4 percent of the billions of

stars in the universe must have planets capable of sustaining organic development.

A BIOLOGICAL PROBLEM

The question at this point, he said, is primarily biological. One positive clue was obtained recently, he pointed out, with the discovery of biochemical substances in some meteorites. Further evidence to answer the question, he said, will be obtained when searches are carried out for biological life on nearby Mars and Venus.

Dr. Lovell said, however, it would not be worthwhile to listen for messages for other worlds on a sporadic basis, such as was done in 1960 by scientists at the National Radio Astronomy Observatory in Green Bank, W. Va.

To do the job properly, he said, will require a number of finely instrumented radio telescopes developed to attack the problem on a long-term basis. He then expressed doubt that any nation would be willing to take on a project so expansive and so speculative.

Perhaps if disarmament is achieved, he said, it will then be possible to divert some of the military radar "dishes" to listening for messages from other planets.

Dr. Brown described the possibility of extraterrestrial life as "one of the most important, exciting questions confronting us."

CALLS LIFE ABUNDANT

His own personal bet, he said, is that life is "a very abundant commodity in our universe." But the chance of receiving signals from these other worlds, he said, depends largely upon how they have behaved and whether they have appropriated money to attempt to establish contact.

"Here I become somewhat gloomy," he said, "when I think about other legislatures in other worlds voting money for powerful transmitters to send signals that may or may not be heard in a few million years."

"The task that confronts us now," he said, "is how can we make the proper decisions in the legislative branch."

Behind this comment was the fact that jurisdiction over scientific problems is now fragmented among several congressional committees, with no one committee exercising an overall policy review. It is this latter role that the House Science and Astronautics Committee, originally set up primarily to handle the space program, is now trying to fulfill.

Dr. Brown used this example to illustrate his basic theme that "one of the most important tasks confronting us is how, in the democratic system, to make the correct decisions on problems involving technical and scientific considerations."

PART OF ANSWER FOUND

In recent years, he said, a "generally satisfactory" answer to this problem has been developed within the executive branch with the activation of the President's Science Advisory Committee, the creation of the Office of Scientific Adviser to the President and establishment of the Federal Council on Science and Technology to coordinate Government research programs.

NEEDED: WATCHDOG ON FEDERAL EXPENDITURES

Mr. WILEY. Mr. President, the Nation—experiencing skyrocketing expenditures—could benefit, I believe, by the creation of a permanent Hoover-type commission to keep a watchful eye on Federal spending. Over the years there has been an accumulation of evidence to demonstrate the need for greater protection for the taxpayers' money:

First. Examples of waste and duplication;

Second. Unnecessary stockpiling; and

Third. Need for elimination of Federal agencies for services performing activities that could better be handled by local and State governments, private enterprise, and so forth.

Previously, especially appointed Hoover Commissions—reevaluating Federal operations—have made recommendations that saved billions of dollars.

Recently there has been new evidence of the need for a more watchful protection of the taxpayers' pocketbook, such as:

First. Executive multibillion-dollar stockpiles of defense materials, now under investigation.

Second. Reports that foreign nations, recipients of U.S. aid, salt away instead of utilizing such funds.

Third. And other evidence from time to time of administrative deficiencies: lack of coordination in procurement, service, and other operations; unnecessary competition among Federal agencies, or with private enterprise; redtape entanglements; and other activities that either bog down efficiency or result in wasting money.

Taxpaying citizens, in my judgment, should not have to wait, however, until wide margin misjudgments become public scandals, resulting in loss of millions or billions of dollars. To the contrary, I believe that the extremely high level of Federal expenditures—currently at about $93 billion—requires constant watchfulness to:

First. Reevaluate the operations of the Federal Government to promote more (a) efficiency in administration; (b) realistic policies governing extensions and limitations of governmental activities; (c) effective staffing of—but not empire building in—Federal agencies; (d) elimination of agencies or activities after need has expired.

Second. Eliminate activities that are nonessential, or that can better be performed by State or local governments, or private enterprise.

Third. Eliminate unnecessary competition among Federal agencies or services.

Fourth. Avoid costly waste and duplication.

Fifth. Keep a watchful eye on expenditures of the taxpayers' money, to avoid over or reckless stockpiling whether for defense or any other purpose.

Sixth. Generally to promote greater efficiency and economy to serve the public interest.

Earlier this session, I introduced a bill—S. 2727—for establishing a permanent Hoover-type watchdog commission. Currently, the measure is pending before the Government Operations Committee in the Senate. Recognizing the need for ever-growing watchfulness in this field, I am recommending the committee take prompt action to consider and favorably report the bill to the Senate.

Recently, the Committee for Constitutional Government, Inc., published an article by the distinguished senior Senator of Virginia [Mr. BYRD], entitled "Crisis." Reflecting further upon the unparalleled and apparently unceasing, upward trend of Federal spending, I request unanimous consent to have the article printed at this point in the RECORD.

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

CRISIS

(By Senator HARRY FLOOD BYRD, of Virginia)

It was with a good deal of reluctance and, I will say, a good deal of sadness that, as chairman of the Senate Committee on Finance, I was compelled to ask for an increase in the Federal debt limit from $298 to $300 billion. I did so because I was told that unless the debt limit was increased, our Government could not pay its current bills.

I do not recall in my long service on the Senate Committee on Finance that there ever before arose such a condition as was presented to us.

It had to be recognized that the failure of this Government to pay its bills would create chaos at home and abroad in the free world. Such a situation could not be permitted to occur.

Under circumstances which had been allowed to develop, we were virtually forced to go more deeply into debt to pay running expenses continually coming due in excess of revenue income.

Federal financial crises such as this are recurring with increasing frequency. Enactment of the bill raised the limit on the Federal debt $7 billion in 8 months.

A year ago the debt limit was $293 billion. In June 1961, at the request of the administration, the debt limit was raised to $298 billion. Now, at the request of the administration, it has been raised to $300 billion.

Treasury figures relating to the recent $2 billion debt increase show deterioration in the fiscal situation has been precipitous since the June request to raise the debt limit to $298 billion.

Unnecessary spending is increasing. Nonmilitary Federal expenditures in the first 7 months this year, through January 1962, ran 10 percent higher than during the same period last year.

Total Federal expenditures in the July–January period were $3.9 billion higher than last year; nonmilitary expenditures increased $2.4 billion and military expenditures increased $1.5 billion.

We have been the policeman, the banker, and the Santa Claus for the free world more than 15 years. Recent figures showed U.S. foreign aid has totaled more than $100 billion, and it is continuing.

Meanwhile we are faced with a menacing deficit in the balance of international payments between the United States and nations we have assisted. It has run as high as $4 billion a year.

This situation, in combination with domestic deficits which threaten or cause inflation, has resulted in a drain on our gold supply. We have lost 30 percent of our gold in relatively few years. I emphasize: We have lost 30 percent of our gold reserves.

We are already laboring under a terrible tax burden. It is confiscatory in some areas. Deficits are continuing; and the debt is at a peak never reached even for 4 years of global shooting war.

In addition to $300 billion in direct debt, we have assumed contingent liabilities at home and abroad amounting to untold billions more.

Now we propose to underwrite the debts of the United Nations.

Before July 1962, the administration is going to ask that the debt limit be raised again by $8 billion, lifting the limit by $15 billion in a year. As the situation stands now, this will be the year of the highest revenue and the highest debt in history.

It is clear that continually raising the statutory limit on the Federal debt is only temporizing with dangerous deterioration in the Government's basic fiscal condition.

As chairman of the Finance Committee—and I hope I shall be joined by other Senators—I shall oppose to the utmost of my capacity raising the debt limit an additional $8 billion, to $308 billion for the next fiscal year when the administration says there will be a balanced budget.

A thorough examination of the financial position of the United States should and will be made by the Senate Committee on Finance before the next request to raise the limit on the Federal debt is granted.

Work on the examination has started. The Government's obligations are huge, complex, and worldwide. The study will be exhaustive. It is concerned with hard facts as distinguished from fiscal fantasy.

As a starting fact—regardless of how important the justifications were—there have been 24 Federal deficits in the past 30 years. The deficit last fiscal year was $3.9 billion. This year, ending June 30, 1962, it will be $7 billion to $10 billion, to make it a total of $11 billion to $14 billion for the 2 years. It is my frank and considered opinion that there will not be a balanced budget next year. I would be willing to venture, as strongly as I can, the prediction that there will be a very substantial deficit unless something is done to stop unnecessary spending in the fiscal year beginning on the first of July 1962.

Is it possible for us to destroy ourselves from within? Every American should ask himself that question.

Nothing could serve Khrushchev better. Survival of free nations, including our own, depends on the financial soundness of this Government.

Neither our form of government nor our system of enterprise can survive insolvency. All of us know that we cannot continue much longer to spend and spend, and tax and tax, and borrow and borrow.

Nothing now before Congress or any other branch of Government is more important than protection of the Nation's fiscal structure. It is being examined. Meanwhile further impairment should be stopped.

THE ADMINISTRATION DAIRY PROGRAM—MALHEUR COUNTY FARM BUREAU RESOLUTION

Mr. MORSE. Mr. President, the Willowcreek Center of the Malheur County Farm Bureau has brought to my attention a resolution adopted by that organization concerning certain provisions of the administration's proposed dairy program, as outlined in S. 2786. I feel sure that many Senators are receiving similar communications and therefore might be interested in the statement of the Willowcreek Center, Malheur County Farm Bureau membership on this subject. Accordingly, I ask unanimous consent that Mr. Dudley De Long's letter of March 17, 1962, together with the accompanying resolution, be printed at this point in my remarks.

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

MARCH 17, 1962.

Hon. WAYNE MORSE,
U.S. Senate,
Senate Office Building,
Washington, D.C.

DEAR SENATOR MORSE: The members of the Willowcreek Center, Malheur County Farm Bureau, have been studying the administration's proposed dairy program as outlined in H.R. 10010 and S. 2780.

Enclosed you will find a copy of a resolution from our membership committee, which has been approved by the board of directors of Malheur County Farm Bureau, stating our views on this proposed dairy program and how we feel it will affect us as farmers in Malheur County.

There are approximately 800 dairy farmers in Malheur County. They could all be classified as small dairy farmers or family-sized dairy farms. There are 13 dairy farms producing grade A milk, the balance are members of Farmer's Cooperative Creamery, producing milk for manufacturing purposes. Malheur County ranks second in milk production in the State.

As operators of small dairy farms we are very concerned that the choice offered farms in this proposed bill in a free economy amounts to no choice at all and the Government can retain the right to break the free market by releasing its accumulated surplus.

We appreciate your effort in behalf of Malheur County farmers and ranchers in the past and respectfully request you give this your consideration.

Yours sincerely,

DUDLEY DE LONG,
Dairy Chairman.

Whereas we the members of Willowcreek Center, Malheur County Farm Bureau, have studied the administration's proposed dairy program: Therefore be it

Resolved, That we oppose this type of program; namely, national milk orders and compulsory checkoff.

We believe the compulsory checkoff is unnecessary as the dairy farmer is contributing toward dairy research, advertising, and education on voluntary and in some instances compulsory programs. Approximately 800 dairy farmers in Malheur County contributed nearly $18,000 in 1961 to the Oregon Dairy Products Commission.

This type of program would work a great hardship on the young dairy farmer entering the dairy business as under this program he would have to purchase a quota as well as stock and equipment to enter dairying.

We oppose the regimentation and Government control of this type of program.

DUDLEY DE LONG,
Dairy Chairman, Willowcreek Valley Farm Bureau.

KAY NAKAMOTO,
Chairman, Willowcreek Valley Farm Bureau.

FEDERAL SUPPORT OF EDUCATION—RESOLUTIONS OF AMERICAN COUNCIL OF LEARNED SOCIETIES

Mr. MORSE. Mr. President, Dr. Gerald F. Else, chairman of the department of classical studies at the University of Michigan, has kindly called to my attention, in a letter dated February 21, 1962, certain resolutions adopted by the American Council of Learned Societies at its annual meeting on January 21, 1962.

In view of the widespread respect with which the American Council of Learned Societies is held throughout American higher education, it is my judgment that the resolutions of the organization would be of great interest to my colleagues.

Therefore, I ask unanimous consent that the letter of Dr. Else and the resolutions of the American Council of Learned Societies be printed at this point in my remarks.

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

THE UNIVERSITY OF MICHIGAN,
DEPARTMENT OF CLASSICAL STUDIES,
Ann Arbor, Mich., February 21, 1962.

Hon. WAYNE MORSE,
U.S. Senate,
Washington, D.C.

DEAR SENATOR MORSE: I wish to call to your attention the accompanying resolutions which were adopted by the American Council of Learned Societies on January 21 of this year. You will note that the first resolution speaks in especially urgent terms about the need for Federal support of summer and academic year institutes for secondary school teachers in the basic humanistic and the social studies as well as in the fields which are now covered by the National Defense Education Act. The effect of the present act, with its support for the upgrading of secondary school teaching in some fields and not others, is a growing imbalance which bids fair to threaten the quality and integrity of American secondary education as a whole. I hope you may see your way, both as a Member of the Senate and in your capacity as a member of the Senate Committee on Labor and Public Welfare, to support this badly needed readjustment.

Although the need which is identified by the second resolution is perhaps not quite so urgent and pressing at this moment, the same long-range arguments apply to it and support it.

It is appropriate to point out to you that these resolutions were adopted by a unanimous vote of the delegates to the council, representing the 30 leading scholarly organizations in this country in the fields of the humanities and the social sciences.

Yours very truly,

GERALD F. ELSE,
Chairman.

The resolutions quoted below were adopted by the American Council of Learned Societies at its annual meeting on January 21, 1962.

The council is a private, nonprofit federation of national scholarly organizations concerned with the humanities and the humanistic aspects of the social sciences. It is a member of the International Union of Academies.

"*Resolved,* That this council regards it as imperative, in the national interest and for the strengthening of American education on the broadest possible front, that the Federal Government extend its support of summer and academic year institutes for secondary school teachers to include the basic humanistic and social studies on the same basis as modern foreign languages, mathematics, and the natural sciences.

"*Resolved,* That this council very strongly urges that the Federal Government, in the national interest and for the strengthening of our scholarly and intellectual resources on the broadest possible front, extend its support of higher education and research to include all the humanities and the social sciences on the same basis as mathematics, the natural sciences, and technology."

MORSE-TOWER DEBATE

Mr. MORSE. Mr. President, on February 7, 1962, the Columbia Broadcasting Co. released a prerecorded broadcast of a debate which took place under the auspices of the committee on discussion and debate materials of the National University Extension Association.

It was a pleasure to participate in the discussion with the junior Senator from Texas [Mr. TOWER] on the question, "What Should Be the Role of the

Federal Government in Education?" At this time I should like to express my appreciation to Dr. Homer Babbidge of the American Council on Education, who acted as moderator, to Dr. Bower Aly, executive secretary of the committee on discussion and debate materials, and to the Columbia Broadcasting System for bringing to the American public this public interest program.

Mr. President, I ask unanimous consent that a transcript of that debate be printed at this point in my remarks.

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

WHAT SHOULD BE THE ROLE OF THE FEDERAL GOVERNMENT IN EDUCATION?

WEDNESDAY, FEBRUARY 7, 1962.

ANNOUNCER. The CBS radio network presents a special recorded discussion on the question, What should be the role of the Federal Government in education? Our guests are: The Honorable WAYNE MORSE, U.S. Senator from the State of Oregon; and the Honorable JOHN TOWER, U.S. Senator from the State of Texas. Conducting the discussion will be Dr. Homer D. Babbidge, of the American Council on Education.

This broadcast is being presented in cooperation with the committee on discussion and debate materials of the University Extension Association. It signals the opening of the new high school debate season across the United States. Each year, the committee recommends a problem to be debated by high school societies throughout the country as the national high school debate problem of the year. Every year, to mark the opening of the high school debate season, the problem is discussed by eminent speakers from public life. You are about to hear the discussion of this year's topic.

Here now is Dr. Babbidge.

Dr. BABBIDGE. The participants in today's discussion are not only both Members of the U.S. Senate, they are both former college professors. The senior Senator from Oregon, the Honorable WAYNE MORSE, was a professor and dean of the law school at the University of Oregon for 15 years until his election to the Senate in 1944. Prior to that he taught, appropriately enough for today's discussion, argumentation at the Universities of Wisconsin and Minnesota. Senator JOHN G. TOWER, the recently elected junior Senator from Texas, hasn't had time to do as much teaching and legislating as his opponent in this debate since he is at 36 the youngest and newest Member of the U.S. Senate. He has nonetheless taught political science at Midwestern University in Wichita Falls, Tex., for some 8 years. Another thing these two educator-Senators have in common is membership on the Senate Committee on Labor and Public Welfare, which has jurisdiction over all education legislation coming before the Senate. So that as these two gentlemen discuss the subject of Federal aid to education, it is fair to say that the radio audience is being treated to a lively discussion of a vital topic by two men who will have much to say about the actual resolution of this issue. These two Senators have sharply contrasting views on the issue under discussion, as I think will be amply clear as our debate gets underway.

I trust that neither will take offense when I say that one of them, Senator MORSE, takes what is termed a liberal position, while the other, Senator TOWER, takes a frankly conservative position; but as former teachers and now legislators, they are agreed, I am sure, that the clash of their contrasting views on this issue is a precious part of both the teaching and the legislating arts. They would concede too, I think, that there are positions on the issue of Federal aid to education other than those that they take. I suspect that if we had 10 Senators participating in this discussion we might well identify 10 positions on the issue, each held by its proponent with much the same earnest conviction that characterizes the views of our participants today. So in that spirit of a good debate between two knowledgeable able men who believe strongly in their respective and contrasting views, I take pleasure in initiating this discussion on the subject of the role of the Federal Government in American education.

Senator MORSE, I wonder if you would be willing to start things off by taking a few minutes to state your position?

Senator MORSE. Dr. Babbidge, Senator TOWER, and friends. It is with great pleasure that I join with my good friend Senator TOWER in a discussion concerning what I believe to be one of the most important issues to face the Congress and the country in this decade. I am proud to appear to urge the affirmative of the question that Federal financial assistance be given to the States to meet in part the educational needs of the nearly 40 million boys and girls in our public elementary and secondary schools. As a Senator I have long supported such a program. In 1947, I supported Senator Taft, and in 1949, Senator Thomas and Senator Taft in their efforts to provide needed financial assistance without Federal control of the local education operation. As chairman of the Education Subcommittee of the Senate Committee on Labor and Public Welfare, I was pleased to respond to President Kennedy's vigorous call to action, and I am happy to report that S. 1021, the administration's program, was passed by the Senate last May 25 after 10 days of floor debate. Before we enter into the positive evidence to support the position I hold, I feel it would be most helpful to straighten out a few misconceptions.

The first misconception, I believe, that should be laid to rest, is that this is something new. Federal aid to our public schools for operation and maintenance, which includes teachers' salaries and Federal aid to help build schools, has been a part of our law and on the statute books for over 10 years. Public Laws 815 and 874 were first enacted in 1950. Public Law 815 provides construction money, and Public Law 874 provides money for operation and maintenance of public schools in federally impacted areas. You may say, "But Mr. Senator, these are only specialized cases. This isn't a general program of Federal aid." True in part, but did you realize that the 3,965 school districts participating in Public Law 874 money contain about 11 million schoolchildren, a third of all our public school children, or that under Public Law 815, since 1950 the Federal Government has contributed $1.080 million to local school districts to build schools. Almost $2½ billion has been spent for both of these programs in 10 years. These figures show that in this area alone, we have through our National Government been giving a support to local education where there were special hardships created by moving into a community a new Federal airbase, an atomic production plant, or other Federal installations.

But long before this—before even the adoption of our Constitution when we were operating under the Articles of Confederation in 1785—the Congress in the Survey Ordinance of 1785 provided that there should be reserved the lot number 16 of every township for the maintenance of public schools in each township.

Thus we see that public aid for public schools is no new thing. What is new is that we now stand on the threshold of being able to pass a law which will for this day and age begin to make a significant contribution to all the public school children in each of our States. During the course of testimony presented to my subcommittee, and there was a great deal of it—our hearing record when printed ran to over 1,300 pages—witness after witness spoke of the classroom shortage and the teacher shortage. It is a misconception to think that there is no need for substantial financial support to the American school system. According to statistics recently released by the Office of Education, it was stated that we have a shortage of 127,200 classrooms in our elementary and secondary schools.

What does this mean? It means that 1,693,862 American boys and girls are being shortchanged educationally. These are the numbers of students in excess of normal classroom capacity. When we as legislators are told these things, in my judgment we have a clear duty under the general welfare clause of our Constitution to take appropriate legislative action. This we are doing through our action on S. 1021, the Public School Assistance Act of 1961. Classrooms, however, do not teach children. Dedicated men and women of the teaching profession are needed for the teaching. Where do we get them? We aren't, apparently, willing to pay for the professional training necessary to qualify for full certification under the State laws. But I salute these trained and competent young men and women who choose teaching as a career because they are performing a great public service. We start our teachers in Washington, D.C., at $4,800 a year. Now, that is a fairly high entrance salary by comparison with other big cities; yet a college senior graduating in electrical engineering from Georgia Tech in 1959 could expect to receive an annual paycheck of $6,360.

This is an interesting commentary on our standards of value. Part of the price we are paying for this inversion and subordination of human values is that we have a great many teachers who cannot meet the State certification standards; 89,700 elementary and secondary school teachers out of the 1,400,000 teachers in our schools are teaching under substandard credentials, and in this introductory statement, I want to say that I have no doubt about the need for Federal aid to education. We have got to do it in a way that reserves to the States the control over the local school district. What we need to remember, as I have said so many times and want to stress again, we are never going to keep ahead of the Communist segment of the world in manpower, but we have just got to see to it that we keep ahead of it in brainpower, and I think that the Federal Government has a share, but only a share, of the responsibility to help the States, and it is because of that responsibility that I am glad to bespeak for the administration the adoption of Federal aid to education legislation.

Dr. BABBIDGE: Thank you very much Senator WAYNE MORSE. Now, Senator TOWER, I wonder if I could ask you similarly to take a few minutes to state your position.

Senator TOWER. Dr. Babbidge, Senator MORSE. I have been a consistent opponent of Federal aid to education for two basic reasons. First, it is not the function of the National Government to finance our public school system. Indeed the maintenance of a public school system is not one of the enumerated powers found in article I of the Constitution. It is a State responsibility as is implied in the 10th amendment to the Constitution which says that all powers not delegated by the Constitution to the United States nor prohibited by it to the States are reserved to the States respectively and to the people.

Further, I am apprehensive of Federal financing of public schools on the grounds that I believe that it could ultimately lead to Federal control of our educational system. I think that probably there conceivably might not be too much abuse of that by any administration that we might anticipate over

the next few years, but ultimately it could become a tool in the hands of unscrupulous politicians for the brainwashing of American youth. I don't think we should be smug and say that it can't happen here. The Germans are very highly intelligent people, but it took Hitler only 7 years to brainwash the youth of Germany.

And so I think it is very good to have decentralized control of your public school system. The Congress doesn't appropriate money unless it determines how that money is to be spent; and the tendency over the past few years has been for the Congress to determine more and more in detail how Federal money should be spent, especially in the Federal grant and aid field.

Now we don't usually tie many strings, I am afraid, to a lot of the foreign aid money that we give away, but when it is given to the States, there are strings attached. I think that education needs can best be determined on the local level. I believe they can best be met at the local level. I think that people in their capacity as citizens of the community or the State are more familiar with their own educational needs. I think that money collected in the States and in the communities can be more efficiently and more economically spent if it stays there rather than if it goes to Washington, and we knock off some for administrative costs and then return it to the States or to the local governments and tell them precisely how they can spend it. I think that a tax forgiveness plan to the States for educational purposes would be good.

I think that the Federal Government could relinquish to the States certain sources of taxation that might conceivably have preempted ordinary State sources so that people in their capacity as individuals and citizens of the community can do for themselves the things that should and must be done. I think our people have shown traditionally that they do recognize what their foibles and weaknesses, their shortages, their shortcomings, and their needs are and will move to meet them.

I would like to cite one example in my State. There is a city near Dallas called Irving, Tex., In 1950, Irving had a population of less than 5,000. In 1960, it had a population of 50,000, so while the population has increased 1,000 percent, they have kept pace with their public school construction program to the extent that they have no classroom shortages in Irving. I think that our people can be relied on to make their own decisions on the local level. I think we have no confidence in the ability of people to govern themselves, in the ability of people to exercise freedom of choice wisely on the local level if we insist that only the Federal Government knows what the educational needs of the country are and only the Federal Government will be responsible in this field.

Dr. BABBIDGE. Thank you very much, Senator TOWER. You have indicated, both of you, the desire to avoid Federal control of education at the local level. I wonder if you, Senator MORSE, share the degree of apprehension expressed by Senator TOWER.

Senator MORSE. Dr. Babbidge, I think Senator TOWER draws very clearly the differences of opinion between us in regard not only to this issue but the other issues that he mentions. I want to say to my good Republican friend from Texas that I am a Taft man on this issue because I want to read what we find in the——

Senator TOWER. May I say, Senator, that in the Republican Party we always have disagreed agreeably.

Senator MORSE. Well, that is certainly true of the Democratic Party. But let me point out what the Taft principle is in regard to Federal aid to education, because even back in 1947 he was charged with being a creeping Socialist because he favored Federal aid to education. Let's take a look at the language in 1021. It is the language that is taken from the Taft philosophy and provides that in the administration of this title no department, agency, officer, or employee of the United States shall exercise any direction, supervision, or control over the policy determination, personnel, curriculum, program of instruction, or the administration or operation of any school or school system. May I say, Dr. Babbidge, that as Bob Taft used to point out if anybody has any stronger language that will guarantee to a greater degree local control of education than that language, give it to me, and I'll write it into the administration's bill. But, Taft was also right when he said, "You can't get stronger language." Now, also don't forget that Senator TOWER and I and 98 other Senators are going to be sitting in the Senate of the United States if a Federal aid to education bill is adopted, and if any Federal agency or official tries to interfere or dictate or direct educational policy at the local level, we will be heard from. We need to remember that when you pass legislation Congress doesn't pass out of the picture after the legislation is passed. We sit there with the responsibility of watchdogging the administration of that legislation, and I want to say that I haven't any worry at all about the Federal Government dominating education in the States with this kind of a safeguard in it.

Senator TOWER. As I noted awhile ago, for the immediate future there might not be any fear of Federal control, but I think it could be a foot in the door and over a long period of time could result in Federal control. Since Senator MORSE has quoted a man that I admire very greatly, Senator Taft, I would like to quote Representative JOHN LESINSKI, who was formerly chairman of the House Committee on Education and Labor and who was a leading liberal within the Democratic Party, and he had no illusions. This is what he said: "It is impossible to draft a general Federal aid bill which will not contain a great deal of Federal control over local school systems. I am convinced after the hard study we have put to the question, that no acceptable bill preventing the Federal domination of local schools can be drawn. I reluctantly come to the conclusion, but I had to face the facts." So I think there could be a danger of Federal control, and sometimes, of course, the majority in the Congress might be inclined to be swung in one particular direction to the extent that they would abdicate their responsibility to supervise Federal expenditures without Federal control. Of course, I would trust the system much more with a Republican majority than I would with a Democratic majority, but I think in principle it is a bad idea. I would like to point out too that in past so-called aid to education programs that many of these were not designed primarily as aid to education.

Now, Senator MORSE has mentioned the land-grant system. I would point out that land grants were made for a great number of things—for homesteads, for railroads—and actually a minority percentage of land-grant money went to the public schools, and it went to the undeveloped lands of the West primarily. And this was a program aimed at attracting immigrants to this underdeveloped area rather than a program aimed at education. As far as impacted areas are concerned, I think that everybody, be he liberal or conservative, has recognized the very clear responsibility of the Federal Government to aid school systems in areas where the Federal Government has gone in and preempted taxable land where, in military establishments, they have moved in a number of dependents that must be schooled, and, of course, this program should be continued and without strings attached.

Senator MORSE. I would like to make this reply to Senator TOWER in regard to this matter of Federal aid, and it is my reply to the very able Democratic colleague that he quotes, that we need to remember that Congress grants the appropriations. There is your constant check on any attempt on the part of the Federal Government, and I don't think any attempt would be made, but let's assume that it is, the appropriation check is a very important one. Now, let us go to these aids that we are already receiving. Let's take Oregon and Texas for example. My State at the present time receives $3,745,-636.58, as of last year, by way of Federal aid from all these various aid programs—don't forget that this is Federal money, and the test is, does this Federal money go into the schools?

That's the test. It does go into the schools, and, therefore, in fact is Federal aid. The Senator from Texas' State received $22,083,141.29. Now this is Federal money that presently is being spent in our two States, and similar amounts are spent elsewhere in the country; and I am looking for the evidence that shows the Federal dictation into the school policies, into the curriculum, and into the standards of the schools, and it hasn't been presented to my committee. In fact, let's not forget that back in 1862, Abraham Lincoln signed the Morrill Act after Buchanan and the administration preceding him had vetoed it, and he vetoed it on the ground that he thought the time might come, as Senator TOWER does now, that the Federal Government might interfere in these land-grant colleges. Abraham Lincoln had no such fear. He signed the bill, and he has been justified over the years by this tremendous Federal aid program for our land-grant colleges.

Senator TOWER. Actually, however, in other areas of Federal grant-in-aid, as I said, although you might build in some mechanism into the bill that would prevent the exercise of Federal control, ultimately I can see it eaten away and see it slip away. Pursuant to the Federal Social Security Act of 1935, for example, States had to form agencies along lines prescribed by the Federal Government for old-age assistance programs, aid to the needy blind, and aid to dependent children, etc., so they did tell them how the money could be spent. Now, I doubt too that this conforms to the spirit of the Constitution—this business of Federal aid to education.

I remember that Judge Pine in his district court decision in the classic case of *Youngstown Sheet and Tool* v. *Sawyer* said that past wrongs unchallenged do not clothe present similar wrongs in a cloak of legality. I think it does do violence to the spirit of the Constitution, and as long as we are talking about this business of Federal control, let me note that here are some of the controls that are built in to the National Defense Education Act, Public Laws 85 and 864. With respect to the payment of Federal capital contributions, the Commissioner of the Office of Education of HEW sets the date for filing applications by the educational institution, etc. Participating institutions must make an agreement with the Commissioner providing for certain conditions which must be met. Loans made by an institution to a student are subject to such conditions, limitations, and requirements, etc. There are many, many more of these that we could go on reading, but the point is there will be Federal control.

And I don't recognize the need—I would point out that over the past few years, classrooms are being built at a greater rate than the President projects, we will need to have classrooms built over the next 10 years. He projects something like 600,000. We have been building at a rate roughly of 70,000, and, by the way, we have reduced our shortage from 370,000 in 1954 to 127,000 in 1961.

Senator MORSE. Let me very quickly point out that we need to distinguish among Federal aid programs. There are Federal aid programs in which the Federal Government does have a responsibility in connection

with the program itself in regard to its standards and its operation—the roadbuilding program, for example. It is quite proper for the Federal Government to lay down the standards if you are going to get Federal money for a roadbuilding program, but in those laws the standards are written in. In your Federal aid to education program, let me make very clear that noninterference is written into the law as mandate upon the Federal Government. As to the constitutional argument, I have no doubt the Supreme Court has already held it under the 10th amendment.

Of course, the Federal Government isn't limited, as has been argued, to the literal delegation that you have in the Constitution. You have this matter of the general welfare, and—what's more important—the defense of this country; because it is our most important defense weapon to see to it that we develop the brainpower of our boys and girls in this great contest against totalitarian societies that threaten us.

Dr. BABBIDGE. Gentlemen, I am terribly sorry to say that our time for discussion has already been exhausted. I know that each of you has a great deal more to say on behalf of his position. We can only be grateful that you will have more than a half hour in which to debate this issue when it arises in the Senate. I should like to express my appreciation to both of you, Senator WAYNE MORSE, of Oregon, and Senator JOHN TOWER, of Texas, for your willingness to discuss here today the role of the Federal Government in education as a contribution to the annual national high school debate. My thanks too to Dr. Bower Aly and the National University Extension Association for their sponsorship of this worthy debate.

ADJOURNMENT UNTIL MONDAY, APRIL 2, 1962

Mr. MORTON. Mr. President, in compliance with the order heretofore entered, I move that the Senate adjourn until 12 o'clock noon on Monday next.

The motion was agreed to; and (at 12 o'clock and 59 minutes p.m.) the Senate adjourned, under the order previously entered, until Monday, April 2, 1962, at 12 o'clock meridian.

CONFIRMATIONS

Executive nominations confirmed by the Senate March 29 (legislative day of March 28), 1962:

FARM CREDIT ADMINISTRATION

The following-named persons to the office indicated:

Jennings B. Fuller, of Wyoming, to be a member of the Federal Farm Credit Board, Farm Credit Administration, for a term expiring March 31, 1968.

William T. Steele, Jr., of Virginia, to be a member of the Federal Farm Credit Board, Farm Credit Administration, for a term expiring March 31, 1968.

ASSISTANT SECRETARY OF STATE

Robert J. Manning, of New York, to be an Assistant Secretary of State.

U.S. ARMS CONTROL AND DISARMAMENT AGENCY

Dr. Franklin A. Long, of New York, to be an Assistant Director of the U.S. Arms Control and Disarmament Agency.

AGENCY FOR INTERNATIONAL DEVELOPMENT

Walter L. Lingle, Jr., of Ohio, to be a Deputy Administrator of the Agency for International Development.

John L. Salter, of Washington, to be Assistant Administrator for Congressional Liaison, Agency for International Development.

Herbert J. Waters, of Virginia, to be Assistant Administrator for Material Resources, Agency for International Development.

DIPLOMATIC AND FOREIGN SERVICE

The following-named Foreign Service officers for promotion from class 2 to class indicated:

To be class 1

Ward P. Allen, of Virginia.
Herbert P. Fales, of California.
Spencer M. King, of Maine.
Walter W. Orebaugh, of Oregon.
Henry C. Ramsey, of California.
Paul B. Taylor, of the District of Columbia.

To be class 1 and to be also a consul general of the United States of America

H. Gardner Ainsworth, of Louisiana.
William O. Baxter, of the District of Columbia.
James D. Bell, of New Hampshire.
Findley Burns, Jr., of Minnesota.
Frank P. Butler, of New Jersey.
John A. Calhoun, of California.
Robert G. Cleveland, of New York.
Stephen P. Dorsey, of the District of Columbia.
Arthur B. Emmons 3d, of Massachusetts.
G. McMurtrie Godley, of New York.
Joseph N. Greene, Jr., of the District of Columbia.
Richard H. Hawkins, Jr., of Pennsylvania.
George Mason Ingram, of Tennessee.
Harold G. Kissick, of Missouri.
John Gordon Mein, of Kentucky.
Sydney L. W. Mellen, of Pennsylvania.
Francis E. Meloy, Jr., of Maryland.
David G. Nes, of Maryland.
Leon B. Poullada, of California.
Richard H. Sanger, of Maryland.
William J. Sheppard, of Kansas.
Ben S. Stephansky, of Illinois.
Leonard Unger, of Maryland.
Harvey R. Wellman, of New York.
Francis T. Williamson, of Virginia.

The following-named Foreign Service officers for promotion from class 3 to class indicated:

To be class 2

George O. Barraclough, of California.
William D. Brewer, of Connecticut.
William T. Briggs, of Virginia.
James J. Byrnes, Jr., of Pennsylvania.
Philip H. Chadbourn, Jr., of California.
Edward W. Clark, of New York.
Ralph S. Collins, of Tennessee.
John E. Crawford, of Minnesota.
John Hugh Crimmins, of Virginia.
Kennedy M. Crockett, of Texas.
Alfred P. Dennis, of Virginia.
Leon G. Dorros, of New York.
Hermann F. Eilts, of Pennsylvania.
Halvor O. Ekern, of Montana.
Julian P. Fromer, of New Jersey.
Michael R. Gannett, of Connecticut.
James F. Grady, of Massachusetts.
Joseph A. Greenwald, of Illinois.
Philip C. Habib, of California.
Richard C. Hagan, of Illinois.
William L. Hamilton, Jr., of Maryland.
L. Douglas Heck, of Maryland.
John L. Hill, of Wisconsin.
John D. Iams, of Oklahoma.
George R. Jacobs, of Illinois.
J. Roland Jacobs, of California.
William E. Knight 2d, of Connecticut.
Samuel Owen Lane, of California.
Thomas B. Larson, of Maryland.
John H. Lennon, of California.
Irvin S. Lippe, of Michigan.
Walter Q. Loehr, of California.
David E. Mark, of New York.
Albert P. Mayio, of Michigan.
John A. McKesson 3d, of Florida.
Joseph A. Mendenhall, of Virginia.
Joseph J. Montllor, of Alabama.
Walter J. Mueller, of Connecticut.
Thomas E. Nelson, of Washington.
Horace J. Nickels, of Maryland.
Nils William Olsson, of Illinois.
Givon Parsons, of Texas.
Charles F. Pick, Jr., of Florida.
Mrs. Margaret H. Potter, of the District of Columbia.
C. Hoyt Price, of Arkansas.
Joe Adams Robinson, of Oklahoma.
John Frick Root, of Pennsylvania.
Henry J. Sabatini, of the District of Columbia.
Joseph A. Silberstein, of Maryland.
Eldon B. Smith, of Kansas.
Rufus Z. Smith, of Illinois.
William J. Stibravy, of New Jersey.
James S. Sutterlin, of Maryland.
Emory C. Swank, of Maryland.
Robert Adams Thayer, of Virginia.
John L. Topping, of Virginia.
Oliver L. Troxel, Jr., of Colorado.
Albert S. Watson, of Connecticut.
C. Thayer White, of Texas.

The following-named Foreign Service officers for promotion from class 4 to class indicated:

To be class 3

Robert Anderson, of Massachusetts.
Howard J. Ashford, Jr., of Colorado.
Alfred L. Atherton, Jr., of Massachusetts.
John Campbell Ausland, of Pennsylvania.
John George Bacon, of Washington.
Robert J. Barnard, of Wisconsin.
John L. Barrett, of Texas.
Carl E. Bartch, of Ohio.
Williams Beal, of Massachusetts.
Robert M. Beaudry, of Maine.
Slator C. Blackiston, Jr., of North Carolina.
William G. Bowdler, of Virginia.
Thompson R. Buchanan, of Maryland.
William A. Buell, Jr., of Rhode Island.
Paul C. Campbell, of Pennsylvania.
William A. Chapin, of Illinois.
Mrs. Anne W. Claudius, of New Mexico.
Richard H. Courtenaye, of California.
John B. Crume, of Kentucky.
Phillip B. Dahl, of Illinois.
Arthur R. Day, of New Jersey.
John B. Dexter, of Maryland.
John R. Diggins, Jr., of Maine.
Paul F. DuVivier, of New York.
Miss Margaret A. Fagan, of Iowa.
Benjamin A. Fleck, of Pennsylvania.
Magdalen G. H. Flexner, of the District of Columbia.
Robert C. Foulon, of Illinois.
A. Eugene Frank, of New Jersey.
Miss Betty C. Gough, of Maryland.
Pierre R. Graham, of Illinois.
Lawrence E. Gruza, of Connecticut.
James C. Haahr, of Minnesota.
William C. Hamilton, of Connecticut.
Robert Whitcomb Heavey, of California.
Martin Y. Hirabayashi, of Washington.
Rogers B. Horgan, of Virginia.
Robert B. Houghton, of Michigan.
Thomas D. Huff, of Indiana.
Elmer C. Hulen, of Kentucky.
Johannes V. Imhof, of California.
Edward C. Ingraham, Jr., of New York.
Charles K. Johnson, of California.
Richard E. Johnson, of Illinois.
Curtis F. Jones, of Maine.
William Kane, of Virginia.
Miss Sofia P. Kearney, of the Commonwealth of Puerto Rico.
Joseph T. Kendrick, Jr., of Oklahoma.
Bayard King, of Rhode Island.
Gordon D. King, of the District of Columbia.
Walter E. Kneeland, of Texas.
Lowell Bruce Laingen, of Minnesota.
Donald E. Larimore, of Illinois.
Earl H. Lubensky, of Missouri.
Michael B. Lustgarten, of New York.
Doyle V. Martin, of Oklahoma.
Edward E. Masters, of Ohio.

James A. May, of California.
Stephen H. McClintic, of Maryland.
Earl R. Michalka, of Michigan.
Kermit S. Midthun, of Michigan.
Carl J. Nelson, of Virginia.
Cleo A. Noel, Jr., of Missouri.
Donald K. Palmer, of Michigan.
Stephen E. Palmer, Jr., of New York.
Stephen Peters, of Virginia.
T. Howard Peters, of Washington.
Elmer C. Pitman, of Indiana.
Paul M. Popple, of Illinois.
Francis C. Prescott, of Maine.
Edwy L. Reeves, of Virginia.
Edwin C. Randall, of Illinois.
John Church Renner, of Ohio.
Robert M. Sayre, of Florida.
David T. Schneider, of New Hampshire.
Talcott W. Seelye, of Massachusetts.
Robert H. Shields, of California.
Richard E. Snyder, of New Jersey.
Karl E. Sommerlatte, of Florida.
C. Melvin Sonne, Jr., of Pennsylvania.
Moncrieff J. Spear, of New York.
William Perry Stedman, Jr., of Maryland.
Lee T. Stull, of Pennsylvania.
Godfrey Harvey Summ, of Virginia.
Malcolm Thompson, of Massachusetts.
Edward J. Thrasher, of New York.
Philip H. Valdes, of New York.
Miss Eulalia L. Wall, of Texas.
Sidney Weintraub, of New York.
Charles S. Whitehouse, of Rhode Island.
Edward H. Widdifield, of California.
J. E. Wiedenmayer, of New Jersey.
Wendell W. Woodbury, of Iowa.
Charles G. Wootton, of Connecticut.
Elmer E. Yelton, of Texas.

The following-named Foreign Service officers for promotion from class 5 to class indicated:

To be class 4

Miss Jane S. Abell, of New Hampshire.
Richard H. Adams, of Texas.
James E. Akins, of Ohio.
Robert J. Allen, Jr., of the District of Columbia.
Miss Marion E. Anderson, of Connecticut.
J. Anthony Armenta, of California.
James H. Ashida, of Washington.
Robert A. Aylward, of Massachusetts.
Henry Bardach, of Texas.
Richard W. Barham, of Texas.
Raymond Bastianello, of Texas.
Raymond J. Becker, of California.
John J. Bentley, of California.
Philip B. Bergfield, of California.
Roland K. Beyer, of Wisconsin.
Joel W. Biller, of Florida.
Robert R. Bliss, of Michigan.
Charles W. Brown, of California.
Max R. Caldwell, of Texas.
Alan L. Campbell, Jr., of North Carolina.
Robert V. Carey, of Colorado.
Robert J. Carle, of California.
Roy O. Carlson, of Illinois.
Frank C. Carlucci, of Pennsylvania.
Joseph A. Cicala, of Connecticut.
Walter F. X. Collopy, of Connecticut.
Thomas F. Conlon, of Illinois.
J. Stewart Cottman, Jr., of Maryland.
Robert G. Cox, of New Mexico.
Everett L. Damrol, of Ohio.
Allen C. Davis, of Tennessee.
John G. Dean, of New York.
Thomas A. DeHart, of California.
Willard A. De Pree, of Michigan.
A. Hugh Douglas, Jr., of Rhode Island.
J. Fred Doyle, Jr., of Colorado.
Michael E. Ely, of the District of Columbia.
Alfred J. Erdos, of Arizona.
Stockwell Everts, of New York.
Thomas A. Fain, of Oklahoma.
Michael A. Falzone, of New York.
Glen H. Fisher, of Indiana.
Eric W. Fleisher, of Maryland.
Arva C. Floyd, Jr., of Georgia.
Francis L. Foley, of Colorado.
Jack Friedman, of the District of Columbia.
Alexander S. C. Fuller, of Connecticut.
Ramon M. Gibson, of Missouri.
Wayne R. Gilchrist, of Texas.
Howard C. Goldsmith, of Ohio.
John W. Gordhamer, of California.
Ernest B. Gutierrez, of New Mexico.
Frank J. Haughey, of California.
Theron S. Henderson, of Massachusetts.
J. William Henry, of Arizona.
Henry L. Heymann, of Pennsylvania.
Benjamin C. Hilliard 3d, of West Virginia.
Wilbur W. Hitchcock, of New Jersey.
Herbert M. Hutchinson, of New Jersey.
Richard C. Johnson, of Massachusetts.
Wesley E. Jorgensen, of Washington.
Lewis D. Junior, of Missouri.
John M. Kane, of Illinois.
C. Dirck Keyser, of New Jersey.
Lucien L. Kinsolving, of New York.
Leslie A. Klieforth, of California.
Archie S. Lang, of Illinois.
Paul Baxter Lanius, Jr., of Colorado.
Myron Brockway Lawrence, of Oregon.
Edwin D. Ledbetter, of California.
Owen B. Lee, of Massachusetts.
Edward V. Lindberg, of Virginia.
Ralph E. Lindstrom, of Minnesota.
Richard G. Long, of Illinois.
Stephen Low, of Ohio.
Julian F. MacDonald, Jr., of Ohio.
Robert J. MacQuaid, of Pennsylvania.
Kenneth W. Martindale, of Florida.
William G. Marvin, Jr., of California.
Miss Virginia E. Massey, of Ohio.
C. Thomas Mayfield, of Wisconsin.
David H. McCabe, of Virginia.
Franklin O. McCord, of Iowa.
Miss Elizabeth McCrory, of California.
John M. McIntyre, of Illinois.
Frazier Meade, of Virginia.
Miss Gertrude M. Meyers, of Minnesota.
John L. Mills, of Georgia.
Miss Marion K. Mitchell, of New York.
Edwin H. Moot, Jr., of Illinois.
Benjamin R. Moser, of Virginia.
Leo J. Moser, of California.
Ernest A. Nagy, of California.
Philip C. Narten, of Ohio.
Richard D. Nethercut, of Florida.
Marshall Hays Noble, of New York.
Richard W. Ogle, of Indiana.
Joseph E. O'Mahony, of New York.
David B. Ortman, of Maryland.
J. Theodore Papendorp, of New Jersey.
Chris C. Pappas, Jr., of New Hampshire.
James B. Parker, of Texas.
Raymond L. Perkins, Jr., of Colorado.
George R. Phelan, Jr., of Missouri.
Frederick P. Picard III, of Nebraska.
Charles H. Pletcher, of Minnesota.
Sol Polansky, of California.
Richard St. F. Post, of Connecticut.
Harry A. Quinn, of California.
Peter J. Raineri, of New York.
George E. Ranslow, of California.
G. Edward Reynolds, of New York.
W. Courtlandt Rhodes, of California.
Owen W. Roberts, of New Jersey.
Robert E. Rosselot, of Virginia.
Samuel O. Ruff, of North Carolina.
Anthony E. Sega, of New York.
Harry W. Shlaudeman, of California.
Warren E. Slater, of New York.
Michel F. Smith, of New Hampshire.
Benjamin L. Sowell, of Maryland.
Paul K. Stahnke, of Illinois.
Edward H. Thomas, of New Jersey.
Donald R. Toussaint, of California.
Maurice E. Trout, of Michigan.
Nicholas A. Veliotes, of California.
Abraham Vigil, of Colorado.
Jack L. Vrooman, of California.
John P. Wentworth, of Washington.
Merrill A. White, of Texas.
Charles L. Widney, Jr., of Georgia.
Frontis B. Wiggins, Jr., of Georgia.
Arthur H. Woodruff, of the District of Columbia.
Robert C. Wysong, of Indiana.
Charles T. York, of New York.
Dan A. Zachary, of Illinois.

The following-named Foreign Service officer for promotion from class 6 to class indicated:

To be class 5

Charles R. Stout, of California.

The following-named Foreign Service officers for promotion from class 6 to class indicated:

To be class 5 and to be also a consul of the United States of America

Anthony C. Albreecht, of Pennsylvania.
J. Bruce Amstutz, of Massachusetts.
Oler A. Bartley, Jr., of Delaware.
Miss Helene A. Batjer, of Nevada.
Mrs. Erna V. Beckett, of California.
Miss Eleanor Bello, of New York.
David A. Betts, of New York.
Eugene H. Bird, of Oregon.
John P. Blane, of Alabama.
Wesley D. Boles, of California.
H. Eugene Bovis, of Florida.
Arthur E. Breisky, of California.
Everett E. Briggs, of Maine.
Carleton C. Brower, of California.
Bazil W. Brown, Jr., of Pennsylvania.
Thomas R. Buchanan, of Illinois.
Walter S. Burke, of California.
Michael Calingaert, of the District of Columbia.
Charles R. Carlisle, of Florida.
Eugene E. Champagne, Jr., of New York.
Gordon Chase, of Massachusetts.
Don T. Christensen, of California.
Richard D. Christiansen, of Michigan.
Edward M. Cohen, of New York.
Michael M. Conlin, of California.
Edwin G. Croswell, of Ohio.
James C. Curran, of Massachusetts.
Daniel H. Danields, of Texas.
John G. Day, of New York.
Robert S. Dillon, of Virginia.
Theodore B. Dobbs, of Virginia.
Robert W. Drexler, of Wisconsin.
Miss Sharon E. Erdkamp, of Nebraska.
Fred Exton, Jr., of California.
Charles E. Exum III, of North Carolina.
Thaddeus J. Figura, of Illinois.
Robert L. Flanegin, of Illinois.
Robert L. Funseth, of New York.
Miss Kathryn M. Geoghegan, of Colorado.
Maynard W. Glitman, of Illinois.
Miss Fannie Goldstein, of New York.
Benjamin C. Goode, of Ohio.
Robert Earl Gordon, of Oregon.
Walter V. Hall, of Virginia.
Mrs. Winifred T. Hall, of New Jersey.
Miss Jessie L. Harnit, of Washington.
Miss Elizabeth J. Harper, of Missouri.
Miss Theresa A. Healy, of New York.
Roger P. Hipskind, of Illinois.
Thomas J. Hirschfeld, of New York.
Wallace F. Holbrook, of Massachusetts.
Robert M. Immerman, of New York.
George W. Jaeger, of Missouri.
James T. Johnson, of Montana.
Donald A. Johnston, of New York.
Adolph W. Jones, of Tennessee.
Ellis O. Jones III, of Connecticut.
George F. Jones, of Texas.
Edward E. Keller, Jr., of California.
Charles S. Kennedy, Jr., of California.
Thomas F. Killoran, of Massachusetts.
James A. Klemstine, of Pennsylvania.
Robert M. Kline, of Connecticut.
Tadao Kobayashi, of Hawaii.
George B. Lambrakis, of New York.
Peter W. Lande, of New Jersey.
Joseph P. Leahy, of New York.
Herbert Levin, of New York.
Gerald Floyd Linderman, of Ohio.
Robert Gerald Livingston, of Connecticut.
John Lloyd 3d, of New Jersey.
Alan Logan, of California.
Peter P. Lord, of Massachusetts.
J. Daniel Loubert, of Maine.
James Gordon Lowenstein, of Connecticut.

Walter H. Lubkeman, of New York.
David A. Macuk, of New Jersey.
Miss Mary Manchester, of Texas.
Charles E. Marthinsen, of Pennsylvania.
Robert W. Maule, of Washington.
Paul B. McCarty, of California.
Mrs. Kathryn Z. McCoy, of Indiana.
Elwood J. McGuire, of Connecticut.
Miss Mary Wills McKenzie, of Virginia.
Miss Charlotte M. McLaughlin, of Washington.
William F. McRory, of Georgia.
Mrs. Marian D. Miller, of New Jersey.
Robert Marden Miller, of California.
Jay P. Moffat, of New Hampshire.
James B. Moran, of Washington.
Richard H. Morefield, of California.
Byron B. Morton, Jr., of New Jersey.
William G. Murphy, of Massachusetts.
Beauveau B. Nalle, of Virginia.
Jay R. Nussbaum, of New York.
John L. Offner, of Pennsylvania.
Charles R. O'Hara, of Maryland.
James A. Parker, of Maryland.
John Marshall Pifer, of Virginia.
Miss Isabelle Pinard, of California.
Mark S. Pratt, of Rhode Island.
Roger A. Provencher, of Colorado.
Charles N. Rassias, of Massachusetts.
Miss Elizabeth J. Rex, of Pennsylvania.
Edward B. Rosenthal, of New York.
James D. Rosenthal, of California.
Charles E. Rushing, of Illinois.
John D. Scanlan, of Hawaii.
Peter Semler, of Virginia.
Spiros A. Siafacas, of Florida.
David E. Simcox, of Kentucky.
Thomas W. M. Smith, of Massachusetts.
Miss Nancy L. Snider, of California.
Richard L. Springer, of Ohio.
Miss Margaret A. Stanturf, of Missouri.
Mrs. Helen S. Steele, of California.
Franklyn E. Stevens, of California.
Roger W. Sullivan, of Massachusetts.
George H. Thigpen, of California.
Francis Hugh Thomas, of Pennsylvania.
Miss Tomena Jo Thoreson, of North Dakota.
Miss Thelma R. Thurtell, of California.
Frank M. Tucker, Jr., of Pennsylvania.
D. Dean Tyler, of California.
Julius W. Walker, Jr., of Texas.
William Watts, of New York.
Norman M. Werner, of Texas.
Mrs. Marguerite G. Whitehead, of Washington.
Joseph Charles Wilson, of Ohio.
Raymond S. Yaukey, of Maryland.
Albert L. Zucca, of New York.

The following-named Foreign Service officers for promotion from class 7 to class indicated:

To be class 6

Madison M. Adams, Jr., of Alabama.
Daniel W. Alexander, of Washington.
George Aneiro, of Ohio.
Julio Javier Arias, of Arizona.
Terrell E. Arnold, of California.
Thomas H. Baldridge, of Iowa.
David P. Banowetz, of Louisiana.
Thomas J. Barnes, of Minnesota.
John M. Barta, of California.
Norman E. Barth, of Illinois.
Eugene J. Bashe, of California.
Frank C. Bennett, Jr., of California.
Harry E. Bergold, Jr., of New York.
Richard C. Bialock, of Oklahoma.
Carroll Brown, of Alabama.
David W. Burgoon, Jr., of Illinois.
Alanson G. Burt, of California.
Harry A. Cahill, of Virginia.
Robert S. Cameron, of California.
William Clark, Jr., of California.
John R. Clingerman, of Michigan.
Ernst Conrath, of Wisconsin.
Richard T. Conroy, of Tennessee.
Goodwin Cooke, of New York.
Emmett M. Coxson, of Illinois.
Robert P. DeVecchi, of Pennsylvania.
Lloyd L. DeWitt, of California.
Miss Rose M. Dickson, of New York.
Robert B. Dollison, of Florida.
Robert W. Duemling, of California.
Charles E. Duffy, of Iowa.
William L. Dutton, Jr., of Iowa.
William J. Dyess, of Alabama.
Miss Regina Marie Eltz, of Alabama.
Thomas O. Enders, of Connecticut.
Miss Mary L. Eysenbach, of Connecticut.
Miss Margot J. Fellinger, of New Jersey.
Charles E. Finan, of Washington.
Howard V. Funk, Jr., of New York.
George A. Furness, Jr., of Massachusetts.
Herbert Donald Gelber, of New York.
James L. Gorman, of Oregon.
John M. Gregory, Jr., of Virginia.
Philip J. Griffin, of the District of Columbia.
John C. Griffith, of Connecticut.
John O. Grimes, of the District of Columbia.
Brandon H. Grove, Jr., of New Jersey.
Kent H. Hall, of California.
Kenneth O. Harris, of West Virginia.
Douglas G. Hartley, of the District of Columbia.
Ashley C. Hewitt, Jr., of California.
Thomas J. Hill, Jr., of Massachusetts.
Michael P. E. Hoyt, of Illinois.
Edward Hurwitz, of New York.
Robert E. Jelley, of California.
Alton L. Jenkens, of Massachusetts.
Mrs. Lucy N. Johansen, of Oregon.
Peter E. Juge, of Louisiana.
Frederick T. Kelley, of Massachusetts.
Edson W. Kempe, of California.
James E. Kerr, Jr., of the District of Columbia.
John W. Kimball, of California.
Robert Kurlander, of New York.
Frederick H. Lawton, of New Jersey.
Alan F. Lee, of Illinois.
Melvin H. Levine, of Massachusetts.
Wingate Lloyd, of Pennsylvania.
Roger S. Lowen, of New York.
Edward J. Maguire, Jr., of California.
Edward J. Malonis, of Massachusetts.
Miss Barbara J. Marvin, of California.
Wade H. B. Matthews, of North Carolina.
Henry Ellis Mattox, of Mississippi.
James A. Mattson, of Minnesota.
W. Douglas McLain, Jr., of Illinois.
Francis Terry McNamara, of New York.
Noble M. Melencamp, of Kansas.
Alan G. Mencher, of California.
Herbert T. Mitchell, Jr., of North Carolina.
John C. Monjo, of Connecticut.
Richard B. Moon, of Missouri.
John T. Morgan, of Illinois.
Gottfried W. Moser, of New York.
Richard F. Nyrop, of Minnesota.
Robert B. Oakley, of Louisiana.
Oscar J. Olson, Jr., of Texas.
Ronald D. Palmer, of Michigan.
Thomas J. Pape, of Texas.
Lawrence Pezzullo, of New York.
Homer R. Phelps, Jr., of New York.
Dale M. Provenmire, of Ohio.
Frederick D. Purdy, of Pennsylvania.
Walter G. Ramsay, of Virginia.
William E. Rau, of Missouri.
George B. Roberts, Jr., of Pennsylvania.
John T. Rogerson, Jr., of Florida.
Bernard J. Rotklein, of Minnesota.
Valentine E. Scalise, of New York.
Roger C. Schrader, of Missouri.
Glenn E. Schweitzer, of California.
Leslie Andrew Scott, of New York.
Richard C. Searing, of New Jersey.
Arthur P. Shankle, Jr., of Texas.
Robert Lee Shuler, of Virginia.
John P. Shumate, Jr., of California.
William L. Simmons, of Mississippi.
Kenneth N. Skoug, Jr., of Minnesota.
Clint E. Smith, of New Mexico.
Joseph L. Smith, of Indiana.
Walter Burges Smith II, of Rhode Island.
Wayne S. Smith, of California.
C. Richard Spurgin, of Illinois.
Linwood R. Starbird, of Maine.
Andrew L. Steigman, of New York.
Daniel P. Sullivan, of Virginia.
John J. Sullivan, of Massachusetts.
Francis J. Tatu, of California.
John J. Taylor, of Tennessee.
James M. Thomson, of Minnesota.
Donald C. Tice, of Kansas.
Blaine C. Tueller, of Utah.
Louis Villalovos, of California.
Donald B. Wallace, of Indiana.
Leonard A. Warren, of Nevada.
Ronald A. Webb, of California.
Alfred J. White, of the District of Columbia.
Albert W. Whiting, of Kansas.
Marshall W. Wiley, of Illinois.
James P. Willis, Jr., of California.
Herbert Gilman Wing, of Pennsylvania.
Brooks Wrampelmeier, of Ohio.
Edward E. Wright, of Louisiana.

The following-named Foreign Services officers for promotion from class 8 to class indicated:

To be class 7

Morton I. Abramowitz, of Massachusetts.
David Anderson, of New York.
Gustav N. Anderson, of New York.
Robert E. Armstrong, of Illinois.
Rodney E. Armstrong, of California.
James E. Baker, of Maryland.
Carl A. Bastiani, of Pennsylvania.
Richard D. Belt, of Ohio.
Calvin C. Berlin, of Ohio.
Donald P. Black, of California.
Thomas D. Boyatt, of Ohio.
Thomas Stanley Brooks, of Wyoming.
Charles F. Brown, of Nevada.
Robert L. Bruce, of California.
John Allen Bucke, of Indiana.
Garrett C. Burke, of Iowa.
John A. Bushnell, of Connecticut.
Homer M. Byington III, of Connecticut.
Thomas J. Carolan, Jr., of Maryland.
David W. Carr, of Massachusetts.
George F. Carr, Jr., of Texas.
Allen E. Caswell, of New York.
George W. F. Clift, of California.
Temple G. Cole, of Kentucky.
Francis B. Corry, of Wisconsin.
John P. Crawford, of Ohio.
Robert B. Duncan, of New Jersey.
Thomas P. H. Dunlop, of North Carolina.
Ollie B. Ellison, of Illinois.
Ralph Estling, of California.
John A. Ferch, of Ohio.
Harvey Fergusson, of New Jersey.
Richard Flanagan, of Massachusetts.
Carroll L. Floyd, of California.
Alec L. France, of Ohio.
Jay P. Freres, of Illinois.
Norman H. Frisbie, of Massachusetts.
Robert E. Fritts, of Illinois.
Peter F. Frost, of Connecticut.
Robert H. Frowick, of Connecticut.
J. David Gelsanliter, of Ohio.
Alan A. Gise, of Indiana.
Philip H. Gray, Jr., of Vermont.
Robert T. Grey, Jr., of Connecticut.
George G. B. Griffin, of South Carolina.
Kurt F. Gross, of Wisconsin.
John B. Gwynn, of the District of Columbia.
Joseph M. Hardman, of Oregon.
Douglas James Harwood, of Connecticut.
Walter A. Hayden, of New York.
Keith M. Heim, of Nebraska.
Peter T. Higgins, of California.
David C. Holton, of Virginia.
Hume A. Horan, of the District of Columbia.
Serge P. Horeff, of California.
Richard H. Howarth, of Pennsylvania.
Richard C. Howland, of New York.
Marvin W. Humphreys, of the District of Columbia.
Dee Valentine Jacobs, of Utah.
Louis E. Kahn, of California.
Robert E. Kaufman, of the District of Columbia.
Geryld B. Krogfus, of Minnesota.
Kenneth A. Kurze, of Rhode Island.
Paul L. Laase, of Nebraska.
John J. LaMazza, of New York.

Willam E. Landfair, of Ohio.
Norman D. Leach, of California.
Stephen J. Ledogar, of New York.
Mark C. Lissfelt, of Virginia.
Jon S. Lodeesen, of Tennessee.
Arturo S. Macias, of Wisconsin.
Harry Macy, Jr., of Florida.
Richard R. Martin, of the District of Columbia.
James K. Matter, Jr., of Michigan.
John D. McAlpine, of Illinois.
David W. McClintock, of California.
Howard M. McElroy, of New York.
George A. McFarland, Jr., of Texas.
William G. Miller, of Rhode Island.
Miss Priscilla E. Mitchell, of Indiana.
Robert J. Morris, of Iowa.
André J. Navez, of Massachusetts.
Richard A. Neale, of Michigan.
Edward V. Nef, of the District of Columbia.
Joseph K. Newman, of New Jersey.
Albert W. Noonan, Jr., of Illinois.
William Ophuls, of Florida.
Gerald G. Oplinger, of Pennsylvania.
James Ozzello, of Washington.
Robert P. Paganelli, of New York.
Miss Alison Palmer, of New York.
Jack R. Perry, of Georgia.
Robert F. Pfeiffer, of New York.
Thomas R. Pickering, of Pennsylvania.
William Polik, of New York.
Peter Andrews Poole, of New York.
Henry E. Powell, Jr., of Georgia.
Russell O. Prickett, of Minnesota.
Anthony C. E. Quainton, of Washington.
Kenneth N. Rogers, of New York.
David Rowe, of Maryland.
George L. Rueckert, of Wisconsin.
Thomas J. Scanlon, of California.
Charles W. Schaller, of Wisconsin.
William C. Sergeant, of Florida.
Carl G. Shepherd, of New York.
Pierre Shostal, of New York.
Robert Siegel, of New York.
Michael B. Smith, of Massachusetts.
Richard W. Smith, of New York.
Roger A. Sorenson, of Utah.
Frederic N. Spotts, of Massachusetts.
John W. Stahlman, of Ohio.
Paul E. Storing, of New York.
Donald P. Swisher, of California.
T. Elkin Taylor, of Georgia.
Richard W. Teare, of Ohio.
Nathaniel B. Thayer, of Massachusetts.
Alan R. Thompson, of the District of Columbia.
Richard S. Thompson, of Washington.
George R. Tolles, of Ohio.
Thomas M. Tonkin, of Illinois.
Joseph W. Twinam, of Tennessee.
Matthew H. Van Order, of Minnesota.
Thomas H. Walsh, of Texas.
John A. Warnock, of California.
E. Allan Wendt, of Illinois.
Olin S. Whittemore, of Michigan.
A. Norman Williams, of Michigan.
Roderick M. Wright, of California.
Michael G. Wygant, of Massachusetts.
Joseph R. Yodzis, of Pennsylvania.

The following-named persons, now Foreign Service officers of class 2 and secretaries in the diplomatic service, to the office indicated:

To be also a consul general of the United States of America

D. Eugene Delgado-Arias, of Florida.
Henry Clinton Reed, of Ohio.

The following-named person, now a Foreign Service officer of class 3 and a secretary in the diplomatic service, to the office indicated:

George D. Whittinghill, of New York.

Joseph A. Todd, of Alabama, for reappointment in the Foreign Service as a Foreign Service officer of class 3, a consul, and a secretary in the diplomatic service of the United States of America, in accordance with the provisions of section 520(a) of the Foreign Service Act of 1946, as amended.

Miss Geraldine B. Stibbe, of Ohio, for appointment as a Foreign Service officer of class 3, a consul, and a secretary in the diplomatic service of the United States of America.

The following-named persons for appointment as indicated:

Valentin E. Blacque, of Minnesota, to be Foreign Service officer of class 4, a consul, and a secretary in the diplomatic service of the United States of America.

Miss Margaret Wiesender, of Wisconsin, to be Foreign Service officer of class 4, a consul, and a secretary in the diplomatic service of the United States of America.

Morris H. Lax, of Maryland, a Foreign Service Reserve officer, to be a consul of the United States of America.

The following-named Foreign Service Reserve officers to the office indicated:

To be secretaries in the diplomatic service of the United States of America

John B. Brady, of California.
Frederick P. Jessup, of Connecticut.
Joseph W. Smith, of Maryland.

EXTENSIONS OF REMARKS

Self-Government for District of Columbia

EXTENSION OF REMARKS
OF

HON. ALVIN E. O'KONSKI

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 29, 1962

Mr. O'KONSKI. Mr. Speaker, the Senate District Committee has indicated it will soon hold hearings on President Kennedy's home rule bill (S. 2342) which provides for a locally elected mayor and seven-man city council for the District of Columbia. Senator MORSE has a bill pending, S. 287, and there are bills pending in the House by Congressman SCHWENGEL (H.R. 7198), Congressman AUCHINCLOSS (H.R. 5465), Congressman YATES (H.R. 49), Congressman MULTER (H.R. 830), and Congressman ASHLEY (H.R. 3151). In the 86th Congress the House considered four different bills and the Senate passed S. 1681, which did not pass in the House. Year after year the time of Congress and the time of the Senate District Committee and the House District Committee is consumed with lengthy testimony by interested witnesses in long hearings on various home rule bills. Not only is a great deal of time consumed in these hearings, but it imposes an unreasonably large expense on Congress to devote so much effort to this one subject year after year. Local self-government for the District of Columbia was tried for over 70 years, and ultimately abandoned because of its continual failure. In 1802 Washington had a mayor appointed by the President and a city council elected by the people. In 1812 the city council was permitted to elect a mayor. From 1820 until 1871 the mayor was elected by the people every 2 years. In a recent book by James H. Whyte, entitled "The Uncivil War," which is very favorably written from the standpoint of the District of Columbia, there is an account of the last mayor's election in Washington in 1869, which ultimately resulted in Congress doing away with the mayor system of government. The writer says "the Washington municipal election of 1869 was also a bloody one." A riot developed, stones were thrown by a mob, and the police were obliged to fire into the crowd to disperse it, killing one person and wounding a score of others.

The incumbent mayor claimed that the election was fraudulent, and refused to turn over the office to his elected successor. Finally, the new mayor had to break in the door. Under the last mayor the city of Washington fell into a financial crisis, and even the furniture in the mayor's office was seized after a court judgment had been granted to a local firm on a bill for furnishing goods to the District government. The Senate District Committee investigated the city government, and found it was overdrawn at the bank and had $100,000 in dishonored checks. The salaries of teachers, police, laborers, and employees of the fire and other departments were in arrears and there was no money to pay them. In 1871 Congress abolished all the existing forms of the mayor-type of government, and consolidated the entire District of Columbia into a territorial form of government, consisting of a Governor appointed by the President, and a legislative assembly, consisting of a council of 11 members appointed by the President, and a House of Delegates of 22 members elected by the local citizens. This type of government was unable to solve the tremendous financial problems of the District, and was finally abolished by Congress in 1874 when the District once more was tottering on the brink of the financial abyss.

Things have changed a great deal since 1874. However, the fact remains that the District of Columbia is an unique place, founded solely for the purpose of being the permanent home of the National Government. The residents here now have a right to vote for President and Vice President under the 23d amendment to the Federal Constitution. Like other Americans, they should be able to elect the officials who make the laws that regulate their lives in some form of local self-government. But the national interest does not permit us in Congress to return to the mayor-type of government which was such a failure in the 1870's. Therefore, it does not seem in the national interest to devote time in each session of Congress to long hearings on the merits of proposed mayor and

city council forms of government similar to those discredited by the historic records. The local residents in the District of Columbia have a great concern with local self-government. The rest of the people of the United States have a concern with the District of Columbia as the seat of the National Government. I am introducing a bill today to authorize a joint select committee of the Senate and the House of Representatives to inquire into a proper form of local self-government for the District of Columbia. Such a committee, rather than concerning itself with the specific provisions of a specific bill, will invite witnesses and political scientists from all over the United States to address themselves to the proposition of whether or not the national interest can be adequately protected under any form of local self-government, while at the same time allowing District of Columbia residents to exercise the basic right of electing the people who make the laws. Both the Republican and Democratic national platforms call for self-government for the District of Columbia, as well as national representation. I am hopeful that the best minds in the field of government addressed to this specific problem can suggest to us in Congress some way to protect the national interest and at the same time accommodate the natural desires of the local residents of the District. A joint select committee of the kind I am asking Congress to establish will be able to inquire into this entire problem objectively and free from the pressures which naturally arise in connection with a specific bill. When that committee makes its report to Congress, we will have some guidelines to help us in our deliberations on whether or not local self-government is feasible for the District of Columbia, and, if so, what form it should take.

The National Lottery of France

EXTENSION OF REMARKS
OF
HON. PAUL A. FINO
OF NEW YORK
IN THE HOUSE OF REPRESENTATIVES
Thursday, March 29, 1962

Mr. FINO. Mr. Speaker, the national lottery of France should be of particular interest to the Members of this House. Critics of the idea of a national lottery often try to say that such a plan would not produce tremendous profits. It has been claimed that only a small percentage of the gross receipts would find their way into the Treasury. The French lottery, however, disproves this belief.

In France, almost one-third of the gross receipts of their national lottery are retained as profit by the Government. In 1961, gross receipts amounted to $140 million. This was over $6 million more than a year before. The profit to the Government was $45 million; here, again, almost $3 million more than the previous year. Quite a tidy sum the French Government applied to their general budget.

Mr. Speaker, here in the United States billions of dollars are gambled annually, and most of it illegally. Only through a national lottery can we legally tap this tremendous source of revenue. Our own national lottery can easily pump into our Federal Treasury over $10 billion a year in additional revenue which can be used to relieve the heavy tax burden of our taxpayers and also help reduce our big national debt.

Greek Independence Day

EXTENSION OF REMARKS
OF
HON. ROMAN C. PUCINSKI
OF ILLINOIS
IN THE HOUSE OF REPRESENTATIVES
Thursday, March 29, 1962

Mr. PUCINSKI. Mr. Speaker, last Sunday marked the 141st anniversary of Greek Independence Day.

Many peoples associate their origin with certain heroes who have saved them from extinction, or who have performed some epic deed which has been of vital importance to the preservation of the nation. The history and mythology of the ancient Greeks are full of such heroes—some of them real, some only imaginary and fanciful, products of gifted imaginative writers. But these ancient figures, representing the spirit of freedom and other noble ideals, were among the first symbols of the Western idea of freedom. From Greek history the idea had entered the broad stream of Western civilization. Thus our debt to the Greeks is immense, and that is one of the numerous reasons why the celebration of Greek Independence Day is of momentous significance today.

After enjoying the best of the ancient world, and after giving birth to the noblest of human ideals, that of freedom, the glory of Greece passed into history, and in the 15th century the Greek people came under the sway of the Ottoman Turks. Then for about 400 years they were subjected to the sultan's alien and unwanted rule. During those years it was not possible for the Greeks, without effective outside aid, to free themselves. But early in the 19th century they had their chance, seized upon it, proclaimed their independence on March 25, 1821, waged a long and uphill fight against their oppressors, and finally regained their national independence. Since then Greece has been independent and the Greeks free. And throughout these 141 years they have guarded their freedom with uncommon jealousy. At times when they were waging wars against terrific odds, and the friends of Greece were not in position to aid them, they went through agonizing ordeals. They were on the verge of loosing their freedom to the Communists soon after the last war. I am happy to say that then we were able to help them to retain their freedom and independence.

On this 141st anniversary of their independence day we wish the people of Greece peace and prosperity. The great dedication that the Greeks have demonstrated to the principles of democracy have been an inspiration to freedom-loving people throughout the world.

The large community of Americans of Greek descent has made a tremendous contribution toward strengthening the fibers of democracy here in the United States.

It is fitting that we pay tribute to Greek Independence Day and find in this tribute continued inspiration for the preservation of democracy in our own Nation.

A Tribute to Our Nuns

EXTENSION OF REMARKS
OF
HON. THOMAS J. LANE
OF MASSACHUSETTS
IN THE HOUSE OF REPRESENTATIVES
Thursday, March 29, 1962

Mr. LANE. Mr. Speaker, the most respected persons in every community are those who are devoting their lives to the service of God.

The humblest of His missionaries are the nuns: members of the various religious orders for women who sanctify their daily lives with prayer and imitate the example of Christ who spent himself in doing good for mankind.

There are many people in the secular world, absorbed in the pursuit of success and personal gratification, who have no idea concerning the labor of love that characterizes these self-sacrificing Sisters.

But wherever there are people in need; from youngsters in school, to the sick, the aged and the despairing; there you will find a nun who, through the healing grace of divine love, finds joy in helping others.

Lord, what will You have me do? Thy will be done on earth, as it is in heaven.

The Sister-Servants of the Holy Ghost of Perpetual Adoration alternate prayer and work.

The Sisters of Bon Secours do nursing work in homes and hospitals, care for crippled children, the aged and the chronically ill and conduct schools for professional and practical nursing.

The Xavier Mission Sisters help win souls for Christ in Japan and India.

The Medical Mission Sisters care for the sick and suffering in India, Pakistan, Africa, Venezuela, and Vietnam.

The Sisters of the Good Shepherd care for confused and rejected girls with problems, giving them warm acceptance, love, security, and guidance.

The Sisters of Charity serve in colleges, schools, hospitals, child-care homes, and missions.

The Daughters of St. Paul bring God's word to souls everywhere through the press, motion picture, radio and television.

We in Massachusetts have a better knowledge of the work done by the Sis-

ters of Notre Dame and the other teaching orders that staff the many parochial schools in this area.

It is impossible for me to name and thus give equal honor to all of the religious communities for women. The composite day of a typical nun starts with sanctification through prayer, adoring Him in contemplation, and thence to her duties as an expert teacher, who is a sweet mother to schoolchildren, opening their minds to His wonders, teaching them to sing His praises, teaching His word by print. She is a lovable daughter to the aged, a tender nurse to the afflicted, seeking to help His poor and needy.

Everyone who knows of their pure lives and good deeds looks up to these servants of God.

There is no better way to express our appreciation of them than by bringing to the attention of the public the poem, "A Nun," written by Joseph P. Laruffa, which appeared in the March 11, 1962, issue of Our Sunday Visitor, the national Catholic Action weekly. It is my privilege to insert this tribute in the CONGRESSIONAL RECORD:

A NUN

(By Joseph P. Laruffa)

A nun is a gallant lady;
A dedicated woman;
A spouse consecrated to Christ;
A person cherished and loved by all.

To students in schools and colleges,
A nun is an expert teacher;
To the physically and mentally ill, a tender nurse;
To the aged, a lovable daughter;
To orphans and the homeless, a sweet mother;
To all—a nun is a devoted sister.

The nun has left her mother and father,
And her sisters and brothers,
That she may be a sister to all men and women.

The nun has left the world and consecrated herself to Christ,
That she may be of service to all,
And win the world for Him.

They are all doing their very best to win immortal souls for Jesus Christ,
And their greatest thrill and happiness is:
He very affectionately calls each nun,
"My Spouse" and "My Sister."

Tribute to the Little-People-to-Little-People Program

EXTENSION OF REMARKS

OF

HON. DOMINICK V. DANIELS

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 29, 1962

Mr. DANIELS. Mr. Speaker, I would like to take this opportunity to congratulate my good friend and colleague, Congressman PETER RODINO, of New Jersey, on his recent presentation of the very meritorious proposal on the little-people-to-little-people program and to express my admiration for his enterprising 10-year-old son, Peter. I refer to young Peter's efforts in initiating a program to encourage letterwriting among the children of this country for the purpose of informing the children of the world on the true meaning of Americanism.

The overall aim of this children's crusade is to promote the exchange of ideas to acquaint the youngsters of other nations about the United States and by so doing contribute to the understanding of the fundamental ideas of all facets of our American way of life.

I admire the spirit of these young people in giving such serious thought to the problems of the times and for their recognition of this unique opportunity to increase the knowledge and respect of other youngsters throughout the world by a friendly exchange of letters and thereby offer a contribution to the good will and mutual understanding so essential for the eventual achievement of world peace and security.

Various groups—veterans, labor, civic, and parent-teacher groups—all have given their support to this children's crusade.

Assuredly, this is a program that is deserving of our encouragement and support.

To Spend Tax Dollars for St. Lawrence Seaway Promotion Would Add Injury to the Nation's Competitive Ocean Ports and the Nation's Railroads

EXTENSION OF REMARKS

OF

HON. JAMES E. VAN ZANDT

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 29, 1962

Mr. VAN ZANDT. Mr. Speaker, the St. Lawrence Seaway has been in operation for three navigational seasons and is preparing for a fourth. Considering that it was one of the most controversial and dubious proposals ever to come before the Congress, and considering especially the self-liquidating requirements specified by Congress in the enabling law, let us check to see whether or to what extent the project is measuring up to the rosy picture painted by its sponsors.

Those of us who opposed construction of the seaway did so on grounds that the projected volume of traffic was grossly exaggerated while the estimated cost of construction was unrealistically low, that the level of tolls initially agreed upon would not recover the cost, including depreciation and interest, and that the seaway would, therefore, become a burden on taxpayers contrary to the law and the assurances of its sponsors.

We also contended that it would largely benefit and be used by vessels of foreign registry to the detriment of American shipping, that it would divert large tonnages from established eastern and gulf ports, and that it would work further serious hardships on other established forms of transportation, especially railroads, upon which the Nation must rely the year round, both in peace and war, for most of its transportation needs.

I suggest, Mr. Speaker, that on the basis of experience in the first three navigational seasons, the results may be even more serious than we envisioned.

Consider first the matter of cost.

The Corps of Engineers in June 1953 set a figure of $88 million as the U.S. share of construction cost. On this basis, and the need for additional funds to provide for working capital and interest charges during construction, Congress appropriated a total of $105 million. Subsequently, an estimated $21 million of the U.S. cost, covering construction of the Point Rockaway lock and dam, was transferred to Canada, leaving approximately $67 million as the total estimated cost to the United States.

Four years later, in 1957, we were told by the Administrator of the Seaway Corporation that the original cost figures were "not realistic," which I may say came as no surprise to those who opposed it. Accordingly, we were asked to increase the appropriation to $140 million, which was done. Then we were told by the General Accounting Office that the fully reckoned cost of U.S. participation was not $67 million, but $146.5 million, or more than double the Corps of Engineers 1953 estimate. The seaway thus becomes another in the long, almost unbroken, list of waterway improvement projects which the Corps of Engineers has vastly and inexcusably underestimated as to cost.

Take the anticipated level of seaway traffic.

For 1959, the first year of navigation, we were told that the seaway could be counted upon to move a total of 25 million tons; the Welland Canal, a total of 40 million tons. The actual figures of 20,579,461 tons for the seaway and 27,435,491 tons for Welland were, respectively, 17.7 percent and 31.4 percent below the amounts predicted.

In 1960, when the seaway was expected to handle 29 million tons and the Welland Canal 43 million tons, the actual tonnage figures of 20,310,346 for the seaway and 29,249,698 for Welland were, respectively, 30 percent and 32 percent short of the mark.

Now we are told that the results for 1961 were equally disappointing: 23,355,921 tons actually handled on the seaway as against 33 million tons predicted, and 30,675,297 tons actual on Welland as against 46 million tons predicted.

Take the level of tolls, which according to the law, were to make the seaway self-supporting and reimburse the Government for the entire cost, including interest and depreciation, over a period of 50 years.

In 1959, the seaway produced toll revenue amounting to $10,049,179, or over $3 million short of the $13.1 million predicted in that year. Welland revenues totaled only $1,227,531 as against $2,060,000 predicted. In 1960, when seaway revenues were expected to total $15,196,000, the actual take was only $10,130,318, leaving a deficit of over $5 million. Revenue from the Welland in 1960 totaled $1,326,498 as against $2,215,000 predicted.

Revenue figures for 1961 are not yet reported, but in the light of the disappointing results trafficwise in that year, there is little reason to hope that the revenue picture will be better.

In part, of course, the mounting deficits are attributable to the failure of the seaway to attain the promised volume of traffic. In other part, however, they result from still another miscalculation by seaway advocates, involving the composition of traffic.

Bulk cargoes moving over the seaway in 1960 comprised 88.9 percent of total seaway traffic, whereas in setting the level of tolls, they were estimated at only 80 percent. The rate on bulk cargo is only 40 cents a ton as compared with a rate of $1.25 a ton for general cargo, which amounted to only a little more than half the predicted volume in that year.

At present levels, therefore, it is clear that the tolls are producing far less revenue than predicted and far less than is needed to make the seaway self-sustaining. Moreover, the gulf separating promises and performance, which is growing wider every year, can only mean that the present toll structure, if continued, will prove even less adequate for the future. Thus, in violation of the law and the now discredited assurances of advocates, the seaway threatens to become another heavy burden on the already overburdened taxpayer.

Let us consider now the warning of opponents that the seaway would largely be used by vessels of foreign registry to the detriment of American shipping.

In 1960, transits of the St. Lawrence River, both upbound and downbound, totaled 6,869. Of that number, only 438, or 6.4 percent, were by ships registered to the United States. This was 117 fewer U.S. transits than in 1959, the first year of operation.

Statistics for the 1961 season are not yet reported. But it is known that one major American shipping concern, despite heavy subsidies from the Government, has drastically curtailed service through the seaway and admitted that it "pulled a boner" in entering the trade in the first place.

At a hearing before the Federal Maritime Board in June, 1960, a representative of Grace Lines testified that no matter how long Grace remains in seaway service, it will "not make money." Acknowledging what he called "basic errors" in planning, the Grace representative told the Board with refreshing candor: "We should have looked at a map" to note the vastly larger distance, by water, through the seaway to the Caribbean, as opposed to direct rail from Midwest points to the Atlantic coast. This, he said, has minimized any all-water advantages to the Caribbean.

A favorite claim of seaway enthusiasts is that it can accommodate 90 percent of the world's merchant marine. But they do not add that, as a practical matter, most American vessels, in order to use the St. Lawrence, must load only at about half their capacity or less, whereas capacity loading is necessary if U.S. vessels are to have any chance of overcoming the advantage of substantially lower labor costs enjoyed by their foreign competitors. Even the Liberty and Victory ships of World War II, when fully loaded, exceed the 25-foot safe maximum permitted by the seaway. It is clear, therefore, that the seaway primarily benefits and is largely used by foreign shipping to the further detriment of our own embattled and heavily subsidized merchant marine.

As to established east and gulf coast ports, and other competitive agencies of transportation, the effect of the seaway is being felt in the form of substantial traffic diversion. If the seaway is benefiting port cities on the Great Lakes, it is clearly detrimental to ports such as New York, Philadelphia, Hampton Roads, New Orleans, and Galveston, as well as to the railroads with which the seaway is in competition.

Great concern over the future of the Philadelphia port and ports along the eastern seaboard was manifested recently by the Greater Philadelphia Chamber of Commerce when it announced its opposition to the attempt of Secretary of Commerce Hodges to obtain funds to promote the St. Lawrence Seaway which is declared to be "lagging after only 3 years of use."

The impact of the St. Lawrence Seaway on the Philadelphia deepwater port, which extends from Trenton to Wilmington on the Delaware and its tributaries, is having serious effect on the Philadelphia port through the diversion of shipping, according to an editorial in the March 24, 1962, issue of the Philadelphia Bulletin. The editorial stresses the fact that Philadelphia's port is the largest in the Nation in terms of water borne foreign cargo, and over 100 million tons of all kinds of cargo valued at $3 billion passes through it in a year. It is revealed the port's activities are responsible directly for 96,300 jobs and a payroll of $512 million, not to mention the 350,000 jobs that benefit indirectly in the allied service businesses. From a tax standpoint, it is stated that revenues amount to $133 million, plus another $60 million in customs collections. In plain words, every ton of cargo passing through the Philadelphia port generates an estimated $12 that circulates throughout the area's economy.

The dire financial condition of the entire railroad industry, particularly in the East where the competition of the seaway is felt most severely, is well known. The Erie-Lackawanna Railroad suffered last year a deficit of approximately $26 million, and the Baltimore & Ohio lost $31 million. Yet these and other railroads, competitive with the seaway, are expected to provide standby service during the 4- to 5-month period each year when the seaway becomes an iceway and cannot be used for navigation.

In short, it has become increasingly clear that those who opposed construction of the seaway have been vindicated in that position, while the proponents have been proved wrong. This fact, however, has apparently not dampened the ardor of seaway advocates, for the same interests are back at the old stand asking the Congress to pour good money after bad. On the one hand, they are asking the allocation of additional tax dollars to make what we are told are needed "improvements" and to promote use of the facility by recalcitrant shippers and shipping companies. On the other hand, it is said by some that the way to increase use of the seaway is to lower the tolls or wipe them out entirely. Next, I predict we shall hear pleadings to repeal or amend the law providing for self-liquidation of the seaway out of tolls.

The proposal to spend tax dollars for seaway promotion would compound the injury both to competitive ocean ports and to railroads, who would be forced to help foot the bill for a campaign designed to divert still additional traffic from them. It would place the Federal Government in the unbecoming and unwelcome role of advocating the use of certain ports at the expense of others—a position historically avoided for the best of cause.

The responsibility of the Federal Government is to all citizens, all communities, and all sections of the country in equal measure, and it is unthinkable that any of its resources should be used to advance the interests of some to the detriment of others. Seaway promotion is not now and never will be a proper function of the Department of Commerce or of any other agency of the Federal Government, and the spending of either tax dollars or toll revenue for that purpose should be expressly prohibited. In the absence of specific authorization by the Congress, which I sincerely hope and trust will not be forthcoming, the Comptroller General should make it his business to see that not a single dollar of tax or toll revenue is used for seaway promotion.

The clamor for reduction or elimination of tolls is in many respects the unkindest cut of all. When seeking congressional approval and funds for construction of the seaway, a spokesman for the Great Lakes-St. Lawrence Association assured us that it would yield conservatively $27,875,000 a year in revenues, an amount which, he said, would be "twice as much as necessary" to make the project pay for itself.

However, even before the seaway was completed, and before a single ship or a single ton of freight had moved over it, this same advocate, speaking this time for prospective seaway users, completely reversed his position. With the seaway assured, he stated before a congressional committee that "any attempt to set tolls at a level which would theoretically yield such revenues—as would be required to make the seaway self-sustaining—will defeat the purpose of the seaway, as it will drive traffic to alternate competitive routes, and that the revenues from the remaining traffic will be far from enough to meet these increased charges."

Experience in the 3 years since the seaway was opened to navigation seems to bear out the latter evaluation of the project as an unsound economic undertaking. But one wonders why this advocate waited until the seaway was virtually a reality before making his true views known.

In this connection, we should not overlook that the costs required to be returned under the law do not include

even larger related costs of work such as deepening the connecting lake channels and the dozens of lake harbors to enable them to handle oceangoing ships. Dredging the connecting lake channels alone to the required depth of 27 feet has been estimated to cost a minimum of $150 million, while the necessary harbor work will add hundreds of millions of dollars more. It is enough that users of the St. Lawrence will have the benefit of these publicly provided facilities free of charge, without saddling on taxpayers the cost of the St. Lawrence itself.

I suggest, Mr. Speaker, that to follow further the advice of those who have led us into this costly economic blunder would be sheer folly and gross abdication of our responsibility to the Nation as a whole. Not one additional penny should be poured down the St. Lawrence River drain, and certainly we should not be so naive as to entertain seriously the ridiculous notion of trying to bail it out by allocating millions of tax dollars for seaway promotion.

I further suggest that we resolutely hold the line against all attempts to reduce or eliminate seaway tolls, which would serve only to shift an even larger share of the burden to taxpayers and to saddle the already hard-pressed railroads with still another subsidized competitor. Let us now recognize the St. Lawrence Seaway for the "white elephant" that it is. But let us not compound the error by following further the misguided advice of those responsible for the present sorry mess.

Reapportionment of Legislative Districts by Federal Edict

EXTENSION OF REMARKS
OF
HON. WILLIAM M. TUCK
OF VIRGINIA
IN THE HOUSE OF REPRESENTATIVES
Thursday, March 29, 1962

Mr. TUCK. Mr. Speaker, article III, section 2, of the U.S. Constitution, confers upon the U.S. Congress exclusive right to define and regulate the appellate jurisdiction of the Supreme Court of the United States. The same section of our Constitution confers upon Congress the exclusive power to establish and maintain Federal courts inferior to the Supreme Court.

I have introduced a bill, H.R. 10992, having for its purpose, defining the jurisdiction of the U.S. Supreme Court and all Federal courts inferior thereto, in certain instances. The bill reads as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That neither the Supreme Court of the United States, nor any Federal court inferior thereto, shall have jurisdiction, either original or appellate, to change, modify, direct, or set aside any apportionment or reapportionment of legislative districts adopted by the law-making bodies of the respective States.

The Supreme Court decision in the Tennessee apportionment case—Baker against Carr, decided March 26, 1962—marks a new and shocking interference by the Federal judiciary with the right of the sovereign States to conduct their domestic affairs. Going far beyond any alleged denial of franchise because of race, color, religion, or sex, reversing a uniform course of prior judicial decisions, the Court asserts a novel judicial power under which the Federal courts are encouraged to intervene in what are essentially political questions, heretofore uniformly entrusted to the States. This unfortunate decision does not arise out of any issue dividing the North and the South. It must prove as obnoxious to Michigan as to Louisiana; to California as to Virginia. As an instrument for destroying the delicate balance of State-Federal relationships, it is unique and unprecedented, even for a court well-known for its disregard of the rights of the States.

The decision in the Tennessee apportionment case is a wide departure from the wise policy of judicial restraint. It strikes destructively at the Federal Union obtained by the Constitution.

The Court has assumed for the Federal judiciary, power to review the acts of a State legislature respecting the apportionment or reapportionment of the State into legislative districts. This assumption of jurisdiction necessarily implies the assumption of power to direct by judicial edict any such apportionment or reapportionment in a manner agreeable to the views of the Federal courts rather than to those of the legislature or the people of the respective States. In order to reach this conclusion the court reversed and set at naught a long line of decisions of the Supreme Court holding that it had no such power as it now assumes to exercise.

The time has now come when we must recognize that the Supreme Court is using, and for a long time has used, the nebulous provisions of section 1 of the 14th amendment to nullify explicit provisions of the Constitution. Not regarding the provisions of article 1, section 8 of the Constitution, to wit: "Congress shall have power to make all laws which may be necessary and proper for carrying into execution all powers vested by this Constitution in the Government of the United States or any department or office thereof," the Supreme Court has not only placed interpretation on the powers delegated to the Central Government by section 1 of the 14th amendment, but it has by judicial fiat sought to carry such interpretation into execution in plain defiance of the explicit mandate of the Constitution.

Section 5 of the 14th amendment, far from obviating the above provision of article 1, section 8, undertakes to preserve to Congress all powers regarding the enforcement of the provisions of the 14th amendment, by the following language:

Congress shall have power, by appropriate legislation, to enforce the provisions of this article.

If the Supreme Court can usurp the powers of Congress with respect to enforcing the provisions of the 14th amendment, why can it not usurp the powers exclusively delegated to Congress by article 1, section 8. The language of delegation is exactly the same, that is to say:

Congress shall have power.

From a reading of the decisions of the Supreme Court during recent years, without recourse to the Constitution and the amendments thereto, one must conclude that the 10th amendment had been deleted from the Constitution. In case this amendment has been forgotten it reads:

The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.

For many years the Supreme Court has been encroaching upon the powers of the States, without so much as mentioning the 10th amendment, the great bastion established by the Constitution to preserve the States.

The Congress must begin to consider whether a disposition is not developing through the vast powers assumed by the Supreme Court and the Executive to crush Congress between the upper and nether millstones of the overwhelming powers of the judicial and executive departments.

The bill does not deprive any aggrieved person or set of persons of a forum to which they may go for redress in this class of cases. The courts of the respective States have ample powers which they may and do frequently exercise.

Congress has a clear duty to undo the mischief of the Tennessee decision through exercise of its power to withdraw the jurisdiction which the Federal courts have now assumed in such cases. The bill which I have introduced does just that.

If our distinctive way of life which all patriotic Americans love and cherish is to survive, an end must be made forthwith to these Federal incursions into the rights of the States and localities.

Congress has the power to lay the hand of restraint upon the Federal judiciary and stop these judicial indiscretions and abuses. I hope it has the will.

Evaluation of the Civilian Conservation Corps

EXTENSION OF REMARKS
OF
HON. JOHN E. MOSS
OF CALIFORNIA
IN THE HOUSE OF REPRESENTATIVES
Thursday, March 29, 1962

Mr. MOSS. Mr. Speaker, the Nation's economic recovery during recent months has not provided jobs for millions of Americans. Unemployment has become an especially tragic fact of life for our young people who, lacking in experience and proper training, are unable to compete effectively in a labor market requiring increasingly higher skills.

At the same time, Americans have been showing an increased appreciation of

the natural resources of our land. Greatly expanded efforts at conserving these abundant resources for future generations are being demanded by the public.

Fortunately, history offers a practical method of coping with the problems of inadequate use of our human resources and improper use of our natural resources. Of course, I am referring to the Civilian Conservation Corps, the very successful experiment of the 1930's. Legislation currently is pending before the Congress to establish a Youth Conservation Corps which would be very similar in nature and purpose to the old CCC. In the House H.R. 10682 is now awaiting action by the Rules Committee. This, in my opinion, is a unique opportunity to apply tested techniques in dealing with important problems facing the country.

In considering this legislation, I should like to commend to my colleagues the following evaluation of the Civilian Conservation Corps:

EVALUATION OF THE CIVILIAN CONSERVATION CORPS

The United States still is reaping vast benefits from a notable experiment of the depression, the Civilian Conservation Corps. Irreplaceable natural resources were saved by the CCC during the 1930's for present and future generations. Also, more than 2 million young Americans were provided with useful employment and invaluable job training and thereby kept out of probable soup lines and possible ventures into delinquency.

Many American citizens undoubtedly are better citizens today because of their experience with the CCC and American natural resources certainly are more abundant due to the highly successful conservation efforts of the corps.

The CCC met with the general approval of the Nation with little relation to economic or political philosophy. When the idea was revived by the Kennedy administration in 1961 it was still being referred to as the least criticized of all the agencies of the Roosevelt era.

HISTORY

The CCC was authorized by Congress in the spring of 1933, and the first camp was opened in Virginia within 30 days. The period of most intensive activity was from 1935 through 1938. By the end of fiscal 1942 liquidation was virtually complete (1, 2).[1]

Once established, the CCC idea gained the overwhelming support of the Nation, and by 1935 almost every county within the United States had made a request for the establishment of one or more camps. During most of the 8-year span of its existence there were CCC camps in 48 States, Alaska, Hawaii, Puerto Rico, and the Virgin Islands.

EXTENT OF ACTIVITIES

The total number of enrollees given employment from the beginning up to June 1941 was 2,545,000, distributed among 1,500 camps. There were 150 principal types of work experience, of which the most important were forest protection, reforestation, soil conservation, recreational development, range rehabilitation, flood control, aid to wildlife, reclamation and emergency rescue work. The total yearly cost of each enrollee in the CCC from 1935 to the close of activities was $1,000 per man. This figure, about 10 percent higher during the first 2 years principally due to the cost of land acquisition, covers all costs including those necessary to carry out conservation projects (3).

In brief, CCC enrollees planted nearly 3 billion trees, built 1 million miles of roads and trails, constructed over 85,000 miles of telephone lines, erected 4,000 fire towers, and 100,000 bridges and buildings. More than 4 million acres of forest land were improved as protection against fire. The accompanying table (4) gives a detailed accounting of accomplishments. The value of this work on public lands alone has been estimated by forestry and park officials at $1,500 million.

Type of job or project classification

	New work	Maintenance
Structural improvements:		
Bridges (vehicle) number	38,550.0	9,510.0
Buildings (equipment and supply storage houses) number	3,359.0	1,812.0
CCC camps:		
Latrines and toilets number	12,086.0	4,405.0
Lookout houses do	1,187.0	928.0
Lookout towers do	3,116.0	1,884.0
Shelters do	2,290.0	508.0
Impounding and large diversion dams number	7,622.0	3,405.0
Fences rods	28,717,304.5	7,119,518.9
Telephone lines miles	88,883.5	271,615.3
Transportation improvements:		
Airplane landing fields number	80.0	88.0
Truck trails or minor roads miles	126,230.5	580,995.5
Erosion control, treatment of gullies:		
Check dams:		
Permanent number	318,076.0	31,080.0
Temporary do	6,341,147.0	148,791.0
Seeding and sodding square yards	478,499,555.0	22,332,119.0
Tree planting gully square yards	464,830,313.0	125,862,616.0
Forest culture:		
Field planting or seeding (trees) acres	2,355,587.5	288,213.0
Forest stand improvement acres	4,094,003.0	16,755.0
Forest protection:		
Fighting forest fires man-days	6,450,403.1	
Tree and plant disease control acres	7,955,707.8	718,059.7
Trees, insect pest control acres	13,099,701.0	178,973.3
Landscape and recreation:		
Public campground development acres	52,319.6	49,457.5
Other activities: Timber estimating acres	35,495,621.7	65,170.9

The effectiveness of the CCC in forest fire protection has been emphasized by foresters in both Eastern and Western States. Soon after the liquidation of the corps, State forestry officials in West Virginia reported that the reduction in CCC firefighting efforts resulted in a 20-percent increase in acres burned in areas having camps the previous year. The State foresters in Kentucky, New Jersey, Massachusetts, and Connecticut made similar reports (11). In 1940 the CCC camps contributed 174,788 man-days fighting fires.

Most of the standard CCC camps in the continental United States were distributed between the Department of the Interior and the Department of Agriculture. In the former, the National Park Service had from 80 to 90 percent of the camps, and in the latter the major portion were assigned to the Forest Service. During the peak activity, Agriculture had from three to four times the number of camps as Interior; as of October 1, 1935, the ratio was 1,751 to 489 (1).

EDUCATION IN THE CCC

Supplementary to the emergency conservation work of the CCC an educational program was established. In the formative days of the corps there was coolness and even hostility to any educational activity other than the work experience program, but after a number of false starts a firm program was established. Through trial and error it was found that an academic type of school program did not conform to the needs or the desires of most enrollees. The final result was a program of vocational training, work experience, training in leisure time activities, health education, physical activities and Red Cross training. The latter became a requirement early during the CCC and the others were added later.

On the academic level, criticized by some of the public school sector, the CCC taught 80,000 functional illiterates to read. It taught all enrollees skills in the use of tools, machinery, heavy equipment, office procedures, and others, in accordance with the assignment given. All had work experience in resources conservation. At the close of CCC activities some enrollees had been promoted to supervisory positions in camps.

Academic subjects, within the meaning of the CCC organization, were literacy, language usage, arithmetic, social studies, science, citizenship, conservation, health and hygiene, and occupations. Of these subjects, the final four accounted for about 75 percent of the total enrollment in the corps areas which were carefully studied (4).

The most widely taught vocational subjects were farm management, clerical training, typing, radio code, care and use of tools, carpentry, concrete construction, machine operation, road construction, cooking and baking, forestry, motor vehicle mechanics, blacksmithing, arc welding, acetylene welding, surveying, vehicle operation, woodworking, and photography. In one large corps area studied in detail, typing, cooking and baking, carpentry, and motor vehicle mechanics and operation were chosen by more than half of all enrollees (4).

Avocational skills were taught to a large percentage of the enrollees. Music and dramatic activities were the most popular in this field.

EFFECTS ON ENROLLEES

Through all the literature assessing the value of the CCC to the Nation and to the former enrollees themselves, there is ample evidence of an astounding impact. It is difficult to find criticism of the purposes, and considering the fact that it was created during a period of political controversy, there is no significant complaint regarding its mode of operation. Twenty years after the demise of the CCC a great residue of good will became apparent as soon as a similar type of organization was proposed by President Kennedy.

One weakness in the CCC, for which others share responsibility, but often admitted by friends of the organization, was the lack of coordination between the corps and the community to which the boys returned. The CCC did not seem to give enough instruction in jobseeking before enrollees were discharged, and it lacked the means to follow up. Few communities at that time had the necessary counseling and guidance services now widely available through the U.S. Employment Service to assist in job placement activities. Since 2 years was the maximum term of enrollment, those discharged during the earlier years of the corps returned to their communities before the impact of the defense buildup prior to World War II. Many of these remained jobless for some time.

SOME EVALUATIONS

Most of the studies on the net effect of the CCC on the enrollees and ex-enrollees may appear subjective. In several of the reports consulted evaluations appear more like informed opinions, but they are the result of thoughtful study and merit attention. One made in 1936, and therefore at a time of

[1] Reference to "Sources of Quoted Materials" on final page indicated by numbers.

severe unemployment, covers a sampling of 6,500 youths from the Greater Cleveland area who had been discharged from the corps. Trained social workers from Western Reserve University interviewed 272 former enrollees. Irrespective of their reasons for leaving camp, 80 percent had been unemployed prior to enrollment but after returning home 70 percent had obtained jobs. Of those who obtained work more than 50 percent were working full time and approximately 20 percent were in WPA or National Youth Administration part-time projects. Exact data were presented to show that in the case of those who held full-time jobs both before and after enrollment in the CCC, weekly pay had increased by more than $3 and the length of workweek had dropped approximately 4 hours. Most were working more than 40 hours weekly, but the 40-hour standard was still not accepted at this time in many areas. Sixty percent of the group came from foreign-born white parents more than half of whom were of Slavic origin. In 40 percent of the cases the youth lived with one parent or none (5).

ADJUSTMENT TO COMMUNITIES

During the fiscal year ending June 30, 1940, a total of 327,431 enrollees returned to their home communities. During 4 months of this period discharges ranged from 41,000 to 70,000 monthly, representing a sizable impact on many communities. The way in which these young men adjusted to their surroundings, in those instances where figures are available, is of importance in making an objective evaluation of the CCC. A study made for the American Council on Education presents a very creditable impression, gathered from extensive interviews of 419 former enrollees plus the comments of family members, friends, neighbors, and employers. In the case of 30 percent of the boys interviewed the CCC experience did not seem to be significant, but only a very few indicated any dislike for the organization. Most of this group said the CCC was "all right." With the remaining group the attitude expressed ranged from friendly to very enthusiastic.

Of those who had left the CCC, 71 percent indicated desire to enroll again.

Of those still in the CCC, 81 percent expressed intention to enroll again.

Of the entire 419, 69 percent considered themselves better for the experience.

Of those who thought the CCC had had little effect on them, parents and friends generally disagreed (6).

Social workers, judges, parole officers, youth organizers, and many others familiar with the work of the CCC appeared before the Congress in 1961 to urge the establishment of a Youth Conservation Corps or similar type of organization. Many of the witnesses spoke from personal knowledge of the effects of the CCC on underprivileged, homeless, or unemployed youth in a much less highly urbanized society than exists today.

RELATION TO JUVENILE DELINQUENCY

Intruding into the testimony of the majority of those urging the legislation was the pervasive problem of juvenile delinquency. Some of the witnesses had devoted a lifetime to work among underprivileged and often delinquent young people. It was the unanimous opinion of those who had observed the effects of the CCC that it had been invaluable in reducing or preventing delinquency. An overwhelming number of youth workers were of the opinion that it was imperative that potential delinquents be removed from the environment that has contributed so much to their difficulties if they are to acquire any degree of social responsibility and self-respect. The prevailing opinion of those appearing before the congressional committee favored the camp idea and a new environment.

A recent study in Minnesota, comparing delinquent youths who participated in a forestry camp with a matched group remaining in a more conventional correctional institution, reports significantly greater improvement among the campers.

WORK RECORD

In seeking work after returning home, the CCC became an opening wedge because of the generally good impression the organization had made throughout the Nation. One large eastern company which had established a preference system for CCC "alumni" reported that 90 percent of those hired proved to be good workers. The New York State Board of Education reported that CCC men generally had a high reputation, with 70 percent of those hired being successful in their work. Approval came from Piper Aircraft Co., Thompson Products, Inc., of Cleveland, Ohio, the National Standard Parts Association, Detroit, Mich., and Marshall Field & Co. of Chicago. The Lockheed Aircraft Corp. agreed to cooperate in training CCC enrollees who passed their preliminary employment test (6).

The American Council on Education study further reports that out of a total of 224 men who left camps in one area, 18 percent were employed within 1 month, 60 percent within 1–5 months, and 77 percent of the total within 1 year (6).

ADAPTABILITY OF CCC

The retooling of the American economy after the opening of hostilities in Europe in 1939 materially altered the emphasis within the CCC; it then rapidly became both a training ground for workers in the war industries, and a direct participant in war production through the rehabilitation of military camps, military construction and other activities. The flexibility shown at this period has been mentioned as an argument for a permanent CCC-type organization. It proved that its method of organization, training and operation was highly flexible and well adapted to quick conversion to emergency functions when needed, and capable of similar rapid conversion to its regular duties in the area of resources conservation.

EFFECT ON MILITARY SERVICE

Many young men were toughened before entering military service because of their tour in the CCC. The mayor of Portland, Oreg., stated that during his World War II duty as a Navy officer he believed that former CCC boys in his command were more mature and adjusted than boys without this training. Selective Service officials share this view.

MILITARY INFLUENCE IN THE CCC

During the final years of the CCC the military emphasis was one feature disturbing to friends of the corps. A report on the corps in 1942 expressed objection to the influence of the military and stated that it was considered too authoritarian for a democratic organization engaged in conservation work (7).

HEALTH

On the healthful quality of CCC experience there seems to be complete agreement. The effect of outdoor living, good food, clean living quarters, and medical care, both in camp and in nearby medical facilities when required, have not been questioned. Surveys conducted by the War Department on a large number of enrollees selected from the entire area of operation showed an average net gain in weight of from 8 to 12 pounds per man after 6 months' duty. During the period 1933–35 the average death rate was 2.87 per thousand, in contrast with a rate of 8.07 among unselected men of a similar age group (American Experience Table of Mortality) (2).

YOUTH WORK EXPERIENCE

Strong support for the CCC developed as a byproduct of the dispute between the professional educators and those responsible for the educational activities within the corps. In 1939 President Franklin D. Roosevelt ordered a merger of the CCC and the National Youth Administration and their transfer to the newly formed Federal Security Agency. The previous year Congress had approved the use of NYA funds for the training of needy young persons no longer in school but who were unable to obtain employment. When the combined agency began to engage in educational activities at the very time agitation was developing to make the CCC a permanent body, a division developed between the CCC–NYA and certain public school organizations having close ties with the U.S. Office of Education, also a part of the Federal Security Agency. Leading the battle was the Educational Policies Commission which, briefly stated, recommended that all educational activities of the CCC–NYA be discontinued and transferred to local control, the Federal Government to continue to provide the necessary funds. (Some of the arguments used by the Educational Policies Commission in 1941 are similar to those used by the opponents of Federal aid to education in 1961.) Prof. Charles Hubbard Judd of the University of Chicago, long one of the leaders among American educators, administered the critics a stern rebuke for "suffering from intellectual myopia" and calling them persons who "fail to get any view of the vast social horizon which lies beyond their immediate selfish interests" (9). Prof. Paul Terry of the University of Alabama, a leader in the South, reminded his colleagues that since the establishment of the first Latin grammar school in 1635 there has been nothing to prevent educators from developing a work experience program for community youth, but that until regular educational forces demonstrate their ability to do as well or better than the CCC that this program should remain a Federal activity (10).

CONSERVATION ACTIVITIES

Viewed broadly there is overwhelming opinion that the CCC was a success. It demonstrated to the Nation that a large number of men can be put to work on useful, permanent projects on short notice and that the corps could change its course of operation quickly when emergency directs. The CCC gave Federal and State conservation officials their greatest opportunity to serve the Nation in an entire generation. The benefits from the $30 per month allotment paid each enrollee, much of which was sent home, benefited many others, including some who were destitute. During the first 2 years alone more than 1 million young men received employment from which 3,200,000 others benefited. The total amount paid to enrollees for the entire service period of the CCC, 1933–41, amounted to $202,686,581 and these benefits were estimated to have been shared by approximately 8 million persons.

Officials of the National Park Service and the Forest Service stated that at the end of the first 2 years of operation the CCC had advanced the development of forestry and park facilities by from 10 to 20 years. The value of this to the Nation was estimated at $426,500,000 for the period 1933–35. Business recovery was stimulated during this time through the expenditure of $390 million for manufactured articles, automotive and construction equipment, food, clothing and many other items.

PRAISE AND CRITICISM OF THE CCC

A close scrutiny of a mountain of literature on the CCC discloses very little unfavorable comment. The contention between the professional educators and the CCC–NYA educational program was in no sense an attack on the basic idea but was rather a jurisdictional dispute in which the motives of certain critics do not appear to have been totally unselfish.

Examination of the congressional hearings in 1961 relating to S. 404 and H.R. 7536 (87th Cong., 1st sess.) uncovers little criticism of the CCC or that part of the proposed legislation providing for establishment of a Youth Conservation Corps. During these hearings witnesses time and time again harked back to the CCC to prove the desirability and practicality of the YCC proposal.

Although the bill, H.R. 8354, favorably reported by the House Education and Labor Committee provided only for pilot YCC projects, this was obviously done in the hope that future expansion of the program would be possible. Taking note of the great praise for the CCC it had heard, the committee expressed the view that it could not state "too emphatically that the successful Civilian Conservation Corps experience in giving valuable work-training experience and counseling to youth while at the same time adding to the national wealth through conservation and natural resource development justifies a much more extensive program" (12).

In summation, the basic approach and techniques of the CCC have been tested and found to be sound. However, since the corps was abandoned a tremendous backlog of conservation work has accumulated. We are continuing to fall behind at an alarming rate in reforestation, reseeding of rangelands, improvement and protection of watersheds, and other soil and moisture conservation measures essential to the protection and sound development of our natural resources.

The current proposal to establish a Youth Conservation Corps presents a unique opportunity to deal with important national needs. It is not often that government is provided with tried and tested, but at the same time, bold and imaginative approaches to solving major problems. The Civilian Conservation Corps provides such an example and its obvious benefits should be welcomed without further delay.

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Strikebreaking at the Taxpayer's Expense

EXTENSION OF REMARKS

OF

HON. FRANK KOWALSKI

OF CONNECTICUT

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 29, 1962

Mr. KOWALSKI. Mr. Speaker, the rights of America's working men and women are being eroded away by the bureaucracies of our Government, by policies that jeopardize the national defense and condone a shocking waste of the taxpayer's money.

On February 21 of this year I introduced a bill (H.R. 10341) to promote the national defense, to eliminate waste, and to protect the rights of American workers.

This bill would prohibit payment by the Federal Government of strike costs arising from a lawful labor dispute, except in those cases when the President and/or the Secretary of Defense personally determine that such payment is in the national interest.

I am informed that hearings will be held in the next few weeks, so I take this opportunity to present the background and the compelling reasons for this legislation.

In this imperfect world, if man is to be something more than a commodity, the final economic security of the workers rests in their collective power to bargain with the managers who use and profit from their skills. The law of the land sanctifies this right.

But as a segment of our Government assumes an ever-increasing role as a consumer of industrial products and user of contracted services, the conflict between the rights of the individual and the policies of Government becomes ever more severe. This conflict comes to focus in the aircraft industry.

In the aircraft industry, 90 percent of everything produced is sold to the Government. Many of the machines, plants, and production facilities are furnished by the Government. Government supplies are often furnished and payments are advanced to facilitate financing. The equity of the stockholders in this industry is extremely low. The Government is both the investor and the consumer.

It is perhaps a natural development in this industry that the Government should come to play a partisan role, a role favoring production and priorities in any dispute between labor and management. It is this partisan role of Government that challenges labor's basic right to collective bargaining. This is an unwarranted and unnecessary conflict.

Many of the problems labor faces are multiplied because of the ability of the employer to bring the vast resources of Government into play against unions and, in that way, cause the American taxpayer to work in behalf of the employer against his own best interests.

Large segments of organized labor pay a terrific price for the strife that defense procurement policy encourages.

To give you an idea of the price tag I would like to cite the case history of the United Aircraft Corp. strike in Connecticut and the role of the Government in that dispute.

The United Aircraft Corp. has nine plants in Connecticut and one at West Palm Beach, Fla. At the time of the strike, the workers in these plants were represented by four lodges of the International Association of Machinists, and two locals of the United Auto Workers. The IAM and the UAW, during late 1959 and early 1960, engaged in negotiations with the UAC concerning grievances, procedures, seniority, and union security. Pay was not an issue. As months went by, negotiations deteriorated. The UAW locals went out on strike June 7, 1960, and the IAM lodges struck the next day, June 8. The strike was not successful. The UAW and IAM were forced to accept negotiated strike agreements and everything was over August 8, 1960. The strike had lasted 2 months.

This strike was no different than many others where labor lost—the workers had to eat crow. But at the Pratt & Whitney plant in East Hartford, and the Hamilton Standard plant at Windsor Locks, the crow was especially distasteful. At Hamilton Standard, out of 11 elected union officers, only 3 were called back to work. Out of seven shop committeemen, only two were recalled, and little better than half of the strikers were recalled in the 4-month period agreed upon for rehiring members of the union.

At Pratt & Whitney hundreds of workers were not recalled and only about half the elected union officials were returned to work. Many of those recalled lost seniority rights, and some had to accept cuts in pay up to 65 cents an hour.

On January 1, 1961, the terminal date for rehiring union members, hundreds were still out of work. Yet, the plant was running with very heavy overtime. To add insult to injury, the company, immediately after the January 1 terminal date, went into a hiring program and rehired many of the strikers as new employees. Many of these men and women suffered losses of up to 30 years' seniority, cuts in hourly pay, labor grades, and shift changes. As a result, some 500 workers filed unfair labor charges against the United Aircraft Corp. These charges are still pending.

The unions for years had suspected that in a labor dispute with a defense contractor, the Government always paid the lion's share of the cost of the strike. No one knew this for certain and no one knew the components of these strike costs.

Having become acquainted with the capabilities of the General Accounting Office when I was in the Army, I asked this agency of Congress to investigate the Pratt & Whitney and the Hamilton Standard strikes to see how much the

Government is being asked to pay for these strikes.

In June 1961 I received the report on the Pratt & Whitney strike, signed by Joseph Campbell, Comptroller General of the United States.

The Comptroller General's report analyzed five major components of the cost of these strikes. There are no doubt other components, but the Comptroller General identified the following: Costs for the recruitment of replacements, overtime premiums, production labor variance, the training of replacements, and spoiled work. All of these costs increased substantially during and after the strike over the targets agreed upon by the Navy and Pratt & Whitney. Overtime alone increased by $2 million.

Let me summarize the Comptroller General's report in his own words:

Pratt & Whitney's proposed final prices for engines and spare parts produced under fixed-price incentive contracts during 1960 exceeded the target prices negotiated by about $10.8 million. In an advisory audit report to the Bureau of Naval Weapons with respect to these price proposals, the Navy Area Audit Office estimated that, on an overall basis, Pratt & Whitney's final prices included strike costs of about $10 million. Under the incentive provisions of the contracts, Pratt & Whitney's share of such strike costs would be about $2.5 million and the Government would bear the remainder, or about $7.5 million.

According to the Comptroller General's report on the strike at Hamilton Standard, the taxpayer is being asked to pay strike costs of $1.5 million.

In other words, the United Aircraft Corp. has asked the Government to lay out $9 million to subsidize the cost of strikebreaking in its East Hartford, Windsor Locks, and North Haven plants in Connecticut. How much UAC is asking for strike costs in its other plants is still an open question.

Following the Comptroller General's report, I tried to find out how the Navy and the Department of Defense would react to this multi-million-dollar price tag. It would take the rest of the morning to describe to you the evasions, and the deceptions, and the labyrinth of obstructionism that I encountered in trying to get an answer to my question.

Finally I got the answer. In January, at a meeting in my office with representatives of the Departments of Labor, Defense, and the General Accounting Office, a Mr. Pilson, speaking for Defense, said that under established policy, the Navy, during the period of the strike, authorized management to expend additional funds for overtime premiums, recruitment, production variance, training, and excessive spoiled work. This authorization permitted expenditures above target prices. Under this policy, Mr. Pilson said, strike costs uncovered by the General Accounting Office will be paid by the Government. Furthermore, he volunteered that "a prudent contractor anticipating a labor dispute would include certain contingencies in his target prices and the Government would pay these costs."

There you have it. It is the clearly stated policy of the Department of Defense that if there is a labor dispute in a defense plant, the Government is on the side of management, and the taxpayer—that includes the men on strike—will be expected to pay the major part of the cost of the strike. When a union bargaining agent sits at the bargaining table the gun pointed at his head is paid for by the Government.

This is the case history of one dispute. What is the situation in other disputes? How many millions of dollars has the taxpayer paid to break lawful strikes? I cannot tell you, but believe me, it is a lot.

During the fiscal year 1961, the Defense Department awarded $24.3 billion worth of prime contracts. Of this amount, 100 companies received $17.3 billion worth of prime contracts. There were seven major strikes in these latter companies—strikes involving $3.5 billion worth of defense contracts. It is very difficult to estimate how much these strikes cost the taxpayer, but if the Pratt & Whitney costs are used as a yardstick, then potentially these strikes could have cost the taxpayers at least $50 million.

But defense plants are not the only areas where the Government is a potential partisan in a labor-management dispute. The pilots of Southern Airways can testify with chapter and verse how the Government has worked against their interests in the current airline strike through subsidizing the pay of replacements. In my bill, H.R. 10697, I attempt to come to terms with this problem.

As the Government enters into other areas of our economy—for example, subsidies to railroads and other services—the power of unions to bargain effectively will be seriously curtailed. And as this trend continues, the rights of the individual and his bargaining organization will be subordinated to and finally destroyed by the demands of Government. Some say this is necessary. I do not agree.

The Government policymakers, inspectors, and contracting officers say that the overriding consideration is production and service. They argue that the national interest comes first. I do not believe the bureaucrats in Defense are competent to judge what is in the national interest. This can only be decided at the highest administration and congressional level.

One thing is certain—the present defense procurement policy is a far cry from our national interest.

Present policy promises to subsidize on management's behalf the failure of labor negotiations, and it thus destroys much of management's incentive to bargain in good faith. Present defense policy not only encourages strikes, it not only prolongs strikes, but as a result it curtails production when production is vitally needed. It wastes millions of the taxpayers' dollars that could be used for essential social and educational programs. It seriously erodes the power of collective bargaining and adds to our staggering unemployment. And it causes untold damage to the lives and the futures of thousands of working men and women and their families.

These problems are complex and do not yield to easy solutions. They will not be solved by 1 bill or by 100 bills, but we can begin.

We can begin the search for a new policy, a policy that will take the Government out of its partisan role and to assign it a more constructive, a more flexible, a more human role, a policy that is truly in the national interest.

In developing this new policy, the Government must address itself to certain urgent tasks. The Government must use more intelligent planning to level out the enormous fluctuations in the feast-or-famine defense industry. It must work to expose the myth that it has helped to create: the myth that says wage demands are inflationary. It must accept its responsibility to the workers who suffer from the fluctuations and shifts in defense needs by granting severance or relocation pay to the workers displaced. It must retrain the men whose skills have become obsolete in fast-changing defense technology. It must scrutinize its policy of heavy overtime allowances in labor surplus areas. And it must, through the NLRB, police rehiring policies following a strike.

I would further suggest that there is a pressing need for a standing committee, composed of representatives from labor, management, Congress, the administration, and interested segments of the public, to investigate the role of the Government as a consumer and to help develop this new and constructive policy.

To conclude, I am convinced that if Government were assigned a more positive and human role, management would discover in itself and in labor a new spirit of cooperation at the bargaining table, strikes would be few and shorter, overall production and employment would increase at a saving of millions to the taxpayers. Finally, the working men and women of America would achieve greater union security and greater economic justice.

Man is the most important concern of government. As great as America is, we can have a better life.

The text of H.R. 10341 is as follows:

[87th Cong., 2d sess.]

H.R. 10341

In the House of Representatives, February 21, 1962; Mr. KOWALSKI introduced the following bill, which was referred to the Committee on the Judiciary:

A bill to amend the Act of June 30, 1936, the Walsh-Healey Act, to disallow certain items of excessive costs incurred by contractors and directly attributable to the employment of individuals to replace employees engaged in a strike against such contractor.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the first section of the Act of June 30, 1936, as amended (41 U.S.C. 35), is amended by redesignating paragraphs (a) through (e) thereof as paragraphs (1) through (5), respectively; by inserting "(a)" immediately before "in any contract made and entered into by an executive department"; and by adding at the end thereof the following new subsections:

"(b) In all contracts for procurement of personal property made and entered into by any agency of the United States (other than contracts for procurement on a fixed-fee basis), there shall not be included as an allowable item of cost any costs incurred

by the contractor which are directly attributable to the employment of individuals to replace employees engaged in a strike against the contractor, including but not limited to costs of excessive spoilage of material, costs of training replacements, costs incurred in advertising for and employing replacements, and costs of overtime payments paid to such replacements which are in excess of those reasonably to be expected to have been paid the employees replaced.

"(c) No contract for procurement of personal property shall be made and entered into by any agency of the United States on a fixed-fee basis unless the contractor warrants that he has not included in the computation of the contract price any amounts for costs expected to be incurred by him and directly attributable to the employment of individuals to replace employees engaged in a strike against the contractor, including but not limited to costs of excessive spoilage of material, costs of training replacements, costs incurred in advertising for and employing replacements, and costs of overtime payments paid to such replacements which are in excess of those reasonably to be expected to have been paid the employees replaced.

"(d) The President, personally, or the Secretary of Defense, personally, may waive the application of subsection (b) or (c) of this section in the case of any contract entered into pursuant to chapter 137 of title 10, United States Code, or title III of the Federal Property and Administrative Services Act of 1949 where he determines that the national security so requires."

Bill of Rights Day

EXTENSION OF REMARKS

OF

HON. JACOB H. GILBERT

OF NEW YORK

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 29, 1962

Mr. GILBERT. Mr. Speaker, December 15 of last year—Bill of Rights Day—marked the 170th anniversary of the Ratification of our American Bill of Rights. In keeping with the great tradition of observing the anniversary of this historic ratification, a special ceremony was held at city hall in New York City under the auspices of the Bill of Rights Day Association.

Presiding at the exercises was the Honorable Edward D. Re, chairman of the Foreign Claims Settlement Commission of the United States, who brought from Washington, on this memorable occasion, the personal good wishes and congratulations of President John F. Kennedy. The 1961 Bill of Rights Day citations—awarded annually to outstanding businessmen, public servants, and leaders of our community for their devoted services in all walks of life—were this year given to Hon. Adlai E. Stevenson, U.S. Ambassador to the United Nations; Hon. Paul R. Screvane, deputy mayor of New York City; Dr. Harry D. Gideonse, president of Brooklyn College; and Mr. Raymond C. Deering, executive vice president of Hanover Trust Co. In the absence of Mayor Robert F. Wagner, Chairman Re presented these recipients and awarded them the Bill of Rights Day citations.

Mr. Speaker, the statements of each of these men on the meaning and importance of the Bill of Rights are particularly noteworthy. For, by their personal accomplishments, they themselves constitute a living tribute to, and an exemplification of, the highest ideals of personal, civic, and political liberty enshrined in our Bill of Rights.

It is in the spirit of Dr. Re's remarks calling for the attention of all Americans to the remarkable handiwork of the framers of our Constitution that made possible our American way of life, that I wish to offer these remarks to the people of our Nation. I am happy to join in the spirit of Bill of Rights Day by bringing to the attention of my colleagues and fellow Americans the tribute to our Bill of Rights by each of these outstanding Americans.

Mr. Speaker, the proceedings of the ceremony are as follows:

REMARKS OF HON. EDWARD D. RE, CHAIRMAN, FOREIGN CLAIMS SETTLEMENT COMMISSION OF THE UNITED STATES ON THE OCCASION OF THE AMERICAN BILL OF RIGHTS DAY OBSERVANCE, CITY HALL, NEW YORK CITY, FRIDAY, DECEMBER 15, 1961

This ceremony, in recognition of the 170th anniversary of the ratification of our Bill of Rights, is an occasion for profound thanksgiving to Almighty God and to the patriotic men whose wisdom and foresight gave to America a legacy of liberty and freedom. It is in this spirit that we, as Americans, do well to give public expression of our gratitude to the framers of our Constitution for their remarkable handiwork that has made possible our American way of life founded upon the solid bedrock of equality and justice for all.

It is indeed appropriate and necessary that we are reminded in this solemn manner of the priceless heritage that they thereby made possible for themselves and for all future generations. And when the origins of this heritage, and the freedoms that it assures, are obscured by the passing of time or attitudes of indifference and dispassion, a ceremony commemorating the ratification of the Bill of Rights assumes special importance and significance.

THE MEANING OF THE BILL OF RIGHTS

It is befitting to be reminded that it is the Bill of Rights that forms the foundation of our civil and political liberties and is the supreme law of the land which guarantees the personal freedoms of all Americans, regardless of one's station in life, religion, or the accidents of race, color, or national origin. It serves a valuable purpose to recall that it is the Bill of Rights that furnishes the moral influence and the legal authority for the equality of treatment and equality of opportunity enjoyed by all Americans.

It is therefore fitting that the anniversary of the ratification of the first 10 amendments to the Constitution, our Bill of Rights, should be remembered by the Nation that for 170 years has reaped the immeasurable blessings of life and liberty that are enshrined in that charter: freedom of religion, freedom of speech, freedom of the press, freedom of assembly, and the free right to petition the Government for a redress of grievances.

Those who have long enjoyed these freedoms must never forget that men have gained them only after great struggle, and have died to preserve them. We who have seen these rights and privileges lost in other continents and countries can now better appreciate their true meaning and the emptiness of life without them.

By these realizations we are strengthened in the unalterable determination that in America such rights and privileges will never be lost, curtailed, or weakened.

SIGNIFICANCE OF THE BILL OF RIGHTS AWARDS

The American Bill of Rights Day Association is today extremely proud of the distinguished recipients of the Bill of Rights Award for the year 1961. In honoring the Honorable Adlai E. Stevenson, this country's Ambassador to the United Nations, for his public record as statesman and leader which stands as a monument of achievement and dedication to the principles enshrined in the Bill of Rights—in paying tribute to the Honorable Paul R. Screvane, deputy mayor of New York City, for his understanding and devotion to the ideals expressed in the Bill of Rights in both public and private life—in citing Dr. Harry D. Gideonse, the president of Brooklyn College, for his dedication to our way of life and our system of public higher education which has developed the great municipal college in Brooklyn, and greatly advanced the cause of education in the State and the Nation—in honoring Mr. Raymond C. Deering, executive vice president of Manufacturers Hanover Trust Co., for his contribution as an outstanding banker, financier, and philanthropist—the American Bill of Rights Day Association has singled out outstanding Americans whose achievements in their respective fields symbolize true Americanism and illustrate the greatness that may be achieved in a free society founded upon our Bill of Rights.

THE UNIVERSAL DECLARATION OF HUMAN RIGHTS

It is also significant that this Bill of Rights Day celebration by the people of New York City follows the 13th anniversary of the adoption of the Universal Declaration of Human Rights by the United Nations General Assembly. This great declaration also stands as a permanent testimonial to the undying quest of all mankind for civil, political, and personal liberty. And to us assembled here today, it is indeed a humbling thought to realize that this universal declaration—embodying the ultimate ideals and goals of all mankind—is itself founded upon our own Bill of Rights and our own Declaration of Independence. The legacy of our Bill of Rights thus deserves not only our debt of gratitude, but that of all mankind.

May we therefore depart from this solemn ceremony with the renewed determination to strive to extend to all people the freedoms and liberties that we have secured for ourselves. Only thus may it be said that we are truly worthy of the benefits that we reap from the past—and the responsibilities that we owe to the future.

THE BILL OF RIGHTS DAY MESSAGE OF PRESIDENT JOHN F. KENNEDY

Distinguished guests, honored recipients, ladies and gentlemen, and fellow Americans, it is my honor at this time to read the message of the President of the United States and to extend the President's congratulations to the award recipients. The President's message reads as follows:

"Twenty years ago President Roosevelt proclaimed the first Bill of Rights Day to remind us of our heritage of freedom and our charter of liberty.

"In our complex and difficult world today it is more important than ever to keep in mind this document of democracy.

"To the schoolchild, the words of the Bill of Rights only begin to have meaning—his concept of our country is just growing. To the lawyer, each phrase has its elaborate history of constitutional development and refinement. But to most of us, the Bill of Rights means freedom. It is a document whose four corners hold the ideas by which we live and for which many have given their lives.

"It is particularly fitting that the Bill of Rights Day Association has selected this day to honor a group of distinguished Americans. Please extend my congratulations to Governor Stevenson, Paul Screvane, Dr. Harry Gideonse, and Raymond Deering."

PRESENTATION OF THE RECIPIENTS OF THE BILL OF RIGHTS DAY AWARDS

Ladies and gentlemen, at this time it would be my great privilege and pleasure to introduce to you the mayor of the city of New York. Traditionally it has been Mayor Wagner who has made the presentation of the awards to the respective recipients. This year the mayor cannot be with us and therefore I normally would have had the equally great pleasure of introducing the deputy mayor who, as we all know, presently enjoys the additional title of president-elect of the city council. But as it develops, the deputy mayor, Mr. Screvane, is also one of the recipients of this year's Bill of Rights Awards. Therefore, it will be my added privilege to present to this audience the recipients of this year's Bill of Rights Awards and to read the citations.

I will therefore ask Governor Stevenson to kindly rise while I read the citation that is printed on this award:

CITATION, 1961 BILL OF RIGHTS DAY AWARD TO HON. ADLAI E. STEVENSON, U.S. AMBASSADOR TO THE UNITED NATIONS

"The Honorable Adlai E. Stevenson, U.S. Ambassador to the United Nations, whose wide interest and wholehearted participation in the civic and political life of the community, State and Nation have helped make our country a better place in which to live; whose understanding and devotion to ideals expressed in the Bill of Rights as exemplified in his public life have won for him the everlasting appreciation of all Americans; whose public record as Governor and Ambassador is a monument of achievement and dedication to the principles enshrined in the Bill of Rights; whose keen awareness of the true responsibilities of Government have made possible a better appreciation of the American way of life in the interest of world peace and understanding."

Ladies and gentlemen, the Honorable Adlai E. Stevenson.

Governor STEVENSON. Professor Re, Mr. Screvane, Dr. Gideonse, and Mr. Deering, ladies and gentlemen, I count this a very great honor that you have done me this morning. I am also profoundly flattered by the inscription on this citation that you have just read. I take great pride and satisfaction that you consider me worthy of such sentiments. It is not, however, this citation alone which is my principal satisfaction today. It is the fact that here in New York, and throughout the country as well, Americans are once again observing the anniversary of one of the most precious jewels in our country's crown. Our farms and our factories may give us our living, but the Bill of Rights gives us our life. So I am happy to join with you today, not only in observance but also in a rededication. To me, any celebration of the Bill of Rights is an occasion for pledging ourselves anew to the principles which it affirms. For the true glory, I suspect, of our Bill of Rights and our Constitution is not in the words that were written 170 years ago, but in the deeds—the sometimes difficult deeds—that we perform under its mandate, today and every day. Thank you, Dr. Re.

CITATION, 1961 BILL OF RIGHTS DAY AWARD TO HON. PAUL R. SCREVANE, DEPUTY MAYOR OF NEW YORK CITY

Dr. RE. Thank you very much, Governor Stevenson. I wonder if I may call upon Deputy Mayor Paul R. Screvane to rise while I read the citation inscribed on his award:

"Hon. Paul R. Screvane, deputy mayor of New York, whose wide interest and wholehearted contributions to the civic and government life of our city have helped make New York City a better place in which to live; whose awareness of the responsibilities of government has resulted in numerous improvements and betterments for the common welfare; whose understanding and devotion to the ideals expressed in the Bill of Rights as exemplified in his public and private life have won for him the everlasting appreciation of all Americans in general and all New Yorkers in particular."

Ladies and gentlemen, the Honorable Paul R. Screvane.

Deputy Mayor SCREVANE. Thank you very much, Professor Re. Ambassador Stevenson, Dr. Gideonse, Mr. Deering, distinguished guests, ladies and gentlemen, I am especially honored to receive this citation today in this beautiful room here in city hall, a building which is part of the heritage of our great city of New York. This is a work of art. Ambassador Stevenson earlier, when he was in my office, prayed the day doesn't come when the bulldozers might take care of this magnificent structure.

We look upon the Bill of Rights as our most precious gift, one which sets the framework for the freedoms we enjoy here today. As we preserve all of the great works of our country—written words, structures—I think this is the opportunity, on a day such as this, to rededicate ourselves and to fight with everything at our command, to see that these cherished rights are preserved here, in our own beloved United States, and, insofar as is humanly possible, are granted to all the peoples of the world. Certainly, it is appropriate, at this time, as we view the international scene and we see nation after nation in which these fundamental rights have been destroyed, to reaffirm our faith in our country and, as the Ambassador said, to rededicate ourselves, so that our country will never suffer the same fate as those imprisoned behind the Iron Curtain. This can only come about by the sincere and dedicated effort of our American people. We must start, very obviously, with our children in the schools.

I am honored, I am delighted to be singled out to receive this citation today and to participate in these magnificent ceremonies. I want especially to thank our talented singer who rendered the national anthem and our great department of sanitation for the wonderful music they have provided today. Thank you very much.

CITATION, 1961 BILL OF RIGHTS DAY AWARD TO DR. HARRY D. GIDEONSE, PRESIDENT OF THE BROOKLYN COLLEGE

Dr. RE. Thank you very much, Deputy Mayor Screvane. Will Dr. Harry D. Gideonse please rise while I read the citation inscribed on this award:

"Dr. Harry D. Gideonse, president of the Brooklyn College, whose leadership, wide interest and wholehearted participation in the civic and cultural life of the city of New York and of the Nation have helped make our community and Nation a better place in which to live; whose dedication to the American way of life and to our system of public higher education helped to develop the very best talents of all students in a great municipal college in the Borough of Brooklyn; whose awareness of the responsibility of government in the field of higher education has helped to fulfill America's promise of equality of opportunity to all; whose qualities of heart and mind and dedication to the principles of equality and justice for all have earned for him the gratitude of all Americans."

Ladies and gentlemen, President Gideonse of Brooklyn College.

Dr. GIDEONSE. Mr. Chairman, honored guests, I came here to listen and not to speak. The Bill of Rights is the most important part of the Constitution. To men like Thomas Jefferson its addition to the Constitution was a condition of his willingness to accept the Constitution itself. Jefferson and those who thought and felt the way he did, were somewhat frightened at the possibility of democratic government becoming despotic. Jefferson used to speak of unqualified democracy as majoritarian despotism, and he wanted a Bill of Rights to insure that the sheet anchor of individual freedom would be part of the Constitution itself.

The Constitution should say, as it does in the Bill of Rights, that there are certain, to the individual, sacred freedoms concerning which the majority was not even to discuss the possibility of legislative control of the minority. This is the document that we are honoring here today and I am very happy with the Deputy Mayor's comparison with the architecture of this building. The Bill of Rights is—like the building—something that has come as the development of a tradition over time, every word in it clarified by controversy, by political and legal struggle, by sacrifice even of life in the process of clarifying what it means to us today.

De Tocqueville once said "freedom is my passion." Freedom has been a passion to me all of my life and I am very happy to see in this citation a recognition of the work of a team of colleagues in building an institution that is, I hope, today a tower of strength because we have succeeded in making a reality of the equality of opportunity that is the foundation of all the aspirations of the citizens of a free society.

Thank you, sir.

CITATION, 1961 BILL OF RIGHTS DAY AWARD TO MR. RAYMOND C. DEERING, EXECUTIVE VICE PRESIDENT, MANUFACTURERS HANOVER TRUST CO.

Dr. RE. Thank you very much, President Gideonse. May I ask Mr. Raymond C. Deering to rise while I read his citation:

"Mr. Raymond C. Deering, executive vice president, Manufacturers Hanover Trust Co., whose wholehearted and dedicated interest in community affairs has earned for him the appreciation and gratitude of the people of the city of New York; whose administrative and managerial skills and talents have helped develop a great banking institution in the city of New York for the benefit of the entire community; whose keen awareness of the needs of his fellow man has caused him to give of himself to such an extent that he truly deserves the recognition due an outstanding banker and philanthropist."

Ladies and gentlemen, Mr. Raymond C. Deering.

Mr. DEERING. Thank you, Professor Re. Mr. Ambassador, Mr. Screvane, Dr. Gideonse, ladies and gentlemen, it is indeed a high honor to receive this citation. Although at first banking may seem somewhat remote from the Bill of Rights, our American system of free enterprise, of which our free, competitive banking system is an essential part, could not exist without the fundamental guarantees of individual liberty provided by the 10 original amendments to our Constitution. If anyone is not aware of the importance of the Bill of Rights, let him read the press reports about life behind the Iron Curtain where the individual has no rights, and about the thousands of people who risk their lives to escape to freedom. To be sure, there is banking in those countries, but it isn't our kind of banking, because it isn't free enterprise. Free enterprise has made our Nation great, and will keep it great as long as the Bill of Rights endures. Thank you.

Dr. RE. Thank you very much, Mr. Deering. Ladies and gentlemen, it is my honor at this time to call upon Rabbi Elihu Michelson of the Jewish Welfare Board, to deliver the benediction. Rabbi Michelson.

BENEDICTION ON THE OCCASION OF THE BILL OF RIGHTS DAY CEREMONY, DELIVERED BY RABBI ELIHU MICHELSON OF THE JEWISH WELFARE BOARD

Rabbi MICHELSON. O God, and God of our fathers, we ask Thy blessing upon those of us gathered here, upon our city, State and Nation. May this great country ever promote Thy kingdom on earth, may it be a mighty advocate of justice, freedom, and peace among men. All men created in Thine

image thereby have innate worth and dignity. Make us sensitive to their rights as Thy children. So may we be worthy of Thy blessing now and in the long years which are to come, so may we help bring glory to Thy name, until the time when nation shall not lift up sword against nation neither learn war any more. Let us all say amen.

CONCLUDING STATEMENT OF DR. EDWARD D. RE

Dr. RE. Ladies and gentlemen, this concludes the ceremony. However, I would like to thank not only all of the distinguished ladies and gentlemen that have come here—some from Washington, others from near and some from far—but also the teachers from our public schools and our private schools that brought so many of their pupils here. I am very grateful for the cooperation that the association receives annually and I would like to thank once again Captain Rossini for having given so much of himself in having made this ceremony possible. Ladies and gentlemen, our final thanks are to Commissioner Frank J. Lucia and to Mr. John M. Celebre through whose good offices we are permitted to hear this beautiful music. Ladies and gentlemen, thank you very, very much.

Lightning on the Left

EXTENSION OF REMARKS
OF
HON. DURWARD G. HALL
OF MISSOURI
IN THE HOUSE OF REPRESENTATIVES

Thursday, March 29, 1962

Mr. HALL. Mr. Speaker, under leave to extend and revise my remarks I wish to insert my "Report from Washington" dealing with the issue of "Lightning on the Left":

While a great deal of attention has been focused on the so-called thunder on the right, the nation has received very little information regarding the lightning on the left.

Consider the recent publication of a book by Doubleday entitled "The Liberal Papers." Written by 12 Democrat Congressmen, here are a few of the foreign policy recommendations advanced by its authors:

Recognition of Red China and her admission to the U.N.; Recognition of Red China's claim to Formosa and the Pescadores; financial aid for Red China; Expulsion of West Germany, Italy, Scandinavia, and France from NATO; shutdown of American missile bases in Europe; Invitation to Russia to plug in on a bidirectional DEW line (our radar warning network against nuclear attack).

The Communists, in their wildest dreams, never hoped for such concessions.

Still another quote from "The Liberal Papers":

"As the cold war continues, it becomes increasingly difficult for decent Americans, humane enough to prefer peace to an egocentric national honor, to be outspokenly and genuinely anti-Communist."

The sponsors of these incredible views include Chester Bowles, Presidential foreign policy adviser; Mr. Wolf and Mr. Johnson, who are officials of AID (Agency for International Development); and Marcus Raskin, an employee of the National Security Council, our highest level strategic planning agency.

Still another example of lightning on the left can be found in the recent policy position by the Americans for Democratic Action:

"The administration should press forward with its proposed agreement banning atmospheric tests without inspection. Inspection at this time should not be made a condition of agreement."

It seems the ADA has forgotten that we did participate in such an agreement with Russia, and that they brazenly broke this agreement last October with over 40 nuclear blasts including a 58-megaton superbomb.

The ADA policy is far to the left of the instructions given to the disarmament negotiating team now representing this administration at Geneva. These instructions make inspection an absolute essential for any further nuclear test bans, and are basically sound.

Some of the other ADA policies call for: recognition of Communist China and its admission to the U.N.; shipment of surplus foods to Red China and a removal of trade barriers with that country; and a hands-off policy toward Cuba.

ADA has vigorously opposed all aid to Spain while in the same policy statement it has supported aid, including military equipment, to Tito's Yugoslavia.

ADA has condemned what it called the imperialist policies of the Netherlands and called for a cutoff of aid to the Dutch, but it has remained strangely silent about Indian aggression against Goa, Communist aggression against South Vietnam and Indonesia.

None of the persons associated with "Thunder on the Right" hold any positions of executive responsibility in Government, and those in the "irresponsible fringe" are hardly in a position to effect national policy.

On the other hand, the 35 ADA'ers in key administrative positions includes: Arthur M. Schlesinger, Jr., Presidential administrative assistant and a former national ADA chairman; Chester Bowles, Special Adviser to the President on Foreign Policy; G. Mennen "Soapy" Williams, Assistant Secretary of State for African Affairs; Philip H. Coombs, Assistant Secretary of State for Educational and Cultural Affairs; Jonathan B. Bingham, U.S. Representative on the U.N. Trusteeship Council; J. Kenneth Galbraith, U.S. Ambassador to India; James Loeb, U.S. Ambassador to Peru; Abraham Ribicoff, Secretary of Health, Education, and Welfare; Orville Freeman, Secretary of Agriculture; Theodore C. Sorenson, Special Counsel to the President; and Arthur Goldberg, Secretary of Labor.

The policy's advocated by the ADA and "The Liberal Papers" are reflected daily in important administration decisions.

Consider for example our virtual withdrawal from Laos, our 7-month delay in resumption of nuclear tests following the Russian test series of last October, sharply increased trade with the Communist bloc during the past year, continued foreign aid to such countries as Poland and Yugoslavia, our failure to act decisively following Brazil's confiscation of American property a month ago, the action of the President last April lifting regulations to curtail free mail delivery of Communist propaganda, substantial American contributions to various U.N. agencies which furnish direct financial and technical assistance to Communist countries including Cuba, our U.N. vote against Portugal with the possible repercussions against our use of the vital air base in the Azores, and so on * * * ad infinitum.

Certainly rightists are not always right and should exercise more responsibility than has been evidenced on some occasions in the past, but they are not in power or in position to damage good government. Has the time not come when the Washington press corps should awaken to the lightning on the left?

Foreign Oil Imports

EXTENSION OF REMARKS
OF
HON. ELIZABETH KEE
OF WEST VIRGINIA
IN THE HOUSE OF REPRESENTATIVES

Thursday, March 29, 1962

Mrs. KEE. Mr. Speaker, yesterday the very able and distinguished Director of the Office of Emergency Planning, Mr. Edward A. McDermott, assured the National Coal Policy Conference that his Office is maintaining a constant surveillance of the mandatory oil import control program. While I can appreciate that Mr. McDermott's position in this regard is confined to the national security aspects of imports and their effect on domestic fuel capacities, I think it important that the OEP acquaint itself with the full impact of residual oil imports on America's coal mining companies.

Many mines in West Virginia are working only 2 or 3 days a week; governmental studies would therefore be inclined to assume that these mines would be ready for full production in the event of an emergency. The fact is that some of the mines not working regularly may be close to the breaking point and could go out of business on extremely short notice. Perhaps the quickest way for Mr. McDermott to familiarize himself with these implications of the national fuels problem would be to note carefully the statement presented to the House Ways and Means Committee last week by the Honorable Thomas Kennedy, president of the United Mine Workers of America. Mr. Kennedy, using statistics that were compiled in the bitter experience of mine closures and layoffs that have plagued coal-producing States for a decade and a half, warned that the recent increase in residual oil import quotas is another step toward what he called the eventual destruction of the coal industry in America.

It is a dangerous and disheartening thing to witness the gradual but rapidly accelerating disintegration of the coal industry and the States that depend upon that industry for a livelihood—

Mr. Kennedy said.

Mr. Speaker, under prevailing conditions, international oil interests are literally dictating how much employment will be available in West Virginia's mining areas. As shown in Mr. Kennedy's testimony, these imports are expropriating—or confiscating—3 million mandays of work for coal miners annually. When losses to railroads and other affected industries and businesses are added to the damage that foreign oil has inflicted on the coal industry, the impact on West Virginia's overall economy is staggering. Since 1947, when the first danger signs of the deadly effects of foreign oil on the American economy first were cited over the Atlantic coastline, a total of 2,172,227,000 barrels of residual oil entered U.S. markets. That figure includes shipments through last December 31 and does not include the more

than 60 million barrels that have already arrived at our ports thus far this year. In those 15 years, the floods from foreign refineries into east coast fuel markets amounted to more than one-half a billion tons of coal in energy equivalent. A very high percentage of that coal would have been mined in West Virginia, the Nation's foremost coal-producing State and principal supplier to New England and the other seaboard fuel markets.

Now that the Ways and Means Committee has heard Mr. Kennedy's story of distress directly attributable to residual oil imports, I hope that the new trade bill will contain guaranteed protection for the economy of coal-producing States. A reduction in imports is imperative so far as West Virginia is concerned.

I commend to your attention the remarks of Mr. Kennedy before the Ways and Means Committee. They will be included when the report is ready and I trust that my colleagues will be watching out for it. His prepared statement, which was made available to a number of Members of the House and Senate, was an excellent presentation in itself, yet he contributed so much other information extemporaneously that the entire testimony should be studied carefully. I am sure that the office of Mr. McDermott can also profit handsomely from Mr. Kennedy's remarks. In gaining this information, the Office of Emergency Planning will be much better equipped to carry out its stipulated duties with regard to protecting the ability of the United States to provide the increased energy that will be necessary in any emergency.

Central Ohio Public Opinion Poll

EXTENSION OF REMARKS
OF
HON. SAMUEL L. DEVINE
OF OHIO
IN THE HOUSE OF REPRESENTATIVES
Thursday, March 29, 1962

Mr. DEVINE. Mr. Speaker, under leave to extend my remarks, I am including in the CONGRESSIONAL RECORD my periodic newsletter dated March 28, 1962.

This newsletter gives the results of a public opinion poll reflecting the views of some of the people from the central Ohio area.

Twenty thousand questionnaires were mailed and 6,318 persons answered. This again demonstrates the keen interest of Ohioans in the affairs of this National Government.

DEAR FRIEND: The temperature is increasing here in Washington, not only with the arrival of spring and cherry blossoms budding, but in the legislative halls as more bills emerge from the committees for debate and vote.

By the time you receive this second newsletter of 1962, the controversial omnibus tax bill should be disposed of by the House. This legislation has been considered for weeks in the Ways and Means Committee, and now the Rules Committee has granted a closed or "gag" rule which means there will be 8 hours' debate, but no amendments are permitted.

This "gag" rule could very well spell doom for this proposal because there are at least three areas, including the 20 percent withholding tax on dividends, interest, and savings, which should be reexamined. (On this latter subject, I have received nearly 3,000 letters in the last 3 weeks, and only 7, thus far, favor this provision.) In its present form, I intend to vote against this bill.

Spending continues to dominate the thinking in Washington. It looks like this fiscal year will end June 30 with a deficit approaching $10 billion. In case there is any doubt, deficit means your Government is spending a great deal more than it is taking away from you in taxes; this is often called fiscal irresponsibility and properly so. There are several ways to solve this problem: Raise taxes or reduce expenditures. I am sure the latter course is much more appealing to you as you have so often expressed in your letters to me for over 3 years.

After the Revenue Act of 1962 is concluded this week, we will have the routine appropriation requests, together with many of the bills proposed by the President. The foreign aid bill will request nearly $5 billion, but the final amount is purely speculative at this time.

Reciprocal trade and related tariff matters have been in hearing since March 12, again before the Committee on Ways and Means. With the European Common Market, the trade policies of this country must be closely reviewed to determine what is in the best interest of the wage earners, business, and the whole economy of our Nation. There is also the important underlying issue of a further transfer of power from the legislative to the executive branch of the Government. Without question, this is the most important legislation facing this session of the 87th Congress.

Further, the much publicized medical care legislation is pending before the Ways and Means Committee. Much has been claimed relative to the benefits senior citizens will receive under the King-Anderson bill (H.R. 4222). In fact, there will be a Cecil B. De Mille-type extravaganza produced in Madison Square Garden, N.Y., May 20, by the promoters of the compulsory social security-type program. Everyone is certainly entitled to express his opinion as to the merits of any proposed legislation; and, in order that there be no misunderstanding of the King-Anderson bill, you should know it does not pay for physicians' services at home, office, or in hospital; it does not pay surgeons' bills; it does not pay for dental care; it does not pay for drugs and medicines outside of hospital or nursing home; it does not provide your exclusive choice of diagnostic physicians; it does not provide any benefits for over 4 million senior citizens who are not receiving benefits under social security. It does provide hospital and nursing home care, but the recipient must pay a minimum of $20 and a maximum of $90 on the basis of $10 a day for each of the first 9 days.

The return of questionnaires on the public opinion poll which accompanied the January 17 newsletter was another demonstration of the keen interest central Ohio people have in the affairs of their Government—the response of 31.6 percent, which is well above the congressional average. Many of you have requested the results of the poll which I am happy to set forth below:

1. Medical, hospital, and nursing benefits for senior citizens compulsory social security system: Yes, 21.4 percent; no, 70.5 percent; undecided, 8.1 percent.

2. Federal aid to education on public school level: Yes, 18.5 percent; no, 77.1 percent; undecided, 4.4 percent. Private or parochial school level: Yes, 5.1 percent; no, 92.1 percent; undecided, 2.8 percent. College level: Yes, 23.7 percent; no, 67.4 percent; undecided, 8.9 percent.

3. Authorize President to purchase $100 million in United Nations bonds: Yes, 10.8 percent; no, 81.6 percent; undecided, 7.6 percent.

4. Increase in postal rates of 25 percent to meet Post Office deficits: Yes, 49.7 percent; no, 41.6 percent; undecided, 8.7 percent. (Passed House, now in Senate.)

5. Free mailing of Russian propaganda as matter of reciprocity: Yes, 3.6 percent; no, 93.6 percent; undecided, 2.8 percent. (Rejected in House, now in Senate.)

6. Foreign aid to Communist controlled or satellite countries: Yes, 3 percent; no, 94.2 percent; undecided, 2.8 percent. Neutral countries: Yes, 30.9 percent; no, 56.5 percent; undecided, 12.6 percent. NATO countries: Yes, 62.5 percent; no, 25.2 percent; undecided, 12.3 percent.

7. Create Department of Urban Affairs and Housing: Yes, 9 percent; no, 80.9 percent; undecided, 10.1 percent. (Rejected by House by vote of 264–150.)

8. Relaxation of tariffs and trade restrictions: Yes, 24.8 percent; no, 56.1 percent; undecided, 19.1 percent.

9. Shipping exports such as surplus foods, ball bearings, jet aircraft, locomotives, etc., to Communist controlled or satellite countries: Yes, 3.3 percent; no, 94.7 percent; undecided, 2 percent.

10. Continued nuclear testing by U.S. Government: Yes, 85.7 percent; no, 8.3 percent; undecided, 6 percent.

The following persons from our area have visited our Washington office since our last newsletter: John E. Compson, Mrs. Evaline Grant, Mrs. J. S. Summer, Mary Louise Briscoe, Herbert G. Davis, Cameron E. Williams, Ruth Hill, Lucille Walston, Evan E. Williams, William S. and Richard Rambo, Mr. and Mrs. Harry Hofheimer and sons Steve, Craig, and John, Enoch R. Rust, Howard P. Chester, R. F. Dreyer, A. E. Dewey, Mr. and Mrs. George A. Roberts, Fred Presutti, Daniel H. Dunbar, Tim A. Wilder, George W. Rowe, Victor E. Vaile III, Richard S. Mann, Jim Burtch, Thomas Palmer, Melinda Kuntz, W. M. O'Neill, Jr., O. E. Anderson, Mr. and Mrs. Earl L. Hamilton, Martha Bush Park, Mr. and Mrs. Ernest W. Moser, Atlee J. Reeb, Mr. and Mrs. George D. Sriner, Bernard and Fred Davidorf, H. O. Parker, John W. Baker, John E. Senn, Richard I. Eidson, Joe Linville, Clyde Mann, Herschel White, Mr. and Mrs. Andrew J. White, Jr., Julie Kraft.

Mike Lewis, Byron Miesse, John Hines, Scott P. Burns, Dr. and Mrs. James J. Hughes, Pat Hone, Alan Norris, Richard H. Hamilton, Mr. and Mrs. Raymond A. Jacobs, Lynn W. Turner, Nancy L. Wesney, T. Ed. Waller, Marcus Long, Phil O'Day, F. M. Smetz, Jack Welch, William W. Stansbury, Guy Morrison, Ray E. Armstrong, Carl M. Poston, Jr., Dean W. Simeral, Stan Andrews, Mr. and Mrs. Harry Linebaugh and Harriet, F. W. Boulger, George Hahn, C. P. Sullivan, E. Padgette, F. W. Armstrong, Cynthia and Judith Yenkin, Vera L. Reynolds Tedrick, Susie M. Greenidge, Gary L. Jones, L. S. Rinehart, H. Joel Teaford, Mrs. James B. Campbell and Joan, Mr. and Mrs. Richard K. Hood, Mr. and Mrs. Joseph De Vennish and Joe, Julio, and Suzie, Mrs. J. C. Reddington and Bill, David D. White, John Moses, Donald H. Williams, Carter and Mrs. P. S. Jastram Whitney, Gilbert Coddington, William E. Grabiel, Robert H. Foster, Mr. and Mrs. Monroe Courtright, Robert E. Marshall, Floyd W. Will, Jerry L. Snowden, George W. Roloson, George U. Sanderson, W. Perry Rawn, Jack Cummins, Dwight W. Motis, Jack Teller, Charles E. Laird, Bert Ebright, E. F. Evans, Ralph Connell, William H. Haskett, Jack Cornish, E. Paul Howard, Paul S. Glawa, Lee Cook, Lindsay Evans, J. F. Harner, D. R. Foltz, W. L. Walker, C. W. Watts, J. W. Lehman, W. B. Marshall, R. G. Parkinson, Herbert T. Olpp,

J. Merle Brill, William E. James, W. V. Ashton, Richard E. Morris, Walter B. Harpule, Jack E. Gordon, Richard C. Arnold, M. G. Kearns, and J. D. Solt.

Sincerely,

SAMUEL L. DEVINE,
Member of Congress.

Federal Aid to Education Must Reach All Our Young People

EXTENSION OF REMARKS
OF
HON. JACOB H. GILBERT
OF NEW YORK
IN THE HOUSE OF REPRESENTATIVES
Thursday, March 29, 1962

Mr. GILBERT. Mr. Speaker, I am including in the CONGRESSIONAL RECORD my statement to the Committee on Education and Labor on the important subject of Federal aid to education, showing that continued Federal support of educational institutions which do not comply with constitutional principles is unconscionable and should be stopped without further delay:

STATEMENT OF HON. JACOB H. GILBERT, OF NEW YORK

Mr. Chairman and members of the Committee on Education and Labor, your committee has under consideration my bill, H.R. 668, which would provide that Federal aid be withheld from schools which discriminate between students by reason of their race, color, religion, ancestry, or national origin.

I appreciate the opportunity to speak in favor of this vitally needed legislation and to urge your support and favorable action.

In his message to the Congress concerning aid to education, President Kennedy stated: "Our progress as a nation can be no swifter than our progress in education. Our requirements for world leadership, our hopes for economic growth, and the demands of citizenship itself in an era such as this all require the maximum development of every young American's capacity." Please note the words "every American." They include Negroes, Puerto Ricans, and members of all minority groups in the United States now denied educational opportunities.

Your committee approved a $3.3 billion bill to help build public school classrooms and pay their teachers. There is another bill pending, providing for Federal aid to higher education which would cost many additional millions. Last year the National Defense Education Act was extended and broadened, and this authorized Federal expenditure of more than a billion dollars. In 1961, the Federal Government was obligated to expend $487,704,470 under our various education grants-in-aid programs. We should now take necessary action to insure that all the young people of this Nation share equally in the benefits such funds are meant to provide.

The Supreme Court has decreed that racial segregation in the public schools is inherently unequal, and has observed that the opportunity for education where the State has undertaken to provide it, is a right which must be made available to all on equal terms.

Under the segregated school system which has prevailed in many States, Negro children are denied the educational opportunities to which they are entitled. Lack of educational opportunity is one of the crucial factors handicapping the Negro in his struggle for equality. Records show that many are prevented from attending school at all; their schools are, in the main, small and substandard; their teachers do not have the training and teaching background demanded by schools of the white children. Negro children in numerous localities are required to travel many miles in order to attend the nearest Negro school. Obstacles of all kinds have been placed in the way of the Negro to prevent him from gaining the necessary learning which would enable him to reach his full potential as an educated person.

The practice of denying Negroes admission to institutions of higher learning is equally shocking. The report of the Civil Rights Commission dealing with denial of the equal protection of the laws in public higher education in 1960 is indeed an indictment of the whole American community. The Commission reported great progress in the past 20 years in eliminating denials of equal protection, but discrimination continues to be the pattern in the Deep South, and Negroes are the principal victims of such discrimination. The Commission reported that in Alabama, Georgia, Mississippi, South Carolina, Florida, and Louisiana, education for the Negro is indeed separate and unequal, not only at the college level but also in preparation for college. The Commission stated that "this inferior preparation of the Negro high school student in the segregated high school of the South helps perpetuate the problem of segregation and discrimination at the college level" and that "educational deprivation of Negroes is similarly transmitted from the educationally, economically, and culturally deprived parent to the child." It is reported that the United States has permitted southern legislatures to create separate land-grant colleges for Negroes and to channel almost all Federal funds for specific programs in such institutions to the separate white colleges. In the allocation of Federal money for research, for college housing and for educational institutes, white colleges and white students have been altogether disproportionate beneficiaries.

The Commission report concludes that "the total impact of Federal aid to public higher education in these States has been to increase the discrepancy between the amounts spent by the States themselves for white institutions as compared with Negro institutions."

The Commission made a clear recommendation that the Federal Government end financial aid to publicly controlled institutions for higher education which continue to discriminate on grounds of race, religion, or national origin.

Congress should provide that all Federal grant-in-aid programs involving education are to benefit all our youth, not just one segment of our population. The discrimination now prevailing in our institutions of learning based on color, race, religion, or national origin, must be eliminated.

I maintain that continued Federal support of educational institutions which do not comply with constitutional principles is unconscionable, and such support should be stopped without further delay.

Health Services for the Aged Under Social Security

EXTENSION OF REMARKS
OF
HON. VICTOR A. KNOX
OF MICHIGAN
IN THE HOUSE OF REPRESENTATIVES
Thursday, March 29, 1962

Mr. KNOX. Mr. Speaker, there has been considerable mail coming into my office regarding medical care for the aged under a compulsory approach within the framework of the Social Security Act. Some of the letters state that because of living on a limited income individuals do not have funds to pay doctor's bills and for the medicine that is prescribed by physicians, and with the enactment of the King-Anderson bill such services would be provided. Because of this apparent misunderstanding of the administration's proposed medical care program I devoted the contents of my March News Report to a description of the major provisions of this legislation.

Under leave to extend my remarks, I wish to insert into the RECORD the text of my report.

The report follows:

HEALTH SERVICES FOR THE AGED UNDER SOCIAL SECURITY

I have received considerable correspondence expressing either a pro or con view with respect to the proposal to provide medical care for the aged under a compulsory approach within the framework of the Social Security Act. Much of this mail indicates a misunderstanding of what the Kennedy administration's proposal on this subject would and would not do in the way of covering medical needs. For this reason I will devote the contents of this report to a description of the major provisions of the administration-proposed King-Anderson bill which would provide a limited compulsory health care program.

WHO WOULD BE ELIGIBLE

Only persons who have reached the age of 65 and are entitled to monthly social security benefits would be eligible for services under the program. There are nearly 4 million persons over 65 who are not eligible for social security benefits and who therefore could not receive medical care under the administration's plan.

WHAT MEDICAL SERVICES WOULD BE PROVIDED

Inpatient hospital services would be provided up to 90 days. This would include bed, board, drugs, and other supplies and services customarily furnished by the hospital. The patient would pay a deductible amount of $10 a day for each of the first 9 days with a minimum deductible of $20 and a maximum deductible of $90.

Nursing home services would be provided up to 180 days, which would be available after a patient had been transferred from a hospital. The services provided by the nursing home would include bed, board, nursing services, drugs and other services and which are customarily provided by such homes.

Home health services would be provided for up to 240 visits during a calendar year, which would be furnished by or through a public or nonprofit agency under a plan prescribed by a doctor, including nursing care, physical, occupational, and speech therapy, medical supplies (other than drugs) and appliances for temporary use, and certain part-time or intermittent home services.

Outpatient hospital diagnostic services which are customarily furnished by or through the hospital to its outpatients for diagnostic study would be provided with the patient paying $20 for each hospital outpatient diagnostic study.

WHAT MEDICAL SERVICES WOULD NOT BE PROVIDED

The plan would not pay doctor's fees except to the limited extent they may be covered as part of a hospital's services. The services that a patient's private doctor provides would not be covered. The patient would pay physician and surgeon fees. Calls to a doctor's office and house calls made by a doctor would be paid by the patient.

No drugs would be paid for unless they are provided as part of the hospital or nursing

home services, which would mean that the prescription of a doctor would still have to be paid for by an individual. No private duty nursing services are provided.

There is no coverage for services provided by mental or tuberculosis hospitals.

In essence what the proposal adds up to is the payment of the cost of hospital care and substitutes for hospital care within the limits prescribed.

FINANCING

The social security taxes now imposed with respect to an employee would be increased under the administration proposal by one-fourth of 1 percent, and three-eights of 1 percent for the self-employed. The taxable earnings base upon which one contributes to the social security fund now would be increased from $4,800 to $5,200 a year. An employee making $100 or more a week at the present time pays $150 in social security taxes this year, and under the present law this will increase to $174 next year and reach a maximum of $222 in 1968—with the employer paying like amounts. Under the medical care plan, the social security tax for both the employee and employer would rise to $201.50 next year and reach a maximum of $253.50 for each in 1968. The combined employer-employee rate of social security tax under the President's proposal would reach a total of 9¾ percent of payroll on January 1, 1968, without any further liberalization in the social security program beyond that proposed in the bill. The adequacy of even this financing arrangement has been contested by some actuarial experts.

Medicare

EXTENSION OF REMARKS
OF

HON. CLEVELAND M. BAILEY

OF WEST VIRGINIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 29, 1962

Mr. BAILEY. Mr. Speaker, under leave to extend my remarks in the RECORD, I include the following radio script under date of March 28, 1962, as a legislative proposal of the utmost importance to the people of the new First Congressional District which I am proud to represent. Each week in my radio report to my constituents I discuss items which I believe to be of prime interest to them. This week I spoke on an item in the President's legislative program; the so-called medicare bill, H.R. 4222.

The article follows:

MEDICARE

Ladies and gentlemen of the radio audience, today I would like to discuss with you one of the most important items of the President's legislative program; the so-called medicare bill, H.R. 4222. It is also known as the King-Anderson bill.

Every day I get letters from my district for and against health insurance for the aged under social security. Often they refer to the King-Anderson bill—which contains the President's proposal and is before the Ways and Means Committee of the House. This mail indicates that most people just haven't been told the facts about this proposal, so I would like to discuss today the need for such a plan, what the King-Anderson bill provides, who would be covered by it, and how the program would be financed.

There are 17 million people in this country over 65. Almost 173,000 of them are in West Virginia. As a group they have low incomes. As a group they have the most illnesses and the highest hospital and medical costs. Their ability to get, pay for and keep private insurance is less than for any other segment of the population. Older people postpone getting the medical care they need because they just don't have the money to pay for it. When a catastrophic illness does strike, it often wipes out the old persons' savings, takes his home if he has one, and drains the finances of his children and other relatives. No wonder the dread of being sick is such a worry to the older folks.

Better ways of helping the aged pay the cost of health care have to be found. There is almost complete agreement on that point. The disagreement comes on what method will be used. The present administration believes, and I agree with them, that the soundest, most inclusive and most efficient method is to establish a prepaid form of insurance under the social security system. This is what the King-Anderson bill would do.

I think we should make it clear from the beginning. The bill would not provide any care at all. It would simply provide a way of paying for care. The benefits spelled out in the bill are these:

First, it would provide up to 90 days of inpatient hospital service for each illness. This would be subject to a deductible amount—to be paid by the patient—of $10 a day up to 9 days (the minimum deductible would be $20 and the maximum $90).

Second, it would pay for up to 180 days of care in a skilled nursing home after transfer from the hospital. This would be subject to a maximum of 150 "units of service" with one "unit" equal to 1 day of hospital care and 2 days of skilled nursing home care. For example, if a patient used up all of his 90 days at a hospital he would be eligible for only 120 days of nursing home care.

Third, it would pay the cost of as many diagnostic services as might be required subject to a $20 deductible for each diagnostic study.

Fourth, it would provide up to 240 home health care visits a year. This includes intermittent care and therapy under a plan established by a physician.

Now it is obvious that the benefits I have just named will not include all the costs of illness, but it will take care of the brunt of them. Statistics show that it is the hospital costs that hurt, they make up 70 percent of the medical expenditures of older people.

Persons eligible for benefits would be all those 65 and over who are eligible for payments under social security and the railroad retirement law. Approximately 144,000 people in West Virginia would be immediately covered because that is the number now in the social security system. Such eligible persons have been blanketed in under all previous amendments to the social security law.

The plan would be self-financing and self-supporting. Workers in covered employment would have their payroll deduction increased by one-fourth of 1 percent on the first $5,200 of earnings instead of on the first $4,800 as is now the case. Self-employed persons would contribute three-eights of 1 percent.

Some of my letters refer to the Kerr-Mills program and say, "Let's stick to that." Well, as some of you know, last year West Virginia made a valiant effort to meet the medical care needs of our older people through the Kerr-Mills program. With the Federal Government putting up 80 percent of the cost, we found we could not afford an adequate MAA plan for our aged. So the program went on the rocks for awhile. Then the State legislature retrenched to a more limited coverage. We still don't know how we are going to come out financially. We do know that in December only 8,157 persons received MAA payments and the average payment was $41.37. I believe we will still need a Kerr-Mills program even if we do establish health insurance under social security. We will need it because we will have to take care of those who are truly "medically indigent" and who will not be eligible under the new plan. Since 83 percent of those 65 and over in West Virginia are covered by social security, we would expect the number to need MAA under Kerr-Mills to be comparatively small.

Some of my correspondents berate the Kennedy proposal as "socialized medicine." Frankly, I think this is nothing but a scare-word slogan adopted by those who want to defeat the bill. The bill would provide social insurance to help retired people to pay some of the costs of health care just as their present social security check helps them to pay for a roof over their heads and bread and butter.

I see nothing in the King-Anderson bill that would affect the physician-patient relationship. I see nothing which would interfere with the doctor's choice of the hospital to which he would send the patient. I like the fact that the old person can receive payments when he needs care. He wouldn't have to prove poverty or exhaust hard earned savings. He would simply collect the benefits which he helped pay for during his wage-earning period and which are his by statutory right. What could be more fair or more American?

HOUSE OF REPRESENTATIVES

MONDAY, APRIL 2, 1962

The House met at 12 o'clock noon.

Dr. John Hayward, First Baptist Church, Logan, W. Va., offered the following prayer:

Isaiah 40: 31: *They that wait upon the Lord shall renew their strength; they shall mount up with wings as eagles; they shall run and not be weary; they shall walk and not faint.*

God of all goodness, grace, and glory who hath brought us to another day of decision, grant that Thy purpose and power might be demonstrated through these chosen Representatives of our beloved Nation.

May their plans and programs not only find favor in the sight of their fellow citizens, but may they do that which is well pleasing in Thy sight as well.

Renew the strength of all that call upon Thee. Guide, guard, and cleanse our people and lead us as a nation to be the servants of mankind. For we ask this in the name of the One who came not to be ministered unto but to minister, even Jesus Christ, our Lord. Amen.

THE JOURNAL

The Journal of the proceedings of Thursday, March 29, 1962, was read and approved.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Mr. Ratchford,