UTAH

Philip Peterson, Richfield.

VERMONT

Bertha M. Grailcourt, Marlboro.

VIRGINIA

Eugene O. Phillips, Covington.
Kathleen B. Branch, Dinwiddie.
Edward F. Riggins, Hampton.
Helen N. Merritt, Jetersville.

WASHINGTON

Laura H. Harris, Connell.
Florence M. Pressentin, Rockport.
Ray J. Balcom, Vancouver.

WEST VIRGINIA

Martha L. Ferrell, Bigbend.
Morris M. Homan, Franklin.
Nellie A. Wylie, Gap Mills.
George A. Biggs, Point Pleasant.

WISCONSIN

Roland L. Holtz, Algoma.
Alfred H. Habeck, Athens.
Charles E. Stokke, Barron.
Robert O. Westman, Bristol.
Dena C. Hayden, Marshfield.

WYOMING

John D. Tennant, Rock Springs.
Dessie A. Bebout, Shoshoni.

# HOUSE OF REPRESENTATIVES—*Wednesday, June 19, 1968*

The House met at 12 o'clock noon.

The Reverend Timothy Dwyer of the Order of St. Benedict of St. Mary's Priory, Newark, N.J., offered the following prayer:

We pray to You, O God of wisdom and justice and through whom authority is rightly administered, laws enacted. Assist with Your Holy Spirit of counsel and fortitude the President of the United States and Members of Congress that their administration may be conducted in righteousness by the faithful execution of the laws in justice and mercy. Let the light of divine wisdom direct the deliberations and shine forth in all the proceedings and laws framed for our rule and government that they may tend to the preservation of peace and the promotion of national happiness. May Your divine wisdom be given to all our Representatives in all issues that concern the welfare of our people and may it continue to preserve our right to life, liberty, and the pursuit of happiness.

## THE JOURNAL

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

## MESSAGES FROM THE PRESIDENT

Sundry messages in writing from the President of the United States were communicated to the House by Mr. Geisler, one of his secretaries, who also informed the House that on June 17, 1968, the President approved and signed a joint resolution of the House of the following title:

H.J. Res. 1298. Joint resolution authorizing the National Commission on the Causes and Prevention of Violence to compel the attendance and testimony of witnesses and the production of evidence.

## MESSAGE FROM THE SENATE

A message from the Senate by Mr. Arrington, one of its clerks, announced that the Senate had passed without amendment bills of the House of the following titles:

H.R. 1655. An act for the relief of Clara B. Hyssong;

H.R. 2270. An act for the relief of Capt. David Campbell;

H.R. 2455. An act for the relief of Dean P. Bartelt;

H.R. 2688. An act for the relief of the estate of Charles C. Beaury;

H.R. 4566. An act for the relief of Mary F. Thomas;

H.R. 4961. An act for the relief of Donald E. Crichton;

H.R. 5854. An act for the relief of Mrs. E. Juanita Collinson;

H.R. 6305. An act for the relief of Claud Ferguson;

H.R. 6890. An act for the relief of Lester W. Hein and Sadie Hein; and

H.R. 8088. An act for the relief of Willard Herndon Rusk.

The message also announced that the Senate had passed, with amendments in which the concurrence of the House is requested, bills of the House of the following titles:

H.R. 16162. An act to enable the Export-Import Bank of the United States to approve extension of certain loans, guarantees, and insurance in connection with exports from the United States in order to improve the balance of payments and foster the long-term commercial interests of the United States; and

H.R. 17104. An act to extend until July 15, 1969, the suspension of duty on electrodes for use in producing aluminum.

The message also announced that the Senate disagrees to the amendments of the House to the bill (S. 1401) entitled "An act to amend title I of the Land and Water Conservation Fund Act of 1965, and for other purposes," requests a conference with the House on the disagreeing votes of the two Houses thereon, and appoints Mr. JACKSON, Mr. ANDERSON, Mr. BIBLE, Mr. KUCHEL, and Mr. ALLOTT to be the conferees on the part of the Senate.

The message also announced that the Senate had passed bills and a joint resolution of the following titles, in which the concurrence of the House is requested:

S. 1164. An act for the relief of Rollo Oskey;

S. 1974. An act to amend the Federal Property and Administrative Services Act of 1949, as amended, and for other purposes;

S. 2026. An act for the relief of Yvonne Davis;

S. 2036. An act for the relief of Mrs. Aili Kallio;

S. 3058. An act to amend the Water Resources Planning Act to revise the authorization of appropriations for administering the provisions of the act, and for other purposes; and

S.J. Res. 160. Joint resolution to amend the Securities Exchange Act of 1934 to authorize an investigation of the effect on the securities markets of the operation of institutional investors.

## FATHER TIMOTHY DWYER

Mr. GALLAGHER. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

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

There was no objection.

Mr. GALLAGHER. Mr. Speaker, I should like to pay my compliments to Father Timothy Dwyer who has made our prayer for the day. Not only has he given inspiration to this House today, but he has also given great inspiration to the people of his community through a life of dedication to God and country for many years in New Jersey.

Father Dwyer celebrated his 40th anniversary as a priest on June 10, 1968. For 18 years, Father Dwyer served as pastor of Sacred Heart Church in Elizabeth, N.J. Presently, the father is serving as necrologist at St. Mary's Abbey in Newark, N.J. Aside from this work, Father Dwyer is a former faculty member of St. Benedict's Preparatory School; he has also functioned in various parishes throughout Union and Essex Counties in New Jersey.

Mr. Speaker, those who have had the honor of Father Dwyer's friendship and the inspiration of his guidance are indeed fortunate.

I wish to pay my tribute and the tribute of this House to him today.

## APPOINTMENT OF CONFEREES ON S. 1401, TO AMEND TITLE I OF THE LAND AND WATER CONSERVATION FUND ACT OF 1965

Mr. ASPINALL. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (S. 1401) to amend title I of the Land and Water Conservation Fund Act of 1965, and for other purposes, with a House amendment thereto, insist on the House amendment, and agree to the conference asked by the Senate thereon.

The SPEAKER. Is there objection to the request of the gentleman from Colorado? The Chair hears none, and appoints the following conferees: Messrs. ASPINALL, TAYLOR, JOHNSON of California, SAYLOR, and SKUBITZ.

## PERMISSION FOR COMMITTEE ON APPROPRIATIONS TO HAVE UNTIL MIDNIGHT, JUNE 20, TO FILE A REPORT ON LEGISLATIVE BRANCH APPROPRIATIONS, 1969

Mr. ANDREWS of Alabama. Mr. Speaker, I ask unanimous consent that the Committee on Appropriations may have until midnight, Thursday, June 20, to file a privileged report on the legislative branch appropriation bill for the fiscal year 1969.

Mr. LANGEN reserved all points of order on the bill.

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

There was no objection.

AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO

## AMERICAN PEOPLE BACK TAX INCREASE

Mr. TAYLOR. Mr. Speaker, I ask unanimous consent to address the House for 1 minute, to revise and extend my remarks, and to include extraneous matter.

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

There was no objection.

Mr. TAYLOR. Mr. Speaker, with the cost of living increasing as it is—with interest rates out of sight—with other nations questioning the soundness of the American dollar, we all know that it is most important that our budget be brought nearer into balance.

I have been hoping that this could be done by reducing domestic spending rather than by increasing taxes and have been voting to this end. But the budget is still deep in the red. The conference report which will be before us tomorrow may be the last chance that we will have this year to cast an effective vote for fiscal responsibility and for bringing the budget nearer into balance.

Still, we all know that a tax increase is unpopular and we are wondering what our constituents are thinking. To get an answer to that question, 2 weeks ago I mailed a questionnaire to the 147,000 boxholders in the 11th Congressional District of North Carolina. The first question was: "Do you favor the conference report providing for a 10-percent surtax and $6 billion reduction in spending?"

Frankly, I expected the majority to vote in the negative, since people will not vote for an increase in their taxes unless they are convinced that it must be done or that there are strong reasons demanding it. So far, more than 8,000 of the questionnaires have been returned and the results are surprising. Sixty-four percent of those responding have voted "yes," favoring the adoption of this conference report.

This renews my confidence in the willingness of the American people to make a personal sacrifice in the form of higher taxes when they are convinced that it is necessary.

## GUN-CONTROL LEGISLATION

Mr. FRIEDEL. Mr. Speaker, I ask unanimous consent to address the House for 1 minute, to revise and extend my remarks, and to include extraneous matter.

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

There was no objection.

Mr. FRIEDEL. Mr. Speaker, I rise to speak in behalf of strong gun-control legislation. Too long has this Nation lived with the terrible consequences of easy accessibility of firearms. Too long have we decried these consequences only to lapse back into apathy once the pain has subsided. And, too long have we rationalized our disgraceful behavior in the name of constitutional rights.

America is no longer a frontier housing unknown dangers that require each citizen to arm himself in defense of his home and family. We must rise above our own weaknesses and act to curb this instrument of fear and death. And we must do it without hesitation, without delay—we must do it now—this week, this day, this hour, this minute—now.

Mr. Speaker, I favor a strong firearms-control legislation that would prohibit the mail-order sale of every kind of firearms absolutely, and that further would require the registration of all existing firearms plus any purchased in the future; that would strongly regulate the sale or acquisition of firearms to minors and forbid such acquisition to criminals, narcotic addicts, mental defectives, and others whose possession is inimical to the public good.

I realize, of course, that such legislation is no panacea; that assaults and assassinations, mayhem and murders would not suddenly cease with its passage; but the progress of such crimes will be retarded. And if it did no more than identify us as a civilized society, conscientiously trying to cope with its problems, I would still support such a bill.

Mr. Speaker, let us pass such legislation and in the meantime dream of that time in the future when men will look back and wonder why anyone would have ever wanted or needed a gun in the first place.

## SOLIDARITY DAY MARCH

Mr. RYAN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from New York.

There was no objection.

Mr. RYAN. Mr. Speaker, today is the occasion of the solidarity day march of the Poor People's Campaign. I plan to join in the march to lend encouragement to the efforts of the Reverend Ralph Abernathy and the other leaders of the Poor People's Campaign to alert the Federal Establishment—both executive and legislative—to the urgent needs of the poor and the starving of this land.

The Poor People's Campaign has been plagued by difficulties, including the weather; it has had to fight to get its permit to camp on public land; it has been confronted with excessive confrontations of police power when it has exercised the right of peaceful assembly.

Yet, in many senses the campaign has achieved some measure of success. It has dramatized, and kept before the attention of Congress, the urgency of eliminating poverty in America. It has demonstrated the shortsightedness of our disordered priorities. And to its great credit, it has remained nonviolent.

I have been distressed by the reaction of too many Congressmen to the campaign. As I have said on past occasions, a poor people's lobby should be no less acceptable, although it camps in tents instead of hotels, and visits Congress wearing dungarees instead of suits.

For dramatizing the great unfinished business of America to the Congress and to the affluent public, the Poor People's Campaign should be commended, not condemned, and I look forward to participating in a great outpouring of conscience and concern today in the hope that the Federal Government will recognize the lateness of the hour and respond in a meaningful way.

## PERMISSION FOR SUBCOMMITTEE ON LIBRARY, COMMITTEE ON HOUSE ADMINISTRATION, TO SIT DURING GENERAL DEBATE TODAY

Mr. JONES of Missouri. Mr. Speaker, I ask unanimous consent that the Subcommittee on Library of the Committee on House Administration be permitted to sit during general debate today.

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

There was no objection.

## CALL OF THE HOUSE

Mr. HALL. 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. 192]

| | | |
|---|---|---|
| Anderson, Tenn. | Dulski | Reid, N.Y. |
| Ashbrook | Eckhardt | Reinecke |
| Ashley | Evins, Tenn. | Resnick |
| Ayres | Flynt | Rivers |
| Bolton | Hansen, Idaho | Rostenkowski |
| Bow | Holland | Ruppe |
| Celler | Jacobs | Ryan |
| Clawson, Del | Karsten | Scheuer |
| Collier | Kelly | Teague, Tex. |
| Conyers | McMillan | Thompson, N.J. |
| Corman | Minshall | Tunney |
| Cunningham | O'Hara, Mich. | Udall |
| Dawson | O'Konski | Vanik |
| Diggs | Pollock | Watson |
| | Pool | Willis |

The SPEAKER. On this rollcall 387 Members have answered to their names, a quorum.

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

## AUTHORIZING THE PRESIDENT TO ISSUE A PROCLAMATION DESIGNATING THE WEEK OF OCTOBER 13, 1968, AS SALUTE TO EISENHOWER WEEK

Mr. ROGERS of Colorado. Mr. Speaker, I ask unanimous consent for the immediate consideration of the joint resolution (H.J. Res. 1302) to authorize the President to issue a proclamation designating the week of October 13, 1968, as Salute to Eisenhower Week.

The Clerk read the title of the joint resolution.

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

There was no objection.

The Clerk read the joint resolution, as follows:

H.J. RES. 1302

Joint resolution to authorize the President to issue a proclamation designating the week of October 13, 1968, as "Salute to Eisenhower Week"

Whereas General of the Army Dwight D. Eisenhower commanded the Armed Forces of

the United States in the European Theater of Operations during World War II; and

Whereas his leadership and personal courage in that post served to create a land and sea force second to none, and inspired the military services with the concept of victory; and

Whereas once again American servicemen are engaged in combat in far-off lands for the preservation of the same principles of freedom, justice, and democracy which have been the foundation stones for our liberty; and

Whereas General Eisenhower, a former President of the United States, will celebrate his birthday on October 14, 1968; and

Whereas the Nation can, by celebrating the birth of a former wartime leader and President, give encouragement and inspiration to our present fighting men: Now, therefore, be it

*Resolved by the Senate and House of Representative of the United States of America in Congress assembled,* That the President of the United States is hereby authorized and requested to issue a proclamation designating the week of October 13, 1968, as "Salute to Eisenhower Week", and calling upon the people of the United States to observe such week with appropriate ceremonies and activities.

Mr. ROGERS of Colorado (during the reading). Mr. Speaker, I ask unanimous consent that further reading of the joint resolution be dispensed with and that it be printed in the RECORD.

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

There was no objection.

AMENDMENT OFFERED BY MR. ROGERS OF COLORADO

Mr. ROGERS of Colorado. Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. ROGERS of Colorado: On pages 1 and 2 strike out all "whereas" clauses.

The amendment was agreed to.

Mr. McCLORY. Mr. Speaker, I urge the unanimous adoption of House Joint Resolution 1302 to authorize the President to issue a proclamation designating the week of October 13, 1968, as "Salute to Eisenhower Week."

On October 14, 1890, Dwight David Eisenhower was born. It is fitting that on his 78th birthday we pay tribute to this fine American.

Few men in history have served their country and the world as well. As Supreme Commander of the Allied Expeditionary Force in World War II, his leadership, resolution, and personal courage guided us to victory and peace. In 1952, he again assumed a leading role in writing our history, this time as the 34th President of the United States.

During 8 years under his leadership, America was a unified nation. He inaugurated a program of "modern Republicanism," favoring international cooperation and domestic social reform. He guided the Congress in enacting the first major civil rights bill in this century, which opened the polling booths to all races.

He assumed his role as Commander in Chief in time of war and left that post in time of peace.

He thus proved himself to be one of the most popular and influential statesmen in our history—a man respected and loved by his fellowmen and a man whose leadership serves as a standard for our troubled times.

Mr. SNYDER. Mr. Speaker, in seeking out the finest qualities of leadership, I think we must agree that the tendency to heroism should be included on the list, together with true executive ability and, if possible, a genuine sense of modesty.

These have been the qualities of all the outstanding heroes of our national history, from George Washington, through Abraham Lincoln, to Dwight D. Eisenhower, all of whom could reach decisions with dispatch, carry them out firmly and without trepidation. And all of them would know, in the end, that they acted not as the agents of divine intelligence but merely as humble human beings acting on whatever talents they were fortunate enough to have at their command.

Such are the qualities of our great men, and such are the qualities we witness all too seldom in this age of turbulence, weakness, confusion, and periodic chaos.

It is therefore to the advantage of the country that we have the example of one of our greatest heroes to recall and to praise and salute. I refer to Gen. Dwight D. Eisenhower, whose record in battle inspired our country in time of war, and brought us from the brink of horror and destruction to the point of glorious victory. He brought us victory as a general. He brought us peace and prosperity as President of these United States.

General Eisenhower captured the spirit of the citizen-soldier, and therein lay the secret of his great popularity, which buoyed our Army and drove us on to victory. And how did he accomplish this? By bold, straightforward policies, unmixed with political pettifogging. He was uncomplicated and direct, and his soldiers loved him for it.

President Eisenhower captured the spirit of the citizens of this country—the voters—and therein lay the secret of his great popularity at home, which buoyed our country and brought us peace and prosperity. This he accomplished—in the same fashion as he accomplished his military success—by bold, straightforward policies—uncomplicated and direct. The American people loved him for it—and they still do.

Moreover, he was a winner.

He knew that war had only one purpose. To win. And when the war was over and General Eisenhower returned, to what could have been one of the greatest receptions ever given a conquering hero in the world's history, he requested and obtained a modest welcome. If he had wished, he could have paraded in every city in America—every city in the allied world, in fact—and he would have been assured of a cheering turnout wherever he appeared. But that was not his style. He knew that victory was his only purpose, and applause is not the stuff that victories are made of.

It is highly appropriate, I believe, that we have the chance of this occasion to enact a resolution honoring the military and Presidential performance of this remarkable American, Dwight D. Eisenhower.

At this moment, with American fighting men engaged across the seas, struggling for the same principles for which Dwight D. Eisenhower fought so brilliantly, only 20 years ago, we will do well to emphasize the spirit he engendered; the spirit of victory; the spirit of democratic triumph—a spirit that electrified the Nation in those dark days, and which, if permitted to flourish, will electrify the Nation once again.

I am pleased to be the author of House Joint Resolution 1302, to authorize the President to issue a proclamation designating the week of October 13, 1968, as "Salute to Eisenhower Week." I am pleased that so many of my colleagues have joined with me in cosponsoring this resolution.

Mr. GERALD R. FORD. Mr. Speaker, I believe all of the people of this Nation, regardless of political affiliation, look upon Dwight D. Eisenhower as the greatest living American.

General Eisenhower is deeply loved by the American people. Their great affection for him springs from tremendous admiration and respect for him as a strong leader both in war and in peace.

There is still another and most important reason why the American people cherish former President Eisenhower. That is his innate goodness, the inner light which shines forth from his character and proclaims to the world that this is a man who is morally upright and walks straight in the eyes of God.

Today the United States is tossed about on seas of trouble both at home and abroad. While Americans fight and die in Vietnam, U.S. cities shudder under the impact of reckless violence and widespread lawlessness.

Americans long for peace, at home and abroad.

Perhaps the greatest tribute to former President Eisenhower is that Americans know him as an architect of peace although he first achieved fame as a man of war and the most gleaming victory figure of World War II.

Americans today nostalgically look back upon the Eisenhower years in the White House as a time of domestic tranquillity and peace internationally, an era of calm and quiet when the great strength of the Eisenhower personality gave us peace and progress.

It is highly appropriate, therefore, in this present time of turmoil for America, that the Congress enact a resolution honoring Dwight D. Eisenhower for his great service to the Nation both as a military leader and as President.

It is particularly appropriate that we act at this time, when Dwight Eisenhower is battling against the effects of a heart attack. He has always been a fighter, and for this battle also we honor him.

I am proud to be a cosponsor of House Joint Resolution 1302, authorizing the President to designate the week of October 13, 1968, as "Salute to Eisenhower Week." I feel sure that every American supports this move to pay tribute to our greatest living citizen.

The joint resolution was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

Mr. ADAIR. Mr. Speaker, I rise in support of the resolution urging the President to issue a proclamation designating the week of October 13, 1968, as "Salute to Eisenhower Week."

As a matter of fact, three of my distinguished colleagues and myself introduced House Joint Resolution 1303 on June 12, to achieve this objective.

Words are inadequate to express properly the affection and admiration the American people have for former President Eisenhower. While his health at the moment is a matter of deep concern to all of us, this in no way overshadows the abiding faith and respect that we all hold for this great statesman and leader.

He is held in the highest esteem both here and abroad. We all look back upon those great years when he was President and the Nation was at peace.

Following the brilliant victory to which he led us and our Allies in World War II, the American people, with an overwhelming vote, elected him to the Presidency. His unflagging loyalty to his country, his inspiring statesmanship which stopped the "police action" in Korea, and the return to a prosperous peacetime economy, remain warm memories in the minds and hearts of his countrymen.

I believe that the adoption of this resolution to honor publicly General Eisenhower with a nationwide salute is most fitting and desirable. I am sure that all Americans will welcome this opportunity of paying tribute to one of the nation's great soldiers and statesmen.

## GENERAL LEAVE TO EXTEND

Mr. ROGERS of Colorado. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their own remarks on the joint resolution just passed.

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

There was no objection.

## PERMISSION FOR COMMITTEE ON APPROPRIATIONS TO HAVE UNTIL MIDNIGHT, JUNE 20, TO FILE A REPORT ON LABOR, HEALTH, EDUCATION, AND WELFARE APPROPRIATIONS, 1969

Mr. FLOOD. Mr. Speaker, I ask unanimous consent that the Committee on Appropriations may have until midnight Thursday, June 20, to file a privileged report on the Labor, Health, Education, and Welfare appropriation bill for the fiscal year 1969.

Mr. MICHEL reserved all points of order on the bill.

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

There was no objection.

## WAR ON POVERTY—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 363)

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 Education and Labor, and ordered printed with illustrations:

*To the Congress of the United States:*

America's War on Poverty is fought on many fronts, with many weapons. Dozens of programs span the entire spectrum of human need. They range from increased social security benefits to financial aid for slum schools; from medical care for the poor and aged to a higher minimum wage for the Nation's workers.

In their varying ways, all these programs have helped to improve the conditions of life for millions of Americans in the past five years.

With the Economic Opportunity Act of 1964, the Nation mapped a concentrated poverty-fighting strategy around two basic concepts.

The first was that assistance to the poor would be most meaningful in the form of expanded opportunities—in jobs, education, and training. Consequently, the programs of the Office of Economic Opportunity are designed to help a man increase his skill and earning power, and broaden his opportunity to participate in the mainstream of the country's economic and social life.

The second concept was that poverty can ultimately be defeated only by action at the local level—in the cities and towns and rural areas where it holds a paralyzing grip on people's lives. Programs and guidelines can be drawn up and administered in Washington and in regional and State headquarters. But their effectiveness depends on how they turn to action in the neighborhoods where the poor live.

This is the concept of Community Action. In principle, it means that the citizens of a community—government officials, welfare and other agency representatives, and members of the poor themselves plan and carry out comprehensive attacks on the causes and conditions of poverty in their area, tailoring a wide variety of special programs to the particular needs of that community.

The National Advisory Council on Economic Opportunity which the Congress established to review the operation of programs under the Economic Opportunity Act, focused its attention in its first year primarily on Community Action as an instrument to combat poverty. In its first report, which I am transmitting to the Congress today, the Council documents the effect of Community Action in practice.

The report tells what the antipoverty program has meant to a Mexican American migrant worker who lived with his wife and eight children in a shack in Visalia, California. When he could find work, he earned less than $2,200 a year. When he could not, his family existed on welfare.

He had never gone beyond grade school. But when an adult education course was made available—through a Community Action Program—he enrolled and earned the equivalent of a high school diploma.

He then signed up for another program and received on-the-job training as a butcher. Through still other programs he was able to get a low-interest loan for a decent home—and learn enough construction skills to help build the house himself and thus provide his equity with his own labor.

Locally organized counseling services gave him his first guidance in how to budget his newly-earned income, pay his debts, and start a savings account.

The effect on that man's life is nothing less than a shattering of the pattern of poverty and failure in which he and his children were born.

Not all the stories of success through these programs are as complete. For the great work we have undertaken to banish poverty from America must proceed against stubborn problems of long entrenchment.

But the great story of our day is that we *are* moving. The heartening success which has transformed the life of a migrant worker in Visalia is quietly reflected—at least in part—in the lives of millions of men and women and youngsters across this land.

Today there are about 1,000 Community Action Agencies operating in every part of the United States.

City and county government officials, school officers, health and welfare councils, and federally financed agencies are working with the poor for the first time to attack the roots of poverty. Neighborhood centers are being established and strengthened to provide greater access to social, health, welfare and other public services for those who need them most.

However difficult these accomplishments are to measure statistically, they have had great impact in terms of new hope, an increased sense of citizenship, and better days in the minds and the lives of many poor citizens.

I think it is vitally important that the American public understand what these programs have done and can yet do to break the cycle of poverty.

This report will contribute to that understanding. I am pleased to commend it to the attention of the Congress.

LYNDON B. JOHNSON.

THE WHITE HOUSE, *June 18, 1968.*

## THIRTEENTH ANNUAL REPORT OF BOARD OF ACTUARIES FOR RETIRED SERVICEMEN'S FAMILY PROTECTION PLAN—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES

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 Armed Services:

*To the Congress of the United States:*

I am pleased to transmit the Thirteenth Annual Report of the Board of Actuaries for the Retired Serviceman's Family Protection Plan.

The Plan, inaugurated 15 years ago, provides that servicemen may elect reduced retired pay during their lifetimes so that their survivors may receive annuities. The basic principle of this system is to compute these reductions in salaries by appropriate actuarial tables so that the Plan is self-supporting and imposes no cost to the Federal Government other than administrative expenses.

Participation in the Plan for each of the past three years is as follows:

| Year | Number retiring | Number participating | Percent |
|---|---|---|---|
| 1964 | 67,433 | 9,728 | 14 |
| 1965 | 57,285 | 9,062 | 16 |
| 1966 | 67,185 | 11,791 | 18 |

Legislation to strengthen the Plan has been proposed by the Secretary of Defense. I urge the Congress to take favorable action on this measure so that participation in this worthwhile Plan continues to rise.

LYNDON B. JOHNSON.

THE WHITE HOUSE, *June 19, 1968.*

## TRANSFER OF SPECIAL ORDERS IN TRIBUTE TO THE LATE HONORABLE ROBERT F. KENNEDY

Mr. TIERNAN. Mr. Speaker, I ask unanimous consent that the special orders of today granted to Messrs. CAREY, of New York, and BOLAND, of Massachusetts, for the purpose of paying tribute to the late Senator Robert F. Kennedy be transferred to June 26, 1968.

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

There was no objection.

## PUBLIC WORKS FOR WATER AND POWER RESOURCES DEVELOPMENT AND ATOMIC ENERGY COMMISSION APPROPRIATIONS, 1969

Mr. KIRWAN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 17903) making appropriations for public works for water and power resources development, including certain civil functions administered by the Department of Defense, the Panama Canal, certain agencies of the Department of the Interior, the Atlantic-Pacific Interoceanic Canal Study Commission, the Delaware River Basin Commission, Interstate Commission on the Potomac River Basin, the Tennessee Valley Authority, and the Water Resources Council, and the Atomic Energy Commission, for the fiscal year ending June 30, 1969, and for other purposes; and pending that motion, Mr. Speaker, I ask unanimous consent that general debate be limited to 3 hours, the time to be equally divided and controlled by the gentleman from Arizona [Mr. RHODES] and myself.

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

There was no objection.

The SPEAKER. The question is on the motion offered by the gentleman from Ohio.

The motion was agreed to.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 17903, with Mr. ASPINALL in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the unanimous-consent agreement, the gentleman from Ohio [Mr. KIRWIN] will be recognized for 1½ hours and the gentleman from Arizona [Mr. RHODES] will be recognized for 1½ hours.

The Chair recognizes the gentleman from Ohio [Mr. KIRWAN].

Mr. KIRWAN. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, we have before us today for consideration the public works for water and power resources development and the Atomic Energy Commission appropriation bill for fiscal year 1969. We really should change the title of the bill around, for 56 percent of the funds, or $2.5 billion, are for the Atomic Energy Commission. One billion four-hundred million dollars of the AEC amount is for the weapons program, including an increase of $281 million for new weapons requirements. Against the other programs of AEC, the committee has imposed a $218 million reduction in the budget request, or 17 percent, and a reduction of $253.7 million, or 19 percent, below the 1968 level of appropriations.

I regret that I must inform you today that this is not a good bill for meeting the urgent needs of our country for flood control, water supply, pollution control, and reclamation. In fact, I believe it is probably the poorest bill that I have brought before the House if we are to measure it in terms of the job that should be done to provide for the water resources needs of our country. The appropriations which we have recommended for construction by the Corps of Engineers and the Bureau of Reclamation are the lowest which Congress has approved since fiscal year 1962 and 1958 respectively for these agencies, despite the large existing backlog of urgently needed water resource projects.

Because of the serious fiscal situation facing our Nation, I do not feel that our committee—and its action was unanimous—had any alternative but to recommend the reductions that we have made in the bill. Other than the AEC weapons program, the funds provided for the other AEC programs and for water resources and power development are $409 million below the budget estimates and $471 million below the appropriations for the current fiscal year.

As we pointed out in our report on the bill, although we believe the reductions proposed in the water resource construction program are justified at this time, it must be realized that this action on the 1969 program, in addition to the stretchout already affected during the current fiscal year, will continue to result in very inefficient rates of project completion with resultant increases in total project costs and the loss of benefits that would accrue to the Federal Government.

EXPENDITURES

In our action on the bill we have given special consideration to the impact of the budget request for new obligational authority on expenditures during both fiscal year 1969 and subsequent fiscal years. Although we received testimony from over 1,100 witnesses in support of unbudgeted funding requirements for over 140 projects, we allowed no unbudgeted additions in any category.

The budget estimate provides for expenditures in fiscal year 1969 of $4.6 billion of which 55 percent pertains to the AEC programs. The estimate represents an increase of $251 million over the estimated expenditure level for fiscal year 1968. Although it is difficult to translate with precision reductions in new obligation authority into reductions in expenditures, the committee believes that the reduction of $409 million made in the bill in new obligation authority will result in an expenditure reduction of about $255 million, or about 6 percent below the budget estimate. This will result in expenditures of about $4.4 billion, or slightly less than the estimated expenditure level for the current fiscal year.

Although the reduced allowances for the water and power resources development programs covered by the bill result in an estimated expenditure reduction of about $92 million below the estimated 1968 level of expenditure, the AEC programs will result in net increased expenditures of about $88 million due to the expansion of the weapons program.

REDUCTIONS IN CONSTRUCTION PROGRAMS

Our committee conducted extensive hearings on the estimates over a 2-month period involving over 5,000 pages of testimony. Our objective this year, in light of the serious fiscal situation, was to scrutinize every activity and every project to determine where reductions could be made and still provide for essential requirements during fiscal year 1969, primarily the funding of contractors' earnings on going projects. I am convinced that any significant additional reductions beyond those which have been recommended by the committee can be made only by stopping construction on on-going projects. Except for about $25 million, the funds in the bill are earmarked for work now underway. Only 31 percent of the funds provided in the bill, or $1.4 billion, is for the construction agencies for water and power resource development, including the Corps of Engineers, the Bureau of Reclamation, the Bonneville Power Administration, and construction grants for waste treatment works under the Federal water pollution control program. For these programs, the committee has made a reduction of $154.5 million, or 10 percent of the budget request. The allowance represents a reduction of $217.6 million, or 14 percent, below the appropriation level for the current fiscal year.

As public works projects are funded on an annual basis only to the extent necessary to meet contractors' earnings, the appropriations allowed are required almost entirely to meet commitments on going contracts or essential follow-on contracts that must be let in fiscal year 1969 to protect work in place. As the result of the committee's action, all of the 1969 appropriations for major programs, except the AEC weapons programs and operations and maintenance items, have been reduced below the 1968 appropriation level. The only funds for new construction allowed in the bill, all budgeted, are $3,035,000 to initiate construction of seven small local flood control projects with a total cost of $30.1 million, and

$15,635,000 for initiation of construction on 19 budgeted projects approved in last year's bill but deferred until fiscal year 1969. In addition, the bill includes $1,988,500 to initiate planning on only 22 projects and $3,375,000 to initiate land acquisition on three projects to avoid price escalation.

UNDERFINANCING

The budgeted amounts for each project that are itemized in the tables included in the committee report under each construction appropriation item represent the programed amounts required to meet scheduled project completion dates. To assess the full magnitude of the effects of the allowances on these budgeted amounts programed for each project, it is necessary to consider not only the direct cuts, a minimum reduction of 5 percent, made by the committee in each project under the two major construction appropriation items for the Corps of Engineers and the Bureau of Reclamation, but also the overall undistributed reductions made at the end of each construction table. These represent the extent to which the totals shown for the individual projects are underfinanced, including underfinancing reflected in the budget estimates. This underfinancing, totaling $143.4 million, or 10 percent, for the various construction items in the bill, must be allocated to the individual projects by the agencies in the actual allotment of funds.

ALLOCATION OF REDUCTIONS

As stated in the committee report, it is expected that the deferral and stretchout of projects required under the various appropriation items to implement the committee's reductions will be made to the greatest extent possible in the less urgent and lower priority items, including those involving primarily recreation and fish and wildlife benefits. The committee has deleted funds for those projects where we felt continuation of funding at this time was not warranted. The balance of the projects which have been funded in the bill include a small number which appear less urgent because they involve primarily recreation and fish and wildlife benefits or because of cost increases and other factors have less favorable benefit-to-cost ratios than the other projects. The committee did not believe it was justified in terminating going work on those projects which still meet the economic feasibility standards. However, the committee does feel that within the limited funds made available every effort must first be made to maintain adequately the work level on the highest priority projects.

UNIFORM STANDARDS FOR WATER RESOURCES DEVELOPMENT

The committee is concerned at the lack of uniformity in the policies and procedures being followed by the various Federal agencies in the formulation and evaluation of water-resource projects in carrying out the principles set forth in Senate Document No. 97 of the 87th Congress. Some agencies, for example, fail to evaluate the very significant indirect and secondary benefits recognized in the document as essential to a valid determination of the economic feasibility of proposed projects. In some instances, additional possible project benefits are not fully evaluated once economic justification is established.

If the benefit-to-cost ratio is to serve a meaningful purpose, the uniform standards prescribed for project evaluation should be followed by all agencies, and the data furnished the committees of Congress should accurately reflect all primary direct and indirect benefits as well as the secondary benefits.

WATER RESOURCE DEVELOPMENT BACKLOG

The future adverse effects which will result from the current need to curtail drastically the funding of water resources development is best evidenced by the rising backlog in the programs involved.

It is estimated that construction of waste treatment facilities will be required in the next 5 years involving a Federal cost of $3.2 billion for pollution control, affecting 64 million individuals who have less than adequate facilities or no treatment facilities at all.

The current backlog of the Corps of Engineers for which funding must be deferred to subsequent fiscal years when the fiscal situation permits includes 132 authorized projects on which planning has not started with a cost of $2.6 billion; 121 authorized projects on which planning is completed but construction has not been initiated with a cost of $675 million; and 217 authorized studies not yet underway, with a cost of $25 million.

These projects, which require a long leadtime for study, planning, and construction, are required to prevent flood damage, and provide needed water and power supplies, pollution control, beach erosion control, hurricane protection, and more adequate water transportation.

The Bureau of Reclamation has a backlog of authorized projects not yet funded for start of construction with a total estimated cost of $290 million. In addition, there are now 14 projects pending before the Congress for authorization which have a combined total estimated cost of $1.4 billion. Under more favorable economic conditions it is estimated a reasonably efficient program would require funding at a rate of approximately $500 million annually compared with the present level of less than $200 million.

It is evident that unless it is possible at an early date to make provision within the national budget for adequate funding of at least the most essential projects, the Nation will be faced with a most serious situation, necessitating a most costly and inefficient crash program to meet its water resource requirements.

PROJECT BENEFITS

I would like to illustrate the value to the Nation of completed projects for flood control, navigation, water supply, reclamation, power development, pollution control, and recreation.

Flood control benefits already realized to date from projects completed by the Corps of Engineers, the Bureau of Reclamation, and the Tennessee Valley Authority are estimated at $16.8 billion, while expenditures for these flood control facilities have been only $6 billion. So we have already received over $2.80 for every dollar invested.

The navigation system of harbors and waterways constructed by the Corps of Engineers now handle freight traffic annually totaling 1,333,000,000 tons.

Storage in reservoirs constructed by the Corps of Engineers and the Bureau of Reclamation now furnish about 2,300 billion gallons of municipal and industrial water annually to over 17 million people.

Annual power benefits continue to rise, with installed generating capacity at 34.7 million kilowatts, net generation at 165.4 billion kilowatt hours, and gross revenues at $624.9 million.

Reclamation benefits also show an increase. The 201 completed reservoirs and facilities constructed by the Bureau of Reclamation now irrigate about 10 million acres producing annually crops valued at over $1.8 billion.

Federal income tax payments on reclamation projects since 1940 of about $7.6 billion exceed the total appropriations—since 1902—of $7.1 billion for project facilities of which 89 percent will be repaid by the immediate beneficiaries.

The 17 Western States as a whole, including both Federal and private development, in 1966 produced about 60 percent of the total U.S. production of principal fruits, nuts, and commercial vegetables. The production of these States, of which the production from Federal reclamation projects represents a significant part, supplies substantial portions of the fruit and vegetable needs of people in all parts of the Nation.

Over 50 percent of the total fresh fruit and vegetables rail and truck shipments received at 22 major city markets in 1966 originated in the 17 Western States. These States supplied about one-third of the total shipments at such far Eastern markets as New York, Boston, and Philadelphia.

The benefits from our efforts in the field of water pollution control since the inception of the program 11 years ago have made possible more than 8,400 grants to local communities to assist in the construction of waste treatment works. It is estimated these facilities have prevented or abated pollution of 69,000 miles of streams and involved some 67 million Americans. The total Federal cost has been $1.1 billion, with State and local investment totaling nearly $3.6 million.

In the area of recreation benefits, visitor days are now estimated at 298.7 million annually at the completed projects of the Corps of Engineers, the Bureau of Reclamation and the Tennessee Valley Authority.

In conclusion, I sincerely hope that our fiscal situation will soon improve so that we may be in a position to provide more adequate funding for the urgently needed water and power resources development of our Nation. If it is not possible at an early date to initiate funding of at least the most essential projects in our backlog, we will be faced with a most serious situation necessitating a most costly and inefficient crash program to meet our water resource requirements. I believe

that the committee has done its best under the circumstances, and I hope that you will give the committee your full support in approving the bill without amendment.

Mr. ROGERS of Colorado. Mr. Chairman, will the gentleman yield?

Mr. KIRWAN. I yield to the gentleman from Colorado.

Mr. ROGERS of Colorado. I want to compliment the chairman of the subcommittee for bringing forward this bill and for his spirit and attitude of developing America, as has been demonstrated in his talk here today. We are proud of the efforts he has exerted to preserve and bring forward our natural resources. It is one of his great contributions while he has been a Member of Congress.

Mr. KIRWAN. I thank the gentleman from Colorado.

Mr. RHODES of Arizona. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, again we bring the public works appropriation bill to the floor of the House for the approbation, we hope, of the members of the Committee of the Whole and later the Members of the House.

I agree with the chairman of the subcommittee in his statement that this is a good bill.

The chairman, the distinguished gentleman from Ohio, has done his usual workmanlike job in conducting the hearings, which were extensive, and in hearing the needs of the various echelons of the Government which are represented in this bill. We have had extensive hearings, open to the public. People from around the country have come in and testified as to the needs of their areas in the vital activities of flood control, navigation, irrigation, water pollution, municipal and industrial water, and the like.

The bill has been well considered, and I want to congratulate the chairman on a job well done.

The bill has no unbudgeted items whatsoever. The committee has from time to time felt constrained in years past, Mr. Chairman, to add items which were not included in the budget of the President.

However, it is well recognized by us, as it is by all Members of this body, that this year is a different year as far as budgetary matters are concerned. We felt it would be the height of irresponsibility to bring in a bill which had unbudgeted items in it. Therefore, we did not bring in such a bill. There is not a single item in this bill which is unbudgeted. Further than that, there is no major segment of the bill which is above the budget of the President of the United States. In only one segment have we appropriated more than we did for fiscal year 1968. This is in the vital area of weapons for the AEC. It has been necessary for us to expend $167.9 million for the production of nuclear weapons, including warheads for the Poseidon and Sentinel systems. Of course, this is an expenditure which I am sure all of the Members of the House would want us to make because it is a vital expenditure as far as the nuclear defense of our Nation is concerned. When items like this are in a budget, then certainly there is no inclination on the part of the members of this subcommittee to cut them out.

The Joint Committee on Atomic Energy and both the House and Senate Appropriations Committees have approved an AEC reprograming of fiscal year 1968 R. & D. funds to accelerate work on development of a new higher performance nuclear attack submarine. The Joint Committee included in the fiscal year 1969 Authorization Act an increase of $8,500,000 over the amount requested by the AEC to enable the Commission to proceed with the design and development of the nuclear propulsion plant components for this new submarine.

Subsequently, in a press release dated May 21, 1968, the House Armed Services Special Subcommittee on Antisubmarine Warfare concurred with the Senate Armed Services Committee in recommending the addition of funds for submarine construction and research and development to the Department of Defense fiscal year 1969 appropriation. Included in the additional funds is an amount for work on this high performance nuclear submarine propulsion plant. The special subcommittee paid special note to the need for more and faster submarines and the need for greater research and development effort on submarine detection and countering.

Because of the strong Senate and House Armed Services Committee support for this new higher performance submarine, it is my hope that important work will be financed under the Department of Defense fiscal year 1969 appropriation. We must take steps, however, to insure that the Department of Defense proceeds with rapid development of the nuclear attack submarine program in order to insure that the United States maintains its supremacy in nuclear submarines and that adequate advances are made to counter the increasing Russian submarine strength.

Mr. Chairman, I would point out that even the planning section of the bill is lower. Some of us feel that perhaps we are not spending enough money on planning. Our present budgetary situation is caused mainly by the war in Vietnam. If that war should be ended soon—and we all pray that it will be in God's own good time—then it may be necessary for us to have off-the-shelf projects ready to go in the event some stimulant is needed for the economy of our country. I would point out in the items of general investigations we have in the bill the sum of $54,290,000, which is $6,318,000 below the amount appropriated for fiscal year 1968 and $9,249,000 below the budget estimate for fiscal year 1969.

As I say, I feel perhaps we have cut deeper than we should in this item, but it does illustrate the earnestness with which the subcommittee approached its job of trying to bring a bill to the floor of this House which meets the criteria for spending which the Members of the House feel should be adopted in this year.

Also, I think it is well to point out that we took some testimony as to the obsolescence of planning studies. It is a good idea to have a high level of planning activity, but when you do it, bear in mind that it is a wasting asset. After the planning has been completed, only about 7 years will elapse before it must be done over again. So, we need to do enough planning so that the pipeline will not get too low. But it would be wasteful to do too much.

Mr. Chairman, the only funds for new construction allowed in the bill, all budgeted, are $3,035,000 to initiate construction of seven small local flood control projects with a total cost of $30.1 million, and $15,635,000 for initiation of construction on 19 budgeted projects approved in last year's bill but deferred until fiscal year 1969. In addition, the bill includes $1,988,500 to initiate planning on only 22 projects and $3,375,000 to initiate land acquisition on three projects to avoid price escalation.

As the Corps of Engineers will complete 42 projects in fiscal year 1969 with a total estimated cost of $463 million, there will be a reduction of $435 million in the level of the construction pipeline of the Corps.

Mr. Chairman, there are no new starts contained in the bill for the Bureau of Reclamation. Therefore, the pipeline for the Bureau of Reclamation will also go down as compared to the pipeline level at the end of the last fiscal year.

Mr. Chairman, there has been much interest manifested in the programs which have to do with clean water and for waste treatment. I am sure that many members of the Committee of the Whole House on the State of the Union have received many telegrams and letters as to the necessity for this appropriation to be maintained at a level high enough to do the job.

There is contained in this bill for construction grants for waste treatment the sum of $203 million—exactly the same amount as was appropriated last year. The budget estimate was $225 million. So that this item is $22 million lower than the budget estimate.

However, I would point out that there is $55,894,000 projected as the carryover at the end of fiscal year 1969 which will also be available for expenditure. So the total program amounts to $259 million compared with the $191 million which will be obligated for the current fiscal year.

So, the upshot of this entire situation is that the administration could, if it desired to do so, obligate $68 million more on waste treatment programs and grants this next fiscal year than it did during the last fiscal year.

Mr. Chairman, because of the completion of many projects it has been necessary for us to raise the amount of money appropriated for operations and maintenance. The amount appropriated for operations and maintenance is $11,261,000 below the budget for fiscal year 1969, but it is $28,212,000 in excess of the amount appropriated for fiscal year 1968.

Mr. Chairman, we have deducted the sum of $1 million which was requested in the budget for the purpose of financing higher bridges over the Trinity River in Texas. We have done this with the notation that if the State of Texas desires to build these bridges at a higher level, the State may go ahead and do so.

However, we have deleted this money now because there is still a study going on as to the feasibility of the Trinity River navigation channel. We do not intend to obligate or commit this Congress to proceed with the construction of the Trinity navigation channel until such time as the feasibility study has been completed. If this channel is not built, the higher bridges will not be needed. However, the committee feels it has an obligation to reconsider the reimbursement to the State of Texas of funds up to $1,000,000 spent by it to build these higher bridges in the event this project is funded later.

Because the financing for the distribution system for water in the Westlands District of California has not proceeded as fast as it could, the Westlands District has decided to expedite the construction by actually going out and borrowing funds and making them available to the Government for the purpose of building this distribution system. The amount will be taken into the Treasury and paid out, and the repayment schedule of the Westlands District will be accordingly rescheduled to reflect the changed financial situation because of this payment being made.

Mr. Chairman, the bill which we have brought forward today is in my opinion a good bill, and it deserves to be passed. This is not in my opinion a pork-barrel bill. I believe that it provides for the most necessary projects for the conservation and development of our natural resources, for putting water on land where it is needed, and for keeping it off land where it should be kept off the land.

This is a bill that protects the health, lives and property of our people. It adds to the general wealth of our Nation and, in my opinion, deserves the support of all the Members of the House of Representatives.

Mr. JONES of Alabama. Mr. Chairman, will the gentleman yield?

Mr. RHODES of Arizona. I yield to the gentleman from Alabama.

Mr. JONES of Alabama. Mr. Chairman, I rise in support of full funding for the recommendations in H.R. 17903 and the report, House Report 1549, and especially for the recommendations for adequate funds for the National Fertilizer Development Center at Muscle Shoals, Ala.

I deeply regret the severe financial limitations which the Appropriations Committee had to apply to this bill in regard to reductions from budget estimates and to omission of unbudgeted items. I know, first hand, of the value of these public works projects for development of the water and power resources of this Nation for all the people.

The report on H.R. 17903 indicates the Appropriations Committee shares these views.

The distinguished and knowledgeable chairman of the Appropriations Subcommittee on Public Works, MICHAEL J. KIRWAN, has so accurately remarked that when we strengthen one part of America we also help other sections. His illustrious public service in the Congress has been made more notable by his direct and personal interest in advancing worthwhile building projects in every section of this Nation.

This same interest in building America is reflected in the committee's report regarding the need to modernize the National Fertilizer Development Center. The report states:

> The Committee is concerned that limitations on funds has delayed modernization of the old facilities at the National Fertilizer Development Center resulting in reduction in force of experienced personnel and curtailment of the program for production of new and improved fertilizers. The Committee urges that adequate funds be budgeted for construction of the required facilities as soon as the fiscal situation permits. In the meantime, TVA is requested to continue to make every effort to find other employment for the employees affected.

The report refers to the lack of funds budgeted for the facility's modernization program which was initiated several years ago. This lack of funds has made it impossible to complete the developmental work on revolutionary new fertilizers already satisfactorily through the laboratory and pilot-plant stages.

I want to amplify the importance of the National Fertilizer Development Center to the economy of this Nation—to farmers, to urban residents, and to national defense—which is acknowledged by the committee.

The fertilizer center is responsible for the major share of the new fertilizer knowledge developed during the past 30 years. Its new fertilizer products and processes are available, royalty-free, to the entire fertilizer industry across the country.

Through stimulation of new and improved fertilizers and more efficient manufacturing processes made possible by the Center, the cost of plant nutrients to farmers has been reduced by one-third since 1950.

In face of increasing costs for land, labor, machinery, capital, and other farm inputs, the reduction in the cost of plant nutrients has been an important factor in the farmer's ability to produce food and fiber economically. This holding of food and fiber production costs to lowest possible levels has significant meaning to urban residents and to the poor who spend a large portion of their income to eat.

At a time when we are all concerned with the threat of inflation, we should acknowledge those investments in our Nation, such as that in the National Fertilizer Development Center, which include, among other benefits, a lessening of inflationary pressures.

More important for our future, we must give proper attention to those investments which offer a means of holding the line on prices through greater efficiency and economy in production.

The developmental work of the fertilizer center promises to do just that by increasing the efficiency of and reducing the cost of plant nutrients. This is of great importance to farmers in every part of this land and, because the farmer will be able to produce more at less cost, of direct interest to consumers of farm products who live in cities and towns.

The National Fertilizer Development Center had its origin in the chemical plant built for munitions production at the Muscle Shoals in Alabama during World War I. In turning the plant over to the TVA in 1933, the Congress provided that, along with fertilizer production, the facilities should be available and used as needed to provide munitions for national defense. The plant has been and is currently being so used. It supplied 60 percent of the phosphorus used in World War II and supplies other materials as requested by defense agencies.

The defense facility is dependent on TVA's production of elemental phosphorus.

Although the work of the fertilizer center is an integral part of the total regional resource development program of the Tennessee Valley Authority, the impact of the Center is realized throughout the Nation. More than a dozen major products of the Center were distributed in 46 States in 1967. In the distributor demonstration program, TVA works direct with fertilizer manufacturers and distributors in about 43 States.

About 70 percent of these demonstration contracts are with small business firms. Their ability to compete depends largely upon the new products and processes that flow from TVA's fertilizer development. Loss or weakening of this small business segment in the fertilizer industry can destroy an important element of competition.

I have emphasized the value of the fertilizer center to the people of all the United States because this is a primary consideration in allocation of public resources. However, the technology we develop in food production has great significance to the other nations of the world which must increase their own output of foods if they are to win the race with hunger. As the greatest concentration of plant nutrient technology in the world, the TVA's Fertilizer Center is visited each year by hundreds of foreign visitors in search of techniques to improve food production in their homelands.

This modernization program is essential to realization of continued important national benefits from the fertilizer center. The slowdown in the program has resulted in the reduction in force of experienced personnel. This is an immediate, serious personal disaster to those who have devoted long years to this work.

Failure to give proper attention to the modernization of this facility will have equally dire future consequences to the agricultural segments of our Nation and to all the people who are dependent on farmers for food and fiber.

In the report on H.R. 17903, the Committee on Appropriations recognized this great requirement for modernization of the facilities in urging adequate funds be budgeted as soon as the fiscal situation permits. I commend the committee for its foresight in acknowledging this need and its recommendation for budgeting of adequate funds.

I urge approval of the bill making appropriations for public works for water and power resources development and the Atomic Energy Commission.

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

Mr. RHODES of Arizona. I yield to the gentleman from Oklahoma.

Mr. EDMONDSON. Mr. Chairman, I thank the gentleman for yielding, and I would like to compliment the gentleman from Arizona [Mr. RHODES] and also the chairman of the committee, Mr. KIRWAN, for their fine statements and for presenting a splendid bill.

Mr. Chairman, I rise in support of H.R. 17903, providing funds for public works for water resources development.

I want to express my deep appreciation to the great chairman of the subcommittee, the Honorable MIKE KIRWAN, and to all members of the subcommittee, for reporting a bill which helps to continue the building of America.

The funds contained in this bill are below the budget requests by more than $400 million, but will nonetheless make it possible to continue the major river development projects, including the multipurpose development of the Arkansas River.

Navigation of this great river to the Oklahoma ports of Muskogee and Catoosa continues to be scheduled for 1970, even with the cuts that are provided for all units of the project. Navigation to Little Rock, Ark., by the fall of this year, continues to be scheduled, notwithstanding the cuts.

I urge the overwhelming approval of the bill.

Mr. RHODES of Arizona. Mr. Chairman, I yield 10 minutes to the gentleman from Wisconsin [Mr. DAVIS].

Mr. DAVIS of Wisconsin. Mr. Chairman, certainly with a recognition of the facts of congressional life I want to express my general support of this measure which we have before us. Broadly speaking, the reduction of new commitments as involved in this bill reflects our Nation's fiscal situation as we find it.

I suppose that the methods of reduction could be subjected to some criticism. It was necessary in order to bring this bill within the required fiscal bounds to not only take an arbitrary cut with respect to each of the projects involved, as you will note from the tabulations in the committee report, but then take an additional percentage reduction to reflect the anticipated slippages, savings, and delays.

It is not quite accurate to say that we are saving funds in those areas where such percentage reductions have been made. Indeed, the record is quite clear that delays and stretchouts in the long run will result in greater ultimate costs. And there are some specific items, not large dollarwise, in this bill, which should have been pinpointed for exclusion from funding, aside from the overall percentage cut. But the committee report is reflective of the prevailing mood of the Congress, a mood that is reflected in an unwillingness to reduce specific appropriation items, as has occurred on the floor in the last two appropriation bills, but a willingness, apparently and necessarily, as we shall do tomorrow—a willingness to attach overall unpinpointed limitations.

Thus, while I approve the language of the committee report on page 7 relating to the allocation of reductions—I certainly recognize this as a move in the right direction—I have felt, and feel, that the responsibility to identify and pinpoint those projects for which no funds should be allowed is ours—it is the responsibility of the House of Representatives as a legislative body.

For example, there are a number of projects which I consider questionable in the light of the Vietnam war, and the fiscal commitments which it involves, as well as the manpower commitments which that war involves.

There are a number of projects in this bill, the justification for which is predominantly recreational. I find it difficult to reconcile proceeding with projects that are predominantly recreational at a time when we are heavily involved in a military conflict.

So without attempting to remove these projects from the bill, I think I do owe it to you to mention some of them because, as I will mention later, I think some of them are not going to receive the money for construction or for surveys or for planning that you might think they will receive, from reading the committee report.

A number of those projects which are predominantly recreational in their justification include:

Smithville Reservoir.
Back Cove.
Bass River.
Popponesset Bay.
Westport.
Little River, Cayoga Island.
Oconto.
Harbors from Kenosha to Kewanee.
Point Place Area in suburban Toledo.
Big Stone Lake and Whitestone River.
Shrewsbury River.
Raystown.
Perdido Pass Channel.
Port Charlotte.

There are a number of projects which were totally deferred in the current fiscal year. They had the money appropriated for them but the funding—the allocation—was not made to them because of the overall reserves which the executive department established in conformance with the $4 billion spending reduction mandated by the first session of this Congress.

Those include:

Provincetown.
Weymouth Fore and Town Rivers.
Clinton Reservoir.
New London.

As I said, there was money appropriated for those projects for the current fiscal year, but they did not receive any money—funds were frozen by executive action.

Then there are a number of projects for which we in the Congress must take the responsibility which are distinctly marginal in their benefit-cost ratios. I believe that this marginal status is highly significant at the present time because as most of you know, there is a study being made with respect to the required interest rates to be charged against the cost of construction of these projects. In keeping with what we know about the fiscal facts of life, there is only one way these interest rates can be adjusted—they are going to have to be adjusted upward.

So these projects need to be reviewed to obtain an accurate benefit-to-cost ratio in light of the increased interest costs. Several of these projects that run, as some of them do, slightly over unity at the present time, will fall below unity in their justification. I do not think there is much question about that.

So I think it is fair to mention the Eel River in California, 1.06 to 1; Lakeport Reservoir, 1.14 to 1; Peoria, 1.05 to 1; Burnsville Reservoir, 1.01 to 1, with 70 percent of the justification recreational; East Lynn Lake, 1.13 to 1, with large parts of the justification attributable to recreation and area development; Martin, Ky., 1.04 to 1; Carr Fork Reservoir, 1.05 to 1; Laurel Reservoir, 1.81 to 1, with heavy recreational benefits attributed to it; Dierks Reservoir, 1.11 to 1; the Shidler Reservoirs, 1.02 to 1, with 20 percent of the benefits justified on recreational grounds; the Eldorado Reservoir, in my opinion, will fall below unity once the increased interest rates are attributed to it; the Optima Reservoir, 1.08 to 1; Tennessee-Tombigbee, 1.2 to 1, with 2.8 million of annual benefits attributable to recreation and 2.1 million attributable to area redevelopment.

Then there are some projects—and I think the members of the Public Works Committee will be interested in this—where there have been great changes in the scope of the project without reference to the legislative committees. In fact, I am sure that there are some that I can mention like Lake Pontchartrain, La., which is a classic example of where the members of the legislative committee would not even recognize the project if they were to look at the appropriation justifications that were submitted to our committee. I think this is something that in relation to which there ought to be some pretty strong directives issued. I think that we on the Appropriations Committee should not be expected to appropriate funds for projects which have not recently been brought to the attention of the Public Works Committee, where there has been a large change in the scope of the project.

I certainly should say in all fairness, and certainly in fairness to my colleagues on the subcommittee, that it just simply would not have been practicable to delete the funds for some of these marginal projects. In some cases contracts are already pending, already signed; in other cases the projects are well along. It just would not be good business to chop them off because some day they probably will be built and we would be spending the same dollars over again to do work that had previously been completed.

So, good arguments can be made in many of these cases against the suspension of funding, but I think—and this might be considered as a warning—I think it is something of which all of the Members of the House need to be aware, that certainly those projects which I have listed must be considered and are considered as prime candidates for fund starvation under the language of the committee report.

We did not take these projects and cut them off, but if you will notice on page 7 of our report, our report directs that the overall percentage cut should

be geared and directed toward projects of the nature of some of those that I have mentioned. So do not be too quick to assume, by reading the committee report and seeing a certain number of dollars allocated to a particular project, that contracts to cover that amount of money are going to be let during the 1969 fiscal year.

Somewhere the executive government is going to have to find the total amount of money that has been reduced in this bill in accordance with the percentage formula, and these reductions will be reflected in either total or partial reservation of funds for the projects that are listed.

Briefly, with respect to the Bureau of Reclamation—and while, of course, there are not any reclamation projects in Wisconsin—I think all of us recognize as a whole the program is an underfinanced program, but there again it was an accurate reflection of the fiscal needs of our country.

As one Member only, I certainly want to pay my respects to Mr. Dominy, the administrator of that program. I believe he deserves his reputation of being one of the fine administrators of this or any other department of Government. He has earned our confidence in the same manner that Aubrey Wagner of TVA and General Leber of the Panama Canal Company have earned our confidence as administrators.

In this bill we have $4,900,000 for the Atlantic-Pacific Interoceanic Canal Study Commission, something which caused some static on the floor when the authorization was before us, but I believe all of us feel this is indeed a critical matter. We do not know what they will do. We do not know what they should do. But I am sure that the Congress as a whole is not going to be able to make an intelligent decision in that area without the benefit of the funds contained in this bill to practically complete the basic research and studies that must be made.

Many Members, I am sure, have received letters from a rather well-known nationwide organization with respect to the funding of the grants for waste treatment under the Federal Water Pollution Control Administration. I would direct the attention of Members to the committee report, which will make it clear that a major problem has been the lack of the administrators of that program to allocate the funds which have been appropriated for this fiscal year, so there will be available about $259 million as compared to the $191 million that will actually be allocated in the current fiscal year.

We were assured by the former administrator that in those cases where States did not come forward to earn the allocation of funds, these funds then would be reallocated to the States which had been aggressive in this area. This has not been done. I suggest this is the real crux of the funding problem which we now have, especially in the States which have made substantial progress.

Dollarwise, then, I would say I feel in this bill we have done our appropriate share of the required budget belt-tightening. More could have been done, but much less has been done in prior years, and this is certainly one of the most carefully considered bills for public works appropriations in my 10 years of experience on this subcommittee.

Mr. EVERETT. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. The Chair will count.

Fifty-seven 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. 193]

| | | |
|---|---|---|
| Ashbrook | Eckhardt | O'Konski |
| Ashley | Edwards, La. | Pike |
| Ayres | Evins, Tenn. | Pool |
| Bolton | Hansen, Idaho | Reid, N.Y. |
| Bow | Hansen, Wash. | Reinecke |
| Celler | Holland | Resnick |
| Clawson, Del | Howard | Rivers |
| Collier | Jacobs | Rostenkowski |
| Conyers | Karsten | Ryan |
| Corman | Kelly | Scheuer |
| Cunningham | McMillan | Schweiker |
| Diggs | Minshall | Teague, Tex. |
| Dingell | Myers | Thompson, N.J. |
| Dulski | O'Hara, Mich. | Vanik |

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. ASPINALL, 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. 17903, and finding itself without a quorum, he had directed the roll to be called, when 393 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.

The CHAIRMAN. The Chair recognizes the gentleman from Ohio [Mr. KIRWAN].

Mr. KIRWAN. Mr. Chairman, I yield as much time as he desires to the gentleman from Mississippi [Mr. WHITTEN].

Mr. WHITTEN. Mr. Chairman, it is a real pleasure to serve on the Appropriations Subcommittee for Public Works under MIKE KIRWAN. I wish the American people knew what MIKE KIRWAN has done for all America supported by other members of the subcommittee. We are fortunate, too, for JOHN RHODES to be ranking minority member, and I could say the same thing about all members. MIKE and JOHN have discussed most of the detail, including the pattern or policy that we followed in the markup of this bill, suffice it for me to say that through the testimony of the 1,100 witnesses we heard before the subcommittee, the problems and projects of the entire United States was covered in relation to the natural resources of the area.

Throughout history the nations of the world have prospered and lasted almost in direct proportion to the natural resources they had in the first instance and the care with which they handled them through the years.

I regret to see, and I am proud to have a chance each year to make an effort to correct, the attitude adopted by much of the press and much of the urban areas of our country that the attention given to our own country is something of a waste. They do not seem to recognize at all the attention we give to preserving and developing our own country each year will determine the well-being of our people, not only now but down through the years.

We have brought you an appropriation bill providing funds for public works, which is low because of other financial problems. It represents a minimum of attention to our country for the coming year. We deserve your support. I shall discuss the bill in more detail during the debate.

Mr. KIRWAN. Mr. Chairman, I yield 5 minutes to the gentleman from Texas [Mr. WRIGHT].

TRINITY RIVER NAVIGATION

Mr. WRIGHT. Mr. Chairman, I take this time to comment on a project which was authorized in the omnibus rivers and harbors bill of 1965, the comprehensive Trinity River development program, including navigation from the Gulf of Mexico to Fort Worth, Tex.

Although this entire program was authorized in the omnibus bill of 1965, a provision was contained in that bill to the effect that no moneys would be appropriated for actual construction of those features designed exclusively for navigation until such time as the Chief of Engineers had completed a reanalysis, based upon current criteria, of the economics of the navigation project.

That was 3 years ago. It was anticipated at the time that the reanalysis would consume about 6 months or at the most 1 year. Only today, on June 19, the Chief of Engineers has released the announcement that the reanalysis has been completed and the project is favorable. According to that announcement, the division engineer concurs in the findings of the district engineer that the navigation project on the Trinity River of Texas, based on current criteria, is favorable for construction, with an estimated ratio of benefits to cost of approximately 1.5.

Of course, Mr. Chairman, this is an extremely favorable benefits-to-cost ratio. It means that, for every dollar invested, the taxpayers will reap dividends of $1.50.

Those of us who, all along, had believed in this project and in the economic soundness are not at all surprised. We are greatly pleased, however, and extremely gratified that after this exhaustive reanalysis conducted by these acknowledged experts, it is again found to be a feasible project.

Based upon the failure of the Congress to receive the reanalysis referred to prior to the reporting of this bill by the Appropriations Committee, the committee deleted from the present bill approximately $1 million which had been budgeted by the President for the purpose of constructing bridges over the Trinity River at an elevation that would permit and accommodate the navigation canal.

The Texas State Highway Department has asserted for some years the very urgent need to reconstruct bridges over the Trinity River. Obviously, it will be much cheaper in the long run if the State is permitted to go ahead and build those bridges at the level which will permit their accommodating the canal, rather than at the lower level which would be justified by the present river.

For this reason Mr. Chairman, while recognizing and appreciating the logic which impelled the committee to delete this $1 million which the President had

requested for advance planning, I simply wish to call to the attention of the committee that the Chief of Engineers has completed his study, and the study concurs with the wisdom and the faith of Congress of 1965 that this is a thoroughly feasible project which will indeed return dividends to the Nation.

In light of this long-awaited study, now completed and officially announced today, I know the committee and the House will want to move forward in an orderly and expeditious way to appropriate funds at the earliest possible time in order that the construction of the canal may begin.

GENERAL LEAVE TO EXTEND

Mr. Chairman, I ask unanimous consent that the gentleman from Texas [Mr. CABELL], the gentleman from Texas [Mr. PURCELL], the gentleman from Texas [Mr. POOL], the gentleman from Texas [Mr. TEAGUE], and all other Members desiring to do so may extend their remarks on this subject at this point in the RECORD.

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

There was no objection.

Mr. CABELL. Mr. Chairman, I join my colleague from Texas [Mr. WRIGHT], in expressing my great pleasure over this highly favorable report contained in the reanalysis of navigation benefits on the Trinity River.

I think it is worthy of note that this analysis and its favorable benefits-cost ratio are based not on the 100-year payout earlier employed, but upon a 50-year payout.

In other words, the economic analysis reveals that for every dollar invested in the Trinity Canal, there will be identifiable benefits to the United States of $1.50 and that these will accrue in the first 50 years of the canal's life.

I know of no well-conceived navigation program which has expired prior to 50 years, and it certainly can be reasonably anticipated that the Trinity program will be paying dividends to the people of the United States long beyond that arbitrary period.

Moreover, the reanalysis is based upon the higher costs of construction and upon the higher interest rates that now apply. These factors obviously increase the anticipated cost, and it then becomes quite clear that the identifiable benefits—in order to yield so favorable a benefits-to-costs ratio—were found to be very high indeed.

Additionally, as the committee points out on page 7 of its committee report accompanying this bill today, the analyzing agency failed to include in their evaluation "the very significant indirect and secondary benefits recognized as essential to a valid determination of the economic feasibility of proposed projects."

So, with all these thoughts in mind, it can be seen that the Corps of Engineers, operating under current criteria, have found the Trinity program to be an extremely meritorious one.

Under the circumstances, I earnestly hope that the committee in the other body will see fit to reinstate the $1 million asked in the President's budget for advanced planning in the construction of high-level bridges over the Trinity, and that the President will include in his budget to be submitted next January an amount for the beginning of construction of this long-awaited Trinity River navigation project.

Mr. PURCELL. Mr. Chairman, I rise to join my distinguished colleagues, Congressmen WRIGHT and CABELL, in expressing great satisfaction over the clear findings of economic feasibility by the Corps of Army Engineers for the Trinity River navigation program.

In addition, I join my colleagues in expressing the earnest hope that the other body now will include funds for the Trinity River bridges in the appropriations for fiscal 1969, and that we may have some amount included in next year's appropriation bill, for fiscal 1970, with which to begin this project which is the result of the hopes and dreams of Texans for the past 30 years.

Planned for more than a generation, the Trinity has been repeatedly delayed while other waterways, many of which were less justified economically, have gone forward. It was found feasible in 1939 but delayed by World War II. Again subjected to intense study in 1958, navigation from the gulf to Dallas and Fort Worth was officially recommended by the Chief of Engineers in 1963. Congress authorized the program, but agreed to a 6-month reevaluation of the navigation features in 1965. Now, 3 years later, the reevaluation report has been submitted and it is highly favorable.

The Trinity Valley has long been denied competitive equity with other areas. Dallas-Fort Worth is the largest metropolitan population center in the United States still not served by a navigable waterway. The number of people to be served fully justifies the projected expenditure. More Americans reside in this watershed than in any of 32 States. Including Houston, they constitute 3 percent of the total national population.

For all of these reasons, Mr. Chairman, I fully trust and believe that Congress should and will move next year to begin the actual construction of this vital project.

Mr. TEAGUE of Texas. Mr. Chairman, it is a pleasure to associate myself with the remarks of my colleague, the gentleman from Texas [Mr. WRIGHT], and those of our other distinguished colleagues who have spoken on the subject of the Trinity River navigation program.

It is to be hoped that the Committee on Appropriations in the other body, in light of this extremely favorable reevaluation by the competent engineers in the Southwest Division of the U.S. Corps of Engineers, will agree to reestablish the funds in this current appropriation bill for the construction of the badly needed bridges over the Trinity River.

These are an integral part of the navigation program which was fully authorized by the Congress in 1965 and which now is adequately and amply supported by the findings of the corps in its reevaluation.

Industry and traffic have grown enormously in this great Trinity Valley during the past few years. A number of industries have already established themselves on the banks of the river in anticipation of the canal's completion. Notably, the chemical division of the Lone Star Steel Co., has spent some $50 million in a phosphate plant and in lands for expansion of that plant, wholly on the faith that this navigation canal would be built.

When it is built, we have every reason to anticipate the further growth of industry and employment. This is extremely important to our Nation, since we face the central necessity of providing some 2 million new and additional jobs in the private economy every year if we are to take up the slack created by automation and provide jobs for those newly coming onto the job market.

This is an excellent program, with good for the entire country, and the new and very complete report by the Corps of Engineers fully establishes this fact.

Mr. ROBERTS. Mr. Chairman, I want to join my colleagues in an expression of deep gratification over the completion by the Corps of Engineers of this thorough reanalysis which demonstrates so clearly that the Trinity River navigation program is indeed a splendid investment for the United States, and one which will pay for itself and return very acceptable dividends to the taxpayers of this country.

I think it should be pointed out that local cooperation and cost-sharing for this comprehensive program exceeds that of any watershed in the Nation. A total of $269 million in non-Federal funds had been expended by 1965. Formal resolutions from local governments and reputable financial interests have pledged $256 million more.

Thus, more than $500 million in local, State, and private moneys match and safeguard the Federal investment, which is estimated at $737 million for the entire program, including navigation, flood control, and all the other related works.

Colonel Kristoferson, testifying for the corps before the House Public Works Committee in 1965 said:

> I do not believe I have seen any greater support for a project . . . I do not think I know of any that has as little controversy associated with it as this one.

For all of these reasons, Mr. Chairman, as well as for the reasons mentioned earlier by my colleagues, this program should go forward at the earliest possible date.

Mr. DOWDY. Mr. Chairman, I was well pleased to receive the information this morning that the Army Corps of Engineers, Southwestern Division, has completed the report reevaluating the feasibility of the Trinity River navigation. The new report increases the benefit-to-cost ratio to 1.5 to 1.

The Appropriations Committee deleted the $1 million which was budgeted for the planning and construction of several high-level bridges in connection with this project. I hope it will be possible, prior to final enactment of this bill by Congress, that this money may be included. Bridges are needed on these highways. The Texas Highway Department is ready to build them, to connect the new highways, already approaching the sites of the bridges. If low-level bridges are now

built, there will be a resulting great additional cost when the low-level bridges must be replaced. I urge that this be taken care of during this session of Congress, either by including the appropriation at this time, or in the other body when it is considering this bill.

Mr. RHODES of Arizona. Mr. Chairman, I yield 15 minutes to the gentleman from New York [Mr. ROBISON].

Mr. ROBISON. Mr. Chairman, one of the simplest methods for describing the end result of our subcommittee's work this year would be by drawing your attention to two New York Times stories—one dated Thursday, July 20, 1967, and the other this past Saturday, June 15, 1968.

The first such story carries this headline: "House Unit Votes Largest 'Pork Barrel' Bill in Last 4 Years." And the lead paragraph in that story reads as follows:

> Ignoring the growing clamor for budget cutting, a House Appropriations subcommittee has approved the largest public works money bill since 1963.

Then the article goes on to describe how the bill would finance various irrigation, flood-control, navigation and power projects, and then states that the measure is "popularly known as 'the congressional pork barrel'," and seeks to explain that in these words: " 'Pork barrel' funds are those usually considered to have been appropriated for the purpose of local patronage."

Now, let us turn to last Saturday's story in the same paper.

This year, the headline reads: "House Unit Shuts 'Pork Barrel' Lid," and the lead paragraph is as follows:

> The House Appropriations Committee clamped a lid on the so-called "Congressional pork barrel" today, halting virtually all new starts on public works projects and slashing funds for those already under way.

These two contrasting newspaper accounts largely speak for themselves—as does the committee report to which others have already called your attention.

I shall not go again over that same ground, but I believe it would be useful to again point out, for the record, that the sums recommended in this bill for purposes of construction projects by the Corps of Army Engineers and the Bureau of Reclamation are the lowest provided to these agencies for such purposes since 1962 and 1958, respectively.

And, as our chairman has already said, we have not allowed any unbudgeted items to find their way into the bill, despite the customary pressures on us from this direction, and it would be my hope and expectation that the other body will follow our example in this respect.

Obviously, I approve—and wholeheartedly—the manner by which our subcommittee has faced up to today's critical budgetary situation. Unfortunately, a majority of the subcommittee yielded on this point last year, when the need for restraint was almost equally apparent but, as the saying goes, "better late than never," and I am proud of the attitude and action taken by our full subcommittee this year, and am especially grateful to our chairman, Mr. KIRWAN, for the leadership he has given us in enabling us to reach this consensus.

There is only one thing that still bothers me and that is related to that always difficult and sticky question of "priorities," with particular reference, now, to the work program of the Corps of Engineers.

To get at the point I have in mind, it is necessary to examine that perennial red-herring of "pork barrel" politics that is dragged into each one of these annual debates.

As I said on this same issue last year, it may well be, and undoubtedly has been, the case that certain Members of this or the other body, by virtue of their seniority, or their influence, or perhaps even just their personalities, will have greater success than some of their colleagues in getting, let us say, the corps to take an early look at a flood-control problem in their districts, the Bureau of the Budget to expedite the corps' recommendation concerning the need for relief of that problem, and then this subcommittee and its counterpart in the other end of the Capitol to give early consideration to its funding. But who is to say that this is wrong? All of us are here to do what we can about the needs of the people of our respective districts, and we would be less than human if we did not scramble as hard as we could to meet those needs insofar as the Federal Government can ever help in doing so.

Now, it may well have been that, in the old days, a certain amount of what is also called "log-rolling" accompanied this competitive effort on the part of Members of Congress—I really do not know. If that element were present, that would clearly be wrong, but this is the third year I have served on this subcommittee and I am glad to say I see no evidence that this is how a bill such as this is put together nowadays.

At the same time, I have no doubt that an agency such as the corps does make a conscious effort to spread the benefits of its programs across the Nation, on a region-by-region basis, as best it can. But, again, who is to say that this is wrong?

After all, as I said last year at this time:

> The benefits that flow from such projects (as the Corps builds) are national, rather than local in nature. We are one people—and the damages caused by ravaging flood waters anywhere damage all of us, just as the effects of a serious water shortage anywhere in the nation are ultimately felt by all its parts.

So far, then, so good, and to all of which one needs to add one further fact which is that, with but rare exception, all of the projects that eventually find their way into a bill such as this are needed projects and capable of standing on their own individual merits.

But, and here is the rub, the corps has not yet completed the preliminary work necessary to enable it, or us, to compare such projects on a basis of relative need, on a project-by-project approach, on either a full regional or anything yet resembling a national basis.

This is not to say that the corps does not try to do this now. I believe it has, and I commend it for its annual efforts in this respect.

But when we come, as we now have, to a time of fiscal and budgetary crisis—and to a time when that question of relative priorities becomes of utmost importance—and one asks about priorities he gets such answers as "Well, this is a good project," or "This is a badly needed project," or "It has a good benefit-to-cost ratio."

We have the technical competence to do a better planning job than this. We must do a better job, and I am very glad to note that the corps is proceeding in that direction. It is working toward completion of what it calls "regional comprehensive framework studies." The data acquired through these studies can, and I anticipate will be, then assessed and reviewed through application of what is known as the "systems analysis" approach, and if there is anything that will ever remove whatever aroma of "pork" still clinging to a bill such as the one before you, Mr. Chairman, this is how it will be done.

If any of you should have some further interest in this aspect of our overall problem, I direct your attention to the references made to it toward the beginnings of part 1 of our hearings, where both the gentleman from Arizona [Mr. RHODES] and I had colloquies about it with General Cassidy, Chief of Engineers of the corps, the only disappointing part of which, for me, came with the general's statement that, largely by reason of budgetary limitations, the base "framework studies" may not now be completed until 1974.

In any event, having no better basis on which to do it, really, our subcommittee has largely passed over the question of relative priorities by merely cutting each construction project item for both the corps and the Bureau of Reclamation by a flat 5 percent, as you have been advised.

This is one way to do it but, I submit, not the best.

As for the overall reductions that have been made, or approved, in our bill, they add up, generally speaking, to approximately 15 percent in all construction programs, with the exception of AEC weapons facilities, and it was the judgment of the subcommittee that we had come down to the minimum amounts necessary to maintain the on-going programs and projects covered by the bill.

Whether this is yet good enough is up to you to decide. Civil works of these sort almost ceased during World War II days, as some of you will remember, and were severely curtailed during part of the Korean war period. Undoubtedly, construction funds in this bill could be still further reduced, either on an item basis—in another, and final, attempt to determine priorities—or across the board. But there actually comes a point below which—for on-going projects—it becomes unwise, from the standpoint of true economy, to try to force ourselves. I doubt if we are at that point yet, but we may be approaching it. And, even though this bill does not produce as large a reduction in 1969 expenditures—leaving the AEC programs out of the picture now—as some of you may have thought ought to have been possible, let me point out that the bill's follow-on effect, by virtue of the cuts we have made in the level of work in such as the corps'

construction "pipeline," will be of considerable help in permitting the next Congress to get Federal spending patterns under still better control through that continuing reexamination of national priorities that it, too, will be required to conduct.

Again, what is the bill's net effect on the level of expenditures—something that is of more than passing importance in view of the anticipated vote, tomorrow, on the long-awaited tax-and-spending-cut package?

As shown on page 7 of our report, the total budgetary requests we considered amounted to a little over $4.6 billion, of which, let it be noted, about 55 percent pertained to AEC programs that, presumably though not necessarily, are free from that taint of "pork".

We reduced those requests by approximately $409 million in what is called "new obligational authority" and this, though it is difficult to be precise, will translate into an estimated expenditure reduction in fiscal 1969 of about $252 million, or some 6 percent below the budget estimates.

This is for the upcoming fiscal year, now. But if you are interested in comparisons with the current fiscal year's level of expenditures—as you must be—we come out only about $7 million below the spending level we are now on.

And the major reason this is not better, as the report shows, is because of the increases allowed in AEC weapons categories that the subcommittee felt were necessary.

It is important, I believe, to take a look at this feature of the bill in some depth.

In doing so, we immediately run into the national debate that is developing over the level of defense spending in general. There are those who argue that defense spending must be cut back sharply in order to concentrate more of our resources on high-priority domestic needs. They point to increasing unrest in the ghettos, the plight of the hard-core unemployed, and the special requirements of our fellow citizens who also happen to be black. No one, here—indeed, no American—can be immune from the new sense of urgency that has developed concerning these problems. And it would be my personal position that, similarly, no one, here, should continue to advance the theory that defense spending is, somehow, totally immune from serious budget-cutting attempts.

There are no easy answers. It is no mere cliché to say that the Nation's survival depends—and from a far wider viewpoint than that of national security in the defense sense—on the wisdom of the choices we will now go on to make.

I have already spoken about the need to apply the "systems analysis" approach to national water-resource problems and needs. Such a system, as we know, has already been in use for some time now, at least in a limited sense, within the Defense Department. It can help us choose among different defense programs and between different weapons systems. But it cannot, with any precision, tell us how to choose between military and civilian demands on the Nation's resources.

There is a balance, here, that it is urgently necessary for us to try to reach but the competing goals to be served, and the pathways to follow to attain them, defy precise definition. There must then be, as I see it, in this national debate, some willingness to run certain risks in both directions because, given our present unhappy situation, neither goal can be totally served. In turn this means that we must all approach this debate in a spirit of humility and flexibility, giving the searching questions that must be asked an open-minded and unemotional reception if we, as a nation, are to find the answers.

With that introduction, then, what about the additional spending planned by the AEC and allowed in this bill for purposes of "weapons systems"?

As the report will show you, on page 79, part of that increase is related to the Poseidon system which, in my judgment continues to be our basic and best deterrent against nuclear war, and part to the Sentinel system which, of course, relates to the proposed, limited ABM system that is still under consideration. I have reservations about the need and the usefulness of such an ABM line at the present time. One could hope that its actual deployment would, somehow, not become necessary. However, neither I nor anyone else can, at the moment, look far enough into the future to make a judgment as to that—a final judgment—and, such being the case, it is essential, I believe, that we go forward with the necessary additional research and development work the AEC must do in connection with Sentinel, which is what the funds in this bill will permit it to do.

So, let it be understood, there is no money in this bill for anything other than further research and development on Sentinel, and the design and testing of a prototype warhead for it; and no money in this bill for the fabrication or actual deployment of any such missiles with warheads attached, although there is $71 million in here for facilities that, eventually, I suppose, could serve such purposes.

Still, there may be some who will say that even this work ought to be stopped until we know if we must go ahead. Perhaps so, and the point is debatable, but as I understand it approximately 4 years of leadtime is involved, and if we stopped now only to decide to begin again later we would still face that amount of leadtime which, under the circumstances then existing, might be far too much.

So, with the reservations and reluctance you can read into my remarks, I do support this item, and I also urge your support of it.

In other areas, as you will note, reductions have been made in the AEC budget so that we have a net reduction below the budget estimates of $145.6 million. Some of this was mandated upon us by previous action of the legislative committee, and some of it came as the result of our asking the AEC to review again its own priorities and to give us, however reluctantly, a list of suggested lower priority items where cuts might be applied. This, the AEC did, and their cooperation was most useful. I am unaware of whether or not other appropriations subcommittees have followed this procedure—if not, they should. And, of course, this is exactly the kind of help each of our subcommittees should be receiving from either the President or the Bureau of the Budget, but I doubt if we are going to get it, and at least as a partial result, it is already apparent that we will fall woefully short of tying down the $6 billion spending cut we may be prepared to force on the President in any specific fashion.

While I am at this point, in discussing the nonweapons portion of AEC's programs and budget, permit me to expand at some length concerning the unheralded radioisotope and what our attempts to further unlock its secrets may mean to mankind in the future, which is something that is all too generally overlooked in the attention that we all pay to other areas of AEC concern, and in the criticism that is sometimes voiced concerning the size of AEC's budget.

Mr. Chairman, just about 10 years ago, a truly prophetic statement concerning the peaceful uses of atomic energy was made by Dr. Henry Seligman on the occasion of his becoming Deputy Director General for Isotopes of the International Atomic Energy Agency. Dr. Seligman then remarked that the applications of radioisotopes would prove to be the most profound of all the peaceful uses of atomic energy. While most of us largely have been preoccupied with nuclear power, these unheralded radioisotopes have fulfilled that prophesy to a degree that I suspect not even Dr. Seligman himself imagined.

More recently, the Honorable Glenn T. Seaborg, Chairman, U.S. Atomic Energy Commission has stated:

> I know of no other application of nuclear energy which has pervaded so many fields for the benefit of so many people. Radioisotopes have benefited agriculture, thus contributing to man's better nourishment. Radioisotopes have also benefited industry, thus contributing to the improvement in our general economy, welfare, and comfort. Space explorations and studies of the oceans, the rivers, and our streams are being assisted through the use of radioisotopes as auxiliary electric power devices, nuclear flow measurement devices, and as tracers. Perhaps most importantly, radioisotopes also are playing an important role in the treatment and diagnosis of disease and thereby helping to alleviate many of the age-old sufferings.

So profound indeed are the applications of radioisotopes in our national economy and welfare that I have been moved to speak out on this important part of the Nation's atomic energy program—to inform and put in perspective the values being achieved.

Radioisotopes were the first and presently are the most ubiquitous of all peaceful atomic energy applications. Either directly or indirectly they touch intimately upon the well-being and welfare of all our citizens and indeed many peoples throughout the world. Demonstrated values of radioisotopes extend to virtually every area of medicine, agriculture, industry, and research. Their beneficial applications encompass the space, terrestrial, and oceanographic environments. Over 10,000 organizations, individuals, and groups representing all elements of our national economy are now

directly and beneficially employing radioisotopes. These benefits, in one way or another, are in turn further disseminated to the public at large.

Moreover, both presently and potentially, radioisotopes promise solution or alleviation of problems of great concern domestically, such as crime abatement—believe it or not—pollution control and natural resources conservation. It is noteworthy also that whereas as recently as 1960, the manufacture and distribution of radioisotopes was a Government monopoly, today they form the basis of an entirely new private industry in the United States. Approximately 100 private firms, most of which were formed over the past 10 years, currently are engaged in the production, processing, and distribution of radioisotopes and the sale of equipment and products using them. Marketing of radioisotopes, themselves, represents a $30 million a year business while sales of equipment and products involving their use is on the order of several hundred million dollars annually. I am impressed by the total dollar business associated with radioisotopes, but perhaps more impressed that the attitude of the Federal Government in this case has been to carefully and purposely spawn a brand new industry in this country.

Later, I would like to speak about some of the exciting future benefits foreseen from radioisotopes and consider with you the appropriate role for the Government in bringing them to fruition. I believe it would be useful, however, to relate first a few typical examples of the benefits now being realized through radioisotope applications.

First let me mention a few examples of radioisotope use in medicine. Naturally, no monetary value can be placed upon the benefits of radioisotope use in the prevention, diagnosis and treatment of disease. It is a fact, nonetheless, that between 3 and 4 million patients a year are being diagnosed and treated with radioisotopes. Surely it can be said that this contribution of radioisotopes to the health and well-being of our Nation by itself more than repays the total Federal expenditure on radioisotope research and development. Radioisotopes also are proving invaluable in medical and biological research. Indeed, it has been said that virtually every major biomedical discovery of the past 10 years has been made possible through the use of radioisotopes.

Agricultural uses of radioisotopes similarly have been highly successful. A particularly noteworthy example is the application of radioisotope techniques to bring about the virtual elimination of the screw worm fly from the southeastern United States. This has resulted in saving tens of millions of dollars in livestock losses which otherwise would have occurred. Radioisotope techniques also have been successful in identifying the proper kinds and modes of placement of fertilizers for particular crops. They have been employed as well to develop new varieties and strains of particular farm commodities which are more resistant to disease and provide higher yields. A recent development has been the demonstration of an isotope gage for measuring the hardness of egg shells. Egg breakage in handling represents a $25 million a year loss in this country. This gage detects eggs prone to breakage and, perhaps more importantly, can be used to determine appropriate chicken diets for producing eggs of desired shell hardness. This should be of real interest to our Nation's egg-farmers, whose margin of profit has, of late, been as thin as an egg-shell, itself.

Industrial uses of radioisotopes literally span every facet of our economy. It is noteworthy that 50 percent of the 500 largest manufacturing concerns in the United States use radioisotopes. Of even greater interest, however, is the fact that an additional 4,500 smaller concerns also use radioisotopes. This, then, is one technology that is accessible for use by small business as well as large. Over 5,000 isotope measurement gages are presently in use for improving the quality, increasing the production efficiency, and controlling the thickness of various sheet materials such as plastic film, sheet steel, rubber tires, tin cans, and a variety of other common industrial and consumer products. New and novel products also are being produced through use of radioisotopes. An outstanding example is a unique wood-polymer material which retains all the desirable characteristics of natural wood, but is several hundred percent harder. Areas of utility include furniture, flooring, and sporting goods. This is a good example of the typical situation in the isotopes development program whereby AEC develops the basic technology and private industry carries forward the necessary further development work and commercialization. Three private firms are now commercially producing and marketing wood-plastic materials.

There is, as you all know, some public apprehension about the possible dangers of radioactive materials. The fact is that radioisotopes are actually contributing to improved industrial and personal safety through numerous applications. These include assuring the integrity of pressure vessel welds and remote control and monitoring of hazardous materials and chemicals. All the weldments used in the construction of the country's fleet of nuclear submarines are checked to assure they are flawless using radioisotopes. I was fascinated to learn also that the overhead exit signs in commercial aircraft, for example, consist of radioisotope activated self-luminous light sources. At the expense of digressing slightly, I believe it is worth mentioning that to date there has not been, in this country, a single fatality, nor even a significant injury, involving the peaceful use of radioisotopes.

As I mentioned earlier, radioisotopes are being used for purposes of direct public benefit. Our citizens, as well as the Congress, are especially concerned at this time with the problems of crime. It is gratifying, therefore, to learn that radioistope techniques are being usefully employed in this particular area. Methods have been developed, for example, to detect smuggling. Evidence materials, such as gunshot residues and bullet holes, are being authenticated by radioisotope techniques. These techniques already have been employed in approximately 40 crime investigations and court proceedings. Other areas in which radioistopes are finding use include water resource management and control, environmental pollution studies, weather forecasting and national security. Pollution of our air and water, for example, are of urgent national concern.

The foregoing examples perhaps are sufficient to demonstrate the great power for good which radioisotopes today offer the Nation, its economy and the welfare of our citizens.

An important point which deserves particular emphasis, however, is that the present values of radioisotopes primarily have been derived by taking advantage of only the most obvious technological capabilities of these nuclear materials. Past radioisotope research leading to these present benefits has revealed and suggested much broader areas of potential radioisotopes application which have yet to be researched or fully developed. AEC studies indicate, for example, the technical feasibility of developing a radioisotope power source for heart devices—a completely implantable artificial heart to replace a diseased biological heart. Heart disease is the Nation's No. 1 killer—over 700,000 persons die each year from heart disease. Of these, about 100,000 could benefit from radioisotope powered heart assist devices. Although many problems must be solved before a fully implantable artificial heart can be perfected, the national interest clearly justifies full Government support of AEC's efforts to develop the necessary radioisotope power source.

I have a special and personal interest in the advancement of this work as so do so many of us, and if we do not now we well may later in our lives.

It is, therefore, a disappointment to me that the subcommittee did not feel it could allow the additional $800,000 authorized by the legislative committee this year for advancing work on the second phase of development of an implantable radioisotope "heat engine" for powering a heart pump.

I believe the subcommittee fully appreciates, as did the legislative committee, the potential value of such a device. However, if we had allowed this money, or any part thereof, we would, of course, have broken the line we had drawn against any and all unbudgeted items or increases in budgeted items, and we felt that our even opening that door this much would have to be avoided this year.

Nevertheless, I do hope that the AEC will find that it does have the financial capability within the funds otherwise provided it to go forward with this important project this year, albeit it at a reduced level of progress.

Another promising radioisotope application is the use of radiation to preserve foods by destroying bacteria which cause food to spoil. Already the AEC and the Department of the Army have demonstrated the technical feasibility of preserving numerous foods in high quality by radiation processing. This technique involves the sterilization or pasteurization of the food without the use of heat.

As a result, the food retains much of its natural color, odor and fresh-like quality. Radiation pasteurized fresh fish, for example, keeps its fresh-caught quality for as much as 30 days longer than otherwise would be the case. This provides longer marketing times and expanded marketing areas, and makes fresh fish available to consumers who live in areas where such products are not now available. Of importance also is that radiation pasteurized fresh fish could give our fishing industry a marketing edge over frozen imports.

Radiation pasteurized fresh fruits also last longer and spoilage losses are markedly reduced. The Department of the Army is concentrating on radiation sterilization of fresh meats for storage without refrigeration for periods up to several years. The advantage to our troops stationed or fighting in remote locations in having fresh meat readily available needs no elaboration. A major part of the AEC and Army efforts at the present time involves establishing the safety of radiation processed foods to meet the requirements of the Food and Drug Administration, the agency which must make the final decision on whether these foods can be marketed to the public. These foods have been subjected to more detailed and intensive safety testing than any other food processing method in history. To date, no evidence has been found that they are anything other than safe and wholesome. So far, the FDA has approved radiation sterilized bacon, radiation processing of potatoes to inhibit sprouting, and radiation disinfestation of grain.

That the FDA is exercising all due caution—though some say a bit too much—is demonstrated by their recent action in declining to approve radiation sterilized ham. The FDA concluded that insufficient evidence had been presented to prove beyond any doubt that this product was safe. At the same time, it was encouraging to me that FDA was careful to observe in making their determination that they were not concluding that radiation processed foods were not safe. Nevertheless, the principle of preserving foods with radiation has been clearly established and with further research and development not only we in this country may expect to enjoy the benefits of this process, but also the food hungry peoples in other parts of the world.

The versatility of radioisotopes is perhaps in no way more dramatically illustrated than by my being able to move from discussing radiation preservation of foods to a discussion of their use in assisting in maintenance of life of astronauts in space. Radioisotope heat sources are being developed for powering various life-support systems in manned spacecraft, such as regeneration of oxygen. Already a ground test model of a spacecraft radioisotope unit for regenerating drinking water from waste water has been successfully demonstrated. A number of other radioisotope applications essential to the space program are under development. Similar systems also are being studied for oceanographic research and powering manned sea laboratories.

It is clear to me from these present and potential uses that radioisotopes represent an invaluable national resource whose full development is merited in the public interest. Yet in these times of budgetary constraint we must—as I have said—constantly consider relative priorities and whether and to what extent Government support of particular research and development programs may be warranted.

Personally, I am persuaded that the AEC isotopes development program represents the type of activity which the Federal Government can and should support. It is one in which there is a clear public interest and benefit. Further, both the technology being developed and the benefits being realized are broadly applicable and diffused throughout the economy. They are not exclusively identifiable with particular special interests. Moreover, the program is conducted in a manner designed to establish the technological foundation and incentive necessary to attract private initiative in the further development and application of this technology in all its ramifications. This program design has been demonstrably successful. I have identified some of the numerous examples of private industry development and commercialization of AEC basic technology work in the isotopes development program. Such private effort has extended even to the manufacture of the basic radioisotope materials themselves. AEC has been able to discontinue production of approximately one-third of all the radioisotopes it previously distributed because of its encouragement of private industry to develop the capability to meet the market demand and AEC is continuing its efforts to place radioisotope production entirely in the private sector. We have here, then, a prime example of Government and industry working in concert, each contributing its unique capabilities, to achieve benefits which could not otherwise be obtained and which serve the public good.

Finally, it may be of interest, perhaps even startling, in these days of billion-dollar programs, to keep in mind that the Atomic Energy Commission's isotopes development program has been in existence for only 9 years and that these benefits have been achieved with a Federal research and development expenditure for this program averaging less than $7.5 million a year including all research, equipment, and construction funds. It must be accepted that the Federal Government has a proper and continuing role to play in radioisotope development; further, we should recognize that proliferation of the benefits of present-day radioisotope applications and achievement of the values of their numerous potential uses requires a meaningfully supported, broadly based multidisciplined basic technology research and development effort.

All things considered, then, the approximate $7 million a year now being devoted to the AEC's radioisotope development program may neither be adequate to the task nor commensurate with the values to be derived. And, once we are out from under our present budgetary restraints, it would seem that some significant increase in this program would both be warranted in the public interest and justified as a wise investment.

We—moving to another area—also received some further information this year from AEC representatives concerning the growing demand in the Nation for electric power, and the role atomic power will probably play in helping to meet that need. The projected rate of growth in demand for power will, for a variety of reasons, escalate far more rapidly than the rate of growth in population. To accommodate our planning to this phenomenon will require the development of a national electric policy, based on studies of all alternative power-generating methods—hydro, fossil, and nuclear. We have, I fear, been guilty of dragging our feet badly in this respect though an AEC witness said, this year, that it was now "working hard" to coordinate and expedite the development of such a policy and "some progress" was being made.

I do not find this report especially encouraging, and would look forward to more solid evidence of progress in this connection next year. Until such a policy is developed there will continue to be too much interdepartmental or interagency competition for Federal funds for power purposes, with all the potential for duplication of effort and inefficiency in allocation of national resources that this entails.

In any event, there already is an ever greater interest and demand for nuclear power. As the AEC moves forward to help meet that demand, new, and some largely unforeseen, problems are arising. Many of them revolve around the question of siting such nuclear plants. They cannot be put just anywhere, for there are safety and security factors to consider. Then, as we in my own district have discovered, there are a number of unknowns involved concerning the effects of radioactive power sources on the environment, not just from the standpoint of nuclear safety but from that—as in our case—of the ecological impact of what is known as thermal pollution on cold, deepwater lakes or similar bodies of water when used for heat-discharge purposes.

Up to now, the AEC has confined its area of concern to the health and safety aspects of site considerations. I feel its actual responsibilities may run somewhat beyond these limits, and that it should, at least, begin to prepare itself for a new look at these responsibilities so that the new kind of highly technical questions that are being encountered need not be debated and decided at the local level, alone.

It may well eventually require some legislation to end what now appears to be an intergovernmental and interagency buckpassing situation. But we could begin to get started now at the Federal level on the necessary research into ecological effects of thermal pollution so that the hazards that might become involved in the siting of nuclear energy plants could be anticipated with more precision than now, and the necessary modifications made in the type of facility to be built before things have progressed to such a point that such

modifications become difficult or costly to incorporate.

Moving, finally, now, to the question of funding for the always popular and highly needed construction grant program for waste-treatment works, it is apparent—despite claims to the contrary last year—that our subcommittee did adequately fund this program last year. Either that or there was a substantial administration slowdown for, as you will note from page 75 of the report, there is an estimated carryover of over $55 million for the purposes of this program from the current year. The amount now allowed by our subcommittee—which is $203 million, or the same amount appropriated for the current year, with this carryover, will make around $259 million available for obligation to this program in fiscal 1969. This will permit it to go forward, subject to whatever spending restraints the administration may have to apply, at a higher level of activity.

Mr. Chairman, I think this is by and large a good bill. I reserve my options to support certain amendments that may be offered to it, but I also intend to vote for it because it is a decided improvement over the comparable measure we brought to you a year ago.

Mr. KIRWAN. Mr. Chairman, I yield 5 minutes to the gentleman from Illinois [Mr. PRICE].

Mr. PRICE of Illinois. Mr. Chairman, first let me say that I wish to congratulate the distinguished chairman of the Subcommittee on Public Works, the gentleman from Ohio [Mr. KIRWAN], and all members of that committee for their diligence and for their most effective handling of this bill. In view of the current critical budgetary situation and the desire on the part of the administration as well as the legislative branch of the Government to eliminate all nonessential expenditures and to find as many savings as possible in this year's budget, the Committee on Appropriations this year had an unusually heavy responsibility. Any year their job is difficult. This year it was particularly difficult, and I for one wish to go on record in voicing my appreciation and admiration for the excellent job they have accomplished.

In effecting a reduction of $408,763,000 in the bill, the committee of necessity had to reduce or eliminate funds for numerous projects which many of us would have liked to see supported at the level recommended by the administration. As chairman of the Subcommittee on Research, Development, and Radiation of the Joint Committee on Atomic Energy, I particularly have followed and strongly supported two research and development projects within the Atomic Energy Commission program which will be cut back and severely restricted in this bill as reported out. I have in mind specifically, first, the 200-billion-electron-volt accelerator which is being cut by $17.9 million and work limited to architect-engineering only; and second, a cut of $41 million in the nuclear propulsion program, Rover.

1. THE 200-BILLION-ELECTRON-VOLT ACCELERATOR—AE ONLY

Mr. Chairman, in March 1965 my Subcommittee on Research, Development, and Radiation of the Joint Committee on Atomic Energy held detailed hearings reviewing the present and future plans of the scientific community and the Federal Government in the field of high energy physics research. Based upon these extensive hearings, the Joint Committee reviewed in detail a report which had been issued in February 1965 entitled "High Energy Physics Program: Report on National Policy and Background Information." This report was the result of a study conducted by the Atomic Energy Commission on the initiation of the Joint Committee on Atomic Energy. Based upon the hearings and the report, it was concluded that continued Government support of the high energy physics program was very important to the scientific leadership of the Nation and that the construction of the 200-billion-electron-volt accelerator was the priority machine needed in this program.

Again in 1967 on the specific request of Senator JOHN O. PASTORE, chairman of the Joint Committee on Atomic Energy, my Subcommittee on Research, Development, and Radiation held hearings to review and report upon the proposed scope and management of the 200-billion-electron-volt accelerator. At the conclusion of our hearings, under date of April 19, 1967, the Subcommittee on Research, Development, and Radiation made its report in which it concluded that the AEC should go forward with the construction of the 200-billion-electron-volt accelerator, and that it should not reduce the scope of the accelerator as was proposed for budgetary reasons.

I mention this background in order that the record might show the attention that I and other members of my subcommittee have given to this particular project and the extent of my long interest and association with it. Based upon my knowledge of this project, I am somewhat concerned that the committee has reduced this year's request from $25 million to $7.1 million, a disallowance of $17.9 million, for the continuation of design work and to initiate construction. I am also concerned that the limitation of effort to architect-engineering work only may hinder the efficient and orderly progress of the program. I am heartened, however, by the words of the committee in its report on page 85 in which it explains the reason for its actions. The report states:

> The committee fully supports the need for the project but does not believe in light of the critical fiscal situation that it is warranted in providing funds to initiate construction at this time of a project with a total estimated cost of $250,000,000 and involving annual operating costs of about $60 million upon completion of the facility. The committee's action is in accordance with the policy followed on the other appropriation items in the bill pertaining to the construction of water and power resource development projects.

It is abundantly clear, therefore, that the House Appropriations Committee in its action is in no way being critical of the project or suggesting that the project be canceled. For my part, I fully appreciate the reasons which prompted the committee's action on this and on other projects, and commend them for an excellent job under very difficult circumstances.

In no way wishing to be critical of the able chairman of the Committee on Appropriations, I would like to inform my colleagues in the House that as chairman of the Research, Development, and Radiation Subcommittee I have instructed the staff of my committee to examine what the effect of this bill will be on this project, with particular attention to the efficiency of construction and the overall total cost of the project. In this regard, I have requested my subcommittee staff to review this matter with the individual scientists and technical personnel responsible for the design and construction of this highly technical scientific facility.

When the Senate Committee on Appropriations considers this particular project, three members of the Joint Committee on Atomic Energy by Senate resolution will sit as ex-officio members to consider the Atomic Energy Commission appropriations bill. I would hope and expect that the Subcommittee on Research, Development, and Radiation will have completed its review prior to the time this matter is taken up by the Senate Appropriations Committee, and I expect to make available to my three colleagues on the Joint Committee who are ex-officio members and the two who are regular members of the Senate Appropriations Committee, copies of this report for their consideration.

With due deference to the able committee chairman [Mr. KIRWAN] and other members of the House Appropriations Committee, I would also plan to make copies of this report available to you and your staff. I know the tremendous amount of subject material you must cover and the heavy demands upon your time in considering the nearly $5 billion budget originally recommended in this bill and how impossible it is to know every single facet in full detail. I would hope that the report of the Subcommittee on Research, Development, and Radiation will be helpful not only to my Senate colleagues on the Joint Committee on Atomic Energy, but also to members of the House Committee on Appropriations a well as other Members of this body in any future consideration of this bill.

2. NUCLEAR ROCKET DEVELOPMENT PROGRAM

In the bill before us the committee recommends the continuation of the advanced nuclear rocket development work but recommends dropping the development of a specific rocket engine designated as the NERVA engine. The committee stated in its report that it had no alternative to dropping the NERVA portion of the nuclear rocket program since the House had previously canceled the NASA portion of the NERVA project. The committee went on to say on page 83 of its report that the NERVA engine development has been supported to date "because of its importance to our future space program and will reconsider its action as appropriate in the future to assure that a balanced program is maintained."

The House yesterday accepted the Senate NASA authorization bill which included $55 million for the NERVA engine. This action therefore antidates

the situation which obtained at the time the Appropriations Committee acted on the AEC portion of the public works bill, and changes the basis upon which the committee had to arrive at its decision on the NERVA nuclear rocket engine funding. I would hope that at an appropriate time in the future, as pointed out in its report, the Appropriations Committee will reconsider its action to assure that a balanced program is maintained.

Mr. RHODES of Arizona. Mr. Chairman, I yield 5 minutes to the gentleman from Illinois [Mr. ANDERSON].

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

The CHAIRMAN. The Chair will count.

Fifty-nine 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. 194]

| | | |
|---|---|---|
| Addabbo | Fulton, Pa. | O'Hara, Mich. |
| Ashbrook | Gallagher | O'Konski |
| Ashley | Gilbert | O'Neill, Mass. |
| Ayres | Gray | Ottinger |
| Barrett | Green, Pa. | Philbin |
| Bingham | Halpern | Podell |
| Boland | Hawkins | Pool |
| Bolton | Holland | Reid, N.Y. |
| Bow | Horton | Reinecke |
| Brademas | Howard | Resnick |
| Brasco | Irwin | Rivers |
| Brown, Calif. | Jacobs | Rodino |
| Burton, Utah | Joelson | Rooney, Pa. |
| Bush | Karsten | Rosenthal |
| Carey | Karth | Rostenkowski |
| Celler | Kastenmeier | Roybal |
| Clark | Kelly | Ryan |
| Clawson, Del | King, Calif. | St. Onge |
| Cohelan | Kluczynski | Scheuer |
| Collier | Kupferman | Schwengel |
| Conyers | McFall | Shipley |
| Cunningham | McMillan | Smith, Calif. |
| Diggs | Macdonald, Mass. | Teague, Tex. |
| Donohue | Mathias, Md. | Tenzer |
| Dow | Matsunaga | Thompson, N.J. |
| Dulski | Minish | Udall |
| Eckhardt | Mink | Widnall |
| Edwards, Calif. | Minshall | Wilson, Bob |
| Evins, Tenn. | Mosher | Wilson, Charles H. |
| Farbstein | Murphy, N.Y. | Wolff |
| Fraser | Nix | |
| Friedel | | |

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. ASPINALL, 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. 17903, and finding itself without a quorum, he had directed the roll to be called, when 337 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.

The CHAIRMAN. The gentleman from Illinois [Mr. ANDERSON] is recognized for 5 minutes.

Mr. ANDERSON of Illinois. Mr. Chairman, just before the quorum call the distinguished gentleman from Illinois [Mr. PRICE] had expressed a measure of concern over the fact that with respect to one of the appropriation items in this bill which relates to the work of the Atomic Energy Commission, the Committee on Appropriations had seen to fit to effect a very considerable reduction from the original budget estimate of $25 million to $17.9 million, and I refer to that item which has to do with the funding of the 200-billion-electron-volt accelerator in Weston, Ill.

Mr. Chairman, I know that Members of this body are customarily loath to voice any criticism whatsoever of the work of this subcommittee and, indeed, any work of the Subcommittee on Appropriations. During the years that I have been in the Congress I have had the privilege and the opportunity on a number of occasions to appear before this Subcommittee on Public Works and, frankly, I have inevitably and invariably been impressed tremendously at the courtesy that they have shown me. They deal with matters that are sometimes almost inevitably somewhat parochial in interest, as far as individual items are concerned, and yet they have been generous with their time and understanding.

So let me say, as my colleague from Illinois [Mr. PRICE] has already assured the committee, it is not in any spirit of criticism that we take this brief time this afternoon to express the hope that despite the fact that the Committee on Appropriations found it necessary and saw fit to make a very substantial reduction in the budget estimate for this particular item, that it does not mean anything more than a temporary deferral in the eventual funding of this project.

The gentleman from Illinois [Mr. PRICE] with whom I am privileged to serve on the joint committee, and also on the subcommittee which he heads on research and development, and radiation, has mentioned the fact that, with the staff of that subcommittee, an effort will be made to undertake a complete review with the technical personnel of the accelerator project and the laboratory to see precisely what the effect of this cut will be.

I will be very frank with the members of the committee, and say that I was rather gloomy when I first received word of their action because it seemed to me that the great danger lies in the fact that the technical personnel, the scientists, the very highly sophisticated and highly trained people whom you have to recruit for a long leadtime project of this kind, might suffer the discouragement from this action of the committee that would impel them to perhaps reconsider signing up, as it were, for the duration of this project. And, important as this great facility is, even more important are the people who must be attracted, the scientific community that must be attracted to the locality to help in the planning, the design, and eventually the operation of the 200 Bev accelerator.

I would also emphasize one other thing which I am sure is well known to the members of the committee: that we did not lightly entertain this particular commitment.

It was back in 1965 that a report called "National Policy on High Energy Physics" was developed, not just by the Atomic Energy Commission, but by a number of different governmental agencies working together with the Atomic Energy Commission. As a result of that report, extensive hearings were held by the Joint Committee on Atomic Energy in 1965, and again Mr. PRICE's subcommittee in the spring of 1967 made a very exhaustive review of our policy in this area, and the need for this facility.

It was concluded unanimously by the committee that we should proceed.

The President of the United States in the message that he sent to the Congress on science policy emphasized the importance of this kind of project, not only in enabling this country to maintain its primacy in the field of scientific research—and I might say by way of digression—we are talking about pure and basic research when we are talking about this kind of facility—and out of the sum $20 billion a year which we are spending for research and development in this country, a relatively small percentage does go to the very important and fundamental and basic kind of research that is represented in this particular kind of project.

So the decision was not lightly made. It did have unanimous support of the joint committee. In view of the importance of this project—not only to our domestic needs but as the President of the United States said in a message that he sent to the Congress on science policy, because of the importance that it may have and the important role it can play in encouraging international scientific collaboration, I would certainly hope that despite the admitted disappointment we have suffered in the reduction which was made in this project, I would hope that we can have assurances today here on the floor of the distinguished ranking Member and the distinguished chairman of the subcommittee to the effect that this does not represent turning our back on this project, and it does not represent in any sense an abandonment or any diminution in our feeling that this is a highly important scientific project that should go forward.

But because of the exigencies of the situation that we face today, they have been compelled to come to the decision that they did—but it does not represent any lessening in their opinion of the importance of proceeding to ultimate completion of this particular project.

Mr. RHODES of Arizona. Mr. Chairman, will the gentleman yield?

Mr. ANDERSON of Illinois. I yield to the gentleman.

Mr. RHODES of Arizona. As one member of the subcommittee, I would like to assure the gentleman from Illinois [Mr. ANDERSON] and the gentleman from Illinois [Mr. PRICE] who preceded him in the well that the subcommittee does have a feeling of urgency about this project. There is certainly no intention on our part of doing anything to cause any termination of the facility or slowing it down unduly.

The gentleman has given the reasons for the cut. The reasons were directed by the budgetary situation caused mainly by the war in Vietnam, and certainly I share the gentleman's hope, that the project can proceed in the years to come and that it will be a great asset to the scientific community of the country.

Mr. KIRWAN. Mr. Chairman, I yield to a member of the committee, the gentleman from New Mexico [Mr. MORRIS] such time as he may require.

Mr. MORRIS of New Mexico. Mr. Chairman, I just want to make one or

two comments concerning two or three items. One of them is the 200-billion-electron-volt accelerator which the gentleman from Illinois [Mr. ANDERSON] and the gentleman from Illinois [Mr. PRICE] are so vitally interested in.

Serving on both the Committee on Atomic Energy and being a member of the subcommittee on appropriations for handling this bill, I assure the gentleman that our report on page 85 fully sets forth, the policy of our subcommittee.

The deletion of the funds does not mean that we are not interested in the project and it does not mean that we do not feel it is vital to the future of our country in the field of scientific development and research on high energy physics.

It is the result of a very tight budget situation.

This is true not only with reference to this item but it is true with reference to several items throughout this bill.

Another exceedingly important item which we did not fund in the bill is the NERVA nuclear rocket engine development program.

The bill does include $31 million for advanced reactor technology and station operation in connection with the NERVA programs.

The bill does not include $41 million requested, including the $3 million deleted by the Committee on Atomic Energy in the authorization act for continuing the engine development program.

The committee deleted these funds in line with the action taken by the House on the NASA authorization bill curtailing that portion of the program which is being conducted by the National Aeronautics and Space Administration.

Yesterday the House approved the Senate version of the NASA authorization bill allowing $55 million for the program, a reduction of $5 million in the estimate. The committee has not yet had an opportunity to determine the effect of this restoration on the requirements of the AEC program.

There has also been no final action on the appropriations to NASA to implement the revised authorization. The committee will review its action in the light of developments in an effort to take such action with the Senate as may be necessary to assure the maintenance of a balanced program between the two agencies.

We have very important testimony in the hearings both by the Chairman of the AEC and by Commissioner Ramey with relation to the importance of the nuclear rocket program.

There is one other item to which I wish to refer. That is the authorization for additional funds for the attack submarine reactor project. The committee thinks that this project is very important, and we are hopeful that funds will be included in the military authorization bill. The committee did not leave this money out because we did not think it was important. We do think it is important. We took this action in light of the fact that some members of the committee felt that it should be in the military appropriations bill rather than in the AEC.

I think that the bill which we have presented to you today is truly a bill which has been gone over with a fine-tooth comb. In fact, in my 10 years in the Congress I do not remember a single time that this bill has been brought to the floor when there has not been a single item in it outside the budget, as is the case with this bill.

I hope the Members will support the Appropriations Committee in this action, and we assure you that the programs I have mentioned and others which have been mentioned by previous speakers have not been deleted because we think they are unimportant, but because of reasons we have tried to set forth comprehensively here on the floor and in the committee report.

The 1969 Authorization Act—Public Law 90-289, approved April 19, 1968—provided for an increase of $8,500,000 over the amount requested by AEC. The authorization of the additional funds was recommended in order to enable the Commission to proceed with the development of a new propulsion plant for the attack submarine reactor project. Also the House Committee on Appropriations and the Joint Committee on Atomic Energy approved reprograming actions of fiscal year 1968 research and development funds to accelerate the design, development and testing on this higher performance nuclear propulsion plant.

The Joint Committee on Atomic Energy authorization report on fiscal year 1969 appropriations states:

> In view of the rapidly expanding and improving Soviet nuclear submarine capability . . . the committee recommends the addition of $8,500,000 to AEC's request to expedite work on the new design nuclear propulsion plant for the attack submarine, the details of which are set forth in a classified letter to the Joint Committee dated March 29, 1968, from Admiral Rickover. The committee considers this matter to be of utmost importance, since testimony taken in executive session indicates that the Nation's superiority in the vital field of nuclear submarines is being threatened.
>
> In the committee's opinion, the current situation is not unlike that which prevailed in the early 1950's when, in the face of the Defense Department's unwillingness to provide adequate support to a nuclear submarine research program, the Congress intervened and authorized the necessary facilities and funds for this purpose. Subsequently when the Navy refused to seek the funds necessary to build a nuclear submarine, Congress stepped in again and voted funds for the nuclear power plants for the first two nuclear submarines, the NAUTILUS and the SEAWOLF. Because of the Navy's reluctance, the money was appropriated to the AEC where it was used to build the power plants that were then turned over to the Navy Department. The nuclear submarine fleet that evolved from these measures today forms the backbone of our national defense.

The report concluded:

> The committee considers this project to be of supreme importance; without it this Nation's continued superiority in the field of nuclear submarines cannot be assured.

The House Armed Services Special Subcommittee on Antisubmarine Warfare, chaired by the gentleman from New York, SAMUEL S. STRATTON, in May 3, 1968, in a memorandum to the chairman of the Committee on Armed Services, the gentleman from South Carolina, L. MENDEL RIVERS, indicated that it supported the Senate authorization for additional funds to proceed with the construction of this higher performance submarine. The letter concluded:

> We support the action of the Senate Armed Services Committee and recommend that the House Armed Services Committee add the same sum to the authorization bill.

In testimony before the House Appropriations Subcommittee on Public Works, Admiral Rickover indicated that work on the plant has proceeded to the point that the next and logical step is to obtain firm vendor commitments for component fabrication. Our committee agrees with the vital importance of this project and in view of the fact that the Senate has passed authorization for this important work and the House authorization committee has indicated its intent to also authorize this program, the Appropriations Committee has decided to handle this matter under the Department of Defense appropriation legislation and the Congress take every action necessary to insure that the Department of Defense gives high priority to this important work.

Mr. RHODES of Arizona. Mr. Chairman, I yield such time as he may consume to the gentleman from Illinois [Mr. DERWINSKI].

Mr. DERWINSKI. Mr. Chairman, I naturally share an interest and concern over the budget situation affecting the Weston, Ill., project. I am pleased to see that we have established a clear record this afternoon declaring firm priority for Weston when funds are available.

I wish to associate myself with the remarks made earlier by my Illinois colleagues [Mr. PRICE and Mr. ANDERSON].

Mr. KIRWAN. Mr. Chairman, I yield such time as he may consume to the gentleman from Nevada [Mr. BARING].

Mr. BARING. Mr. Chairman, I want to emphasize my interest in the nuclear rocket program. In not providing for strong programs in science and technology, the Congress will place this Nation at a serious disadvantage in the near future, in danger of an extended period of second-class technological status in the seventies and eighties. The advancement of technology cannot be turned on and off as can the electrical appliances in homes. The sharp cutbacks now being discussed must strongly affect the careers and lives of the men and women whose technical abilities are our strongest asset. It will not be easy to reclaim at some future date the scientists and engineers whose lifework we are now ready to abandon.

For more than a decade, some of our most outstanding scientists and engineers have worked to solve the difficult technical problems of nuclear rockets and to develop the technology for this advanced form of space propulsion. An impressive capability and a wealth of knowledge unique to this Nation has been created. If the development of the NERVA nuclear rocket engine does not now proceed that capability will be thrown away. The loss will be irretrievable.

Despite the immediate concerns that face us here in the Congress, we cannot

afford to take a shortsighted view of the proposed NERVA engine development. To continue a strong nuclear rocket program now, will provide an operational propulsion system to enhance our ability to utilize and explore space in the late 1970's. This program provides a unique opportunity to secure added prestige for the United States in the area of technological advancement. The NERVA engine represents one area of technology wherein the United States alone possesses a capability of major importance. The use of nuclear propulsion in space would amply demonstrate the possession of a wide range of technical capabilities. Such a message as this is more penetrating and of greater significance throughout the world than any number of statements about the advantages of our way of life and about our desire to remain strong and free.

The effect on this Nation's space program in the next several decades would be to freeze our capabilities at today's levels. For example:

First. Lunar exploration would be limited to the payload capability of the chemical Saturn V. This capability is to land a few hundred pounds payload and allow one astronaut a few hundred yards range from his landing spot somewhere near the lunar equator. The payload restrictions for example, prevent leaving the immediate landing area which for reasons of safety will be in the flat center of one of the mare, far from the mountain crests which are of greatest interest geographically and geologically. The nuclear rocket in combination with Saturn V would allow the accomplishment of a lunar exploration program of the kind recommended by PSAC, allowing, for example, several astronauts for several months with roving vehicles. In addition, the exploration of lunar polar areas is precluded without the nuclear rocket engine capability.

Second. Extensive earth orbital operations with meaningful payloads require high Isp systems. The present Saturn V allows replenishment of a small single space station but has no capability to shuttle from one space station to another or to supply large stations such as might well be desired for scientific or military purposes in the 1970–80 period.

Third. The scientific payloads we now envision as useful in 1968 for scientific study of the far planets would be the limit of what we will be able to achieve in the late 1970's and beyond. Innovations in scientific equipment requiring larger weights would not be possible. In addition, it would not be possible to expand payloads and equipment because of lack of a high Isp space engine.

Fourth. The extension of scientific and engineering capabilities to their limit, and achievement of scientific and manned expedition capability through a constant process of miniaturization of payloads and/or complex mission modes which demand more and more of equipment, reaches a point of diminishing returns. This must eventually reach a limit where it begins to erode the reliability of performing missions. The lack of a high Isp space engine would set an absolute limit on ability to achieve high reliability space missions at a much lower level than could otherwise be achieved.

Because the nuclear rocket program and other technical activities like it provide for needs of the future, it is frequently suggested that Congress cut back sharply on these activities to meet the more visible needs of urban crises. The Nation does face serious difficulties which cause serious fiscal problems. Clearly, we must seek ways to solve the urban crises, find jobs for the chronically unemployed, offer a chance for education to all our youth, conserve natural resources, maintain a strong rural society, and defend freedom wherever and whenever necessary. In concentrating on the problems, we must not ignore the vital role of an ever-advancing technology in keeping the Nation strong. A dynamic technology is a source of wealth, know-how, and stimuli which are assets to be drawn upon in the solution to a variety of national problems. Its preservation at this time requires that we be foresighted enough to invest now in the advanced technologies which will become the capabilities of the future. The space program is an important driving force behind an advancing, dynamic techonology, and the nuclear rocket program has been at the forefront of extending man's technological frontiers.

Mr. KIRWAN. Mr. Chairman, I yield such time as he may require to the gentleman from Florida [Mr. FUQUA].

Mr. FUQUA. Mr. Chairman, it is extremely unfortunate that our Cross Florida Barge Canal has not been adequately funded for the coming fiscal year. Certainly the amount of money which has been appropriated means that we will see work on this vital waterway very seriously curtailed.

I am afraid that many Members of the Congress still view this as a Florida project rather than as a national waterway. I suppose this attitude did not exist in the building of the Panama Canal, as it is rather apparent how valuable and essential this waterway is to our Nation as well as the world.

Not so apparent is the Cross Florida Barge Canal and the tremendous savings which can be gained by the American people when this waterway is completed. I am, therefore, disappointed that the funds we considered to be essential were drastically cut.

It meant that we will have to redouble our efforts in the coming year.

This does not mean that the canal will not be built, but it does mean that it will be many more months and years in completion and America loses those advantages which I believe its completion would give to our Nation.

I recognize the difficult decisions which our committee has had to make. However, I am convinced that the Cross Florida Barge Canal is so important to the future of transportation of America that it should have been more adequately funded.

Mr. KIRWAN. Mr. Chairman, I yield 10 minutes to the gentleman from Maine [Mr. HATHAWAY].

Mr. HATHAWAY. Mr. Chairman, I commend first the chairman of the subcommittee [Mr. KIRWAN], and the Members on both sides of the aisle for the excellent job they have done with the appropriation bill which we are now considering. I also commend those who have spoken here today on both sides of the aisle in support of all the projects in the bill. I commend those on both sides of the aisle, Republicans and Democrats, who have extended their good wishes in the hearing record to the particular projects about which I am now going to say a few words.

Mr. Chairman, I anticipate that after general debate is over and the bill is read for amendment, that an amendment will be offered to strike funds for the Dickey-Lincoln school hydroelectric project which is located in my district in northern Maine. Funds for this project amount to $671,000. This money is used for planning only. There is no construction money. This amount is reduced by almost 50 percent from the amount recommended by the President in the budget, which was $1,276,000, reduced to $671,000.

Mr. Chairman, New England is an area of exceptionally high electric power rates. The Federal Power Commission's survey for 1964 revealed that the cost of generating, transmitting, and distributing power in New England is 28 percent above the national average.

The Dickey-Lincoln school project would save New England electric power consumers more than $7 million annually by comparison with costs of an alternative source advanced by the private utilities. In comparison with the present average costs in New England, consumers would save in excess of $9 million annually.

It is, therefore, no surprise that the vast majority of New England people favor construction of the Dickey project. It is, however, apparent that strong forces have been actively attempting to kill the project since its authorization in 1965, by the 89th Congress.

By the way, since that time. we have received an appropriation of, first, $800,000 in 1965, $1.1 million in 1966, and by virtue of the continuing appropriation last year an additional $400,000, making a total of $2,300,000, which has already been invested in this worthwhile project.

The opposition to the project has not come from the people who pay the high electric bills. Nor has it stemmed from partisan politics.

The former Maine Republican Governor, John H. Reed was as ardent a supporter of the Dickey project as is the current Democratic Governor, Kenneth M. Curtis.

My former Republican colleague in the House, Stanley R. Tupper, was as wholeheartedly committed to the project as is his Democratic successor, PETER N. KYROS.

In the Senate, Maine's Republican senior Senator, MARGARET CHASE SMITH, speaks as one with Democratic Senator EDMUND S. MUSKIE where the Dickey project is concerned. Both are in favor of the project.

Who, then, are the opponents of the Dickey project who have proven to be such powerful foes?

They are primarily the private electric utilities, the coal and oil interests, and the individuals who fall, for one reason or another, under the influence of these interests. For the most part, the individuals who oppose the Dickey project are persons who live outside of the State of

Maine and even outside of New England. They are remote from the real problems and needs of northern New England and in the final analysis persuaded to oppose the Dickey project for largely irrelevant reasons such as loyalty to coal or oil unions, which understandably favor fossil fuel plants, executives and stockholders of private utilities who have no real stake in what happens in New England but are satisfied to oppose the advent of public power in the region, and idealistic conservationists who have been persuaded to believe that construction of the Dickey project would devastate a pristine area rich in nature's wonders.

I respect these people for their views, honestly held, but they are held, I fear, in ignorance of some highly relevant facts.

For example, in New England, the industrial use of electric power is only 25 percent of total consumption, whereas the national figure for industrial use is 46 percent. That is almost twice as much.

And the situation is really getting worse, not better. In 1945, just after World War II, the percentage of electric energy serving industry in Maine was 33 percent. Since that time, in two decades, it has declined by 8 percent.

This is a direct result of the high-cost power, and dramatizes the need to lower electric rates, a job the Dickey project can do and must do.

Maine has no public power, nor has New England, nor does the Northeastern area of the United States, as this map clearly shows. Homeowners, businesses and industries pay the penalty for this in unnecessarily high electric rates.

An example of the price deferential on electric power costs was developed by Maine's Department of Economic Development in an experiment designed to compare the power rates in Maine with those of another area in the country where public power is a factor in determining the rate structure.

Rates of the Grant County Power Commission in the State of Washington were provided to a potato processing firm in Aroostook County, Maine, up in the very northern part of Maine, and they were asked to estimate their monthly costs of electric power based on the Washington State rates. Doing so, they found that their monthly power bill would amount to $9,000, and currently they are paying $27,000. That is three times the monthly rate, for the difference between the Maine power and the Washington power, for a potato processing plant.

Because there is no public power yardstick in Maine and in New England, the Aroostook County potato processors are being unfairly penalized. So are hard-pressed canneries in economically depressed Washington County, the poorest county in all New England. So are shoe manufacturers in Oxford County. So are textile manufacturers in Androscoggin County, my county. And so are industries throughout New England.

This map indicates—and there are 170 black dots on it—the federally financed hydroelectric powerplants in the United States. As the Members can see from looking at the map, there are none of these in the entire Northeast area.

Perhaps we were wrong several years ago when we adopted the philosophy that in order to bring down electric rates we would install federally financed powerplants throughout the country, but we cannot turn back the clock. We are already locked into that philosophy. As a result of that philosophy that part of the Nation where we see the black dots gets much lower power rates than are available in the northeastern part of the United States.

All we ask for in the Dickey-Lincoln project is to put us on an equal basis with the rest of the country. That is what the Dickey-Lincoln project would do.

We need the yardstick of public power to force a reduction of electric rates. We need the construction of the efficient Dickey project to set an example for the public electric utilities. We need the Dickey project to relieve the people of Maine and of New England from usurious electric power rates.

Construction of the Dickey project would serve the industries and the people of Maine and New England, and it would do so without spoiling the natural and scenic resources on a vast scale, as some people have been led to believe.

The State of Maine is 87 percent forested. It has 17 million acres of commercial forests. What the Dickey-Lincoln school project is going to do is to take 80,000 of those acres, which is less than one-half of 1 percent of the entire forestation in Maine, so I do not believe it is a legitimate gripe of conservationists to say that we are destroying the natural beauty we have in the State of Maine, by taking only one-half of 1 percent of the forest land.

Now, Maine has 3,600 streams. There are six major trout streams which would be inundated if the Dickey project is constructed, but this is only one-sixth of 1 percent of the stream resources that we have in the State of Maine.

In addition to that, we have 2,000 lakes, and we have an abundance of natural resources, and only a very minor, small fraction would be hurt at all by the construction of this project.

Two thousand deer will be displaced when the Dickey area is flooded. An extremely pessimistic estimate is that 1 percent of Maine's 180,000 deer could be lost when displaced if unable to find and adapt to new habitats.

There will be some losses of natural resources including timber, fish and wildlife, and scenic values resulting from the construction of the Dickey project. However, these losses will be minor and of limited consequences compared to the values which will be realized.

The Dickey project will serve people, by spurring economic development in Maine and New England. It will bring opportunity and hope to people who have long lived in poverty. It will strengthen the economic, social, and cultural institutions of the area, making for greater opportunity and well-being for all who live there.

It will provide new and better jobs, better schools, municipal and health services, improved cultural and recreational opportunities, and make life better and richer for the people living in the area it serves.

Mr. KIRWAN. Mr. Chairman, I yield 3 minutes to the gentleman from Maine [Mr. KYROS].

Mr. KYROS. Mr. Chairman, in the few moments I have I would like to say that the Northeast indeed has never had a public power project. This is again a unique opportunity for this House to rectify that fact. The map indicates very clearly that all over the United States people are enjoying the benefits of low-cost power and the industries and the labor that results. In Maine we have for too long suffered from high-cost power. This project, the Dickey-Lincoln project, has been unanimously endorsed by all of the Members of Congress on both sides of the aisle who have come to Washington. It has been unanimously endorsed, also, by the present Governor of the State and his predecessor. The Dickey-Lincoln project has been supported by our State legislatures.

Mr. Chairman, it is time indeed for the Northeast to have a public power project. The fact is that this matter has been studied in depth. There is no question of the benefit-cost ratio. This is a hard year, I realize, in terms of money but there is no reason why the Maine taxpayers should bear their burdens in this country and still be left out when public power bills are enacted. Just the other day the Army awarded a contract to a corporation outside the State of Maine which cost $20 million more than it would have if a Maine corporation did the job. If we can waste that kind of money, it would seem to me that this House can see to it that the people of Maine share fairly in all the benefits of this country.

I appreciate this opportunity to express my support for the $671,000 appropriation in the public works bill for the Dickey-Lincoln School project. No other multipurpose hydroelectric project authorized by the Congress has ever been so thoroughly studied and so thoroughly justified as the Dickey-Lincoln project. It carries the endorsement of the Interior Department, the Corps of Engineers, the Federal Power Commission, the Atomic Energy Commission, and the Bureau of the Budget.

In addition a special study by the House Committee on Appropriations found the project to be completely justified. The report on this study cited a benefit-to-cost ratio of 1.9 to 1. Computed on a 50-year repayment record, this means that taxpayers will get back nearly $2 for every $1 invested. As you know, this ranks the Dickey-Lincoln project as one of the most attractive Federal hydroelectric developments either authorized or in existence.

This is already a market for power which can be produced by the Dickey-Lincoln project. Letters of intent to purchase 100,000 kilowatts of firm power have come from municipalities and rural electric cooperatives in Maine. Similar letters for purchase of 650,000 kilowatts of peaking power have come from other preference customers in New England.

Mr. Chairman, the people of the State of Maine and of the other New England States need and deserve to have the Dickey-Lincoln project. Today, electric consumers in New England pay the highest electric bills in the Nation. For years, this has been the only area where tax-

paying families and industries have been denied the benefits of Federal hydroelectric development, with its "yardstick" effect in bringing down power costs.

It is widely acknowledged that ample low-cost power is a basic requirement for new industries, but business and industrial development have long been allowed to slip away from New England to other parts of the country, where resource development gets more attention. Few new commercial enterprises have taken the place of the departed ones. As a result, there are fewer jobs, smaller payrolls, less consumer spending, and a narrower tax base upon which to meet the needs of the people who have remained in their home communities in the New England States.

It does not have to be this way. The Dickey-Lincoln project would not only bring estimated savings of $9 million a year to the customers who would be buying its power, but construction of this project could have other far-reaching benefits for the depressed economy of this section of the country.

It is estimated that 11,200 man-years of labor will be required to complete the construction job. Add to this the jobs and payroll involved in producing 600,000 tons of concrete, 25,000 tons of reinforced steel for the dam and 45,000 tons of steel for transmission line construction, plus all the other materials and equipment which will be required, and this makes quite a package.

The multiplier effect of this much economic activity is a much needed boost to put New England back into the mainstream of the U.S. economy. It can bring new industries and enlarge existing ones. "Yardstick" Federal hydroelectric power can be the key to open up the undeveloped region of northern Maine and to bring more jobs and payroll dollars to the whole northeastern corner of the United States.

Mr. RHODES of Arizona. Mr. Chairman, I yield 1 minute to the gentleman from Vermont [Mr. STAFFORD].

Mr. STAFFORD. Mr. Chairman, I would like to be associated with the remarks of the gentleman from Maine [Mr. HATHAWAY]. This particular project, the Dickey-Lincoln Dam, is one on which as Maine goes so goes Vermont. We feel that northern New England has suffered severe handicaps in terms of the availability of electrical energy at a reasonable price. We think construction of this project would provide additional sources of much-needed electrical energy in northern New England at a reasonable price that can be of benefit to Vermont, New Hampshire, and Maine. In addition to providing power, this would give us a yardstick by which we could measure the costs, and the charges made by other electrical generating utilities in our part of the country. I fully support this project.

Mr. KIRWAN. Mr. Chairman, I yield 5 minutes to the gentleman from Connecticut [Mr. GIAIMO].

Mr. GIAIMO. Mr. Chairman, I take this time not to get into the technical aspects of the Dickey-Lincoln problem, but merely to point out to the House and to the Committee that we are faced once again with the question of the hydroelectric plant in the State of Maine known as the Dickey-Lincoln project. I would also like to have the Committee bear in mind that the budget calls for $671,000 just for planning purposes. I would like to stress that we should not be deceived by this figure. This is a planning figure. This is a continuing amount which, by its authorization and its appropriation today, means that we further commit ourselves to a tremendous expenditure not in the sum of $671,000 but a figure which ranges in the neighborhood, in my opinion, of half a billion dollars. That is what we are talking about here. I believe the House is entirely familiar with the principal arguments for and against Dickey-Lincoln. We have gone into them year after year.

We have gone into this problem and I do not think we need to recite them again in any detail. However, I would like to cite a few salient points which in my opinion need to be made.

First, what is the true cost to build a project, including the dams, the powerplant, and the 450 miles of transmission. There are almost as many cost estimates being bandied about as there are Members of this House.

Mr. Chairman, the Corps of Engineers says $320 million at the 1966 price levels, without a single penny of escalation over the 7 years of construction that lie ahead, which is the contemplated completion date of this project. The cost estimate is $443.3 million. Yet we know that this is to be but a minimum figure. This is a minimum figure as to the estimated first cost, as the exact costs which I suspect as in the case of other projects will have to be adjusted upward.

A simple escalation of but 5 percent per year for those portions of the project scheduled for completion each year over the next 7 years would bring the Corps of Engineers' cost estimate, as I stated previously, to $443.3 million.

For example, Mr. Chairman, one of the world's foremost hydroelectric engineering firms has given an estimate of $535 million. It is my own view that the project would cost at least a half billion dollars. If one wants to, one can use the figure as submitted by the Corps of Engineers, as some Members on the floor have used to indicate the cost of the project.

Mr. Chairman, my second point is the so-called favorable benefit-cost ratio. Mr. Chairman, there is an equal array of these numbers being kicked about. If you are for the project you use the benefit-cost ratio of 1.9 to 1. If you have doubts about the project you use the figure of 1.3 to 1. And if you are opposed to the project you can use .86 to 1. This numbers game is approaching the point of absurdity. The important thing to remember is that a benefit-cost ratio depends entirely upon who is computing the costs and estimating the benefits. If you want a very favorable ratio, be certain to greatly underestimate the initial cost of construction and forget about escalation. Then vastly over-estimate the benefits.

These, Mr. Chairman, are the salient factors in this debate, although I would remind the Members of the House that many Members are seriously concerned with the great conversation issues involved in the distribution of a prime wilderness area.

Mr. Chairman, I would remind the Members of the House and all of my colleagues, that on four separate rollcall votes we have said an emphatic "No" to this project. Last year, we successfully stopped the expenditure of another dollar for planning or anything else. You cannot reduce power costs by selecting the highest possible way to bring into being electric power. We took the Corps of Engineers report, the report of the Department of the Interior, and the staff report and have agreed, based upon all the testimony, to the fact that a Federal alternative method of creating power will give us the same power at a cheaper cost and, therefore, benefit the taxpayers.

Mr. Chairman, we do not want this high-cost plant which can only produce high-cost power.

I urge an overwhelming vote to reject Dickey-Lincoln once and for all.

Mr. KIRWAN. Mr. Chairman, I yield 5 minutes to the gentleman from California [Mr. HOLIFIELD].

Mr. HOLIFIELD. Mr. Chairman, as vice chairman of the Joint Committee on Atomic Energy, and having chaired hearings on the act, it was my opinion that the representatives of these people had done a pretty good job when they cut the authorization request to the extent of $293 million.

The House Committee on Appropriations cut it to the amount of $218 million from the originally requested amount.

Now, Mr. Chairman, as I understand it the appropriation amounts to about $218 million below the requested appropriation which was $2,764,600,000.

I am not going to complain about this cut today because I know full well the situation that obtains. This House has bought the fallacy that we are in a financial crisis, and I take the position that we are not. But that does not make any difference, because once you accept the fallacy that we are in a great financial crisis then these programs, which many of us desire in different areas, have to be cut.

So I do not lay the blame for cutting these projects at the doorway of the Committee on Appropriations because they have to follow the will of the House, but the thing that I cannot understand is this: At a time in our history when corporate profits are at an all-time high, when individual earnings, the per capita earnings of the American people, are at an all-time high, at a time when the savings in the banks and in the thrift institutions of this country are at an all-time high, and at a time when more people are working, 75 million, 800-some-odd thousand people working, which is 10 million more than were working in 1960, and at a time when unemployment has gone done in the last 7 years from 5.7 to 3.5, that I continuously hear the people on the Republican side of the aisle getting up and saying that this country is in a terrible crisis.

There was never a time in the history of the United States when this country was as strong as it is today, financially and economically. We have no shortage

of goods. We have the greatest productive potential that was even known in the world in our factories and in our fields, yet the Members on the other side continually harp on the fact that we are in a financial crisis.

Unfortunately, some of my friends on this side of the aisle have bought that philosophy.

Mr. Chairman, I reject that philosophy completely, but I know full well that, once the majority of the Members of this House have bought that philosophy, then they are going to do the things that will cut the guts out of the programs that mean so much to the people of America, not only now, but in the future.

You cannot fight this out on an individual basis or on an individual project, because every project in America that goes toward the building up of America, whether it is in the increasing of our natural resources potential or our social potential, or our vocational potential or our educational potential, all contribute toward the wealth of America.

When you once accept the policy that we cannot afford it, then you have to go the rest of the way and you have to cut the guts out of all the things that mean so much to America.

Well, I am not up here today to plead for a dime to be added to this appropriation. You have to go the full length, until the people of our country know exactly what is being done, and know how they are being deluded when they are told that you cannot afford to do this, you cannot afford this particular project, you cannot afford that particular project because we are in a financial crisis.

But I know that you can. And if there is any man on this floor who wants to get up and challenge the facts that I have brought before the House to show the strength of America, then they can do it on their own time, because I am not yielding, I might say, any part of my 5 minutes. I want the economic facts to go on the RECORD, and I invite the Members to look at the speech I made on the floor of this House on April 24, and they will get the full treatment of what the exact situation is in America as against what it is believed to be.

Although I made that speech almost a month ago and challenged those who believe we are in a financial crisis to answer the economic facts in that speech, no Member has accepted the challenge.

I again state that we are not in a financial crisis based on economic facts.

We can talk ourselves into a "crisis." We can believe a fallacy and react to it as though it were a fact.

Corporate profits, per capita income, per capita savings in our thrift institutions, industrial productive capacity, and employment are at an all-time high in U.S. history.

Our national debt is at the lowest point percentagewise to the national gross product—43 percent—that it has been in the last 26 years.

Again I challenge the "crisis crowd" to refute the facts and my conclusions based on those facts.

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

Mr. RHODES of Arizona. Mr. Chairman, I yield 2 minutes to the gentleman from Iowa [Mr. GROSS].

Mr. GROSS. Mr. Chairman, all I wanted to say to the gentleman from California when I asked him to yield was this: If everything is so lovely, and the goose is hanging so high financially in this country, why is the pressure being put on here this afternoon to line up the votes to pass a $10 or a $12 billion Federal tax increase tomorrow?

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

Mr. GROSS. I gladly yield to my friend, the gentleman from Missouri.

Mr. HALL. I appreciate the gentleman from Iowa yielding.

Having been challenged, I would like to say "at a time like this," what does the Secretary of the gentleman's own party, the Secretary of the Treasury, say about the financial situation of this country after three planned deficits over $25 billion? At a time like this, I want to say I do not believe in spending beyond our income, and furthermore take exception to all the postulates of the gentleman from California [Mr. HOLIFIELD]. We are rapidly approaching bankruptcy.

Mr. GROSS. Yes—and every other spokesman that they can run out publicly in behalf of the Great Society.

Mr. HALL. Not only that—if the gentleman will yield further—it is high time that some Members around here found out that the people of America still believe in the old-fashioned arithmetic, and not that which is going on in these annual planned deficits. It is high time in my opinion, having mined our soil, and robbed our children by overappropriating our income; that we got at the job of balancing the budget for about the first time in 8 years.

> The forward thrust of inflation has developed such momentum that monetary authority—the Federal Reserve—with little or no help from the fiscal authority—the Congress, in the final analysis—is * * * burdened with the responsibility for preventing an economic bust of nuclear proportions. It is a monumental task, for sure, now that popular psychology has become so adverse and the thinking of millions of people increasingly is being influenced by emotion—by the fear that their savings, their life insurance, and their retirement and social security benefits will be lost in whole or in part as the purchasing power (value) of proper dollars continues to decline at a disturbing rate.

So states my friend Arthur A. Smith, economist for the First National Bank in Dallas, Tex., on June 15, 1968, Mr. Chairman; so say the people at home to whom I talk and exchange correspondence. I feel the neosocial theories of the big spenders in the great society have been disproved and are timely for rejection—once and for all.

Mr. GROSS. Yes; and I say amen to that, too.

Mr. KIRWAN. Mr. Chairman, I yield 5 minutes to the gentleman from Rhode Island [Mr. TIERNAN].

Mr. TIERNAN. Mr. Chairman, I want to thank the distinguished chairman for giving me this opportunity to address the House today.

As you know, the budget request for the Dickey-Lincoln project was cut almost in half. We are talking about an appropriation of $671,000 for continuing the planning of this project.

You have heard the gentleman from Maine [Mr. HATHAWAY] and the gentleman from Maine [Mr. KYROS] speak in favor of this project. I think it is important that the Members of the House of Representatives realize that these two Congressmen are from the State of Maine where this project will be located and have asked that relief from the highest electric power rates in the Nation be given to their constituents. I want to point out to the Members of the House the extensive hearings that were held before the subcommittee chaired by the gentleman from Massachusetts [Mr. BOLAND]. It is all spelled out before that committee from page 1311 to page 1340.

In the extensive hearings held by the subcommittee, all of the objections that have been raised here on the floor last year and again today by our colleague, the gentleman from Connecticut, are answered point by point and spelled out in detail.

But one of the things I would like to bring to the attention of the Members of the House is this: Why I, a Congressman from Rhode Island, am concerned about continuing the planning of this project, its ultimate construction, and what will it mean to my people?

I will tell you what it means to the State of Rhode Island. Each month my people pay $3.80 a month more than the national average for electrical power for residential rates.

For Rhode Island, on page 1331, there appears a table, where it is pointed out that for the residential users in Rhode Island they pay 32.5 percent above the national average. Commercial users pay 43.7 percent more than the national average. Industrial users in the State of Rhode Island pay 62.2 percent more for electrical energy than the national average.

Gentlemen, I cannot urge you any stronger than that. This is a project that 2, 3, and 4 years ago was found by the Members of the House to be justifiable. But it has been constantly sniped at and unjustifiably attacked by some opponents, as the gentleman from Maine [Mr. HATHAWAY] has already pointed out.

I want to urge all of the other members of the New England delegation to consider what my colleague, the gentleman from Vermont, and my colleagues from Maine have indicated. This is a most worthy project. There has been an effort here to economize; we have cut the budget request almost in half. We are asking merely that the planning of this project be continued until the fiscal situation improves. At that time we would then want to go forward with it because it is a most worthy and feasible project.

I believe the attempt to delete funds for the continuation of planning of the Dickey-Lincoln hydroelectric power project should be defeated. I further believe that the feasibility of the Dickey-Lincoln project has been proven beyond reasonable doubt and it merits our support. In addition, I feel New England is entitled—at long last—to its fair share of the benefits of public power.

Permit me to briefly outline the facts that are pertinent to the Dickey-Lincoln School hydroelectric power project.

First. Electric rates in New England are the highest in the country.

Second. The record shows that New England's private utilities have done little over the past years to reduce these rates.

Third. Over a period of several years, the Dickey project has been studied in great detail by numerous Federal departments and agencies.

Fourth. Engineering feasibility and economic justifications of the project have been demonstrated beyond any possible doubt.

Fifth. The Dickey project as designed is uniquely suited to fulfill the role it is destined to play in providing power to New England consumers.

Sixth. The project will provide electricity at the lowest cost to consumers.

Seventh. A market exists for the power Dickey will generate. In fact, the peaking power to be available for shipment out of Maine is already oversubscribed.

Eighth. The private utilities have been unable to offer a plan which can challenge Dickey for efficiency of operation or cost of electric energy production.

Ninth. The private utilities are unable to promise that they can significantly reduce rates to consumers nearly as much as Dickey will.

Tenth. The Dickey-Lincoln project is by all odds and by any standard the best means of reducing electric rates in New England.

These are not only my views. They are the considered judgment of the Federal agencies expert in such matters, specifically, the Army Corps of Engineers, the Department of Interior, and the Federal Power Commission.

I ask all of those who may be in doubt on this project—and who are interested in fact and not fiction—to look at the testimony of the Appropriations Subcommittee on Public Works beginning on page 1311 and concluding on page 1340. The arguments of the opposition simply do not stand up when compared to the presentation made before this committee.

As to the argument that New England citizens do not favor this proposal, I invite all of my colleagues to turn their attention to a recent districtwide poll I conducted and the results that I received. In this questionnaire, I asked my constituents if they favored the Dickey-Lincoln public power project as a way in which to begin effecting lower electric power rates in New England. The results were overwhelming. Seventy-one percent favor it, 13 percent oppose it, and a little over 15 percent were undecided.

I think this is eloquent testimony.

I am quite satisfied with the merits of this project. I am proud to lend my support to its fulfillment. I urge my colleagues to reject this attempt to delete these funds and give New England a modest, a very modest appropriation to continue preliminary study and engineering on the Dickey project.

Mrs. HANSEN of Washington. Mr. Chairman, I rise to support H.R. 17903, to commend the distinguished chairman of the Public Works Subcommittee of Appropriation, Mr. KIRWAN, and to commend the committee.

I would like to call attention to the man-hours of employment in this bill at a time when this Nation is concerned with jobs for people.

List follows:

EMPLOYMENT: PUBLIC WORKS APPROPRIATION BILL

Bureau of Reclamation: 290 contracts; 25,000 man-years of employment (on and off site).

Corps of Engineers: 962 contracts; 66,000 man-years of employment.

Treated in round figures—over 1,200 contracts; 90,000 man-years.

Significant budget reductions would effect contracts.

These jobs are the backbone of our economy and provide the tax base for payment of many facets of our economy.

I urge support for H.R. 17903 and for the development of our own national economy.

Mr. MATHIAS of Maryland. Mr. Chairman, in considering this bill, it is essential for us to weigh carefully both the need for short-run savings and the interests of long-range economy. This bill has been singled out by some as one appropriations measure where substantial immediate savings could be gained through wholesale cuts and postponements. Yet as many have so wisely observed today, delaying many of the essential public works projects in this bill could prove immensely costly in the long run, not only because construction delayed will inevitably cost far more later, but also because, for every year of delay, the communities and States involved will lose the tremendous economic benefits which these projects provide and generate.

I am particularly glad that the committee has recommended approval of $760,000 for additional land acquisition for the Bloomington Dam and Reservoir in Garrett County, Md., and neighboring West Virginia. This project, on the North Branch of the Potomac River, will provide essential flood control, water quality control, and water supply for the communities and industries of western Maryland, and will augment the water supply of the Metropolitan Washington area, which has already been threatened with shortages at periods of low flow.

The Congress has consistently recognized the importance of the Bloomington Dam to the prudent conservation and consistent development of the Potomac River Basin. Endorsement of these funds today is wholly in accord with the support given to this project by the Congress in previous years, when in some cases appropriations have even exceeded the amounts requested by the Administration.

I might note that a small victory was scored this year, since the Bureau of the Budget did include $800,000 for the project in the fiscal 1969 budget. This support for Bloomington is a welcome contrast with the Bureau's previous position, and I trust that it is an indication that the dam has finally been recognized by the Bureau, as well as the Congress, as a project which merits some priority.

The committee this year did cut the appropriation for the Bloomington by $40,000, but this amount represents simply the 5-percent cut applied across the board in the interests of immediate spending reductions. The $740,000 in this bill will certainly enable the Corps of Engineers to proceed with land acquisition and site preparation, and I trust that actual construction can be started in 1969.

Clearly this is a case in which it is in the public interest to proceed as rapidly as possible. I know that the people of western Maryland, who need this project and have shown their willingness to bear their full share of its cost, will applaud our action today in approving these funds.

Mr. SAYLOR. Mr. Chairman, the Corps of Engineers has maintained that the central and southern Florida flood control project as authorized does not mention delivery of water to Everglades National Park from Lake Okeechobee by means of pumping, despite the fact that the corps 1948 report—H.D. 643—includes many references to the park. The Chief of Engineers wrote—page 4, H.D. 643:

> The plan of improvement has been developed in full recognition of the importance of Everglades National Park * * *. Release of water from conservation storage will assist in restoring and maintaining natural conditions within the national park area.

Despite this, the corps contends its report did not include provision for release by pumping. The associated costs are not reflected in the cost sharing agreements with the State of Florida, and the corps has held that it could not therefore, expend project funds for pumping to the park without authorization. This appears to be a contradiction for release of water to the park as authorized except, as the corps interprets it, not by pumping. If this interpretation is correct, the initial planning error is correctable by appropriation of funds which specifically permits such pumping. Funds have been appropriated for this purpose beginning in 1966.

The Corps of Engineers recommended water resources plan on the C. & S. F. project is being heard by the House Public Works Committee today, June 19, 1968. This plan eliminates the "error." The cost sharing formula of the new plan, if authorized, will eliminate the need of such statements as "financing the U.S. share of the cost of pumping water from Lake Okeechobee to the Everglades National Park" lines 22, 23, and 24, page 5, H.R. 17903, as these costs will be met in the future from normal project appropriations.

Pending action by the House Public Works Committee, the cited provision in H.R. 17903 is beneficial to the Everglades National Park.

Mr. TIERNAN. Mr. Chairman, in the public works appropriations bill that we are considering today, there has been allocated to the New England division of the Corps of Engineers an outlay of $20,000 for fiscal year 1969 for continuation of the Providence River and Harbor debris study.

This study was begun 2 years ago with the purpose of determining the feasibility of eliminating the sources of drift and debris by the removal and disposal of all dilapidated structures, rotting piles, and decaying boat hulks.

This year an extension in area of the study has been authorized to include that part of the Seekonk River from the mouth of the Providence River to the Main Street Dam in Pawtucket. With

this extension of the study we will now be able to learn the precise nature and extent of a waterfront cleanup.

I urge passage of the bill.

Mr. DADDARIO. Mr. Chairman, the public works appropriation bill being considered by the House today contains funds for completion of the much-needed Colebrook River dam and reservoir in my State of Connecticut. I urge approval of the expenditures needed to complete this important project, which will provide essential flood control, water supply, and recreational facilities.

The Colebrook River dam is an outgrowth of the disastrous floods of 1955 in Connecticut. It is a multipurpose project for flood control, present and future water needs, and fish and wildlife.

First, this project performs the vital function of reducing flood damage at population centers along the Farmington River; areas hard hit by loss of lives and property damages during record floods in August and October 1955.

Second, the water supply pool provided by the reservoir will make available 10 billion gallons of water supply storage to the Hartford metropolitan district to supplement its present water supply. The metropolitan district commission is now supplying the water needs of some 360,000 people in Hartford and neighboring communities of Windsor, Bloomfield, West Hartford, Newington, Wethersfield, Rocky Hill, Glastonbury, East Hartford, and portions of Manchester and South Windsor.

The additional water supply is essential to meet the increasing demands of the metropolitan district's jurisdiction, which serves constituents of my congressional district. The voters have already overwhelmingly approved a bond issue authorizing the metropolitan district commission to expend up to $6,000,000 in contributions to the construction of the project.

Lastly, completion of the Colebrook Reservoir facility will make a significant contribution toward fulfilling sports fishing and outdoor recreation needs. Because Connecticut is a heavily populated State and pressures of modern day living weigh heavily on all of us, these additional benefits—economic and noneconomic—should not be underestimated by any means.

In behalf of my constituents in the First Congressional District, the people of the entire Farmington River Valley, and of the State of Connecticut as a whole, I ask my colleagues to approve the funds needed to complete this project in the coming fiscal year. It is vital to the future growth, welfare, and prosperity of my State.

Mr. SHRIVER. Mr. Chairman, this is a crucial year for America, and as a member of the Appropriations Committee, I am well aware of the tremendous responsibilities facing us. The committee has recognized the critical budgetary situation and at the same time has made necessary decisions to maintain ongoing programs covered by the bill.

A genuine effort has been made by the committee to provide appropriations on a priority basis. There are no unbudgeted projects in this bill and 1969 spending for all major programs has been reduced below the 1968 appropriation level.

I want to commend the Subcommittee on Public Works Appropriations for the many hours and days which it devoted to hearings on projects throughout the Nation. The many public works projects in this bill have undergone lengthy, careful, and thorough justification at the local, State, and Federal levels.

There are many public works type projects that the American taxpayer is financing through the foreign aid program. I only wish they would be subject to as thorough a justification process as the projects in our own country.

In the Kansas Fourth Congressional District, much of the work at present consists of investigations on the Arkansas River Basin. Although there may be some reduction in keeping with the committee's economy action, there is included in the budget for fiscal 1969, $80,000 to continue studies by the Corps of Engineers from Great Bend, Kans., to Tulsa, Okla. This is a comprehensive ongoing study of flood control, conservation, allied water usages which has been broadened to include a feasibility investigation of navigation from Tulsa to Wichita, Kans.

Another budget item is for $68,000 for an ongoing study from Great Bend, Kans., to John Martin Dam, Colo., to determine if further improvements of the Arkansas River and tributaries are necessary in the interest of flood protection.

The committee also has recommended $240,000 for construction of flood control works on Cow Creek in Hutchinson, Kans.

There also is an item of $150,000 included for operation and maintenance of the Marion Dam and Reservoir which is nearing completion.

Mr. Chairman, in Kansas we have a deep interest, motivated by experience, to join hands with the Federal Government in the conservation and development of water resources and the planning of protection against disastrous floods.

We have experienced both floods and drought in recent years and we have come to know the importance of our investment in carefully considered water resources development and flood control projects.

Mr. WAMPLER. Mr. Chairman, I had intended to offer at the appropriate time an amendment to delete $13 million from the bill.

After reading the report by the Joint Committee on Atomic Energy on authorizing appropriations for the Atomic Energy Commission for fiscal year 1969 and conferring with the members of the Appropriations Committee, I realize it would be futile.

According to the Joint Committee on Atomic Energy report, virtually all of the fiscal year 1969 operating costs for the cooperative power reactor demonstration program will be funded from prior year appropriations.

However, Mr. Chairman, I wish to bring to the committee's attention one of the projects which will receive $13 million in fiscal year 1969 under the cooperative power reactor demonstration program.

Mr. Chairman, I refer to the Fort St. Vrain Nuclear Generating Station. The area about 35 miles north of Denver, between the South Platte River and St. Vrain Creek, is the designated site of the Fort St. Vrain unit. It is a high temperature gas-cooled reactor—HTGR—cooled with helium and designed to produce 842 MWt. thermal with an ultimate capacity of 879 MWt. thermal. The prestressed concrete reactor vessel—PGRV—proposed for this plant is the first in the United States.

I note with grave concern that Dr. David Okrent, a member of the independent Advisory Committee on Reactor Safeguards, USAEC, comments as follows:

> From the standpoint of reactor safety, the Fort St. Vrain design is especially vulnerable to vessel failure because a single structure serves as both reactor vessel and second containment . . . I believe it would not be prudent at this time to construct larger reactors of the Fort St. Vrain type at more populated sites without additional safety features to cope with major accidents involving various modes of failure of the reactor vessel.

Mr. Chairman, it is my conviction that if units similar to the Fort St. Vrain would be unwise in more populated areas, the Fort St. Vrain project is too dangerous to be 35 miles north of Denver, the seat of a number of sensitive Federal agencies, as well as a goodly portion of the population of the Rocky Mountain area.

Dr. Okrent states further:

> The Fort St. Vrain Station will have the first prestressed concrete reactor vessel designed and constructed in the United States, although such vessels have been built abroad. However, even abroad, only limited experience exists with these vessels. Not all of that experience has been favorable, and none of the existing experience covers more than a fraction of the operational life of the vessels.

I visualize with horror the tragedy which might be forthcoming due to a flaw in the containment. I must remind you that the Fort St. Vrain proposal is especially vulnerable to vessel failure since a single structure serves as both reactor vessel and secondary containment. We have no assurance that a defect in the containment would be revealed prior to failure of the facility. I do not feel that we can take such a risk with the lives of an entire area.

Dr. Joseph Hendrie, another member of the Advisory Committee on Reactor Safeguards, USAEC, apparently sharing this concern, said:

> I believe the Fort St. Vrain reactor should be contained in a building of such design, pressure and leakage characteristics as to protect the public in the event of a major failure of the reactor vessel.

Mr. Chairman, the Fort St. Vrain Nuclear Generating Station is not essential to the needs of industry and the public in Colorado. A coal plant approximately the size of the Fort St. Vrain project can produce all the power that is necessary—necessary for today's demands and tomorrow's expansion—as economically and certainly without question, with more safety. A coal plant would consume approximately 1 million tons of coal annually. This means the employment of 300 men engaged in the actual production of coal, and a payroll of approximately $2 million per year. This plant would be located in the heart of a major

coal-producing area in the Rocky Mountain West. I cannot help but view with perception and excitement the tremendous value a coal plant of this size would make to the economy of this region.

Mr. Chairman, the House is scheduled to vote tomorrow on the 10-percent surtax on income taxes coupled with a $6 billion reduction in spending. I know of no better place to start the reduction on nonessential expenditures than with such projects as the Fort St. Vrain nuclear generating plant.

Mr. MESKILL. Mr. Chairman, in connection with the public works appropriation bill pending before the House, I would like to express my total support of the funds necessary to complete the Colebrook River Dam and Reservoir in my Sixth Congressional District in the State of Connecticut.

The authorization for this project is a direct result of our disastrous floods of 1955 when 19 lives were lost and damages estimated at over $28,000,000 were experienced on the main stem of the Farmington River. Connecticut has been peculiarly vulnerable to flood damage; concentration in the narrow flood plains has exposed this area to catastrophic losses.

Following the 1955 floods, Congress instructed the Army Engineers to review flood control plans in the New England area and has appropriated funds which have begun to provide a measure of flood control. The Farmington River basin is one which has been surveyed and preventive work undertaken, of which the Colebrook Reservoir, now nearing completion, is a fundamental part.

We take pride in the fact that this project is the first flood control project to incorporate provisions for water supply under the authority of the Water Supply Act of 1958. The water supply pool provided by the Colebrook Reservoir is vital to the needs of the Hartford Metropolitan District which is now serving the water needs of some 360,000 of the people in the vicinity of our State capitol. The director of our State Water Resources Commission has termed this project the most valuable water resource project presently built or contemplated in Connecticut.

In addition to giving vitally needed flood control protection to the people of the Farmington River Valley and providing essential water supply for the Hartford area, Colebrook Reservoir also will provide Connecticut with an important sports fishing and outdoor recreation facility. Ours is a densely populated State, so this recreational aspect of the project also is of vital importance and will provide healthful relaxation for many citizens.

Mr. Chairman, the Colebrook Dam and Reservoir is a much-needed resource in the State of Connecticut. I urge approval of the funds needed to complete the project in the coming fiscal year.

Mr. LEGGETT. Mr. Chairman, this House approved yesterday in substantial part the Senate amendments to the NASA authorization bill, H.R. 15856. The Senate amendments include $55 million for the NERVA nuclear rocket program in conformity with arguments we made at the time the House originally passed this legislation.

Unfortunately, the pending bill, H.R. 17903, providing funds for public works and nuclear programs, was passed out of committee last Friday, 5 days before the authorization was effected for the NERVA program in this House yesterday.

As a result the Public Works Committee has had no other choice but to cut the present bill by $39 million for this program. I would anticipate that the Senate in line with the authorization bill just considered will review the funding for the NERVA program when the pending bill is then considered. I would hope that full funding is restored on this program in the Senate.

I commented on the NERVA program curtailment last May 2, prior to the Senate action restoring the funds, as follows:

Mr. Chairman, to begin with, I want to compliment the committee on its efforts toward economy. I think you have a bare bones bill here today. I am concerned, of course, that you cut out the nuclear motor NERVA program which is constructed partly in my congressional district and in about 20 other States. I think we have to keep in mind that you cannot let the tail wag the dog in these programs. You have to keep in mind the national purposes. The strength of the United States lies in our ability to do the things that we set out to do rather than in a mere figment of the imagination, such as the $25 billion, $15 billion, or $10 billion of gold that we have buried at Fort Knox.

The budget currently before the Congress is the largest in the history of the United States. With the Vietnam war requiring the expenditure of billions of dollars, and with more billions required by foreign aid programs, it is essential that all of the major programs be carefully scrutinized to insure that the money is being wisely used. The factors which have led to unrest and civil disorders in the ghettos must be sought out and corrected, while, at the same time, the technological progress which is so vital to the future of the Nation must be continued.

One of the programs which has been discussed before congressional committees reviewing the NASA budget requests involves the NERVA engine. The need for this program has been questioned by some of the members of these committees. It has been pointed out that the engine has not yet been assigned to any specific mission, implying that there is, therefore, no current need to develop it.

In examining the national space program, I have taken exception to some of the programs proposed by the NASA. In fact, I have in some instances been very critical of the manner in which NASA has conducted its operations, particularly in the area of long-range planning. I must, therefore, give careful consideration to the NERVA program, to insure that it is indeed placed in its proper perspective relative to other needs of the Nation.

In our modern world, the prestige of any country depends very heavily upon scientific achievements and technological gains that it can present to the world. Generally, these two factors go hand in glove. This has been clearly demonstrated by the space programs. Artificial satellites placed in orbit for purely scientific purposes have led to the development of communications, meteorological, and navigational satellites. The limited weight of such devices resulting from the high cost of large rocket propulsion systems has resulted in the development of more efficient, compact power supplies, and miniature electronic equipment such as the integrated circuit logic elements and amplifiers. These latter devices have allowed the insertion of preamplifiers in the tone arms of high fidelity record players, thus improving the quality of the music that is produced. These are but a few of the many side benefits that have been derived from our space programs. It therefore appears highly desirable to continue these activities at as great a pace as we can logically accomplish.

As we go further into space in our attempts to learn more about our solar system or expand our investigations of the moon's surface, significant increases in rocket vehicle payloads will be required. We can double the payload that we can use on these missions by developing a new booster rocket twice the size of the Saturn 5, or we can complete the development of the NERVA engine and use it with existing boosters. Considering the implications of the former technique—extensive development effort, new test facilities, new launch facilities, and much greater booster production costs—the latter course appears to be significantly less expensive.

From testimony presented to both House and Senate committees, it is clear that outstanding technical accomplishments have been achieved by the Government-industry team which has been given the task of developing the NERVA engine. Just last December, a full-power test was conducted that lasted for a full hour. The entire system was still operating satisfactorily at this point, and was shut down only because this was the scheduled termination time for the test. This is three times longer than any other high-thrust rocket engine has ever operated, and longer than is required for most of the deep space probes being considered for the 1970–80 time period. During this test, it was producing more than twice the thrust of a conventional high performance chemical rocket using the same weight flow of propellant.

As a result of urgent demand for funding in other areas—the Vietnam war and our foreign and domestic aid program—we and NASA have reassessed our space programs, and decided to operate on a less ambitious basis. Accordingly, the NERVA program has been realined. Instead of developing a very large nuclear engine for use in manned exploration of Mars and other planets, which would require extensive new facilities, the program is now oriented toward the development of a flight engine which can be tested utilizing existing hardware and facilities. This engine will more than double the payload capability of current booster rockets for the unmanned exploration of deep space, the planets, and the solar system in general, while minimizing the total space program investment.

With our Apollo program nearing completion, and the post-Apollo program becoming better defined, specific applications of the nuclear rocket will be established, and it will be placed in operation. The long delays normally associated with the development of new propulsion systems after missions have been selected will be eliminated, thus reducing the overall program costs.

The money being spent on the NERVA program is spread over 16 States. Less than 20 percent is being spent in California, the location of the prime contractor. The remainder is divided between the States of Washington, Nevada, Utah, New Mexico, Minnesota, Michigan, Wisconsin, Ohio, Indiana, Rhode Island, Connecticut, Massachusetts, Tennessee, Pennsylvania, and New York.

At present, all necessary facilities required to proceed with this program are available, the scientific and technical personnel forming the Government-industry team are in action and it is reported that we are more than half way to the completion of the original goals, which were supported by NASA, the AEC, and the Congress. An interruption at this time would destroy this team, significantly increasing the total cost to complete the development effort in future years.

Like other advanced programs, the NERVA program is contributing heavily to the ex-

tension of our knowledge in many areas of technology; high temperature technology, cryogenics, radiation effects, and many others. The magnitude of the total side effects cannot be specified today, but the development of new knowledge has always benefited man, sometimes in very surprising ways.

By continuing our support of the NERVA program, we will continue to move forward in the conquest of space, avoiding the high cost of catching up when unforseen events, either peaceful or military, require it. The Russian "orbital missiles" recently disclosed by our Defense Department, and other evidences of the aggressive nature of the Russian space programs hint strongly at the importance of continuing the development of our own space activities.

With the increased performance capability of the nuclear rocket, we will be ready to take on extensive operations in near-earth space, as well as to move out to the other planets, essentially at a moments notice. By providing our full support to the NERVA program, we will obtain a tool for future space exploration as well as a capability for extensive operations in the earth-moon space.

Mr. MILLER of Ohio. Mr. Chairman, again this past spring great amounts of property damage were caused and classes at Ohio University at Athens were interrupted because of flooding. That portion of H.R. 17903 pertaining to conserving, controlling, and managing the waters of the Hocking River watershed would effectively prevent such flooding conditions.

It was brought out in hearings before the Public Works Subcommittee of the House Committee on Appropriations that Ohio University is by far the largest single interest to be protected by the project.

Plans by Ohio University now call for adding some $96.5 million to its physical plant during the next 7 years.

This construction is to be in the flood plain area. The current enrollment is expected to swell from 15,000 to 25,000 students during that same 7-year period.

In addition to the Ohio University property which will be protected by the project, countless individual property owners and the new Sheltering Arms Hospital will be safe from floodwaters.

One hundred and seventy-five thousand dollars was appropriated by Congress in 1966 for advance planning and design by the U.S. Corps of Engineers.

In 1967 the Congress appropriated $200,000 to begin construction. The corps is currently preparing this project for bidding and hopes to have construction underway this year.

Because of the benefits to be derived, and the potential saving of many times the cost of this project, I feel the Athens flood control project should not be delayed.

Mr. RHODES of Arizona. Mr. Chairman, I have no further requests for time, and yield back the balance of the time.

Mr. KIRWAN. Mr. Chairman, I have no further requests for time, and ask that the Clerk read.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

CONSTRUCTION, GENERAL

For the prosecution of river and harbor, flood control, shore protection, and related projects authorized by law; and detailed studies, and plans and specifications, of projects (including those for development with participation or under consideration for participation by States, local governments, or private groups) authorized or made eligible for selection by law (but such studies shall not constitute a commitment of the Government to construction); $813,000,000, to remain available until expended: *Provided*, That no part of this appropriation shall be used for projects not authorized by law or which are authorized by law limiting the amount to be appropriated therefor, except as may be within the limits of the amount now or hereafter authorized to be appropriated: *Provided further*, That in connection with the rehabilitation of the Snake Creek Embankment of the Garrison Dam and Reservoir Project, North Dakota, the Corps of Engineers is authorized to participate with the State of North Dakota to the extent of one-half the cost of widening the present embankment to provide a four-lane right-of-way for U.S. Highway 83 in lieu of the present two-lane highway: *Provided further*, That $550,000 of this appropriation shall be transferred to the Bureau of Sport Fisheries and Wildlife for studies, investigations, and reports thereon as required by the Fish and Wildlife Coordination Act of 1958 (72 Stat. 563–565) to provide that Wildlife conservation shall receive equal consideration and be coordinated with other features of water-resource development programs of the Department of the Army.

AMENDMENT OFFERED BY MR. GIAIMO

Mr. GIAIMO. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. GIAIMO: On page 4, line 19, after "of the Government to construction);" strike out "$813,000,000" and insert "$812,329,000".

The CHAIRMAN. The gentleman from Connecticut is recognized for 5 minutes.

Mr. GIAIMO. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. GIAIMO. Did the Clerk read line 19 or line 18?

The CHAIRMAN. Line 19.

Mr. GIAIMO. Mr. Chairman, I believe the House is familiar with the principal shortcomings of the Dickey-Lincoln project. We rejected its authorization less than 3 years ago by a rollcall vote. We cast three rollcall votes against it last year to delete all funds for its construction planning. I will not take much time to state the reason for the amendment to delete the $671,000 requested to resume construction planning.

The House will recall that Dickey-Lincoln would be primarily a power project. The House will recall that the Federal Power Commission studies show that the Federal Government could finance or construct an alternate project in New England that would cost less than one-third as much as Dickey-Lincoln.

The House will recall that the Interior Department, which would market Dickey-Lincoln's output, admitted that the alternative would provide the same power in the same markets at considerably less cost than Dickey-Lincoln.

There was a great deal of controversy over the correct figures and the correct cost of Dickey-Lincoln. So let me also remind the House that the numbers and figures that showed the desired alternative to Dickey-Lincoln, or the desired Federal project for New England, were numbers and figures prepared by the Federal agencies alone.

In their plain, unadjusted form, their studies show that Dickey-Lincoln would cost not less than $320 million, and that the Federal alternative would cost less than $100 million, and that the Federal alternative would provide the same power to the same markets at about 40 percent less than the annual cost of Dickey-Lincoln power.

In my opinion, the case rests right here. We are not talking about private power. We are talking about a Federal alternative built by the Federal Government.

Let us eliminate this private power controversy right here and now. I think that these facts are enough to remind the House why the overwhelming majority of the New England delegation has repeatedly opposed Dickey-Lincoln. You will not hear us deny that we have a high-cost power problem in New England. We know we have. We know the efforts that we are making to solve it. We know the efforts that must be made. But we also know that we will not solve the high-cost power problem with a high-cost powerplant.

I do not think you will hear even Dickey-Lincoln supporters deny it is a high-cost powerplant, even on the basis of the Agencies' figures.

The Federal alternative we are talking about involves constructing one of the 16 potential pumped storage water resource projects which the Federal Power Commission selected within 75 miles of Boston and a conventional REA steamplant in Maine. This would provide the same peaking power for southern New England markets that Dickey-Lincoln would be built to serve and the same baseload power for the preference customers in northern New England that Dickey-Lincoln would serve. It also could be built in less time than Dickey-Lincoln.

The only answer the corps and Interior give to this alternative is that it is "not realistic." They say it is "not realistic" because the needs of the preference customers in Maine alone are not enough to take the full output of the 150,000-kilowatt baseload plant 10 years after it would be built, which is the criterion that REA uses. This is no answer at all.

On page 1324 of our hearing record the forecast of the Federal Power Commission's Northeast Regional Advisory Committee shows that preference customer requirements in Maine and New Hampshire alone will exceed the capacity of the alternative baseload plant within 10 years.

So we from New England who have repeatedly taken the floor against Dickey-Lincoln have not done so because of any problems we may have with Senate Document No. 97 or benefit-cost ratios, or 100-year periods of analysis, or for the sake of making any invidious comparisons against Dickey-Lincoln with other projects around the country.

We rejected Dickey-Lincoln because the record shows it is the most expensive of all the realistic alternative projects the Government could pursue or promote in New England.

As to the matter of the benefit-cost

ratio, I think we all know that this is just a matter of deciding which figures we want to select to produce a given result. We can take the Federal Interagency Committee's report of 1955, which found that a hydroelectric project at Dickey-Lincoln would have an unfavorable benefit-cost ratio of 0.7 to 1, or we can take the agencies' claim that Dickey-Lincoln would have a favorable ratio of 1.9 to 1, and blame it all on Senate Document 97, which is presently undergoing revision.

Now you can pick your own side in this controversy. But on behalf of Senate Document 97, let me assure the Members the agencies were able to arrive at their claim that Dickey-Lincoln would have a favorable benefit-cost ratio only by substantially understating its cost, and by overstating its power benefit. On the basis of project cost required by Senate Document 97, let me assure Members that Dickey-Lincoln cannot possibly have a favorable benefit-cost ratio, either on a 50-year or a 100-year basis. Now I think the record is clear on this point, but I will be happy to dwell on it as long as the House deems appropriate.

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

(By unanimous consent Mr. GIAIMO was allowed to proceed for 5 additional minutes.)

Mr. GIAIMO. Mr. Chairman, we have been through this time and time again in the past and I do not want to bother Members of the House with a repetition of this dispute on the benefit-cost ratio.

I think the record is clear, in summary, that Dickey-Lincoln would be an enormously expensive undertaking, that it would provide no redeeming water resource development, that the cost of its power would exceed the cost of providing power by both Federal and non-Federal alternatives in New England, and that it would destroy the last remaining wilderness vacation area in the Northeast.

It has been repeatedly rejected by the House in the past. Nothing new has been added. I, therefore, urge that the appropriation to resume its construction planning again be deleted from this bill.

Mr. BOLAND. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, as the distinguished gentleman from Connecticut has said, this matter has been before the House now for some time. I think most of the members in the Committee of the Whole understand the facts with respect to this project.

I oppose the amendment of the gentleman from Connecticut for a number of reasons. As has been indicated, the budget estimate for 1969 was $1,276,000 to complete planning. After a very lengthy hearing with the Corps of Engineers and the Department of the Interior, this committee has recommended $671,000, which would permit additional mapping, completion of subsurface exploration, and road and cemetery location surveys, real estate planning, and would complete preliminary design of the powerplants. The $671,000 in this bill will not complete final design or enable construction to begin; it merely funds those items I have previously mentioned.

As I have indicated, a number of questions were propounded by me during the hearings, as Acting Chairman, and I believe the detailed answers conclusively show that this project is well justified.

As I have indicated in the past, the members of this committee have to make their own judgments and must rely upon the expert opinion of the Corps of Engineers to determine whether or not this project is economically feasible and whether or not it ought to be continued. I have stated in the past—and it is so—that this would be the only large multipurpose project in New England. We have funded this type project in all other areas of the United States.

It would appear to be that a sense of fairness and justice would dictate that the people of the New England area also have an opportunity to develop a hydroelectric project wherein a yardstick could be developed in relation to the cost of electric power in that area.

There is no disputing the fact that the cost of electric power in the New England area is the highest in the United States. In the State of Maine it is the very highest of all the States. So when the gentlemen from Maine [Mr. HATHAWAY] and [Mr. KYROS] both appear in favor of this proposal, and both Senators from the State of Maine support the project, it is because they are interested in what the people pay for power in that State.

It would appear to me, Mr. Chairman, that this Committee of the Whole, the Members of Congress who have benefited from projects which have been built by the Federal Government in most of the States of the Union, would be willing to vote for this project on the basis of the evidence that has been established before our committee.

If the members of this committee and the Members of Congress would review the detailed hearings of the Subcommittee on Appropriations on Public Works, they would find out there is a considerable difference between the facts as stated by the gentleman from Connecticut and the facts as stated by those who have given this project many, many years of study. The cost which has been referred to by the gentleman from Connecticut, who has offered the amendment, does not square at all with the cost that has been developed by the Corps of Engineers, that has been buttressed by the Federal Power Commission, that has been agreed to by the Department of the Interior and by all those in the Federal Establishment who are concerned about the cost of this type of project.

A couple of years ago the Subcommittee on Appropriations for Public Works developed its own staff study, because we were concerned about the facts with reference to this project.

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

(By unanimous consent, Mr. BOLAND was allowed to proceed for 3 additional minutes.)

Mr. BOLAND. Mr. Chairman, in conducting the staff study the Committee on Appropriations recruited some of the finest minds in the Government from the group which is perhaps the most expert in the field of powerplants and reservoirs and dams in the Nation. The staff study indicated that this was a feasible project and that the benefit-to-cost ratio did indicate it ought to be built.

The conclusion was that the benefit-to-cost ratio was 1.5 to 1. There have been some differences as to what the benefit-to-cost ratio is. This report indicates 1.9 to 1. But even if it is 1.5 to 1, that is a good benefit-to-cost ratio, and we have funded projects all over this Nation with benefit-to-cost ratios much lower than that.

Some references have been made to the total cost of this project, and the figure has run all the way from $218 million to the latest figure used today of half a billion dollars. The recent testimony which was evolved by our committee, agreed to by all the agencies involved, clearly indicated an estimated cost of $218.4 million and not $500 million as some have claimed.

So, Mr. Chairman, all I ask this Committee to do is to look at the record. The record of the public works hearing is substantial. The questions which were propounded by the committee members to those who appeared before the committee in favor of this proposal I believe delineate quite well that this is a project which ought to be built.

On the basis of what has been developed by our committee and on the basis of the facts that have been established over the past couple of years, I submit that this is a good project, it is feasible, and I trust that the amendment offered by the gentleman from Connecticut [Mr. GIAIMO] will not prevail.

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

Mr. BOLAND. I am delighted to yield to the gentleman.

Mr. WYMAN. When the gentleman referred to a cost of $218 million, that was without the transmission line cost, was it not?

Mr. BOLAND. Yes; it was without the transmission line cost. The cost of the transmission lines would probably be $70 million to $80 million. However, those who oppose this project and quote figures ranging from $300 million to $500 million also do not include the transmission line costs, so I presume when you quote a figure of $400 million or $500 million you would have to add another $70 million to $80 million for the cost of the transmission lines.

Mr. WYMAN. Mr. Chairman, I rise in support of the amendment.

Mr. Chairman, I do not understand why we are going through this whole discussion about the Dickey-Lincoln project again at this time. This project is not any more justified today than it was on the four separate occasions when this same Congress voted against it. The idea of appropriating any further money for this unwarranted project now is even less justified. With the present fiscal crisis, constantly increasing in intensity as we all realize the budgetary situation is even more critical.

The gentleman from Massachusetts has suggested the cost here is something less than others have said it is; namely, $218 million, with $70 million to $80 million for transmission lines. This is still over $300 million for putting a project

way up in northern Maine, 400 miles from its basic power link, where it should not be and where there is no justification for it either in terms of a power project or a flood control project.

If we mean what we say here in terms of economizing and cutting back and when we are to vote tomorrow on a tax proposal which will require $6 billion in cutbacks and impose the obligation to make them on the President of the United States, we have no justification in voting for this proposition today for $300 million for something that can be supplied by private utilities at a fraction of the cost, perhaps 20 or 25 percent, and still derive the same peaking power facilities for the same area.

We all know this, and I hope my colleagues will roundly reject this proposal.

Mr. Chairman, I support the amendment of the gentleman from Connecticut.

Mr. HATHAWAY. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I have already talked on the merits of this project, but let me cover four points briefly. The reasons for opposing this project fall into four categories. First, it is not economically feasible; second, this is a time for economy and we should not spend that much money; third, the old public-private power controversy; and, fourth, for reasons of conservation.

As far as the economic feasibility is concerned, the Corps of Engineers gives a ratio of 1.9 to 1 as a benefit-cost ratio. This is valid and is something that the Corps of Engineers estimated. The Corps of Engineers estimates the benefit-cost ratios on projects all over the country. There is no question of the benefit-cost ratio that they assigned to this. It seems strange to me that they should be estimating hundreds of other projects and come out right but in this particular one they come out wrong. That argument applies to the cost figures that the corps brought out, also.

In corroborating this figure let me point out to you that a Senate study of 51 projects estimated the cost by the Corps of Engineers, and when comparing the estimated cost of these 51 projects to the final cost on completion of construction it showed a variation of only one-tenth of 1 percent. That speaks very highly for the estimates made by the Corps of Engineers.

Now, as far as an economy vote is concerned, the administration recommended $1,276 million for this. Six hundred thousand dollars has been cut from that, so there is only $671,000 left, which is just a little more than 50 percent.

As far as the public-private matter is concerned as I said in general debate, there are 170 public power projects already constructed in the United States with Federal money, which have brought down electric rates in those parts of the country. None have been constructed in the Northeast. The Dickey-Lincoln project has a benefit-cost ratio better than 75 percent of those that have already been constructed. This puts the northeastern area at an economic disadvantage as far as rate paying is concerned.

So that even though 25 years ago a lot of people said we should not have public power at all, that is water over the dam. We need this power project very badly in the northeastern part of the United States to equalize rates with other sections of the United States.

Mr. Chairman, with reference to the conservation argument, we have 17 million acres of trees and forests in Maine—only one-half of 1 percent will be affected by the project and we have 3,600 streams where only one-sixth of 1 percent of these streams would be involved. The conservation argument will not hold water at all and I urge the defeat of the amendment, Mr. Chairman.

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

Mr. HATHAWAY. I yield to the gentleman from Indiana.

Mr. BRADEMAS. Mr. Chairman, I thank the able gentleman from Maine for yielding to me in order that I may comment on his eloquent summary of the reasons we should go ahead with this much-needed project. As a representative from the Midwest, I see no reason why the people who reside in the northeastern part of the United States and who reside in other sections of our country should not have an opportunity to enjoy the lower power rates which the Dickey project would make possible.

Mr. Chairman, I oppose the amendment.

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

Mr. HATHAWAY. I yield to the gentleman from Arizona.

Mr. UDALL. Mr. Chairman, I urge my colleagues to reject the motion on the floor.

Our Appropriations Committee has clarified the issues which have surrounded the Dickey-Lincoln School project. I share the conviction of committee members that there no longer exists any reason to doubt the wisdom of supporting this project.

Senate Document 97 details the basis for determining the economic feasibility of a given project. It is explicit in dictating the basis upon which the value of a project shall be measured.

The feasibility of a project after all engineering, economic, and other values have been weighed in accordance with the guidelines, or rather dictates, stated in Document 97 is ultimately stated as a benefit-to-cost ratio.

I can say nothing more convincing in an effort to gain support for the Dickey project than to remind you that it has a benefit-to-cost ratio better than most projects in the bill before us.

In reporting the public works and Atomic Energy Commission appropriation bill, our Appropriations Committee attributed to the Dickey project a benefit-to-cost ratio of 1.9 to 1. This is an excellent benefit-to-cost ratio, and one which few projects included in the bill have bettered.

Establishing a benefit-to-cost ratio is no simple matter. Years of study and evaluation are necessary to establish one for a project of the magnitude and complexity of Dickey. Be that as it may, one has been established, it has been researched, studied, questioned, and challenged, and has been proven completely valid.

Much credit is due the investigative staff of the Appropriations Committee, and to the committee itself, for their diligent review of the facts which resulted in validating the 1.9-to-1 ratio. We can accept the ratio without any misgivings, and it tells us to complete the Dickey project.

The Dickey-Lincoln School project has proven itself. Opposition to it on any basis cannot reasonably be justified.

I believe we should now keep faith with the people of Maine and New England and allocate to them the modest reduced allocation required to continue study of a project which they view as promising a better future for their region.

I urge all Members of this House to reject the motion on the floor.

Mr. CLEVELAND. Mr. Chairman, I rise to support the amendment.

Mr. Chairman, as many of my colleagues recall, and for the benefit of those who are new or who do not recall, I wish to point out to the Members of the House that we have now decisively defeated this proposal on several record votes in the past, the last one being by a vote of practically 2 to 1.

I think we should remember that during this discussion.

Mr. Chairman, I concur with the remarks of my colleague, the gentleman from New Hampshire [Mr. WYMAN]. Members of this House who have not been too closely related to the project should be reminded that this is the vestigial remnants of Passamaquoddy, the tidal project which was kicked around for a great many years. When that proposal did not prove feasible, then they turned to this part of the project, the Dickey-Lincoln Dam, a hydroelectric project.

Mr. Chairman, there is another thing that has not been brought out in the debate today. There has been a good deal of talk by the Members on the other side of the aisle in defending various programs and many times I have heard here on the floor of the House in behalf of these programs, such as the welfare program, the education and training program, and the poverty program for our less fortunate people, that they would make taxpayers out of taxeaters. Again and again I have heard that what we are trying to do is to take these people off the welfare rolls; and to make taxpayers out of them instead of taxeaters.

Mr. Chairman, in my opinion, what we are proposing to do here is the same thing if we adopt this amendment. Private electric power companies are taxpayers and will continue to pay taxes, but if this project comes into being we will be creating a taxeating monstrosity that will not pay taxes but will eat up and devour taxes.

There have been so many attempts to make taxpayers out of taxeaters, but what we are doing here if this amendment is not adopted is to create a taxeating monster that is going to cost almost $300 million from the Federal Treasury. Any power that it produces is going to be power that could be more

inexpensively produced, as has been shown on the record, by taxpaying private utilities. And that is the guts of this issue.

Mr. Chairman, I yield back the balance of my time.

Mr. CLARK. Mr. Chairman, I move to strike the requisite number of words, and I rise in support of the amendment.

Mr. Chairman, it is my intention today to be very brief. It seems quite clear to me that about everything that can be said about the Dickey project has already been said.

Four times in the past 3 years the Members of this House have categorically rejected the project, each time by increasing margins. And these previous rejections came in times that were not as nearly pressing economically as they are today.

Last year it was said by my distinguished colleague, the gentleman from Massachusetts [Mr. BATES], that if there was ever an economy vote Dickey was it. How much more that is so today than a year ago.

The project would cost hundreds of millions of dollars and do nothing for New England, which is made abundantly clear by the opposition to two-thirds of the New England House delegation.

It is such a clearly bad project that it has been also opposed by labor, management, conservationists, newspapers, and most of the people of the area, as reflected by the votes of their Congressmen.

If this House was unwilling to vote for this project in sound economic times, it certainly seems most unlikely to do so today. I will not occupy any more of the Members' time in debating this clearly unneeded and unwanted project.

It was and is a solid gold turkey, and we can hardly afford any of those this year.

Mr. OTTINGER. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in opposition to the amendment. We in the New York metropolitan area, particularly those customers of the Consolidated Edison Co. of New York, pay the highest utility rates in the country. Power is not going to be produced more cheaply in our area by the investor-owned utilities than by the Dickey-Lincoln project. What Dickey-Lincoln will do is set a price standard for us, give us an opportunity to participate in economical public power, and hopefully create some competition for the present monopolistic system. Consequently there will be a standard against which to measure the rates of the Consolidated Edison Co.

It is going to be of tremendous benefit to the people of New York.

Mr. Chairman, I wholeheartedly oppose the amendment, and support the appropriation.

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

Mr. OTTINGER. I yield to the gentleman from New Hampshire.

Mr. WYMAN. I did not understand the gentleman's reference to economical public power. Is the gentleman suggesting that public power, because it is subsidized by an appropriation of the taxpayers' money, thereby resulting in lower but subsidized rates, is more economical in this country than private production of power?

Mr. OTTINGER. I think that we find that is the case. Our whole economic system rests on the basis of competition in America. That is largely with respect to utilities. At the present time the so-called investor-owned utilities, private utilities, are absolute monopolies. They do not have any competition at all. They own the public service commission; there is no effective regulation to offset the lack of competition and the people do end up paying extraordinarily high rates.

The actual statistics bear this out. The average power rate for the country is $2.34 per kilowatt-hour for residential customers. The average public power rate is $1.50, or 36 percent less. The Consolidated Edison rate is $2.68 per kilowatt-hour or 15 percent above the national average and 44 percent above the public power average rate. Con Ed's average monthly charge for residential customers is $9.32 against a national monthly average of $7.34.

Mr. WYMAN. Did the gentleman say they own the public service commission in New York?

Mr. OTTINGER. Absolutely. The public service commission only knows how to say "yes" to the utilities and even grants rate increases in advance of hearing the companies' proposed justification for them.

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

Mr. OTTINGER. I yield to the gentleman from New Hampshire.

Mr. CLEVELAND. The gentleman from New York said that the utility companies own——

Mr. OTTINGER. The public service commission.

Mr. CLEVELAND. The public service commission.

What State is the gentleman referring to?

Mr. OTTINGER. New York.

Mr. CLEVELAND. All right. I bow to the gentleman's superior information about New York.

If the people in New York want to accept that remark from the gentleman from New York, that is fine, because they do not in New Hampshire.

Mr. OTTINGER. In point of fact, the last time Consolidated Edison came in for a rate increase, the public service commission granted that increase in advance of hearings, and held hearings afterwards to ratify it; the public did not have an opportunity to be heard and the company did not have to offer any justification before the increased rate was put into effect.

Mr. Chairman, I yield back the balance of my time.

Mr. CONTE. Mr. Chairman, I move to strike the requisite number of words, and I rise in support of the amendment.

Mr. Chairman, we are all familiar with the controversy over the Dickey-Lincoln project, which has come up again because of the inclusion of planning money for the project in today's Public Works appropriations bill. But I think we might not be as familiar with a very important argument against this project—the great damage it would do to the conservation of the great Maine woods. This aspect of the project has not been discussed as much in the past as it ought to have been, but I think we should weigh it very heavily against the present appropriation. A Federal interagency committee report in 1955 called the Upper St. John Basin "the largest remaining wilderness in Eastern United States" and recommended that it be preserved in its original condition. This report mentioned especially the entire valley above the mouth of the Allagash River, the Fish River chain of lakes, and the Deboullie Mountain region. These few remaining features of our natural beauty would be inundated, excavated, and defaced by transmission lines if the Dickey-Lincoln project were completed.

I have joined national conservation groups in the past in opposing power projects solely because of their effect on our natural resources, specifically that proposal to dam up part of the Grand Canyon known as the Bridge Canyon. The desire to preserve our wilderness areas is a very powerful motive with me, and it applies even to projects in my own backyard. It would certainly be inconsistent to defend the Grand Canyon and then to abandon the St. John Basin to construction crews. I am happy to take the side of the Sierra Club, the Wilderness Society, and the National Wildlife Federation, as well as the Massachusetts Audubon Society, the Appalachian Mountain Club, and three Maine conservation groups, in opposing the Dickey-Lincoln project.

A representative of the Massachusetts Audubon Society, Mr. Richard H. Mailey, Jr., gave very eloquent testimony on this matter when the Subcommittee on Public Works considered this project on May 8. I think this testimony should be brought to the attention of the House, and I therefore insert it in the RECORD at this point:

MASSACHUSETTS AUDUBON SOCIETY,
*Lincoln, Mass., May 8, 1968.*

COMMITTEE ON APPROPRIATIONS,
*House of Representatives,*
*Washington, D.C.*

GENTLEMEN: My name is Richard Mailey and I am employed by the Massachusetts Audubon Society with Headquarters in Lincoln, Massachusetts. I am substituting for Mr. Allen H. Morgan, the Society's Executive Vice President, who greatly regrets that at the last moment he could not be present in person. The Society represents 14,400 members located primarily in Massachusetts, but also with members in every state of the Union.

I would like to take this opportunity to thank the distinguished members of the House Appropriations Subcommittee on Public Works for allowing me to speak to you this morning in the Society's behalf. Yes, gentlemen, I come from Massachusetts, representing a Massachusetts conservation organization. Yet, I come to speak about a problem in another State.

Does this seem strange? It shouldn't really, for the world today has become too small for

provincial interest alone. The Massachusetts Audubon Society is as concerned with the redwoods parks, the Grand Canyons, the Everglades of our country—even the world—as it is with the pollution of the rivers and other conservation problems within our own State.

For this reason, we wish to testify with regard to the Dickey-Lincoln School hydroelectric project that is proposed for northern Maine. And at this point, I would like to make it clear that as a conservation organization, the Massachusetts Audubon Society is not alone in opposing or—at the very least—questioning this project. The Natural Resources Council of Maine; Maine Audubon; the State Biologists Association of Maine; the Appalachian Mountain Club; the Wilderness Society; the National Wildlife Federation and the Sierra Club have all made official comment or taken a stand on Dickey-Lincoln School. Actually, I suppose that you could boil down all our feelings to the one simple question—Why? Why, if our technology has progressed to such a remarkable degree, do we continue to propose the despoilation of vast chunks of land, and for really so small a return?

And why do we push blindly ahead on so-called "water resource development projects" like Dickey-Lincoln School, if the Supreme Court's decision on the High Mountain Sheep Dam (in June of last year) held any meaning? The Court's opinion stated: "The test is whether the project will be in the public interest, and *that determination can be made only after an exploration of all issues relevant to the 'public interest,'* including future power demand and supply, alternate sources of power, the public interest in preserving reaches of wild rivers and wilderness areas, the preservation of anadromous fish for commercial and recreational purposes, and the protection of wildlife."

One can not really blame the Maine Congressional delegation for their support of this project. It would obviously funnel badly needed funds into their State. But is this really wise budgeting of our tax dollar? Does not the taxpayer of Massachusetts, of New Hampshire, of the entire country—even Maine itself—deserve a "better shake for his buck?" If Maine needs the economic boost, we don't argue with providing such a sum—but we do believe it can be spent more wisely—to provide far greater economic benefit to Maine and at the same time spare this very great recreational asset.

I understand from people experienced in the electric power field that there are several alternative methods of meeting power needs. Not only can more power be produced, but cheaper power, and it can be generated *where it is needed,* rather than many miles deep in the wilderness. This last fact, as far as Massachusetts Audubon is concerned, would be especially favorable. The ability to place a generating plant close to its greatest potential market obviates the necessity of miles (and in Dickey-Lincoln's case, over 400 miles) of overhead transmission lines. These overhead lines are an evergrowing blight on our landscape that Massachusetts Audubon continues to oppose vigorously within our own State.

But, gentlemen, beyond the marring of our natural beauty, there is something that carries a very subtle importance here. The people of Maine, and we ourselves, are being tricked by the supposed vastness of space. If you look at a map of the State of Maine you will find that it approaches two-thirds forestland. Plenty of room for development you say. Well, maybe. But I submit that the greatest single asset that the State of Maine has is its forest. Not just for pulp and other wood products, but for the thousands upon thousands of hunters, fishermen, campers and general tourists that stream through our State each year on their way to "the Maine woods"!

Is this space important? I am sure that many of you esteemed gentlemen have heard of the famed Allagash wilderness. Many of you were probably responsible for helping to create that first Federal-State cooperative wilderness venture—The Allagash Wilderness Waterway. Well, gentlemen, I ask you please to talk with some of the people who are presently involved in that project. Investigate their concern! I guarantee that you will find that the question of how to handle the many people—not the projected flow—but the present numbers that visit that area, and sill retain a measure of peace and pristine beauty, this is already their major problem.

And yet, but a few miles to the west lies the wild and beautiful St. John River—still clean and uncluttered, still quiet, still true wilderness. And now we want to dam it! Put 90,000 acres, 150 square miles under water. We want to build a huge, ugly basin where the regular rise and fall of water will be 40 feet. Picture it gentlemen! I can, and it is not a pretty sight. Besides, one thing that the State of Maine does not need is another lake—especially one in which the warm, stagnant pool will replace one of the best trout streams in the northeast.

But space is what I am talking about here—space and a very great responsibility. You and I may never run out of it in our lifetime, but we all know that space—or the lack of it—is a growing National problem. Therefore, it behooves us—even more, it is our obligation to future generations to direct our progress with a complete awareness and adherence to good resource conservation practices. We must study our course so carefully, scrutinize all the possible alternatives, then, in the end, approve the plan that will give us the most and the best for a reasonable price—and with a minimum wastage of the resources concerned.

Have you studied the Dickey-Lincoln School project from a full resource point of view, gentlemen? We have asked this question before, as have several of our sister organizations, and there has not been a satisfactory reply.

To my knowledge, the only balanced resource investigation that has been made on the St. John River's development was done by the Federal Inter Agency Committee in 1955. At that time it was recommended that due to the "unique upland wilderness character, its outstanding scenic and geological features, mountain peaks, lakes, forests and marshlands," the Upper St. John River Basin beginning at Deboullie Mountain be set aside in order to forever preserve the unique wilderness character of these Great Maine Woods.

Gentlemen, has our sense of values changed so much?

Truly, if New England needs more power, if it needs a yardstick for its power rates, fine! Go ahead and accomplish this! But I implore you—look ever so carefully at the alternatives—and if it is at all possible, leave this 90,000 acres of wilderness for future generations to enjoy.

Mr. SAYLOR. 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. SAYLOR. Mr. Chairman, the House has repeatedly rejected Dickey-Lincoln on the grounds of its exorbitant cost and on the ground that it would only provide high-cost power. Inasmuch as Dickey-Lincoln would be built for power purposes, this is understandable.

But, Mr. Chairman, there are conservation experts involved in this proposal which we can no longer ignore.

As one who has long watched the sacrifice of the Nation's diminishing green and open wild spaces of unique natural beauty for needed water-resource projects, I must point out that this is not the case with Dickey-Lincoln. Dickey-Lincoln is not a "needed water-resource project." It would be built primarily for power purposes. Its only water-resource purpose other than power "is not significant," according to the Department of the Interior, and equivalent power can be produced cheaply by less destructive means elsewhere in New England.

Mr. Chairman, according to the Federal Inter-Agency Committee Report on the St. John River Basin, the Great Maine Woods of the upper St. John Basin are "the largest remaining wilderness in the eastern United States." Dickey-Lincoln would destroy much of the area that the Committee said should be preserved "as representative of the unique upland wilderness conditions of northern Maine."

Dickey-Lincoln is opposed or challenged by numerous leading conservationist organizations, including the Natural Resources Council of Maine, Maine Audubon Society, State Biologists Association of Maine, Maine Fish and Game Clubs, New England Advisory Board on Fish and Game Problems, Massachusetts Audubon Society, Appalachian Mountain Club, Wilderness Society, and the Sierra Club.

In the view of these conservationists, Dickey-Lincoln should not be built, whatever its cost, because it would decimate and otherwise destroy the unique wilderness quality of the Great Maine Woods and upper St. John.

According to the Federal Interagency Report, the upper St. John Basin is the largest remaining wilderness in the Northeast. Mr. Chairman, the unique values of the upper St. John and its Great Maine Woods must not be destroyed for power development. I remind the membership again that this is the position of the Federal Inter-Agency Committee. It recommended that, because of its "unique upland wilderness character, its outstanding scenic and geological features, mountain peaks, lakes, forests, and marshlands," the reach of the upper St. John River Basin beginning near Deboullie Mountain should be set aside or "reserved" to preserve the unspoiled wilderness character of these Great Maine Woods.

As noted by the Inter-Agency Committee, in addition to the upper St. John River, the upper basin's famed scenic qualities include its portion above the mouth of the Allagash Tributary, the Fish River chain of lakes, and the Deboullie Mountain region of sparkling lakes in a strikingly beautiful mountain setting.

Let me note the effect of this undesir-

able power project. The most vibrant two-thirds of the river above the mouth of the Allagash would disappear beneath Dickey Reservoir, the Fish River chain of lakes would be traversed by extra high voltage transmission facilities, and Deboullie Mountain, about 4 air-miles from Dickey damsite, would be excavated to obtain gravel and stone for Dickey Dam.

Mr. Chairman, the construction of Dickey-Lincoln in the middle of these Great Maine Woods would result in a level of intrusion and ecological disturbance throughout the entire region that would forever destroy its unspoiled, cathedral-like wilderness quality. The Inter-Agency Committee reported that the benefits of these Great Maine Woods can be enhanced by improved access roads to their perimeter; they will be destroyed by penetration.

I urge that the appropriation for resumption of construction planning of the proposed Dickey-Lincoln power project be deleted from the bill.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Connecticut [Mr. GIAIMO].

The question was taken; and on a division (demanded by Mr. BOLAND), there were—ayes 66, noes 69.

Mr. GIAIMO. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chairman appointed as tellers Mr. GIAIMO and Mr. BOLAND.

The Committee again divided, and the tellers reported that there were—ayes 119, noes 88.

So the amendment was agreed to.

AMENDMENT OFFERED BY MR. STAFFORD

Mr. STAFFORD. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. STAFFORD: On page 4, line 11, strike out "CONSTRUCTION, GENERAL" down through line 14 on page 5.

The CHAIRMAN. The gentleman from Vermont is recognized for 5 minutes.

Mr. STAFFORD. Mr. Chairman, I think that the distinguished subcommittee which has handled this bill has done a fine job of reducing the appropriations for the various programs which it contains. I hesitate and dislike taking the step which I am taking this afternoon. I do so only because of the severe fiscal difficulties which I believe this country is now facing.

Mr. Chairman, the effect of my amendment is easily stated. It eliminates the $813,000,000 funds provided for river and harbor, flood control, and shore line protection and related projects under title I.

In offering this amendment I do not argue that the projects in question are undesirable. Indeed, most of them probably are desirable. But, I do claim that these projects are deferrable; that their immediate construction is not essential to the national welfare and that in the light of the fiscal emergency facing our Nation, they should be deferred for the time being.

There are other national needs which are entitled to higher priority.

I will not consume the time of this Committee to discuss details of the financial plight in which the United States has become mired. But, let me remind you that June 30 will mark the end of the eighth successive year in which this Nation has experienced a large deficit in the national budget. The ceiling on our national debt, raised each year recently, now stands at a level of $358 billion.

Our continuous failure to display the will and capacity to handle the national budget with sufficient fiscal prudence to bring it into balance has had severe adverse effects upon the Nation.

It has undoubtedly contributed to the inflationary pressures which caused prices to rise at a 3-percent rate last year—presently at a 4-percent rate. It has contributed to the lack of confidence in the dollar on the part of foreign dollar holders which was manifested by a heavy attack on the dollar last December, accelerated in January and February, and resulted in the panic and the closing of the international gold pool and other gold markets early in this winter.

If we are to stave off further attacks upon the dollar, if we are to dampen the fires of inflation in America, we must demonstrate prudence in the handling of the Nation's fiscal affairs.

Tomorrow, we will be asked to vote on a new tax measure; a $6 billion reduction in spending; a $10 billion reduction in new obligational authority for fiscal year 1969, and a new tax revenue measure of 10-percent surtax on income taxes.

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

Mr. STAFFORD. I yield to the gentleman from Missouri.

Mr. HALL. Mr. Chairman, I am confused and I appreciate the gentleman yielding for a point of information.

As I understand the gentleman's argument, he wants to deduct the entire $1,800,000,000 for these rivers and harbors projects from title I. Yet is not the gentleman one of those who just supported the amendment for the Dickey-Lincoln project?

Mr. STAFFORD. The gentleman from Missouri is correct. If the gentleman wants to infer there is inconsistency there, let me say to the gentleman from Missouri if this bill is to pass and if this title and funds are to stay in the bill, it is my position the Dickey-Lincoln project ought to be in it, but I think that project along with the one in my own State could very well be deferred for the time being.

Mr. HALL. I would agree with the gentleman, Mr. Chairman, but I would think until we balance the budget, many of these projects could be deferred. I wanted to be sure I understood the gentleman.

Mr. STAFFORD. Mr. Chairman, I thank the gentleman for his contribution.

To accomplish these reductions, it is obvious that priorities must be established with respect to spending of available sums so the most important programs facing the Nation may be funded. I believe top priority in domestic spending should go for those programs involving education, jobs, and housing which get to the root causes of legitimate urban unrest.

What projects should be put aside?

I suggest those which are desirable, but deferrable without injury to the national welfare, should be delayed.

I place the projects in title I in this bill in that category, and which are funded, in the portion I have moved to strike.

Let us take them out of the appropriation and defer them until our financial house is in better order.

The sum of $813 million would move us a sizable step along the way toward cutting $6 billion and reducing new obligational authority by $10 billion in the fiscal year 1969 budget.

Mr. BOLAND. Mr. Chairman, I rise in opposition to the amendment.

As the gentleman from Vermont has indicated, this amendment would strike all construction and planning projects for the Corps of Engineers. There are approximately 250 projects funded with the $813 million as provided for in this section of the bill. It involves 962 continuing contracts already in force. If this amendment were adopted, it would cost the Federal Government, just in damages alone, almost the entire amount the gentleman from Vermont wants to strike—approximately $800 million.

As I have indicated, these projects are in almost every State in the United States. They do involve 962 continuing projects in force and 66,000 man-years; 66,000 people are working in this Nation on these projects under the money by which we fund these projects today.

Mr. Chairman, the programs and projects that are contained in this bill under the Corps of Engineers and the Bureau of Reclamation are an investment in America. They preserve our land and conserve our natural resources. They protect life and property. They make it possible through navigation to bring from the mines and fields, forests and mountains, the food, fiber, and minerals that build our economy and sustain our national health. They make it possible to enjoy our beaches, rivers, lakes, and harbors with some of the finest recreational facilities in the world.

Mr. Chairman, if it had not been for these programs, this land of ours would be stripped bare by the ravages of storms, the rapaciousness of rivers, the savage winds and driving rains. It would be exposed to the ferociousness of floods and tidal waves—and, sometimes, too often, by the greed of man.

These projects contain the elements and enable the rivers and rains, the mountains, the harbors to work for man—and not against him—to be a friend of man and not his enemy.

If the amendment is adopted, work on these projects would come to a shrieking halt. We cannot afford the damages that would incur if this happened—punitive damages for contractor claims as well as irreparable damages to the finely planned and coordinated programs of the Corps of Engineers.

NEW ENGLAND FLOOD DAMAGE HISTORY

Mr. Chairman, my region of the country, New England, has suffered the loss of life and millions of dollars in property damages due to floods and hurricanes in the past. During my lifetime the worst of these have occurred in 1927, 1936, 1938, 1944, 1954, 1955, and the most recent in March of this year.

One of the most disastrous was the great flood caused by Hurricane Diane on August 19, 1955. Following this storm, the Massachusetts congressional delegation, under the leadership of Speaker JOHN W. MCCORMACK and our late beloved Speaker Joseph W. Martin, met at Boston and designated a committee on flood prevention and relief comprised of Congressmen PHILIP J. PHILBIN, as chairman; HAROLD D. DONOHUE and myself; and former Members of the House, now deceased, Edith Nourse Rogers, Richard B. Wigglesworth, and John W. Heselton.

This committee tackled its task immediately and gave most vigorous attention to the very difficult problems of relief, rehabilitation, protection and disaster insurance, which arose from the terrific impact of successive floods in our State and area. Members of our committee maintained continuous contact with the Army Engineers, Federal Civil Defense, Small Business Administration, housing agencies, and other Federal, State, and local units concerned with the alleviation of flood conditions and the rehabilitation of stricken communities.

We also appeared in person before several congressional committees considering these problems and urged relief on an emergency basis and rehabilitation as rapidly as it could be effected. We also pleaded for adequate flood protection and disaster insurance.

Mr. Chairman, as a member of Chairman PHILBIN'S Massachusetts congressional delegation committee on flood prevention and relief in 1955, who was then serving his first year on the House Appropriations Subcommittee for Public Works, I want to take this opportunity to thank my colleagues on behalf of the Massachusetts congressional delegation and the people of our State for the cooperation and the courtesies Massachusetts has received from the Congress and the Army Corps of Engineers in the authorization and construction of an adequate flood and storm protection program for Masschusetts and New England.

Since Hurricane Diane, and during the 14 years I have been sitting on the House Public Works Appropriations Subcommittee, Congress has earned the gratitude of New Englanders for providing the money to implement the flood control program so urgently sought by Chairman PHILBIN and the members of the Massachusetts congressional delegation in 1955. The ensuing years saw the start of a program providing for 56 flood-control dams, reservoirs, dikes, and hurricane barriers in New England, at a total cost of some $285,888,100. Nearly all of these projects have been completed in the great river basins of New England, the Connecticut, the Merrimack, the Thames, the Blackstone, the Housatonic, or along the coastal waters of our region; several are still under construction, and a few are in the design stage.

Since joining this Subcommittee on Public Works Appropriations in 1955, it has been my constant and consistent desire to bring to full realization the flood control program recommended by the Army Corps of Engineers, New England Division, which is designed to give my section of the country adequate protection from floods and hurricanes. The Congress has generously responded to our pleas and daily we are moving closer to our goal.

CONNECTICUT RIVER BASIN COMPREHENSIVE STUDY

Mr. Chairman, the bill before us today provides for $134,000 to continue the comprehensive study of the Connecticut River Basin, which I urged the Army Engineers to undertake several years ago. The study is now in its 5th year and the New England Division of the Army Engineers expect to complete the study in the fall of 1969. To date the Engineers have surveyed all of the potential reservoir storage sites; have determined the needs of the Connecticut Basin for water supply, either for domestic, industrial, or low-flow augmentation; a recreational impact study of the area; and considered the problems concerned with thermal pollution or thermal rises and falls in the Connecticut River and what must be done about them.

HURRICANE DIANE DISASTER STRIKES NEW ENGLAND

Mr. Chairman, the disastrous floods of the past conclusively demonstrated one fact beyond question; namely, that Massachusetts and other parts of New England are not adequately protected against floods. Because of the hilly terrain, the heavy rainfall and the settlement of communities in river basins, perhaps our area can never be fully protected against all damages from floods. But we certainly can and must be given every possible protection that is feasible from an engineering standpoint and deemed essential to prevent repetition of the great disasters of the past. While we cannot wholly eliminate floods, we can certainly minimize their impact.

From the doldrums of the tropical seas on August 19, 1955, the devastating Hurricane Diane struck the Northeast and over an area of several hundred miles poured a veritable deluge of torrential rains upon the countryside.

Carrying winds of 125 miles an hour at its eye, this great tropical storm spread over a 250-mile area packing a wallop, according to scientists, that no atomic bomb could match. Fortunately for the Northeast, as it progressed northward, the storm lost much of its fury. While it smashed along the east coast, as it veered inland, it lost wind force, but its heavy rains brought damaging floods and disaster in many places from Pennsylvania to New England.

This unwanted climatic visitor moved so fast and erratically that no accurate forecast of its path or probable effects could be made. Previous storms preceding Diane had been responsible for heavy rainfall and actually about 21 inches of rain was dropped upon our area in less than a week, turning almost every stream into a surging chaos.

Streams raised out of their banks, a battering ram of debris swept invincibly toward the sea.

Lives were lost, communities had to be evacuated, homes were destroyed and swept away in the flood, factories and industries wrecked or damaged, business establishments flooded and their goods swept away or destroyed, and a $2 billion havoc visited upon much of southern New England.

The damage in Massachusetts was so great as to defy full description.

Never before in a similar disaster was there such suffering, privation, and damage over such a large area. Many lives were lost. Entire communities were paralyzed, torn, and shattered by the virtually unprecedented surge of raging waters.

Relief was speedily mobilized. President Eisenhower flew into Bradley Field, the Hartford-Springfield Airport, a few days later for a conference with the Governors and Members of Congress in affected States. I attended President Eisenhower's conference and joined with my colleagues in urging the President to order immediate Federal disaster relief to the area and have Federal agencies give assistance to the afflicted and bring about rehabilitation of stricken communities. I told President Eisenhower that one community in my Second Congressional District, the town of Monson, was so badly flooded that it was actually isolated, and that I had to gain access to visit with town officials and community leaders by means of an Air Force helicopter from Westover Air Force Base.

RELIEF IS PROMPT

Collaborating with local and State agencies, the Red Cross, the Army Engineers, civil defense, Small Business Administration, various housing agencies, armed services components, Department of Commerce, Office of Defense Mobilization and many other Government offices and personnel moved vigorously in the stricken area to furnish needed relief and to start the huge job of mopping up the sand, silt, debris, rubbish and tangled wreckage that littered most of the area.

The homeless were fed, clothed, housed and furnished with medical treatment and supplies. Public communications, services, were restored; industries and business establishments put back in operation.

Mr. Chairman, the Army Engineers have made many studies of Massachusetts water resources in relation to flood control projects.

The flood-causing storms usually travel across the territory under consideration in a north-northeasterly direc-

tion, at a speed of from 150 to 200 miles per day. The Connecticut River water shed, being long and narrow and lying practically north and south, is traversed diagonally, therefore, by these storms, with the result that the peak of the storm will cross the watershed generally in less than 1 day. This, together with the fact that the flow of the river is in the opposite direction to the course of the storm, combines to make the effects of the storm less severe and of shorter duration than might be expected from storms of equal intensity under different conditions.

Storms in New England fall into two classes—continental storms and tropical hurricanes. The latter can be expected in any month from May to December, but the greatest number seem to occur in August, September, and October. Storms originate in the Caribbean and the Gulf of Mexico and move in a westerly or northwesterly direction, after recurving northeast. They seldom reach the Northeast with destructive force, but when they do excessive precipitation occurs.

Statistics on flood damage are compelling. For example, the Engineers estimate that the flood of March 1936 in the middle and lower Connecticut River Basin caused damage of $34½ million.

On the other hand, Army Engineers state that completed projects in the Connecticut River Basin since made possible a saving of $45 million in the 1955 floods.

One project alone, the Knightville Dam, held back some 9,100,000,000 gallons of floodwaters. This prevented about $11,500,000 in damages, they state.

Dikes at Hartford are credited with preventing $22 million in damages; East Hartford, $3,750,000; Holyoke, $930,000; Chicopee, $500,000; West Springfield, $4,100,000; and Springfield, $1,800,000.

Had the rainfall extended to Vermont and New Hampshire, the downstream dikes in Massachusetts would have become overflowing bathtubs, in the Engineers' estimation.

The rainfall of Hurricane Diane was particularly heavy in the watersheds of the Westfield River, the West River, the Mad and Still Rivers which flooded Winsted, Conn., the Housatonic and the Naugatuck, which flooded Waterbury, the Connecticut, which spared Hartford because of an elaborate system of flood-control devices, the Quinebaug, in the Thames River Basin, which ravaged Southbridge and Putnam, Conn., the French River, also in the Thames Basin, which caused severe damage in Webster and Dudley, and the Blackstone, which swept through Blackstone Valley Basin into Woonsocket, causing heavy losses in many communities along the way.

QUABOAG, SWIFT, WARE, CHICOPEE RIVERS FLOODING

A very serious problem was presented in the Connecticut River Basin by flooding of the Quaboag, Swift, and Ware Rivers, not only along their own courses, but particularly by their confluence with the Chicopee River at Three Rivers, Mass. Great damage was suffered in this area and flood control projects there were urgently needed. Flood protection was also needed for West Brookfield, Warren and West Warren.

The Barre Falls Dam and Reservoir was designed to protect Ware, Three Rivers, and downstream points on the Chicopee River as it flows into the Connecticut River. It is located on the Ware River east of Barre.

The Buffumville Dam and Reservoir, located on the Little River in Charlton about 5 miles above Webster, is designed to protect Webster and Dudley from floods. The Hodges Village Dam and Reservoir is also located on the French River in the town of Oxford about 6 miles above Webster, and is designed to protect Webster and downstream points on the Thames River Basin.

The East Brimfield Dam and Reservoir is located on the Quinnebaug River, west of Fiskdale, and is designed to protect Southbridge, as is the Westville Dam and Reservoir in Southbridge. These two projects were most essential for the protection of Southbridge and the large plant of the American Optical Co. and other industries located in that community.

BENEFITS IN PREVENTIVE DESTRUCTION

Mr. Chairman, New England may be small in size compared to the entire land mass of the United States, but its 11.5 million people must be protected from the ravages of hurricanes, storms, and floods. The flood control projects that have been constructed in New England have prevented a total of $155,760,000 through fiscal year 1967, which ended June 30, 1966, and they will more than pay for their construction cost in the future. I am including with my remarks at this point in the RECORD a tabulation of the flood control projects that have been built in New England prior to 1955, since 1955, and an analysis by the New England Division, Army Engineers, indicates the benefits that have been realized because of the flood damages prevented:

FLOOD CONTROL AND HURRICANE PROGRAM (PROJECTS)—NEW ENGLAND

I. FLOOD CONTROL

A. COMPLETED PRIOR TO AUGUST 1955

| River basin | Number of reservoirs | Number of local protection | Federal cost | Non-Federal cost | Total cost | Federal allocations through fiscal year 1967 |
|---|---|---|---|---|---|---|
| Connecticut | 5 | 9 | $35,454,600 | $4,705,300 | $40,159,900 | $34,705,900 |
| Merrimack | 3 | 4 | 16,192,300 | 213,300 | 16,405,600 | 15,952,500 |
| Thames | 1 | 0 | 6,550,000 | 0 | 6,550,000 | 6,446,500 |
| Coastal | 0 | 1 | 52,200 | 2,800 | 55,000 | 52,200 |
| Total | 9 | 14 | 58,249,100 | 4,921,400 | 63,170,500 | 57,157,100 |
| **B. COMPLETED SINCE AUGUST 1955 OR PRESENTLY UNDER CONSTRUCTION** | | | | | | |
| Blackstone | 1 | 3 | $18,197,600 | $4,102,000 | $22,299,600 | $18,126,000 |
| Connecticut | 11 | 8 | 75,871,900 | 2,637,400 | 78,509,300 | 69,195,400 |
| Housatonic | 7 | 4 | 51,699,800 | 2,678,100 | 54,377,900 | 34,711,800 |
| Merrimack | 1 | 1 | 21,980,000 | 0 | 21,980,000 | 21,352,200 |
| Thames | 5 | 1 | 28,615,000 | 72,000 | 28,687,000 | 27,705,600 |
| Coastal | 0 | 4 | 566,800 | 104,100 | 670,900 | 566,800 |
| Total | 25 | 21 | 196,931,100 | 9,593,600 | 206,524,700 | 171,657,800 |
| **C. UNDER DESIGN** | | | | | | |
| Housatonic | 0 | 2 | $6,370,000 | $1,090,000 | $7,460,000 | $130,000 |
| Merrimack | 1 | 0 | 4,500,000 | 0 | 4,500,000 | |
| Coastal | 1 | 0 | 5,740,000 | 0 | 5,740,000 | |
| Total | 2 | 2 | 16,610,000 | 1,090,000 | 17,700,000 | 130,000 |
| **D. FUTURE (AUTHORIZED, RECOMMENDED, OR DEFERRED)** | | | | | | |
| Connecticut | 4 | 1 | $66,685,000 | $992,000 | $67,677,000 | $218,400 |
| Merrimack | 3 | 4 | 15,570,000 | 540,000 | 16,110,000 | |
| St. John | 1 | 0 | 218,400,000 | 0 | 218,400,000 | 1,814,000 |
| Coastal | 0 | 1 | 2,700,000 | 1,600,000 | 4,300,000 | |
| Total | 8 | 6 | 303,355,000 | 3,132,000 | 306,487,000 | 2,032,400 |
| Total flood control | 44 | 43 | 575,145,200 | 18,737,000 | 593,882,200 | 230,977,300 |
| **II. HURRICANE (ALL SINCE 1955)** | | | | | | |
| Completed or under construction | | 4 | $30,579,300 | $16,534,100 | $47,113,400 | $28,779,300 |
| Under design | | 2 | 10,185,000 | 4,365,000 | 14,550,000 | 395,000 |
| Future, authorized | | 1 | 3,984,000 | 2,016,000 | 6,000,000 | |
| Total hurricane | | 7 | 44,748,300 | 22,915,100 | 67,663,400 | 29,174,300 |
| Total program | 44 | 50 | [1] 619,893,500 | 41,652,100 | 661,545,600 | 260,151,600 |

[1] Includes $18,855,500 Federal appropriation requirement ultimately reimbursable from non-Federal interests.

FLOOD CONTROL AND HURRICANE PROGRAM (PROJECTS)—NEW ENGLAND—Continued

I. FLOOD CONTROL—Continued

A. PROJECTS COMPLETED PRIOR TO 1955

[In thousands of dollars]

| Project | River basin | Completion date | Federal cost | Non-Federal cost [1] | Total | Federal allocation through fiscal year 1967 |
|---|---|---|---|---|---|---|
| DAMS AND RESERVOIRS | | | | | | |
| Birch Hill Reservoir, Mass. | Connecticut | 1942 | 4,620.0 | 0 | 4,620.0 | 4,350.2 |
| Blackwater, N.H. | Merrimack | 1941 | 1,420.0 | (50.0) (R) | 1,420.0 | 1,319.7 |
| Edward MacDowell, N.H. | do | 1950 | 2,014.3 | 0 | 2,014.3 | 2,014.3 |
| Franklin Falls, N.H. | do | 1943 | 8,090.0 | (70.0) (R) | 8,090.0 | 7,950.5 |
| Knightville, Mass. | Connecticut | 1941 | 3,220.4 | 0 | 3,220.4 | 3,220.4 |
| Mansfield Hollow, Conn. | Thames | 1952 | 6,550.0 | 0 | 6,550.0 | 6,446.5 |
| Surry Mountain, N.H. | Connecticut | 1942 | 2,720.0 | 0 | 2,720.0 | 2,440.4 |
| Tully, Mass. | do | 1949 | 1,551.6 | 0 | 1,551.6 | 1,551.6 |
| Union Village, Vt. | do | 1950 | 4,210.0 | (100.0) (R) | 4,210.0 | 4,010.7 |
| Subtotal | | | [2] 34,396.3 | | 34,396.3 | 33,304.3 |
| LOCAL PROTECTION PROJECTS | | | | | | |
| Chicopee, Mass. | Connecticut | 1941 | 1,433.6 | 250.4 | 1,684.0 | 1,433.6 |
| East Hartford, Conn. | do | 1943 | 2,135.4 | 270.0 | 2,405.4 | 2,135.4 |
| Fitchburg, Mass. | Merrimack | 1938 | 1,370.0 | 0 | 1,370.0 | 1,370.0 |
| Hartford, Conn. | Connecticut | 1949 | 6,547.0 | 3,440.5 | 9,987.5 | 6,547.0 |
| Haverhill, Mass. | Merrimack | 1938 | 1,743.0 | 120.0 | 1,863.0 | 1,743.0 |
| Holyoke-Springdale, Mass. | Connecticut | 1950 | 4,118.0 | 207.0 | 4,325.0 | 4,118.0 |
| Keene, N.H.[3] | do | 1954 | 44.1 | 0 | 44.1 | 44.1 |
| Lowell, Mass. | Merrimack | 1944 | 1,285.0 | 90.0 | 1,375.0 | 1,285.0 |
| Nashua, N.H. | do | 1948 | 270.0 | 3.3 | 273.3 | 270.0 |
| Northampton, Mass. | Connecticut | 1941 | 960.0 | 150.0 | 1,110.0 | 960.0 |
| Norwalk, Conn.[3] | Coastal | 1951 | 52.2 | 2.8 | 55.0 | 52.2 |
| Springfield, Mass. | Connecticut | 1941 | 932.0 | 277.4 | 1,209.4 | 932.0 |
| West Springfield-Riverdale, Mass. | do | 1950 | 2,717.0 | 80.0 | 2,797.0 | 2,717.0 |
| Winsted, Conn. | do | 1951 | 245.5 | 30.0 | 275.5 | 245.5 |
| Subtotal | | | 23,852.8 | 4,921.4 | 28,774.2 | 23,852.8 |
| Grand total, A | | | 58,249.1 | 4,921.4 | 63,170.5 | 57,157.1 |

B. PROJECTS COMPLETED SINCE 1955 OR PRESENTLY UNDER CONSTRUCTION

[In thousands of dollars]

| Project | River basin | Completion date | Federal cost | Non-Federal cost [1] | Total | Federal allocation through fiscal year 1967 |
|---|---|---|---|---|---|---|
| DAMS AND RESERVOIRS | | | | | | |
| Ball Mountain, Vt. (C) | Connecticut | 1961 | 10,845.0 | (150.0) (R) | 10,845.0 | 10,535.2 |
| Barre Falls, Mass. (C) | do | 1958 | 1,967.8 | 0 | 1,967.8 | 1,967.8 |
| Black Rock Reservoir, Conn. (UC) | Housatonic | 1969 | 8,160.0 | 0 | 8,160.0 | 2,777.0 |
| Buffumville, Mass. (C) | Thames | 1958 | 3,200.0 | (100.0) (R) | 3,200.0 | 2,998.6 |
| Colebrook River, Conn. (UC) | Connecticut | 1968 | 14,400.0 | (5,140.0) (WS) | 14,400.0 | 10,094.0 |
| Conant Brook, Mass. (C) | do | 1966 | 2,920.0 | 0 | 2,920.0 | 2,919.0 |
| East Branch, Conn. (C) | Housatonic | 1964 | 1,883.8 | 840.0 | 2,723.8 | 1,883.8 |
| East Brimfield, Mass. (C) | Thames | 1960 | 7,310.0 | (200.0) (R) | 7,310.0 | 6,910.1 |
| Hall Meadow Brook, Conn. (C) | Housatonic | 1962 | 2,561.2 | 570.0 | 3,131.2 | 2,561.2 |
| Hancock Brook, Conn. (C) | do | 1966 | 3,980.0 | 0 | 3,980.0 | 3,980.0 |
| Hodges Village, Mass. (C) | Thames | 1959 | 4,425.0 | 0 | 4,425.0 | 4,421.8 |
| Hop Brook, Conn. (UC) | Housatonic | 1967 | 5,340.0 | 0 | 5,340.0 | 4,515.0 |
| Hopkinton-Everett, N.H. (C) | Merrimack | 1962 | 21,860.0 | (300.0) (R) | 21,860.0 | 21,232.2 |
| Littleville, Mass. (C) | Connecticut | 1965 | 7,015.0 | (2,100.0) (WS) | 7,015.0 | 7,015.0 |
| Mad River, Conn. (C) | do | 1963 | 4,770.8 | 670.0 | 5,440.8 | 4,770.8 |
| Northfield Brook, Conn. (C) | Housatonic | 1965 | 2,830.0 | 0 | 2,830.0 | 2,830.0 |
| North Hartland, Vt. (C) | Connecticut | 1961 | 7,660.0 | (295.0) (R) | 7,660.0 | 7,088.6 |
| North Springfield, Vt. (C) | do | 1960 | 7,380.0 | (300.0) (R) | 7,380.0 | 6,777.5 |
| Otter Brook, N.H. (C) | do | 1959 | 4,260.0 | (100.0) (R) | 4,260.0 | 4,061.0 |
| Sucker Brook, Conn. (UC) | do | 1968 | 1,792.0 | 378.0 | 2,170.0 | 1,325.0 |
| Thomaston, Conn. (C) | Housatonic | 1960 | 14,264.0 | 0 | 14,264.0 | 14,264.0 |
| Townshend, Vt. (C) | Connecticut | 1961 | 7,440.0 | 0 | 7,440.0 | 7,225.2 |
| West Hill, Mass. (C) | Blackstone | 1961 | 2,380.0 | 0 | 2,380.0 | 2,308.4 |
| West Thompson, Conn. (C) | Thames | 1965 | 6,780.0 | 0 | 6,780.0 | 6,545.0 |
| Westville, Mass. (C) | do | 1962 | 5,690.0 | 0 | 5,690.0 | 5,620.1 |
| Subtotal | | | 161,114.6 | 2,458.0 | 163,572.6 | 146,626.3 |
| LOCAL PROTECTION PROJECTS | | | | | | |
| Ansonia-Derby, Conn. (UC) | Housatonic | 1971 | 11,800.0 | [4]960.0 | 12,760.0 | 1,020.0 |
| Canton, East Branch, Neponset River, Mass.[3] | Coastal | 1963 | 180.7 | 92.0 | 272.7 | 180.7 |
| Cherryfield, Narraguagus River, Maine [3] (C) | do | 1961 | 203.0 | 3.5 | 206.5 | 203.0 |
| Chicopee Falls, Mass. (C) | Connecticut | 1965 | 2,180.0 | 475.0 | 2,655.0 | 2,177.0 |
| Farmington I & II, Cocheco River, N.H.[3] (C) | Coastal | 1956 and 1959 | 183.1 | 8.6 | 191.7 | 183.1 |
| Gardner, Mass.[3] (C) | Connecticut | 1965 | 493.0 | 35.0 | 528.0 | 493.0 |
| Hartford (Folly Brook), Conn. (C) | do | 1957 | 382.1 | 251.6 | 633.7 | 382.1 |
| Huntington, Mass. [3] (C) | do | 1959 | 4.0 | 0 | 4.0 | 4.0 |
| Lincoln (Public Law 99), N.H. (C) | Merrimack | 1960 | 120.0 | 0 | 120.0 | 120.0 |
| Lower Woonsocket, R.I. (C) | Blackstone | 1966 | 6,838.0 | 2,312.0 | 9,150.0 | 6,838.0 |
| Norwich Channel, Conn. (C) | Thames | 1958 | 1,210.0 | 72.0 | 1,282.0 | 1,210.0 |
| Three Rivers, Mass. (C) | Connecticut | 1956 | 1,560.0 | 700.0 | 2,260.0 | 1,558.0 |
| Torrington (East Branch), Conn.[3] (C) | Housatonic | 1958 | 389.2 | 151.3 | 540.5 | 389.2 |
| Torrington (West Branch), Conn.[3] (C) | do | 1960 | 228.3 | 141.8 | 370.1 | 228.3 |
| Ware, Mass.[3] (C) | Connecticut | 1959 | 400.0 | 85.0 | 485.0 | 400.0 |
| Waterbury-Watertown, Conn.[3] (C) | Housatonic | 1961 | 263.3 | 15.0 | 278.3 | 263.3 |
| Weston, Vt. (C) | Connecticut | 1957 | 13.0 | 1.8 | 14.8 | 13.0 |
| West Warren, Mass.[3] (C) | do | 1963 | 389.2 | 41.0 | 430.2 | 389.2 |
| Woonsocket (upper), R.I. (C) | Blackstone | 1960 | 4,040.1 | 769.0 | 4,809.1 | 4,040.1 |
| Worcester diversion, Mass. (C) | do | 1960 | 4,939.5 | 1,021.0 | 5,960.5 | 4,939.5 |
| Subtotal | | | 35,816.5 | 7,135.6 | 42,952.1 | 25,031.5 |
| Grand total, B | | | 196,931.1 | 9,593.6 | 206,524.7 | 171,657.8 |

See footnotes at end of table.

FLOOD CONTROL AND HURRICANE PROGRAM (PROJECTS)—NEW ENGLAND—Continued

I. FLOOD CONTROL—Continued

C. UNDER DESIGN

[In thousands of dollars]

| Project | River basin | Design completion date | Federal cost | Non-Federal cost | Total | Federal allocation through fiscal year 1967 |
|---|---|---|---|---|---|---|
| DAMS AND RESERVOIRS | | | | | | |
| Trumball Pond Reservoir, Conn. | Coastal | 1970 | 5,740.0 | (30.0) (R) | 5,740.0 | |
| Whitmanville Reservoir, Mass. | Merrimack | 1970 | 4,500.0 | (2,804.0) (WS)<br>(1,330.0) (WS) | 4,500.0 | |
| Subtotal | | | 10,240.0 | | 10,240.0 | |
| LOCAL PROTECTION PROJECTS | | | | | | |
| Danbury, Conn. | Housatonic | 1969 | 2,800.0 | [3]790.0 | 3,590.0 | 30.0 |
| Derby, Conn. | do | 1968 | 3,570.0 | [6]300.0 | 3,870.0 | 100.0 |
| Subtotal | | | 6,370.0 | 1,090.0 | 7,460.0 | 130.0 |
| Grand total, C | | | 16,610.0 | 1,090.0 | 17,700.0 | 130.0 |

D. FUTURE (AUTHORIZED, RECOMMENDED, OR DEFERRED)

[In thousands of dollars]

| Project | River basin | Completion date | Federal cost | Non-Federal cost[1] | Total | Federal allocation through fiscal year 1967 |
|---|---|---|---|---|---|---|
| DAMS AND RESERVOIRS | | | | | | |
| Beaver Brook, N.H. (recommended) | Connecticut | | 1,185.0 | (51.5) (R-F. & W.)<br>(314.0) (WS)<br>192.0 | 1,377.0 | |
| Gaysville, Vt. | do | | 25,000.0 | (1,300.0) (R) | 25,000.0 | 50.0 |
| Monoosnoc, Mass. (authorized) | Merrimack | | 3,060.0 | (120.0) (R)<br>(845.0) (WS) | 3,060.0 | |
| Nookagee, Mass. (authorized) | do | | 6,380.0 | (190.0) (R)<br>(2,330.0) (WS) | 6,380.0 | |
| Phillips, Mass. (authorized) | do | | 2,720.0 | 0 | 2,720.0 | |
| The Island, Vt. (deferred) | Connecticut | | 4,900.0 | | 4,900.0 | |
| Victory, Vt. (recommended) | do | | 5,300.0 | (600.0) (R) | 5,300.0 | 168.4 |
| Subtotal | | | 48,545.0 | 192.0 | 48,737.0 | 218.4 |
| LOCAL PROTECTION PROJECTS | | | | | | |
| Baker Brook, Mass. (authorized) | Merrimack | | 815.0 | 245.0 | 1,060.0 | |
| Monoosnoc Brook, Mass. (authorized) | do | | 270.0 | 75.0 | 345.0 | |
| North Nashua River, Mass. (authorized) | do | | 825.0 | 0 | 825.0 | |
| Norwalk-Wilton, Conn. (recommended) | Coastal | | 2,700.0 | 1,600.0 | 4,300.0 | |
| Park River, Conn. (recommended) | Connecticut | | 30,300.0 | [7]800.0 | 31,100.0 | |
| Saxonville, Mass. (authorized) | Merrimack | | 1,500.0 | 220.0 | 1,720.0 | |
| Subtotal | | | 36,410.0 | 2,940.0 | 39,350.0 | |
| MULTIPLE-PURPOSE PROJECTS, INCLUDING POWER | | | | | | |
| Dickey-Lincoln School Reservoir, Maine | St. John | | 218,400.0 | 0 | 218,400.0 | 1,814.0 |
| Grand total, D | | | 303,355.0 | 3,132.0 | 306,487.0 | 2,032.4 |
| Total flood control | | | 575,145.2 | 18,737.0 | 593,882.2 | 230,977.3 |

II. HURRICANE (ALL SINCE 1955)

[In thousands of dollars]

| Project | Status | Completion date | Federal (Corps of Engineers) cost | Non-Federal cost | Total | Federal (Corps of Engineers) allocation through fiscal year 1967 |
|---|---|---|---|---|---|---|
| LOCAL PROTECTION PROJECTS | | | | | | |
| Fox Point, Providence, R.I. | Completed | 1966 | 11,230.0 | 4,813.0 | 16,043.0 | 11,230.0 |
| New Bedford, Mass. | do | 1966 | 11,535.0 | 7,115.0 | 18,650.0 | 11,245.0 |
| New London, Conn. | Under design | | 4,760.0 | 2,040.0 | 6,800.0 | 395.0 |
| Pawcatuck, Conn. | Completed | 1963 | 644.3 | 276.1 | 920.4 | 644.3 |
| Stamford, Conn. | Under construction | 1967 | 7,170.0 | 4,330.0 | 11,500.0 | 5,660.0 |
| Do. | Under design | | 5,425.0 | 2,325.0 | 7,750.0 | |
| Westerly, R.I. | Future authorized | | 3,984.0 | 2,016.0 | 6,000.0 | |
| Total hurricane | | | 44,748.3 | 22,915.1 | 67,663.4 | 29,174.3 |
| Total program | | | 619,893.5 | 41,652.1 | 661,545.6 | 260,151.6 |

[1] Non-Federal amounts shown in parentheses are not in column totals. They will ultimately be reimbursed to Federal Government for either water supply storage (WS) or construction of recreational (R) and fish and wildlife (F. & W.) facilities in accordance with the 1965 Federal Water Project Recreation Act (Public Law 89-72). The costs are presently included as part of Federal project costs to reflect appropriation requirements.

[2] Includes recreation facilities developed since 1955 and estimated cost for future planned development.

[3] Small flood control projects not specifically authorized by Congress.

[4] In addition, local interests have expended $1,444,000 for flood control improvements.

[5] In addition, local interests have expended $1,852,000 for flood control improvements.

[6] In addition, local interests have expended $785,000 for flood control improvements.

[7] In addition, local interests are expending about $12,740,000 for flood control improvements.

DAMAGES PREVENTED

Operation of the completed flood control projects within the New England Division have prevented a total of $155,760,000 in damages through fiscal year 1967. A breakout of this total by major basins is as follows:

| Basin | Damages prevented |
|---|---|
| Connecticut River | $124, 109, 000 |
| Merrimack River | 25, 789, 000 |
| Thames River | 5, 532, 000 |
| Costal rivers [1] | 197, 000 |
| Blackstone River [1] | 120, 000 |
| Housatonic River [1] | 13, 000 |
| Total | 155. 760, 000 |

[1] Recently constructed or under construction.

Mr. RHODES of Arizona. Mr. Chairman, will the gentleman yield?

Mr. BOLAND. I yield to the gentleman from Arizona.

Mr. RHODES of Arizona. Mr. Chairman, I join my colleague from Massachusetts in opposition to the amendment. I trust it will be voted down.

Mr. KYL. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, there is a state in the construction of large projects, reclamation and flood control projects at which, when the dam is completed and the bypass for it still is not completed, and in each such case existing at the present time if we would cut off all construction funds, the engineers actually would have to undo what has already been done by dynamiting out portions of the completed dam to prevent flooding. To stop these projects at a state such as this would be completely nonsensical and uneconomical and just should not be done.

Mr. KIRWAN. Mr. Chairman, I rise in opposition to the amendment. We are dealing here with Federal obligations under existing contracts. If we fail to provide the funds required for next fiscal year we will be liable for large termination costs. I remember a case years ago where funds were deleted by Congress and the Government had to default at a great loss. We must honor our commitments regarding contracts now in force.

Any time we sign a contract, the U.S. Government is obligated. Certainly we must be responsible in meeting our obligations.

Mr. WHITTEN. Mr. Chairman, at this time when we face a breakdown in law enforcement at home, and war and almost every other kind of problem abroad, problems to which we have given and are giving our attention, we must not neglect the basic resources of our country, its soil, its rivers and harbors, its forests, and its minerals, the resources on which all else depends.

Yet some would cut out all funds for the development and protection of the real strength of our country, its natural resources. It is rather sad sometimes to see people get money and wealth mixed up, as though one equaled the other.

A few years ago someone said that Ethiopia, as I recall, was the only nation in the world with a balanced budget: "The country did not owe anything and it did not have anything."

I believe in a balanced budget. It provides stability, which is of real value, but money in itself is not wealth.

THE LESSONS OF HISTORY

Briefly, I should like to call attention to a statement from my report on the appropriation bill which I handled earlier in the year. I quote:

Ancient Greece had forested hills, ample water supplies, and productive soil. In parts of this area today, the old erosion-proof Roman roads stand several feet above a barren desert. Ancient irrigation systems in many parts of China and India are abandoned today and filled with silt. Most of India's present land problems are due to excessive deforestation, erosion and siltation made necessary by tremendous population growth during the past two centuries.

The highly developed civilization of ancient Guatemala and Yucatan are merely history today. Archaeologists believe that they exploited their land as intensively as possible until its fertility was gone and their prosperous civilizations vanished.

The long-since-gone city-states of history used up and wore out their natural resources. In 2000 B.C. the Valley of the Nile was a granary for the Roman Empire. Today its productivity is largely gone because of neglect and misuse. In 3500 B.C. the valleys of the Tigris and Euphrates Rivers supported a large and prosperous civilization. Today less than 20 percent is productive.

Why are those areas gone today, so far as the ability to support their people is concerned? It is because the people were unwilling, year after year, to put back into the land a fair share of what they took out.

For us to fail, whatever our problems, to look after the basic resources on which all our well-being depends would not merely endanger our standard of living but life itself would be affected. We would be heading in the direction of India and China; and there would not be any foreign aid when our country is worn out.

Mr. Chairman, I consider myself fortunate to serve on this Appropriations Subcommittee for Public Works and, at the same time, as chairman of the Appropriations Subcommittee for Agriculture. I have a double opportunity to work for those programs which take care of our country—soil conservation, watershed protection, flood prevention, rural water and sewerage loans, rural electrification, rural telephones, the agricultural conservation program, along with many other domestic programs—school lunch, school milk, and so forth.

In preparing this bill, we heard over 1,100 witnesses from all over the United States. We tried to meet, as far as circumstances would permit, the need for continuing the work of development and protection of each and every region.

MISCELLANEOUS PROJECTS, NORTH MISSISSIPPI

In my own section which is typical of our action for all areas of the Nation, we provided funds for the lower Mississippi River and tributaries, for a continuation of the study on bank caving, $450,000 for construction of bridges at Crowder and Paducah Wells, and funds for continuing study of Hatchie River.

The bill provides $475,000 for continuation of engineering and design of the Tennessee-Tombigbee Waterway and for work at Arkabutla, Enid, Sardis, and Grenada reservoirs.

I take note of the fact that a few weeks ago we passed a bill prohibiting the charging of fees, and the Corps of Engineers has promised to maintain a more realistic water level.

YELLOW CREEK PROJECT

Perhaps one of the more important developments is the favorable report on Yellow Creek, a port on the Mississippi side of the Tennessee River. This report follows our directive of last year:

To prepare an analysis of the proposed project, evaluating such factors as potential benefits from industrial development, increased employment and "identifiable stimuli" to the overall economy of Northeast Mississippi expected to result from the river development.

In its report, the TVA said the proposed port to be located on Yellow Creek embayment of Pickwick Reservoir, would open up the area to heavy industry, "in the high wage bracket which should boost average wage earnings."

The project would entail construction of: First, river terminal on Yellow Creek for handling freight and transferring it between barges and railcars or trucks; second, a 12-mile rail spur to the Southern Railway; and third, a highway connection between State Route 25 and the river terminal.

The TVA estimates the port area would attract 15 industrial firms in 25 years, provide some 2,820 jobs, an annual payroll in excess of $2,000,000, and add an additional income for the area of $13,000,000.

The cost-benefit ratio is a tremendous $6 to each $1 invested.

In this bill we have tried to provide the same type of development for the whole country with only a little more than 1 percent of the Federal budget. Is that too little to invest in order that we may leave to our children and to their children a rich land? We could leave them all the money in the world, and a wornout land, and they could not make good; but if we leave them a rich land they can set up their own financial system, for they would have something on which to build.

Mr. Chairman, I believe all Members, as well as the people of the Nation, can and will agree with my reasoning. Look after our base, our country.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Vermont [Mr. STAFFORD].

The amendment was rejected.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

CONSTRUCTION AND REHABILITATION

For construction and rehabilitation of authorized reclamation projects or parts thereof (including power transmission facilities) and for other related activities, as authorized by law, to remain available until expended, $166,300,000, of which $115,000,000 shall be derived from the reclamation fund: *Provided*, That no part of this appropriation shall be used to initiate the construction of transmission facilities within those areas covered by power wheeling service contracts which include provision for service to Federal establishments and preferred customers, except those transmission facilities for which construction funds have been heretofore ap-

propriated, those facilities which are necessary to carry out the terms of such contracts or those facilities for which the Secretary of the Interior finds the wheeling agency is unable or unwilling to provide for the integration of Federal projects or for service to a Federal establishment or preferred customer: *Provided further,* That the final point of discharge for the interceptor drain for the San Luis unit shall not be determined until development by the Secretary of the Interior and the State of California of a plan, which shall conform with the water quality standards of the State of California as approved by the Secretary of the Interior, to minimize any deterimental effect of the San Luis drainage waters: *Provided further,* That of the amount appropriated herein for the Washoe Project, not to exceed $600,000, representing the cost of providing water service on national forest lands under the administration of the United States Forest Service, shall be nonreimbursable.

Mr. GROSS. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I noticed in one of the Washington newspapers recently a story dealing with something called Mar-A-Lago in Palm Beach, Fla. It is described as a multimillion-dollar Arabian Nights palace, which, so the story says, may be made available to the U.S. Government as an official vacation residence for the President and visiting world leaders.

This 115-room castle on the sand is owned by Post Toasties heiress Marjorie Merriweather Post, who seems to want to unload it. The Department of the Interior seems to be interested in taking over this palace on the sand, which requires, I will say to my friend from Ohio [Mr. KIRWAN], the chairman of the Public Works Subcommittee, a staff of some 54, including 22 year-round gardeners to take care of the premises. As I have said, the Department of the Interior seems to be very much interested in this because Mr. George Hartzog, Director of the National Park Service, and his wife, and Mr. Angier Biddle Duke, the State Department's Chief of Protocol, and his wife, and Mrs. Lyndon B. Johnson went down to look it over recently and incidentally got some "rest" in these luxurious surroundings.

I wondered if by any chance there is any money in this bill, since we are now on the title dealing with the Department of the Interior, for the taking over Mar-A-Lago, the castle on the sand, as a resort and watering place for the President and visiting Pooh-Bahs from foreign countries.

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

Mr. GROSS. I am glad to yield to the gentleman from Ohio.

Mr. KIRWAN. I can say this to the gentleman from Iowa. I have made the statement many times that if we had 20 more men like him in Congress, we would be much better prepared to do our job because you do study the bill. I would like to inform the gentleman that this item does not come under the jurisdiction of this subcommittee and that there are no funds in the bill for this item.

Mr. GROSS. I thank the gentleman from Ohio. I just want to be sure that I do not miss a bill which would provide the money for this kind of a boondoggle.

Mr. RHODES of Arizona. I am informed that the gift would be to the National Park Service and, if so, it would have nothing whatsoever to do with this bill.

Mr. GROSS. I just wanted to make sure that there are not some funds tucked away in this bill in any way, shape, form, or fashion for the purpose of taking over this castle and entertaining foreign dignitaries and Pooh-Bahs.

Mr. RHODES of Arizona. Mr. Chairman, if the gentleman will yield further, I can assure the gentleman from Iowa that there is not one single dime contained in this bill for that purpose.

Mr. GROSS. This is just one more extravagance we can dispense with at this time.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

OPERATION AND MAINTENANCE

For operation and maintenance of reclamation projects or parts thereof and other facilities, as authorized by law; and for a soil and moisture conservation program on lands under the jurisdiction of the Bureau of Reclamation, pursuant to law, $50,000,000, of which $39,638,000 shall be derived from the reclamation fund and $2,098,000 shall be derived from the Colorado River Dam fund: *Provided,* That funds advanced by water users for operation and maintenance of reclamation projects or parts thereof shall be deposited to the credit of this appropriation and may be expended for the same objects and in the same manner as sums appropriated herein may be expended, and the unexpended balances of such advances shall be credited to the appropriation for the next succeeding fiscal year.

Mr. RANDALL. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, at the first of my remarks it is a privilege to commend the committee for the work it has done on this bill.

The committee deserves special praise because at page 46 of the report it is indicated that because of the nature of the land acquisition in the area of the Meramec Park Reservoir you plan to conduct a staff investigation to assure the amount of land acquisition is held to the minimum essential for the project purposes at Meramec Park, Mo.

Mr. Chairman, another Corps of Engineers project located in west-central Missouri is known as the Kaysinger Reservoir.

This past weekend I visited in both St. Clair County, Mo., and Benton County, Mo. I was surprised and disappointed to learn a majority of the landowners whose property has been or will have to be acquired by the Corps of Engineers for the Kaysinger project are dissatisfied with the work being done by the civilian negotiators employed by the Corps of Engineers.

Without dwelling upon details, several members of the City Council of Osceola, Mo., together with businessmen of that city related to me they were concerned because these civilian representatives of the corps had urged property owners whose land and improvements were included within the area acquired by the Government to move farther away from the lake area and suggested adjoining counties. The only reason anyone can assign for these suggestions would be some slight saving in relocation costs or perhaps to avoid construction by the Government of a housing area to provide for those displaced residents who are unable to relocate through private negotiations.

Without the opportunity to substantiate the complaints which were received in the short time I was in the area of these land acquisitions, I did hear enough which caused me to believe that there has certainly been a pronounced lack of patience and forbearance upon the part of these civilian negotiators of the Corps of Engineers as they go about throughout the area to acquire the thousands of tracts that must be assembled to make up the reservoir area.

Again and again, in St. Clair and in Benton Counties, individuals complained to me against the "take it or leave it" attitude of these negotiators. We heard in several instances what was alleged to be improperly advanced advice that property owners stood no chance to better their condition if they went to court under condemnation proceedings. Worst of all was the allegations that a certain few of the negotiators were inclined to be abusive if the particular property owner did not accept the first offer they made on behalf of the Government. My point, Mr. Chairman, is if there is to be any attitude of impatience or irritation it should not be displayed by those public servants who are paid well for their work and services but might be justified by those displaced and uprooted from their homes through no preference of their own. It is these people who would have a right to be irritated and aggravated not the negotiators. These property owners have been long suffering. They have waited not knowing when their property would be acquired. These are the ones who have displayed real patience. I submit to you, Mr. Chairman, that now is the time for some forbearance and the exercise of an attitude of conciliation upon the part of these negotiators rather than the alleged attitude and remarks to these landowners, saying "You have no recourse but to sell at the price we are offering to you." These same negotiators go out of their way to gratuitously and I submit improperly tell these land owners they can do no better if they go to court to try to resolve the issue.

My office has no facilities to investigate these charges. However, I heard enough to lead me to believe there must be some substance to these complaints. All my life I have heard of the old cliche, "Where there is so much smoke there must be some fire." I hope that the chairman of the Subcommittee on Public Works of the Appropriations Committee will direct their investigators when they conclude their work on the Meramec project to continue on to conduct a simi-

lar investigation of the acquisition procedures at the Kaysinger project.

While we all expect land acquisition by the corps to be restricted to the area directly involved by reservoir requirements, the property owners have a right to expect courteous treatment by these agents of the Corps of Engineers as they do their work in this land acquisition.

Kaysinger construction seems to be at a virtual standstill. For this reason, it would seem there is no need for a great hurry toward additional land acquisition. The land may not be needed until 1975 or 1976. There is plenty of time to continue to conclude negotiations with those who want or prefer to sell. As to those who would prefer to remain on their tracts for a while longer there is no valid or sufficient reason why these property owners should be hurriedly displaced at this time.

It is my intention to summarize the complaints that were discussed with me in these two counties by letter to the chairman of the subcommittee. I shall provide representatives of the Corps of Engineers with a copy of these complaints. I would hope the corps and its civilian agents would not continue to rush head-on into widespread land acquisition on this project. But if this must be or has to be and if there should be some valid reason for continuing the pace of acquisition, then certainly there can be no reason for the alleged attitudes that have been displayed by these negotiators, along with reports of high-handed demands to the property owners that they must quickly accept the first Government offer. Most of all, I hope there will be a thorough investigation of the activities of these negotiators to the end there can be a restoration of common, ordinary courtesy and politeness displayed by these men who are, after all, well-paid public servants.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

OPERATING EXPENSES

For necessary operating expenses of the Commission in carrying out the purposes of the Atomic Energy Act of 1954, as amended, including the employment of aliens; services authorized by 5 U.S.C. 3109; hire, maintenance, and operation of aircraft; publication and dissemination of atomic information; purchase, repair and cleaning of uniforms; official entertainment expenses (not to exceed $30,000); reimbursement of the General Services Administration for security guard services; hire of passenger motor vehicles; $2,080,000,000 and any moneys (except sums received from disposal of property under the Atomic Energy Community Act of 1955, as amended (42 U.S.C. 2301)) received by the Commission, notwithstanding the provisions of section 3617 of the Revised Statutes (31 U.S.C. 484), to remain available until expended: *Provided,* That of such amount $100,000 may be expended for objects of a confidential nature and in any such case the certificate of the Commission as to the amount of the expenditure and that it is deemed inadvisable to specify the nature thereof shall be deemed a sufficient voucher for the sum therein expressed to have been expended: *Provided further,* That from this appropriation transfers of sums may be made to other agencies of the Government for the performance of the work for which this appropriation is made, and in such cases the sums so transferred may be merged with the appropriation to which transferred: *Provided further,* That no part of this appropriation shall be used in connection with the payment of a fixed fee to any contractor or firm of contractors engaged under a cost-plus-a-fixed-fee contract or contracts at any installation of the Commission, where that fee for community management is at a rate in excess of $90,000 per annum, or for the operation of a transportation system where that fee is at a rate in excess of $45,000 per annum.

AMENDMENT OFFERED BY MR. SAYLOR

Mr. SAYLOR. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. SAYLOR: On page 27, line 1, after "vehicles", strike out "$2,080,000,000" and insert "$2,078,500,000".

Mr. SAYLOR. Mr. Chairman, this is a small item, it is a reduction of $1.5 million from the general appropriation for the Atomic Energy Commission. I would like to have this money taken out of the Plowshare program. The reasons are as follows:

There was a $17 million authorization which was originally asked for. That was about a $2.5 million increase over the Atomic Energy Commission request to the Congress. Initially, the Atomic Energy Commission asked for $26,550,000 from the Bureau of the Budget; subsequently the request going to Congress was for only $14,500,000, a reduction of $12,050,000.

One of the projects which has a peaceful use to which the Atomic Energy Commission has been directing its attention has been Gas Buggy. Their own report says that it will be a year before they will know whether or not other experiments should be made.

Mr. Chairman, in view of the financial condition of this country, and in view of the fact that there is no definite information as to whether or not the original Gas Buggy project is successful, here is a place where a reduction of $1.5 million can be made. This, I believe, would be an indication to the country that projects which are not necessary at the present time can be put off due to the Nation's financial condition. Tomorrow we are going to be asked to increase taxes and we are going to ask the President to make a $6 billion cut in Government expenditures. Here is a good place to make a small beginning, to show that we are able to make a contribution to that $6 billion cut.

Mr. MORRIS of New Mexico. Mr. Chairman, I rise in opposition to the amendment offered by the distinguished gentleman from Pennsylvania.

Mr. Chairman, I want to point out to the Members that although the authorization committee authorized $16,950,000 for the Plowshare program, our committee has recommended only $14.5 million, a decrease of $3,465,000 below the current year level. We on the committee feel that this is a very small amount to be spent for the peaceful uses of atomic energy. I believe that all of the Members who have been in the House and who have watched these appropriations from year to year realize that there is a tremendous potential development possible in the peaceful uses of atomic energy.

It is true that the final results of Project Gas Buggy have not yet been finally evaluated because it takes some time to evaluate the results of any research and development program. However, the preliminary data that has accrued has indicated that the results are almost exactly as they calculated they would be in the theoretical calculation.

Mr. Chairman, this is a most important and limited program being undertaken with the financial participation by private industry. In the instance of Project Gas Buggy, not only does it show an excellent chance of being successful, but it will lead to the further development of the peaceful uses of atomic energy.

I think it would be unwise for this Congress to stop this worthwhile development, certainly, at this stage. It does require some long leadtime planning and research to develop these projects and we should be in a position to proceed with follow-on projects when the results of Gas Buggy are finally evaluated.

Mr. Chairman, I hope that the amendment offered by the gentleman from Pennsylvania, as much as I respect him, will be defeated.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania [Mr. SAYLOR].

The amendment was rejected.

AMENDMENT OFFERED BY MR. KEE

Mr. KEE. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. KEE: On page 27, line 1, strike out "$2,080,000,000" and insert "$2,075,060,000".

Mr. KEE. Mr. Chairman, the purpose of this amendment is to delete $4,940,000 for the Shippingport atomic power station.

Shippingport was originally a research and development station with power going into Duquesne—Dukane—Light Co. Research and development function has now been served. Current funds are being used more or less as subsidy.

This plant is a light water reactor and as such should receive no further research and development funds.

If private industry wishes to use this plant for research and development purposes, it should be required to do so at their expense.

This plant is producing power in direct competition with coal. It is located in the midst of an abundance of coal and if this $4,940,000 is deleted from this bill it will not only be a saving to the taxpayers of America, but it will be beneficial to the coal industry and private industry, because in all probability coal would replace nuclear generation.

In the past, Shippingport has been a very useful—and very expensive—research tool for the Federal Government. It started out producing electricity at about 60 mills per kilowatt-hour, approximately 10 or 15 times the cost of electricity from coal. This, however, was to be expected, because the plant was a research project. It should be understood, however, that the utility—Dukane—paid no part of this extra cost; the utility merely paid for the steam the price that it would have had to pay for steam from coal. That is still the case today—any extra cost is borne by Uncle Sam.

Shippingport has been useful as a re-

search tool. Now, however, the AEC is proposing to use it for a further purpose. The AEC proposed to spend this money, several million dollars, to "phase out" the so-called "seed and blanket" reactor.

Back in 1965 Admiral Rickover persuaded the Atomic Energy Commission to ask for $91 million to build a seed-and-blanket reactor. A witness for the coal industry pointed out to the Joint Committee on Atomic Energy that the proposed seed-and-blanket reactor would have such extremely high capital costs that it could not possibly be of any benefit to an investor-owned utility; it could have possibilities only for government-owned utilities with extremely low capital carrying charges.

Nevertheless, Congress authorized the "go ahead" on this project. Within a year, and after spending about $20 million, the AEC was forced to come back to Congress and admit that the whole idea was not practical from the beginning. To work, the seed-and-blanket had to have fuel cladding which would last for 10 years, and it was quickly determined that no metal could stand irradiation for this period of time. As a result, the rest of the program was canceled.

Mr. Chairman, Admiral Rickover is a very fine man. But he has, perhaps, too high a rating in the minds of Congress with respect to matters of economics. He has never had experience in this competitive rat race. He does do a wonderful job of quality control in military matters, where money is no object. But he does not understand the competitive requirements of low-cost power. Nevertheless, very few Members of Congress are willing to stand up and argue with him. I hereby do so.

When the seed-and-blanket concept fell on its face, AEC and the Joint Committee on Atomic Energy apparently felt compelled to go through the motions of mollifying Admiral Rickover. Therefore, they decided to spend a few million dollars a year at Shippingport, to "phase out" the seed-and-blanket concept. That is exactly what we are taking about now. We are talking about a concept that will not work; we are talking about a concept which would be of no interest to investor-owned utilities even if it did work, because the capital costs are so enormous; and we are talking about spending several million dollars a year just to mollify the feelings of one of our political heros. The U.S. economy cannot stand this sort of expenditure. Now is our opportunity to prevent waste of money.

Mr. Chairman, I hope my amendment will be adopted.

Mr. MORRIS of New Mexico. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I want to point out to the Members of the House that the committee has already reduced the AEC reactor development program by $66,250,000, including a reduction of $5,500,000 for the civilian power reactor program.

I certainly hope that the committee will reject the amendment.

The Shippingport reactor is actually the basis for the technology of all the light water reactors we are using in the United States for the production of electrical power in our country. They are still getting very valuable technical data and information from this reactor. The money that is involved here, $4,900,000, that the gentleman seeks to strike out is required to test a new core which would have an application on all the future light water reactors that may be built in this country.

Mr. Chairman I think it would be a great mistake to adopt this amendment terminating this valuable development works.

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

Mr. MORRIS of New Mexico. I yield to the distinguished gentleman from California, Chairman of the Joint Committee on Atomic Energy.

Mr. HOLIFIELD. The Shippingport reactor was built by Admiral Rickover as a test reactor. It is a laboratory. In my opinion, it is the most important reactor in America, because we are using it as a laboratory to test different types of fuel. There is a number of different types of fuel that are continually being injected into this laboratory, taken out, and analyzed as to the efficiency of the unit of fuel. By the way, this is a joint venture. The Government built the reactor, and the Duquesne Light & Power Co. of Pennsylvania is buying the steam from it at a current price, and there is income coming from the Duquesne Light & Power Co. people for the steam, which is a byproduct of this laboratory-type test reactor.

I join with the gentleman from New Mexico in saying that this is one of our most valuable experimental laboratories. It is something that has to be retained, or you are going to dump a laboratory investment of about $125 million.

The CHAIRMAN. The question is on the amendment offered by the gentleman from West Virginia [Mr. KEE].

The amendment was rejected.

AMENDMENT OFFERED BY MR. HAYS

Mr. HAYS. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. HAYS: On page 27, line 1, strike out "$2,080,000,000" and insert in lieu thereof "$2,076,000,000".

The CHAIRMAN. The gentleman from Ohio is recognized for 5 minutes.

Mr. HAYS. Mr. Chairman, this amendment is to the Atomic Energy Commission section. I would like to see stricken $4 million for the plutonium utilization project. This program is designed to aid the users of nuclear reactors to justify their decision to go nuclear. It represents a hidden subsidy to supposedly commercial reactors.

Federal funds in excess of $100 million have already been spent to develop a recycle technology. The funds are of direct value to utilities which to date have spent a total of $700,000 of their own money on a plutonium recycle program.

The very large amounts of plutonium to be produced will force the private sector to engage in its own research and development if nuclear plants are to be competitive. Estimates of plutonium production range up to $1 billion in inventory by the mid-1980's. Without recycle or breeder technology, plutonium will be a cost item for every utility, a cost which should be charged to the nuclear plant, and not subsidized, it seems to me, by the Government.

The recycling of plutonium which may be needed in breeders is a waste of a very valuable natural resource.

Industry, through Edison Electric Institute, is preparing a program on plutonium recycle, but the program seems small when compared to need. Indeed, the Joint Committee on Atomic Energy has called upon industry to provide more resources, while at the same time authorizing additional funds for research and development in this field.

Since this is a subsidy to what should be a program which can stand on its own legs, if nuclear programs can, I think we could well save this $4 million, and I ask adoption of the amendment.

Mr. MORRIS of New Mexico. Mr. Chairman, I rise in opposition to the amendment offered by the distinguished gentleman from Ohio.

First, I wish to point out to the Members of the House what the plutonium recycle program is. It is really a redevelopment program aimed at finding the best way to utilize the plutonium which is created in nuclear reactors as a consequence of the chain reaction of fissionable uranium in the power reactors. The plutonium that is thus created, almost as a byproduct, can be recycled in the reactor as a nuclear fuel for the generation of additional energy.

The Joint Committee on Atomic Energy held extensive hearings on this subject. The committee has called on industry to assume the major burden and role in the completion of development work on the plutonium recycle process.

This process really could be—and I believe will be—a bridge between the light water reactor, which is now producing electrical power in our country, and the fast breeder reactor, which is in the research and development stage. All we would be doing, if we accept the amendment of the gentleman from Ohio, in my opinion, would be closing the door on a very important segment of the industry which shows great hope for lowering the cost of production of electrical power.

I hope the amendment will not be adopted. Again I point out to Members of the Committee that in this section of the bill we have deleted $66.2 million already including a reduction of $5,500,000 in the civilian power program. I hope the amendment will be defeated.

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

Mr. MORRIS of New Mexico. I yield to the gentleman from California.

Mr. HOSMER. Mr. Chairman, is it not true, if the plutonium reactor work is not done, that this likewise in the reactor producing electricity has no value, so the gentleman's amendment strikes at the very basic economics of the entire nuclear industry and would be a crushing blow if this work is not carried on?

In addition to that, if we do not use the plutonium for this purpose, is it not true it is liable to stray into the hands of people who would use it not for peaceful power production, but for some other kind of use?

Mr. MORRIS of New Mexico. The answer to the gentleman's first question is "Yes." The answer to his second question is, there is always that possibility.

Mr. HOSMER. Mr. Chairman, I thank the gentleman.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Ohio [Mr. HAYS].

The amendment was rejected.

Mr. HOSMER. Mr. Chairman, I move to strike the necessary number of words.

Mr. Chairman, the importance of the Atomic Energy Commission would appear to be self-evident. But, perhaps because it is not a Cabinet-level department, or perhaps because its headquarters are in the hinterlands of Germantown, Md., the administration seems to have forgotten this vital agency.

As a quick refresher course, I would like to remind the administration that the Atomic Energy Commission is one of the most important agencies in the Federal Government, controlling more than $2 billion of the taxpayers' money each year.

It is a high-level policymaking agency which largely controls the peacetime atomic energy programs in this country. Its decisions vitally effect a multibillion industry. Its influence over the electric power generation in this country is significant today and will become infinitely more significant in the future.

The Atomic Energy Commission operates the most extensive scientific research and development network in history. It spends $125 million a year to support research programs in 237 colleges and universities across the Nation.

It also is responsible for the operation of the laboratories and facilities concerned with nuclear weapons research, development, and production. This function alone would seem to justify position of importance to the Government.

Yet, the administration treats the Atomic Energy Commission with all the importance of the White House Easter egg roll. Federal judgeships in Texas are filled more rapidly than vacancies on the Commission which administers this vital organization.

The Atomic Energy Act of 1946, which established the AEC, provided for a five-man Commission to head the agency. But it should be noted that since January 1964, the membership of the Commission has been filled only about half the time.

It is now almost 11 months since the Commission has operated with its full membership of five. This seriously impairs the efficacy of the Commission by overburdening the other four Commissioners with work and responsibilities they little have time for.

This is a sore point with me and with some other members of the Joint Committee on Atomic Energy that the administration continually demeans the importance of the AEC by its lackadaisical attitude toward appointments to the Commission.

I find it impossible to believe that the administration has difficulty recruiting topflight people from the nuclear field to serve on the Commission. That leaves three reasons for the almost continuous "Vacancy" sign at the AEC: First. The administration fails to plan ahead on filling the vacancies; second, it does not make a serious attempt to fill the vacancies; and third, it fails to recruit Commission members willing to serve for any length of time.

Two of the most recent ex-Commissioners had only a passing interest in the atomic energy business, hence they served the Commission only 1 year each, the minimum protocol would demand. In most cases, it takes a new Comissioner almost a year to learn his job and carry his full share of the responsibility and workload. This applies even to an old hand in the nuclear business. So, in the case of Dr. Mary Bunting and Dr. Samuel Nabrit, who served only a year apiece, they resigned just as they were approaching the point of being effective Commissioners.

Now we are approaching another problem with the Commission. The term of the current Chairman, Dr. Glenn T. Seaborg, will expire in 11 days. At 1 minute past midnight of June 30, the AEC will legally be without a Chairman and down to three Commissioners unless the administration acts promptly to reappoint Dr. Seaborg or nominate a new Chairman.

My hope is that the President will act promptly to resolve this uncertainty concerning the chairmanship of the AEC, and to fill the current vacancy as well. I might note that there has been a practice in recent years of nominating two Commissioners simultaneously. In 1962, John G. Palfrey and James T. Ramey were nominated at the same time. Again in 1966, the President nominated Wilfrid E. Johnson and Samuel M. Nabritt together.

At any rate, time is running short, Mr. President, and a lot of people are impatiently waiting for some action.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

SEC. 510. No part of any appropriation contained in this or any other Act, shall be available to finance interdepartmental boards, commissions, councils, committees, or similar groups under section 214 of the Independent Offices Appropriation Act, 1946 (31 U.S.C. 691) which do not have prior and specific congressional approval of such method of financial support.

AMENDMENT OFFERED BY MR. JONAS

Mr. JONAS. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. JONAS: On page 34 following line 2, insert a new section as follows:

"SEC. 511. Money appropriated in this Act shall be available for expenditure in the fiscal year ending June 30, 1969 only to the extent that expenditure thereof shall not result in the aggregate expenditure of Federal funds by all agencies provided for herein beyond $4,400,000,000."

Mr. JONAS. Mr. Chairman, I will not take more than 1 minute. This is the ordinary spending limitation amendment and it undertakes to limit spending next year to the exact figure the committee estimates will be spent anyway. This merely ties it down and writes it into the law.

Mr. KIRWAN. Mr. Chairman, the committee accepts the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from North Carolina [Mr. JONAS].

The amendment was agreed to.

Mr. KIRWAN. Mr. Chairman, I move that the Committee do now rise and report the bill back to the House with sundry amendments, with the recommendation that the amendments be agreed to and that the bill as amended do pass.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. ASPINALL, 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. 17903) making appropriations for public works for water and power resources development, including certain civil functions administered by the Department of Defense, the Panama Canal, certain agencies of the Department of the Interior, the Atlantic-Pacific Interoceanic Canal Study Commission, the Delaware River Basin Commission, Interstate Commission on the Potomac River Basin, the Tennessee Valley Authority, and the Water Resources Council, and the Atomic Energy Commission, for the fiscal year ending June 30, 1969, and for other purposes, had directed him to report the bill back to the House with sundry amendments, with the recommendation that the amendments be agreed to and that the bill as amended do pass.

Mr. KIRWAN. Mr. Speaker, I move the previous question on the bill and all amendments thereto to final passage.

The previous question was ordered.

The SPEAKER. Is a separate vote demanded on any amendment?

Mr. GERALD R. FORD. Mr. Speaker, I demand a separate vote on the so-called Giaimo amendment.

The SPEAKER. Is a separate vote demanded on any other amendment? If not, the Chair will put them en gross.

The amendments were agreed to.

The SPEAKER. The Clerk will report the amendment on which a separate vote has been demanded.

The Clerk read as follows:

On page 4, line 19, after the semicolon, strike out "$813,000,000" and insert "$812,329,000".

The SPEAKER. The question is on the amendment.

Mr. GERALD R. FORD. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 266, nays 132, not voting 35, as follows:

[Roll No. 195]

YEAS—266

| | | |
|---|---|---|
| Abernethy | Berry | Burke, Fla. |
| Adair | Betts | Burke, Mass. |
| Anderson, Ill. | Bevill | Burleson |
| Andrews, Ala. | Blackburn | Burton, Utah |
| Andrews, N. Dak. | Blanton | Bush |
| | Bray | Button |
| Arends | Brinkley | Byrnes, Wis. |
| Ashmore | Brock | Cabell |
| Baring | Broomfield | Cahill |
| Barrett | Brotzman | Carter |
| Bates | Brown, Mich. | Casey |
| Battin | Brown, Ohio | Cederberg |
| Belcher | Broyhill, N.C. | Chamberlain |
| Bell | Broyhill, Va. | Clancy |
| Bennett | Buchanan | Clark |

Clausen, Don H.
Cleveland
Colmer
Conable
Conte
Corbett
Cowger
Cramer
Curtis
Daddario
Davis, Wis.
de la Garza
Delaney
Dellenback
Denney
Dent
Derwinski
Devine
Dickinson
Dole
Donohue
Dorn
Dowdy
Downing
Duncan
Dwyer
Edwards, Ala.
Erlenborn
Esch
Eshleman
Findley
Fino
Fisher
Flood
Flynt
Ford, Gerald R.
Fountain
Frelinghuysen
Fulton, Pa.
Fulton, Tenn.
Fuqua
Galifianakis
Gardner
Gathings
Gettys
Giaimo
Goodell
Goodling
Gray
Green, Oreg.
Griffin
Griffiths
Gross
Grover
Gubser
Gude
Gurney
Hagan
Haley
Hall
Halleck
Hammer-schmidt
Hansen, Idaho
Hardy
Harrison
Harsha
Harvey
Hays
Hébert
Heckler, Mass.
Henderson
Herlong
Horton
Hosmer
Hull
Hunt
Hutchinson
Ichord
Irwin
Jarman
Joelson
Johnson, Pa.
Jonas
Jones, Mo.
Karth
Kee
Keith
King, N.Y.
Kornegay
Kupferman
Kuykendall
Kyl
Laird
Landrum
Langen
Latta
Lennon
Lipscomb
Lloyd
Long, La.
Long, Md.
Lukens
McClory
McCloskey
McClure
McCulloch
McDade
McDonald, Mich.
McEwen
MacGregor
Mailliard
Marsh
Martin
Mathias, Calif.
Mathias, Md.
May
Mayne
Meskill
Michel
Miller, Ohio
Mills
Minish
Mize
Monagan
Montgomery
Moore
Moorhead
Morgan
Morse, Mass.
Morton
Myers
Nelsen
Nichols
O'Konski
O'Neill, Mass.
Patman
Pelly
Perkins
Pettis
Philbin
Pickle
Pike
Pirnie
Poage
Poff
Pollock
Price, Tex.
Purcell
Quie
Quillen
Railsback
Randall
Rarick
Reid, Ill.
Reifel
Reinecke
Rhodes, Pa.
Riegle
Robison
Rodino
Rogers, Colo.
Rogers, Fla.
Rooney, Pa.
Roth
Roudebush
Rumsfeld
Ruppe
St. Onge
Sandman
Satterfield
Saylor
Schadeberg
Scherle
Schneebeli
Schweiker
Schwengel
Scott
Shipley
Shriver
Sikes
Skubitz
Slack
Smith, Calif.
Smith, N.Y.
Smith, Okla.
Snyder
Springer
Stanton
Steiger, Ariz.
Steiger, Wis.
Stratton
Stuckey
Taft
Talcott
Taylor
Teague, Calif.
Thompson, Ga.
Thomson, Wis.
Tuck
Utt
Vander Jagt
Vanik
Wampler
Watkins
Watson
Watts
Whalen
Whalley
Whitener
Widnall
Wiggins
Williams, Pa.
Willis
Wilson, Bob
Winn
Wolff
Wyatt
Wydler
Wylie
Wyman
Zion
Zwach

NAYS—132

Adams
Addabbo
Albert
Anderson, Tenn.
Annunzio
Ashley
Aspinall
Blatnik
Boggs
Boland
Bolling
Brademas
Brasco
Brooks
Brown, Calif.
Burton, Calif.
Byrne, Pa.
Carey
Celler
Cohelan
Corman
Culver
Daniels
Davis, Ga.
Dawson
Dow
Eckhardt
Edmondson
Edwards, Calif.
Edwards, La.
Eilberg
Evans, Colo.
Everett
Fallon
Farbstein
Fascell
Feighan
Foley
Ford, William D.
Fraser
Friedel
Garmatz
Gibbons
Gonzalez
Green, Pa.
Halpern
Hamilton
Hanley
Hanna
Hansen, Wash.
Hathaway
Hawkins
Hechler, W. Va.
Helstoski
Hicks
Holifield
Howard
Hungate
Johnson, Calif.
Jones, Ala.
Jones, N.C.
Kastenmeier
Kazen
Kirwan
Kluczynski
Kyros
Leggett
McCarthy
McFall
Macdonald, Mass.
Machen
Madden
Mahon
Matsunaga
Meeds
Miller, Calif.
Mink
Morris, N. Mex.
Moss
Murphy, Ill.
Natcher
Nix
O'Hara, Ill.
O'Hara, Mich.
Olsen
O'Neal, Ga.
Ottinger
Passman
Patten
Pepper
Podell
Price, Ill.
Pryor
Pucinski
Rees
Reid, N.Y.
Reuss
Rhodes, Ariz.
Roberts
Ronan
Rooney, N.Y.
Rosenthal
Roush
Roybal
Ryan
St Germain
Scheuer
Sisk
Smith, Iowa
Stafford
Steed
Stephens
Stubblefield
Sullivan
Teague, Tex.
Tenzer
Tiernan
Tunney
Udall
Ullman
Van Deerlin
Vigorito
Waggonner
Waldie
Walker
White
Whitten
Wilson, Charles H.
Wright
Yates
Young
Zablocki

NOT VOTING—35

Abbitt
Ashbrook
Ayres
Biester
Bingham
Bolton
Bow
Clawson, Del
Collier
Conyers
Cunningham
Diggs
Dingell
Dulski
Evins, Tenn.
Gallagher
Gilbert
Holland
Jacobs
Karsten
Kelly
King, Calif.
Kleppe
McMillan
Minshall
Mosher
Murphy, N.Y.
Nedzi
Pool
Resnick
Rivers
Rostenkowski
Selden
Staggers
Thompson, N.J.

So the amendment was agreed to.

The Clerk announced the following pairs:

On this vote:

Mr. Abbitt for, with Mr. Gallagher against.
Mr. Collier for, with Mr. Jacobs against.
Mr. Bow for, with Mr. Gilbert against.
Mrs. Bolton for, with Mr. Conyers against.
Mr. Mosher for, with Mr. Murphy of New York against.
Mr. Del Clawson for, with Mr. Thompson of New Jersey against.
Mr. Ayres for, with Mr. Resnick against.
Mr. Cunningham for, with Mr. Holland against.
Mr. Ashbrook for, with Mr. Dingell against.
Mr. Minshall for, with Mr. Bingham against.
Mr. Kleppe for, with Mrs. Kelly against.
Mr. Biester for, with Mr. King of California against.
Mr. McMillan for, with Mr. Rostenkowski against.
Mr. Selden for, with Mr. Diggs against.
Mr. Staggers for, with Mr. Dulski against.

Until further notice:

Mr. Nedzi with Mr. Evins of Tennessee.
Mr. Rivers with Mr. Pool.

Mr. BARING and Mr. KEE changed their votes from "nay" to "yea."

The result of the vote was announced as above recorded.

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.

MOTION TO RECOMMIT OFFERED BY MR. CONTE

Mr. CONTE. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. CONTE. I am, Mr. Speaker.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. CONTE moves to recommit the bill H.R. 17903 to the Committee on Appropriations.

The SPEAKER. Without objection, the previous question is ordered on the motion to recommit.

There was no objection.

The SPEAKER. The question is on the motion to recommit.

The motion to recommit was rejected.

The SPEAKER. The question is on the passage of the bill.

The bill was passed.

A motion to reconsider was laid on the table.

## GENERAL LEAVE TO EXTEND

Mr. KIRWAN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on the bill just passed.

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

There was no objection.

## FURTHER MESSAGE FROM THE SENATE

A further message from the Senate by Mr. Arrington, 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. 180. Joint resolution to provide franked mail privileges for surviving spouses of Members of Congress.

## TO PROVIDE FRANKED MAIL PRIVILEGES FOR SURVIVING SPOUSES OF MEMBERS OF CONGRESS

Mr. HENDERSON. Mr. Speaker, I ask unanimous consent for the immediate consideration of the Senate joint resolution (S.J. Res. 180) to provide franked mail privileges for surviving spouses of Members of Congress.

The Clerk read the title of the bill.

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

There was no objection.

The Clerk read the Senate joint resolution, as follows:

S.J. RES. 180

*Resolved by the Senate and House of Representatives of the United States of America in Congress assembled,* That chapter 57 of title 39, United States Code, is amended—

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

"§ 4171. Franked mail for surviving spouses of Members of Congress

Upon the death of a Member of Congress during his term of office, the surviving spouse of such Member may send, for a period not to exceed 180 days after his death, as franked mail, correspondence relating to the death of the Member.";

(2) by inserting after "4161–4167" in the definition "Frank" in section 4151 the phrase "and 4171";

(3) by inserting before "shall be paid" in section 4167 (a) the phrase "and postage on correspondence sent by the surviving spouse of a Member under section 4171 of this title,"; and

(4) by inserting at the end of the analysis thereof, immediately preceding section 4151 of such title, the following new item:

"§ 4171. Franked mail for surviving spouses of Members of Congress."

The Senate joint resolution was ordered to be read a third time, was read the third time, and passed.

A motion to reconsider was laid on the table.

## SUCCESSFUL TECHNICAL TRAINING PROGRAM UNDERWAY IN SOUTH TEXAS

Mr. DE LA GARZA. Mr. Speaker, I ask unanimous consent to address the House for 1 minute, to revise and extend my remarks, and to include extraneous matter.

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

There was no objection.

Mr. DE LA GARZA. Mr. Speaker, we regularly hear complaints about federally sponsored programs, and seldom about the good they do. That is why I want to tell everyone today about a technical training program underway in south Texas—one to which we can all point with pride—because it trains people into economic productivity to the benefit of all.

To virtually everyone the plight of many of our citizens is well known. Many of these citizens have traditionally depended upon agriculture for employment—a situation which has resulted in great masses of people who are undereducated, underemployed, and unemployed. In pursuit of work these people have followed crop harvests across the length and breadth of the United States—keeping entire families in transient for long periods and totally interrupting normal educational opportunities for thousands.

Many solutions to this problem have been advanced in recent years. One of the more meaningful programs aimed at the plight of these citizens is to be found at Harlingen, Tex., in the heart of Texas' Rio Grande Valley where agriculture is the mainstay of the economy. Here, where a majority of the population is of Spanish extraction, concrete steps are being taken to provide occupational training specially designed for Spanish- and English-speaking Americans to prepare them for technical careers and skilled jobs in the Western World of work. This program has widespread support, not only among civic leaders in Harlingen, but throughout the whole Rio Grande Valley.

Recently the first class was graduated from the James Connally Technical Institute mobile training unit at Harlingen Industrial Air Park. We honor the 20 students of a combination welding course as the forerunners of literally thousands who will come to the facility to receive bilingual training in 30 to 35 occupational areas. James Connally Technical Institute, located in Waco, Tex., was established by an act of the 59th Texas Legislature as a part of the Texas A. & M. University system and is the first comprehensive technical institute in the State of Texas.

The Harlingen operation has made use of all conceivable facilities—utilizing the buildings at the deactivated Harlingen Gunnery School, a World War II training school of note, and a post-World War II navigation training school—utilizing also the large manpower pool in the area whose abilities have never been properly channeled in the past. It is a remarkable outfit all the way around.

Dr. Roy W. Dugger, director of James Connally Technical Institute and vice president of Texas A. & M. University, has pointed out that present facilities at Harlingen Industrial Air Park are adequate for 350 students. In the early 1970's, Dr. Dugger expects the facilities of the school to be adequate for 3,000 or more students.

The project—offering concrete, sensible assistance in a priority area of concern—represents close cooperation between the U.S. Government, the government of the State of Texas, and the governments of the city of Harlingen and related cities of the Rio Grande Valley. The unified effort has been admirable.

The facility has been assured of $2.2 million for a permanent building program through funds from the Economic Development Administration. The Federal Government is also providing for the cost of first-year instructional programs under provisions of section 241 of the Manpower Development and Training Act.

The State of Texas will begin to share the costs of instructional programs by September 1969.

Advisory committees composed of leading representatives of business, industry, management, and labor will be utilized to identify the 50 or more occupational fields of study which should be included in the comprehensive bilingual technical manpower skill center. These advisory committees will work closely with the program development faculty and staff in identifying job competencies needed by graduates in each occupational field, selecting modern laboratory equipment and shop tools, and helping with job development and placement in the world of work.

Among those fields for which there is an obvious need and in which initial training programs can be developed are:

Water pollution control: 8- to 18-month courses in municipal plant operation, municipal waste disposal, industrial waste disposal, and 24-month courses for training water and waste treatment technicians.

Airframe mechanics: 7-month course designed to develop those competencies required for a license issued by the Federal Aviation Agency.

Aircraft powerplant mechanics: 7-month course designed to develop those competencies required for a license issued by the Federal Aviation Agency.

Refrigeration mechanics: 9-month course to train people to maintain and service refrigeration and air-conditioning equipment.

Dental laboratory technology: 24-month course designed to develop those competencies required of dental laboratory technicians and leading to certification as a dental laboratory technician.

Dental assistants: 12-month course to train dental assistants who work under the supervision of doctors of dentistry.

Instrument repairman: 12-month course designed to develop those competencies needed by instrument repairmen in chemical, petrochemical, and similar industries.

Vending machine mechanics: 8-month course for persons who repair and maintain automatic vending machines.

Building maintenance mechanics: 12-month course designed to prepare men and women to work as maintenance personnel in industrial-type buildings.

Heavy construction equipment mechanics: 12-month course designed to develop those competencies needed by mechanics who maintain, service, and repair large earthmoving and construction machinery.

Farm machinery mechanics: 8-month course for persons who plan to maintain, service, and repair farm machinery.

Irrigation farm specialists: 12-month course for persons who need to know how to service, maintain, repair, and operate irrigation equipment; fertilize irrigated crops and orchards; identify, count, and control insects in irrigated fields and orchards; and cope with other jobs on irrigated farms and orchards.

Today, many Texans have a realistic opportunity to train and retrain for skilled jobs and technical careers in the world of work in Texas, the United States, and in other countries in the Western Hemisphere. The James Connally Technical Institute mobile training at Harlingen provides these people an opportunity to escape from the scourge of underemployment and to avoid the wasteland of unemployability. These citizens can learn to earn satisfactory levels of living for themselves and their families by developing job competencies for which employers can afford to pay more than the minimum wage.

Recently, Mr. Speaker, up at Waco, considerably to the north of Harlingen, the site as I mentioned before of a successful technical institute, the Waco News-Tribune had some fine things to say about our operation at Harlingen. So all can see what this editorial says, I introduce it:

IN 6 MONTHS, A DRASTIC CHANGE UPWARD FOR THEM

As expected, the first graduates of the James Connally Technical Institute mobile training center at Harlingen had no difficulty finding employment. Their training in welding paid off handsomely. Most of them are working within 20 miles of Harlingen, although one man went to Detroit at his new employer's expense to take a spot welding machine operator job at $5.25 an hour. That is the highest pay of any of the Harlingen trainee graduates but the others all are earning at rates far above the minimum wage.

All of them were either unemployed or making poverty wages before the Connally Tech course began.

Now there are six courses in progress at Harlingen under Connally Tech auspices, teaching more Latin American Texans how to do tasks that will put them in position to increase sharply their earning power. In addition the center is conducting basic adult education for those whose literacy and English language capability are low, so that after they are brushed up in these skills they can learn a profitable trade or vocation.

All of this has happened since last November, about six months of concentrated effort in one of the most critical unemployment sectors of Texas.

It is another plus for the State of Texas from the creation of James Connally Technical Institute and the leadership of its director, Dr. Roy Dugger. Connally Tech's home campus here continues to expand its own array of skill courses, from two-year technical subjects to shorter classes in more basic vocational training, turning out people who have their choices of well-paying jobs.

Both here and at Harlingen, and in its beginnings at Amarillo, Connally Tech attunes its instructional work closely to the needs of private employers. No course is offered that is not already certified by private firms as filling a real need in their fields of employment. It is a straightforward, utilitarian, common sense approach to the upgrading of the earning power of Texans, perhaps the most-needed of any part of our education investment.

As I said when I started this, Mr. Speaker, we can point with pride to the Harlingen Technical Training School. It is great when people who want to work can find a place to be trained for filling jobs that need it—instead of complaining about their inability to find jobs.

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## TRIBUTES TO THE HONORABLE A. SYDNEY HERLONG, JR.

The SPEAKER pro tempore (Mr. GONZALEZ). Under a previous order of the House, the gentleman from Florida [Mr. SIKES] is recognized for 60 minutes.

GENERAL LEAVE

Mr. SIKES. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the retirement of our distinguished colleague, the gentleman from Florida [Mr. HERLONG].

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Florida?

There was no objection.

Mr. SIKES. Mr. Speaker, it is with genuine regret that I note the plans of my esteemed colleague and dear friend, the Honorable A. SYDNEY HERLONG, JR., of Florida, to leave Congress at the end of his present term. He has served here with outstanding distinction for 20 years. I question that anyone has acquired a more widespread group of friends during his service here, and I know the Members of this great body on both sides of the aisle share my regret at his retirement.

Certainly, there could be no more devoted, patriotic, or able representative of the people than SYD HERLONG. His record, since he first came to serve in these historic Halls, has been one of capable achievement and strong devotion to duty.

He has served his constituency, our beloved State of Florida, and our great Nation with admirable ability and a spirit of dedication, patriotism, and loyalty second to none. He has been a highly effective legislator; a leader in highly important fields of legislation, keenly aware of contemporary problems and ever zealous in pursuing viable solutions for them in the interests of the American people.

Mr. Speaker, every person who has been privileged to serve with SYD during these 20 years has recognized his long, sustained and able work for the people, his noteworthy contributions to congressional deliberations, and his steadfast devotion to those principles of democracy and freedom to which we are all pledged.

He is a man who is genuinely and deeply respected and admired by the Members of this great body, and, indeed, by all who have had the high privilege of working with him in the many important tasks to which he is committed, and which he has performed with a high sense of responsibility and with outstanding success.

SYD HERLONG is a man of charming, friendly personal qualities, a man of truly magnetic personality, a warm-hearted companion, a considerate, gracious, and loyal friend, and a great American. We will miss him very much.

For all of these and for many other admirable qualities, I am happy and proud to note, to recognize, and to laud the fine record of accomplishment that he has made while a Member of the House.

He has enjoyed widespread recognition for his leadership and his contributions. In 1964 he received the University of Florida's distinguished alumni citation for his outstanding contributions to the Nation through his congressional service and his devotion to the university. He also has received Florida's State Junior Chamber of Commerce good government award.

In Congress, he served on the Post Office and Civil Service Committee and the Agriculture Committee before being elected to membership on the powerful Ways and Means Committee by the Democratic Members of the House in January 1955. It is interesting to note that he is the only Floridian ever elevated to membership on the Ways and Means Committee of the House. This in itself tells a very important story of the esteem in which he is held here.

Congressman HERLONG, who lives in the beautiful city of Leesburg, in picturesque Lake County, Fla., was born February 14, 1909, in Manistee, Ala., son of Albert Sydney and Cora Knight Herlong. He moved to Florida in 1912, educated in public schools of Sumter and Lake Counties, graduated from Leesburg High School in 1925, and from the law college of the University of Florida in 1930. He was married December 26, 1930, to Mary Alice Youmans of Fairfax, S.C. She is well known and beloved by all of us in her own right. I am proud indeed to acknowledge her presence here this late afternoon. They have four daughters, Mary Alice, Mrs. A. G. Pattillo, Jr.; Margaret, Mrs. James H. Mayfield; Dorothy, Mrs. Charles H. Hay; and Sydney, Mrs. Jed Johnson, Jr. SYD was engaged in the practice of law in Leesburg from 1930 to 1937; elected county judge in 1936, reelected in 1940 and 1944. He is past president of the Florida State Baseball League; past lieutenant governor of Kiwanis International; past president Florida County Judges Association; past president University of Florida Alumni Assoication; member of Methodist Church; Kiwanis; F. & A.M., 33d degree; Shriner; Elks; Pi Kappa Phi; Phi Delta Phi; Florida Blue Key honor fraternity; Omicron Delta Kappa. He was elected to the 81st Congress on November 2, 1948; reelected to all succeeding Congresses.

The people of his district, the Fourth District of Florida, the State and the Nation itself have been fortunate, indeed, to have such a fine, distinguished, gifted gentleman, and such an effective, sound, wise, humane Representative serving them in the Halls of Congress as SYD HERLONG.

I heartily congratulate him upon his fine service and wish for him and his devoted family all choicest blessings of continued good health, happiness, peace, and prosperity for many years to come.

Mr. ALBERT. Mr. Speaker, will the gentleman yield?

Mr. SIKES. I am now pleased to yield to the distinguished majority leader.

Mr. ALBERT. Mr. Speaker, I wish to join with my esteemed colleague, the gentleman from Florida [Mr. SIKES], in expressing my appreciation for the stalwart service and brilliant record of Hon. SYD HERLONG, who is retiring from the Congress after 20 years of faithful work in behalf of his constituents and the Nation.

I had been in the House only 2 years when the people of the Fourth Florida District sent SYD to Washington to represent them in the Congress. His constituents can be proud to know that they have been represented by a man of his sterling character and devotion to duty.

We will miss his outstanding work on our national tax problems and other important Federal programs as a member of the Committee on Ways and Means. Prior to going on that committee, he and I served together for a long time on the Committee on Agriculture, where he was an outstanding member. In paying tribute to him today we give recognition to a man who has always been faithful to his duties and who has always staunchly carried out the will of his constituents—a man who has been true and loyal to his country. Mrs. Albert joins me in wishing him and his charming wife, Mary Alice, many years of health and happiness in their retirement.

Mr. ARENDS. Mr. Speaker, will the gentleman yield?

Mr. SIKES. I am delighted to yield to the distinguished minority whip from Illinois [Mr. ARENDS].

Mr. ARENDS. Mr. Speaker, there will be a void in this House when SYD HERLONG no longer is in his seat on the other side of the aisle. It has been said that no man is indispensable and every man can be replaced. That may be true, but for me it cannot possibly be factually true in the instance of SYD HERLONG. No one can take his place. No one can possibly fill the void he creates upon his retirement from Congress.

SYD is, and has been, one of my closest personal friends. We have long been friendly competitors, both in the political arena and on the golf course. But whatever game is played, SYD played by the rules of the game and never took unfair advantage at any time of any adversary under any circumstances.

Over the 20 years he has served in this House, his family and my family have seen a great deal of each other. It has been a relationship that has meant much to me and my family. We shall often reflect on the many enjoyable visits we had together.

It is quite unnecessary to relate the contribution he has made to the work of this Congress. It stands as a monument to his distinguished service here.

Few men have contributed as much and no man has contributed more, both

in committee and on the floor of the House, to our deliberations. He has been one of the leading members of the Ways and Means Committee, dealing with matters basic to our country's stability, growth, and general welfare.

We shall miss SYD HERLONG. We shall miss him greatly, but no one can possibly miss him more than I. He has been more than a colleague. He has been a close personal friend, and I most sincerely hope that there will be many, many occasions when we can renew this friendship. But again I say, with SYD HERLONG gone, service in the Congress will never quite be the same.

Betty, my wife, and daughter join me in extending our very best wishes to the family in the years ahead.

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

Mr. SIKES. I am glad to yield to the distinguished chairman of the Committee on Ways and Means, the gentleman from Arkansas [Mr. MILLS].

Mr. MILLS. Mr. Speaker, I thank my distinguished friend from Florida for yielding to me at this time.

Mr. Speaker, it is difficult for me to think of SYD HERLONG not being on the Committee on Ways and Means. I did everything within my power of persuasion, including arm twisting and all the other characteristics that go on around here when we try to have a person's mind changed, to convince him that he was wrong in the decision to retire from the Congress.

Mr. Speaker, following this effort, I felt good one night as I went home from a session of the Committee on Ways and Means because I thought I had him leaning my way, that he had about made up his mind to continue his services here in the House of Representatives. It, of course, just never occurred to me that if he once made the decision to run again that he would not again be elected from the congressional district in Florida which it is his honor to represent—and I am confident he would have been reelected. However, I did not prevail in my effort to change his mind.

As chairman of the Committee on Ways and Means, perhaps I was being selfish. I do not like to think of myself as being selfish about these matters, but when I tell you the fact that SYD has been such a strong supporter and effective member of the Committee on Ways and Means, you may forgive me a little bit for having expressed the hope and desire that he would come back.

I, of course, agree with my good friend from Illinois that none of us are indispensable, that all of us some time will be replaced, and that the affairs of Government will continue. That they will continue in the same way may be true about the House itself. It is not necessarily true of a committee operation. One cannot be for 13 years or 14 years, as it will be when he leaves here, a membe of the Committee on Ways and Means, with all the intricate, detailed legislation that that committee has to consider, and have become an expert in all phases of the jurisdiction of the committee, and not be to some degree, at least, indispensable. Because whoever it is that succeeds him on the committee, starts without that vast experience and knowledge of the work of the committee.

But I hope my good friend, SYD HERLONG, who felt that he should leave for other things and other activities, will forgive me for having exercised that degree of armtwisting which I did.

Now, to me, this is not the end of SYD's career by any means. He is young. He is just about my age, and I believe I am young. He has a great future ahead of him in whatever he does, and I know that, as he has demonstrated that ability on the committee in the past, that whatever it is he undertakes, he again will be successful in that activity. I hope that his activities may lead him back into the field of public service in time, because this Nation needs, as I look to the future, people of his tenacity, his viewpoint, and his principles. We need to have people like that, I believe, continuing to be interested in public affairs. I know he will continue his interest, and I hope that he may participate again actively.

I want him to know this: that we will miss him on the Committee on Ways and Means, and that he is not going to be replaced except by someone who will be there in a chair for a long time—it will take that individual a long time to be able to walk in SYD HERLONG's footsteps.

He has been a personal friend of ours—he, his wife, my wife, and myself—for all these many years. Not only will I miss him as a member of the Committee on Ways and Means, but I will miss that daily association and that buoyancy that I get every day that I am around him.

So we wish you, SYD, and Mary Alice, the best of success in whatever it is that you may do after you leave here. We hope you will not do, as some Members have done, act like you have forgotten us when you get to Florida and relax in that beautiful sunshine and drink that wonderful orange juice, and that you will come back to Washington occasionally so that we may also again be buoyed up by association with you.

Mr. SIKES. Mr. Speaker, I thank the distinguished gentleman from Arkansas.

I now yield, Mr. Speaker, to the distinguished minority leader, Mr. GERALD R. FORD.

Mr. GERALD R. FORD. Mr. Speaker, SYD HERLONG would be the last to say that any man was irreplaceable. I guess SYD's decision not to be a candidate again is proof of his conviction that everyone, including himself, is replaceable. However, those of us on our side of the aisle who know him—and I am sure it is equally shared on the other side of the aisle—those who have known him for a long, long time, really believe that SYD HERLONG is irreplaceable.

He is irreplaceable as a friend—he is irreplaceable, as the distinguished chairman of the Committee on Ways and Means has said, on that great committee where he has served with integrity, wisdom, and dedication.

As a family, in the congressional family that we have, of husbands and wives—the Herlongs are irreplaceable.

He is irreplaceable as a dedicated American who, to my knowledge, has always approached the problems that we face as a true nonpartisan. SYD HERLONG always sought to solve the deepseated difficulties at home and abroad with a wise and sensible point of view.

I was fortunate enough to come to the House of Representatives in the 81st Congress, the same Congress in which SYD HERLONG started his career as a Member of this great legislative body.

His wife, Mary Ellen, and my wife, Betty, have been, and are, close friends. I have considered SYD HERLONG a personal friend from the very beginning. This friendship, with SYD's voluntary departure will not end.

Despite the difference in labels, politically, I felt our philosophy was almost identical on the issues that have come before the House during our nearly 20 years of service.

Many before me, and others following me, will fill this RECORD with thousands of words praising SYD HERLONG's integrity, his decency, his statesmanship. Really, there are not enough fine words in the dictionary to cover all of the outstanding characteristics and accomplishments of SYD HERLONG Everything that will be said about SYD HERLONG, I would second and endorse wholeheartedly.

SYD, we will miss you. We do think you are irreplaceable in all of the categories that mean something to you and to your many friends and colleagues in the House of Representatives. And I join the chairman of the Committee on Ways and Means in urging you to continue your public service in one way or another. The country cannot afford to lose an able and fine person like yourself. We will welcome you back and urge you to come, because your counsel and advice will always be sought and prized.

Betty and I wish you and your fine family the very best, and we know you will continue to have good health, great success, and the best of happiness.

Mr. SIKES. Mr. Speaker, I am glad to yield to the distinguished gentleman from Texas [Mr. FISHER].

Mr. FISHER. Mr. Speaker, SYD HERLONG probably has more friends than any one man in the Congress. I feel honored to be counted among them.

During my 26 years in this body, I have never known a more dedicated legislator or a more reliable one. He is a statesman in the true meaning of that word. He and his descendants can look back upon his great record here with understandable pride. In describing SYD's approach to the issues which arise here, one man put it this way:

> Syd Herlong always votes in Congress like a good many others would like to vote if they were not running for reelection.

What greater tribute can be paid to any man?

The future of this great country depends in no small degree upon the survival of the principles which have guided the official conduct of this distinguished American. He has throughout his 20 years of service been a tower of strength in the endless struggle for good government.

It is most regrettable to see SYD retire from this body. But it is certain his

talents and inspiration will continue to be projected by him in all his future endeavors. Let us hope that his lofty convictions will be emulated by more Members who serve here in the future.

I extend to him and to his wonderful family my felicitations and very best wishes.

Mr. SIKES. Mr. Speaker, I yield to the distinguished gentleman from Indiana [Mr. HALLECK].

Mr. HALLECK. Mr. Speaker, I know that I can speak with maybe some sort of feeling of affinity with my very great friend and distinguished colleague from Florida [Mr. HERLONG], because I, too, am a fellow dropout.

SYD, people have asked me, "Why are you quitting?"

Well, I was not exactly afraid I would get beat, and I am quite sure you are not either. But I thought of the words of our colleague over on the other side of the Capitol when he was asked why he was quitting. He said, "I am track-sore."

Now, I got here 14 years before SYD HERLONG did. Incidentally, SYD, I am going to find out what that "A", your first initial, stands for, because my middle initial is "A," and I will tell you if you will tell me.

There has been a lot of talk here about indispensability. No one is indispensable. I have a doctor brother—and I am not going to filibuster; I promise you that—I asked him what I ought to do. Of course, I am a lot older than SYD.

He said, "CHARLIE, you ought to quit."

I said, "Why don't you quit?"

He said, "Well, who is going to take care of these sick people?"

I said, "A lot of people out in the Second District of Indiana are wondering who is going to take care of them."

But I will tell you something. I guess none of us is indispensable. And I will give all the rest of you folks here who decide to quit a little news. It takes maybe a little more courage to quit than it does to run again, unless you are really badly scared. I was not that, and I am sure SYD was not.

Enough of that.

I want to say to my colleagues here that my 34 years in this body has been one of the most exciting, rewarding experiences that anybody could ever have. I have told a great many people, "If you think it is easy to get here, try it sometime. If you think it is easy to stay here, try it, because it is not. It is a really difficult assignment."

I am sure SYD HERLONG has likewise enjoyed his experience here and has profited by it. Probably he has more fields to conquer. I have none. But if he has, more power to him, because he has demonstrated that rare ability—and when I say "ability," I cover all the attributes that anybody can have—he has demonstrated here the capacity to excel in anything he might undertake to do. So to whomever gets him I say, "Congratulations."

SYD, I do not know whether you have had my experience or not. When I announced that I was going to quit, too darned many people congratulated me. At first it is a little upsetting. I began to be afraid that I would not even get back the money I paid into that retirement fund. I am going to be unemployed. But I will tell you something. Unemployment is no problem out in Indiana where I come from. That is an objective.

One final word about SYD HERLONG. We can all use these adjectives and descriptions, and we mean them in the fullest measure for a great guy like SYD HERLONG. But if I were to choose one word to describe him, it would be the word "integrity," because he has demonstrated day after day, month after month, year after year here his integrity.

There have been times when I wished he would move across the middle aisle, but he never did because he had integrity. When you people have needed him over there, you generally had him with you, and that is as it should be. But that is the word that I would use to describe SYD HERLONG.

When the book is finally written, I think it will be evident on every hand, by unanimous agreement, that sometimes is hard to reach here in the House of Representatives, that SYD HERLONG has demonstrated integrity in the *n*th degree, and by reason of that he is a confidante, he is a friend, he is a loved one among us. I wish him well in the years ahead.

Mr. SIKES. Mr. Speaker, I am pleased to yield to the distinguished gentleman of the Committee on Appropriations [Mr. MAHON].

Mr. MAHON. Mr. Speaker, this is both a sad and a happy occasion. When a man leaves this body of his own decision, after long and valiant and effective service, it is most gratifying that he leave with the good wishes and the congratulations of his friends.

As the distinguished gentleman from Indiana, CHARLIE HALLECK, has just said, SYD HERLONG is a man who stands for something. He has stood for something through the years. He has stood for everything good in American life and against everything bad. That is saying a lot, but I measure my words.

He stood for decency.

He stood for good sportsmanship.

He stood for all those things that have made this country so great.

One of the many fine qualities of SYD HERLONG is that he never fails to pat a colleague on the back and say, "That was a job well done." He never fails to encourage people who are trying to do the things in which he believes. Time after time through his service he has urged me to stand pat in trying to hold the checkrein at times when we seemed to be going overboard—as we have at times.

It has been good to work with him. He has been a valiant and effective man on the powerful and important Committee on Ways and Means. He has served with great distinction. He is a solid worker and citizen, with his heart in the right place, always in the right place.

He believes in the churches of the country; he has ministers in his own family.

He believes in those sterling virtues enunciated in the churches and the Christian homes of the country. He believes we cannot solve all our problems by appropriating money and passing laws.

We thank the Heavenly Father for a man like SYD HERLONG. I congratulate him for the imprint he has made.

SYD HERLONG will be back home in Florida, but he will be here in our hearts. His name may not be in the newspapers as he leaves the service, as it has been in his own area in the past, but his name will be in the hearts of his colleagues through the years.

May God bless him and his wonderful wife and his grand family during the coming years. May he continue to be a servant of mankind.

Mr. Speaker, we do honor here today to a good man. I am very grateful for this opportunity to share in the occasion.

Mr. SIKES. Mr. Speaker, I am pleased to yield to the distinguished gentleman from Virginia [Mr. BROYHILL].

Mr. BROYHILL of Virginia. Mr. Speaker, I would like to add my praise of the gentleman from Florida who has earned the high compliments which are being lavished on him today.

I do so not as a Republican colleague from the great State of Virginia but as a Virginian who envies anyone about to retire in Florida.

The envy is tempered, however, with the knowledge that no man deserves it more than SYD HERLONG and no man to my knowledge will enjoy it more.

SYD HERLONG has been typed as courtly, kind, competent, a pacesetter, and a pacemaker.

He is all of these—he inherited these qualities in his native State of Alabama but he is much more—as I and his many friends rise to attest today.

He is a great soldier, active and dedicated patriot of the American way of life.

He holds a strong and active respect for law and order for all of our citizens.

He is a dedicated public servant whose devotion to the American way of life extends from the Halls of this Congress to the smallest civic organization of his district.

I will miss him. The American people will miss him. The Congress of the United States will be poor without him. The only ones happy about his departure are his grandchildren who are looking forward to a new playmate and the baseball fans who will welcome him home as a fellow professional.

As I said, Mr. Speaker, I envy my colleague and friend, SYD HERLONG as I bid him farewell. But my envy is overwhelmed in every respect by my admiration for him as a friend and fellow Congressman.

Mr. SIKES. Mr. Speaker, I am pleased to yield to the distinguished gentleman from Texas [Mr. BURLESON].

Mr. BURLESON. I thank the gentleman from Florida for yielding in order that I may join him, his delegation from his great State and other colleagues, in paying tribute to a man whom I would identify, without reservation, as a statesman.

In my years in this House of Representatives, I have never known a man in whom I place greater confidence; whose integrity and devotion is stronger; whose ability and dedication to duty is stronger than that of SYD HERLONG.

I regret to see him leave the Congress simply because I think we need men of his caliber in this body and in these times of stress and strain; when courage and good judgment is so very important to our Nation. His leaving is understandable and in a way I admire his decision but it does not lessen the regret for his leaving.

On a personal basis, I will miss his daily and inspiring association; his able leadership and wise counsel.

I wish for him the best of good things and especially for his good health and happiness in his retirement.

In these sentiments I include his lovely and talented wife, Mary Alice. She is a gracious lady and I am sure that family life will be more enjoyable for both.

My heartfelt good wishes SYD and may your future activities be most rewarding and satisfactory.

Mr. SIKES. Mr. Speaker, I am pleased to yield to the distinguished gentleman from Massachusetts [Mr. BATES].

Mr. BATES. Mr. Speaker, it is a great honor to serve in the Congress of the United States, for it presents us with an opportunity to grapple with problems that often times determine and direct the destiny not only of this country but also of the world. It also gives us an opportunity to serve with men for whom we build up a great affection, and in a real sense we know them as distinguished Americans.

We are here this afternoon to pay a tribute to a man whom I greatly admire, a man I am pleased to know as a friend, a man who is in truth a great patriot.

I remember not too many years ago, when I went to Florida one day in February for the purpose of making a Republican Lincoln Day speech, I found when I concluded my remarks that I had given about 25 percent of my time to Abraham Lincoln, 25 percent of my time to the Republican Party, but 50 percent of my time paying homage to SYD HERLONG. It was to me a great honor to speak in favorable terms concerning him in his home district.

Here is a man many of us have known for almost 20 years. I did not need 20 years to get to know SYD HERLONG, because even in the earlier years I found he was a man of admirable qualities who did not change. His characteristics were immutable. It is easy to understand why that is so, because I had an opportunity to meet his mother and his father. If there is any credence which could ever be associated with that old adage that "the fruit never falls far from the tree," certainly this is a prime example. There is so much that could be said of these sainted people, for there was a goodness about them. In their passing they left much of themselves behind in the persons of four outstanding sons, Byron, SYD, Fred, and Jim. Their children are their monument. This was their gift to life. Knowing these two people, restored faith in humanity in the minds of many.

In his adult life SYD HERLONG has not walked alone. His road has been made brighter and his burden made lighter by the presence of his lovely and devoted wife, Mary Alice. Their children and grandchildren have now brightened their days and given their lives new meaning and purpose.

Mr. Speaker, I trust this is no valedictory. All of us, Mrs. Bates included, have enjoyed knowing the Herlongs, and we pray that these relationships will not lessen in the days ahead. I have reason to believe that the Herlong influence will still be found in the Congress of the United States, although the form may somewhat change.

In the words of a wise observer in the Congress it can be said of SYD HERLONG, "You could always tell how he stood no matter where he sat."

Mr. Speaker, I will miss his presence in the House as a close friend and as a great patriot.

Mr. SIKES. Mr. Speaker, I now yield to the distinguished gentleman from Mississippi [Mr. ABERNETHY].

Mr. ABERNETHY. Mr. Speaker, it was my good fortune to form a friendship with SYD HERLONG during the very earliest days of his service. Our families have been very close throughout these long and eventful years. The family friendships came about through the Herlong daughters and one of my own who were attending the same local school and in the same grade. These young girls, early in life, became great friends; and the close friendship between our families followed.

Mr. Speaker, down through my 26 years here I have seen hundreds of Members come and go. Many of them left legislative records that will benefit mankind for years to come. Others will be remembered for their pleasing personalities; and others for their dedication to duty.

But our colleague and friend, SYD HERLONG, will be remembered for all of these. He has been a great legislator, making enviable records as a member of the House Committee on Agriculture and then as a member of the Ways and Means Committee. Farmers and ranchers of the great State of Florida, as well as of the entire Nation, will ever be indebted to SYD for his dedicated service and legislative contributions to the greatest science of all, agriculture.

SYD has been a tower of strength on that great and highly important Ways and Means Committee which handles so much important legislation affecting every segment of our American society.

Throughout his service he has been a great defender of our Nation's basic law, the Constitution. As a solid conservative, he has consistently put principle above expediency and right above wrong. He has served his people and his country objectively and conscientiously.

SYD is a friendly person. I have yet to hear the first Member publicly or privately utter the first word of criticism against either the manner in which he has lived or the character he has molded. He has always been fair and forthright, as well as respectful of the views of others even though he might have disagreed with them.

SYD has been an all-round great and good Congressman. He will be sorely missed by his colleagues; and his charming wife, Mary Alice, will be missed by her wide circle of friends among the congressional wives as well as by the Members of this House.

I know retirement will be good to them. Indeed, they have earned it. I wish for both SYD and Mary Alice many years of happiness and good health amongst their friends, their fine children, grandchildren, and maybe even some great-grandchildren, in their retirement life down in that wonderful State of Florida they have served so well.

Mr. SIKES. Mr. Speaker, I am very pleased to yield now to the distinguished gentleman from Oklahoma [Mr. STEED].

Mr. STEED. Mr. Speaker, I appreciate the opportunity to join with my colleagues today in paying our respects and tributes to our good friend from Florida, SYD HERLONG. A wise man once said, I guess in jest, that the test of a wise politician could be divided into two phases—one, knowing when to seek office and, two, knowing when not to seek office. All of us here have apparently passed the first test, but, perhaps unfortunately, not many of us ever pass the second test as has our friend SYD.

But I think the best testimony of the fact that SYD HERLONG is a wise politician is the wonderful record and wise decisions which he has made during his 20 years of service here in the House of Representatives. I believe everyone here knows of his wisdom and the homespun philosophy of his character.

SYD HERLONG and I came here together in the 81st Congress. While we have been here my wife and I have made many friends but none of them have been more near and dear to us and warm in their human expression than the Herlongs.

Mr. Speaker, one of the finest things one can say about SYD HERLONG is that one does not think of him without thinking of his wonderful family and their very close association.

Mr. Speaker, my wife and I join in wishing SYD and Mary Alice a long and happy life in the years to come.

Mr. SCHWENGEL. Mr. Speaker, will the gentleman yield?

Mr. SIKES. I yield to the gentleman from Iowa.

Mr. SCHWENGEL. Mr. Speaker, I wish to join my many friends in paying tribute to a great American and a great person.

SYD, you will recall my first day when I met you. We talked about some of our mutual interests and the fact that the great States of Florida and Iowa had a very close relationship in the fact that we came into the Union as States of this great Union of the United States on the same date, the State of Iowa as a so-called free State and the State of Florida, as a so-called slave State.

Mr. Speaker, we understood each other and our problems then and have come to understand our problems and began to work in a constructive manner toward the solution of those problems.

Mr. Speaker, the very fact that so many Members from both sides of the aisle have taken the time this evening to pay tribute to SID HERLONG—those of his colleagues—and they have been great tributes—is because we are saying thank you for a job well done. We are expressing our appreciation for your assets, your

personal assets, and this is something that America needs to do more of.

Mr. Speaker, I have sat and listened with great pride to the grand and glorious tributes and accolades that have been paid to SYD HERLONG.

Mr. Speaker, there is a little item Iowa appreciates that I am sure SYD will appreciate and yet one that has not been mentioned, and that is everyone will agree it is the fact that SYD HERLONG has been a worker, that he has been on the job.

I am reminded of an expression that we use in Iowa and I can base the life and service of SYD HERLONG which I am sure that SYD and his family will appreciate and understand and that is this: There are two kinds of horses. There is always the show horse and the work horse. SYD, you have been a work horse, and this is one of the reasons why you are receiving this kind of tribute and this type of accolade.

Mr. Speaker, I join with these many Members in expressing the hope that SYD HERLONG will have many more happy and joyous days and that he will come back and let us have the insight of his homespun philosophy, his good humor and his keen insight.

Mr. Speaker, I extend to SYD and to his entire family my congratulations upon a life of wonderful public service.

Mr. KORNEGAY. Mr. Speaker, will the gentleman yield?

Mr. SIKES. I am very pleased to yield to the gentleman from North Carolina.

Mr. KORNEGAY. Mr. Speaker, I thank the gentleman for yielding and for affording me this opportunity to join in this tribute to our beloved friend and colleague, SYD HERLONG.

It has been a great personal privilege and a pleasure to know and serve with SYD HERLONG since I was fortunate enough to come to the Congress in 1961. I will never forget the friendliness and genuine spirit of helpfulness that he, the then seven-term veteran of the House showed me, the then freshman Member of Congress.

His cordiality and his gentleness, along with his sincere concern for newer Members of Congress, were great boosts to me, as I am sure they were and have since been to so many others who were and are members of this body.

He has served the Fourth Congressional District of Florida, his State, and his Nation with his heart, as well as his mind. And the entire Nation is the beneficiary of his dedicated service.

While I selfishingly regret that he has chosen not to remain in the Congress, I certainly can understand and appreciate his decision. For, I, myself, reached a similar decision—after much soul-searching.

I hope that those of you who will be Members of the 91st Congress will help to try to fill the void that will be left by SYD HERLONG, particularly in the helpfulness he always gave to younger and newer Members. And for my good friend, SYD HERLONG, I wish him many years of good health and much happiness in the years ahead.

Mr. SIKES. Mr. Speaker, I find myself in the extremely embarrassing position of having little time, and many Members who should be recognized—and certainly I want to get to SYD HERLONG and see what he has to say about all this, but before that let me yield briefly to my dear friend from Alabama, the distinguished gentleman, Mr. ANDREWS.

Mr. ANDREWS of Alabama. Mr. Speaker, 20 years ago a young man named SYD HERLONG came here from Florida. He is still young. He brought with him the qualifications which I have always thought are needed for a man to become a great public servant. He has integrity, he has ability, he has the willingness to work hard, and he has courage.

Never has his arm been twisted. He has voted his convictions through the years.

This country can ill afford to lose the service of public men of the caliber of SYD HERLONG. I hope that every constituent in his district reads this RECORD, because it would impress upon them all the more the great loss that they have suffered by his decision not to run for Congress again.

I believe this was a smart decision. I believe that SYD is smart to leave, and go and enjoy his wonderful family with his wife, Mary Alice.

It was my privilege to live next door to them for 2 years. His children were in my house, and mine in his. We became warm friends. Our wives were friends.

SYD HERLONG has been one of the greatest friends I have had since I have been here—and one of the rewarding things about serving in the House of Representatives is the friends that we make.

Mr. Speaker, I want to close by quoting an old poem which has always been a favorite of mine:

THE HEART OF A FRIEND

The heart of a friend never wonders or doubts
No matter if years intervene.
The old faith is there, and naught can compare
With the comfort it gives the world's scene.
Yes, the heart of a friend is the one thing I prize,
As life lengthens, and twilight descends.
In the end I will ask, when I've finished my task
That I live in the hearts of my friends.

SYD, I assure you that you will always live in the hearts of your many friends here in the House. God bless you, and your lovely wife, Mary Alice.

Mr. SIKES. Mr. Speaker, if I may, I would now like to yield to our good friend, the chairman of the Committee on Rules, who has waited so very patiently through this long afternoon.

Mr. COLMER. Mr. Speaker, I thank the gentleman from Florida [Mr. SIKES] for yielding to me. I too recognize the lateness of the hour and the large number of friends of our friend, SYD HERLONG, who would desire to express their heartfelt appreciation of him. I shall certainly not trespass upon their time nor upon the time of the members of his delegation who have been sitting here patiently awaiting the opportunity to express their appreciation of him.

Let me just say briefly that in the 35 years I have served in this House I have never known a man who is more universally loved and appreciated than our friend SYD HERLONG. You know, Nature does not give any one of us all of the talents. She gives one talent to one and another talent to another. Otherwise we would have a race of supermen and a group of morons.

SYD HERLONG to me represents two things, among others. First he is a man who lives by the side of the road and is a friend to man, as the poet so well depicted. Second, he is a man of courage—a man of political courage, a virtue that is too often lacking in the political field.

I have the very highest regard for him and for his family whom I have had the opportunity through my friendship with SYD to know.

I certainly wish him well in his retirement which he so richly deserves. I wish we could have him with us here longer. But I join with all of you in expressing to him and to his family my wife's and my best wishes for his future, which I hope will be many years in happy retirement.

Mr. SIKES. I yield to the distinguished gentleman from Florida [Mr. GURNEY].

Mr. GURNEY. Mr. Speaker, it certainly is a great privilege to me to join my colleagues here in honoring our good friend and colleague, SYD HERLONG, who is retiring from the Congress.

Most of the comments that have been made so far have been made by colleagues expressing their high opinion of SYD and about their work with him here in the Congress. Mine is a little bit different, because I served as a constituent in Florida 14 years before I came to the Congress, and I can talk about SYD as my Congressman for those 14 years before I came to the House of Representatives. And as I speak in that vein, I know I reflect what the people in his district felt about SYD.

The first time I ever met him was when he was doing his swing around the district after Congress had adjourned. He came to a chamber of commerce meeting in the city of Winter Park where I live and where I still live and spoke to the chamber of commerce at one of their annual meetings. It struck me as to the tremendous amount of affection and respect and honor that the people in this little city gave their Congressman. They had the highest opinion of him then—and that was 20 years ago—when he first came to the Congress and when I first got to Florida, and that opinion never changed in all of the years.

People sometimes have differed with SYD, as they do with all of us who serve here in the Congress. We have different opinions. Sometimes we make our constituents angry. But I can say as a person who knew him in the district and who knew a lot of other people who knew SYD that there was not anybody I have heard of over the years who did not have the greatest respect for his integrity and the things that he stood for and the way he served his constituents as a Congressman.

When I came to the Congress 6 years ago my congressional district was carved out of SYD's old district. So I tried to follow in his footsteps. And I can say to SYD, although I have never talked to him about this, that was the biggest job I ever had—trying to please the people

back home who had been served by SYD over these many years.

A great many thought that when I came to Congress I never could really do the job that SYD had done for them. It has been a challenge for me all through the years. That feeling has always existed in the congressional district. This year when SYD decided to retire, and 2 years ago, in the last Congress, when he also was thinking about it, I can tell you that all kinds of citizens, from every walk of life, leaders in the community, other people, everyone, tried to urge SYD to change his mind and continue to serve the congressional district and Florida that he had served so well.

I can also say the thing I think I respect and admire SYD for more than anything else, or two things, are, first, his integrity, that he has completely; the other is courage, political courage, that he has always exemplified here in the House of Representatives. He has been a tremendous friend and, believe me, losing him in the House of Representatives will be a great loss.

I certainly wish you well, SYD, in whatever you have to do from here on.

Mr. SIKES. Mr. Speaker, I am happy to yield to my friend of many years, the ranking Member of Congress in this delegation, the Honorable CHARLES E. BENNETT.

Mr. BENNETT. Mr. Speaker, in order to be kind to others who are here and wish to speak, and since time is running out, I shall extend my remarks.

I wish to say one thing, however, which I believe is the highest tribute I can pay any man. I have three sons, you know, that I love. If any one of those sons should ever be nearly as fine a man as SYD HERLONG, I would consider my life had been well lived.

Mr. Speaker, all of us deeply regret that the gentleman from Florida [Mr. HERLONG] is retiring from Congress this year. In so doing he is leaving us when he is in an ever increasing position of achievement, effectiveness, ability and popular support. All this is so despite, and also because of his two decades of hard and dedicated work in one of the most trying times in our Nation's history. He has truly earned a rest and a time to be with his family and friends; but we in Congress will surely miss him and his great work for his country here.

The gentleman from Florida and I came to Congress at the same time in 1949; and for years before that we had been intimate and devoted friends. We attended the University of Florida together in the depression years and retained active contact together in the years that followed as a result of our mutual interests in the University of Florida Alumni Association, of which he was State president, and as a result of our contacts in the Florida Bar Association. Always our associations were of benefit to me.

The love and best wishes of all of us in Congress go out to Congressman HERLONG and to his beautiful and lovely wife and children. We wish for each of them every happiness. They really deserve it.

Here in Congress, he made Florida history by becoming the first member of the Florida delegation to be elected a member of the House Ways and Means Committee. He has made national history by sponsoring and passing important legislation of benefit to us in our day and for many generations yet to come.

Mr. SIKES. Mr. Speaker, I yield to the distinguished gentleman from Florida [Mr. PEPPER].

Mr. PEPPER. Mr. Speaker, I thank my distinguished colleague for the kindness in allowing me to share the expression of esteem of our eminent colleague and friend SYD HERLONG.

I was one of those who sent a telegram to SYD HERLONG, when the statement appeared in the newspaper that he was considering changing his mind, urging him by all means in the public interest to do so and come back here to the Congress, where he was so much loved, and continue to serve the district he has served with such distinction.

A little while ago I came by chance on a statement that SYD HERLONG gave to a student one day who asked him something about himself. He was telling that student about desiring to be a Member of Congress. This is one of the sentences that he used:

> The way I went about it was to try to do every job that I did as well as possible, so that I might become well and considerably known.

I believe SYD HERLONG shares with Robert E. Lee the belief that the word "duty" is the most sublime word in the English language—duty to his district but, above everything else, duty to his beloved country.

SYD HERLONG has been a statesman as well as an eminent, faithful, and able servant of his district and of his State. When he goes home, I am sure my colleagues share with me the belief that if he wishes further to participate in public life, he can have any job, any office within the gift of the people of Florida if he just chooses to ask for it.

Mr. Speaker, paraphrasing what was said of Hamlet, we in this House shall not see the like of SYD HERLONG again. We send with him and his beloved wife our fond and affectionate good wishes in the years to come.

Mr. SIKES. Mr. Speaker, we have not left much time for SYD to say his goodbys. Maybe we do not want him to say his goodbys. But I now yield to our beloved and dear colleague SYD HERLONG.

Mr. HERLONG. Mr. Speaker, I suppose I would not be telling the truth if I told you that I was not touched by all this. I might say that I was humbled by it. But an old cracker philosopher friend of mine back in Florida many years ago told me that humility is a quality that, if you think you have got it, you have not.

So I am not going to say I am humble. I am simply going to say I thank every one of you from the bottom of my heart. I know these remarks have come from your hearts. I am most grateful to you for them.

I am most grateful to the people in my district for having sent me here for 20 years and for having given me the opportunity to learn to know and love the wonderful people with whom I have served these 20 years. This is a great institution and I am honored to have been a part of it.

If I can leave here knowing that I have in some measure earned the respect of my colleagues, I can simply say that my 20 years have been well spent. I thank all of you.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Ohio [Mr. FEIGHAN], is recognized for 30 minutes.

Mr. FEIGHAN. Mr. Speaker, I yield such time as he may consume to the distinguished gentleman from Florida [Mr. SIKES].

Mr. SIKES. Mr. Speaker, I thank the gentleman from Ohio very much indeed.

The distinguished gentleman from Ohio has come to our rescue, as he has in so many instances. We appreciate and respect him as the great leader and Congressman he is.

Mr. Speaker, I am pleased to yield to many of my colleagues who have waited so patiently for this opportunity. Let me start here and yield to the distinguished gentleman from North Carolina [Mr. BROYHILL].

Mr. BROYHILL of North Carolina. Mr. Speaker, I thank the gentleman from Florida for yielding.

Mr. Speaker, in my opinion, SYD HERLONG is one of the finest Members of this Congress. Without a doubt, he is one of the most respected Members on either side of the aisle. He tells us that he is retiring to his beloved home State of Florida.

Occasionally, he visits the mountains of North Carolina, near my home, to visit friends and play a few rounds of golf. I know that I will be seeing him from time to time during these visits, but nevertheless, I will truly miss him here in Washington.

I met SYD shortly upon my arrival in Washington. As a younger Member, I was flattered that a wiser, more senior Member paid as much attention to me, he gave me the benefit of his advice and council and extended to me his friendship. I have observed his actions in committee and on the floor of this House. I have been proud of the associations we have had. This body, the Nation itself, will be the poorer because of his absence. I wish for him and his family Godspeed and many, many years of happiness.

Mr. SIKES. Mr. Speaker, I am pleased to yield to the gentleman from North Carolina [Mr. FOUNTAIN], who has waited so gracefully for this opportunity.

Mr. FOUNTAIN. Mr. Speaker, I want to thank the distinguished gentleman from Florida [Mr. SYKES] for giving me this opportunity to add my voice to the chorus of praise and tribute today accorded the Honorable ALBERT SYDNEY HERLONG, better known to us as SYD, of the Florida Fourth District, on the occasion of his voluntary retirement from the Congress.

It has been my pleasure to know SYD HERLONG ever since my initial arrival in Washington, in 1953. At that point, he was a two-term veteran of this great body, and I could not have found a better counselor or friend. He had already equipped himself with those great capacities.

In the process of trying to learn the ropes hereabouts, I called repeatedly on his assistance, and was never once disappointed. And from what I understand, the same can be said for others here and especially for his constituents, who elected him, initially in 1948, and have reelected him, repeatedly, for the long and happy run of 10 consecutive terms, during which time he has reflected great credit upon himself, his family, his great State, and his country.

SYD HERLONG has come to be known as one of the most knowledgeable and capable men in the matters of taxes and congressional operations. As such he has achieved a remarkable record of service on the Committee on Ways and Means. Before coming to Congress he had already laid a firm foundation for his service here through some 18 years in the legal profession, where he clearly established himself as one of the outstanding lawyers in eastern Florida. He had engaged in law practice in Leesburg, at the outset of his career, was selected county judge of Lake County in 1936 and held the office 12 years, at which point he challenged and unseated the incumbent Congressman representing the Fourth District.

In coming to Washington, Representative HERLONG brought with him a strong belief in the value of civic improvement and organizational work. I have always been impressed with the fact that throughout his lifetime he has been active in fraternal, business, civic, and other groups. It is interesting to note that among the numerous posts he has held was the presidency of the Florida State Baseball League, treasurer of the Lake County Chamber of Commerce, lieutenant governor of Kiwanis International, president of the Florida County Judges Association, president of the Young Democrats of Lake County, president of the Leesburg Chamber of Commerce, and president of the Leesburg Kiwanis Committee.

Seldom has one man been associated with so many organizations of consequence, not to mention the fact that he has been elected to high office virtually in every one.

Many persons of genius and ability have served in Congress and I have had the honor of knowing several during my tenure here. Many persons of charming personality and pleasant and generous nature have served in Congress and I have the good fortune of knowing several well. But of all these outstanding people, none has matched the warm, outgoing, friendly qualities and the clear, courageous, straight thinking tendencies of SYD HERLONG. His intelligence and humanity have made him an outstanding legislator and friend, for all these many years.

We who have known him and gloried in his friendship and association shall miss him deeply, following his departure from this Hall. We shall know, however, that whatever he does and whatever enterprise he undertakes, the results will be, as usual, decidedly impressive, and the brilliance and magnificence of the man will shine forth in the accustomed manner.

My sincere best wishes to you, SYD, and to your lovely wife Mary Alice. Your performance here has more than entitled you to all the praise and adulation you have received today.

For myself and my wife, Christine, and the entire North Carolina delegation, and on behalf of my home State, I want the express the hope that God will be with you and Mary Alice, wherever you go and move and have your being, and in whatever you undertake.

I will always appreciate having known and having come under the influence of your many and great and wonderful qualities.

Mr. SIKES. Mr. Speaker, I am pleased to yield to my distinguished colleague from Florida [Mr. HALEY].

Mr. HALEY. Mr. Speaker, I thank my distinguished colleague for yielding to me. Also, we should thank the distinguished gentleman from Ohio [Mr. FEIGHAN] for yielding at this time, because he is most kind.

Mr. Speaker, it is more than fitting that we of the Florida congressional delegation should rise here today to pay tribute to one of our State's finest sons, A. SYDNEY HERLONG, JR. Few have ever served Florida so long—few have given such distinguished service. No one can deny his right to the retirement he so richly deserves; and, I confess, we of the Florida congressional delegation tried in every way to change his mind. He has held steadfast to his decision to return to private life, to his family, and to the pursuit of his leisure, the reward for a job well done.

The people of Florida will miss him. I am confident the people of the Nation will miss him. His conservative philosophy, his dedication to principle and purpose, his reasoned action, and his legislative ability will be deeply missed by all of us.

He has been loyal to Florida and her problems. He has been constantly alert and responsive to the needs of our State and to the needs of our Nation. His effectiveness as a legislator has been invaluable to us and his service has always been distinguished.

He vacates an important position on the powerful Ways and Means Committee, where I am sure he has been a steadying influence.

None who knows SYD and his record can envy the young man who tries to follow in his footsteps.

We would have SYD stay because his departure will deprive us of Florida and the Nation of one of our greatest champions of fiscal responsibility and constitutional government.

But, every man has the right to decide when his public service will be done—SYD has given 32 years in public service. Twenty years in this House of Representatives and 12 years as county judge in Lake County, Fla. He deserves richly the retirement he seeks.

I join my colleagues in the Florida delegation and in the House of Representatives in wishing for him, and for his charming wife, Mary Alice, good health, long life and every success in every endeavor they pursue in the days to come.

SYD, we of the Florida delegation will miss you. We will miss your counsel and your advice. I say, as you retire to our Sunshine State, God bless you and your family.

Mr. SIKES. Mr. Speaker, I am very pleased indeed to yield to another distinguished colleague, the gentleman from Florida [Mr. FASCELL].

Mr. FASCELL. Mr. Speaker, it is with regret, and yet not without pride, that I take this opportunity to pay tribute to SYD HERLONG, a fellow member of the Florida congressional delegation who is retiring from the position he has held in the House for 20 years. He has been a credit to his State and his Nation by virtue of his impeccable integrity and steadfast devotion to the people he has represented. Thus, while I am proud to have been associated with SYD HERLONG, I am sorry to be losing him as a colleague, as I know the people of Florida and the Nation regret losing his able representation.

SYD HERLONG is exemplary of the best in our national tradition, the kind of man who makes democracy work. His civic concern grows out of a basic desire to assist the efforts of the community to function more effectively in the service of the people. The versatility of his interests is reflected in the diversity of his activities: He is a past president of the Florida State Baseball League, a past president of the Florida County Judges Association, and a past Kiwanis International official. He has, in official capacities, also worked for the Young Democrats of Lake County, the Leesburg Chamber of Commerce, and the Lake County Chamber of Commerce.

Since coming to Congress in 1949, he served tirelessly and with dedication, never forgetting his first and foremost concern to the people of Florida. His continuous reelection since 1948 illustrates more graphically than can any words the faith which his constituency has placed in his qualifications for office. His service on the Ways and Means Committee since 1955 has shown how entirely justified that faith has been. The tributes paid him here today speak eloquently in his behalf for his great talent and service.

I cannot, therefore, be happy at the retirement of SYD HERLONG. I can, however, affirm my gratification in the extreme good fortune which I, and all the members of the Florida delegation, have experienced, in having the privilege to know and work with such a man.

My wife Jeanne Marie and I wish SYD and Mary Alice every success in the future. We know his record of past performance will presage the kind of achievement we can expect of him in whatever career he now chooses to pursue.

SYD HERLONG has achieved a landmark in public service of which he and his family can be justifiably proud for ALBERT SYDNEY HERLONG has written an outstanding chapter in American history.

Mr. SIKES. Mr. Speaker, it is with a great deal of pleasure that I yield to my distinguished colleague and good friend from Florida [Mr. ROGERS]. May I say that he is the second generation of that family to serve with SYD HERLONG in Congress.

Mr. ROGERS of Florida. Mr. Speaker, I certainly agree with my colleagues in all the fine sentiments expressed so far and that Florida and our Nation are

losing an able and dedicated public servant.

SYD HERLONG has worked for 20 years for the people of the Nation and the people of the Fourth Congressional District. The Florida delegation will miss him greatly.

His wisdom and experience has tempered much legislation which has come out of the important Ways and Means Committee. He has stood for tax reform and the Herlong-Baker bill was incorporated in part in the tax revision bill which sparked the economy in 1963 and 1964. And I would remind that the Nation was experiencing an economic recession at that time.

His work on social security has streamlined this program and helped greatly the burden of our elder citizens. Other legislation proposed by SYD resulted in an expansion of the Kerr-Mills program.

Personally, I would like to express my thanks to SYD for the help he has given me over the years.

His dedication to the basic principles which have made this Nation great has acted as an inspiration to me.

Both Becky and I wish SYD and his lovely wife Mary Alice, as well as their four daughters, Margaret, Mary Alice, Dorothy, and Sydney, all the best in the coming years, and know that my colleagues on both sides of the aisle join in these sentiments.

Mr. SIKES. Mr. Speaker, I am pleased indeed to yield to my good friend, Congressman BURKE, my colleague from that great State of Florida.

Mr. BURKE of Florida. Thank you BOB.

Mr. Speaker, I feel deeply honored that I am able today to join with my fellow colleagues of the House and of the Florida congressional delegation, to pay tribute to my colleague, A. SYDNEY HERLONG, JR., of Leesburg, Lake County, Fla. SYD HERLONG, although born in Manistee, Ala., certainly is well recognized as one of Florida's favorite sons and one of its outstanding citizens. He has devoted a great deal of his life to public service, having been elected first as county judge of Lake County, Fla., in 1936. He subsequently was reelected in 1940 and 1944. In 1948 he ran for the House of Representatives and was elected to the 81st Congress and then continued to be elected to the Congress up to the present one. The people in his district could not have done better—in fact they honored us with his presence.

He has been active in civic affairs and has served the people of his district with honor, dignity, and distinction. He has made many contributions for the betterment of his constituents, for the State of Florida and for our Nation. He has been an outstanding member of the Ways and Means Committee and is well respected by Members on both sides of the aisle.

It is certainly a great pleasure for me, even though I am a first-term Member of this great body, to pay honor to a man for whom I have the greatest respect. Although I met SYD HERLONG before my becoming a Member of the House of Representatives, it was here that I learned not only of his ability as a legislator but his interest in his fellow human beings. He has great compassion for those of our people who are less fortunate than others, but at the same time he has, all the time, been conscious of his responsibility to keep our Nation financially sound and economically strong. He has shown his compassion on many occasions by his vote and by his efforts and his willingness to help not only the people of his district but his colleagues on the floor, when he was so able to do.

Even though my party affiliation is different than SYD's and I sit on the other side of the aisle, I am grateful for the opportunity I had of serving in this 90th Congress with so able a legislator. I am honored to have the chance of calling him my colleague and am grateful for the opportunity to number him among my friends. Perhaps one of the great things that I can say to him is "SYD, you are an outstanding legislator and a great American. I honor your friendship and I respect your ideals."

All of us who have learned that he is retiring from the Congress will miss him but no matter what his decision, we know that all of his future motivations will lead toward making his community, his State, and his Nation a better place to live.

I join my colleagues in wishing him good luck and good health.

Mr. FUQUA. Mr. Speaker, will the gentleman yield?

Mr. SIKES. I am delighted to yield to my warm, distinguished, and close friend, the gentleman from Florida [Mr. FUQUA].

Mr. FUQUA. Mr. Speaker, there will be a lot of new faces when the 91st Congress convenes. Men will be leaving who have served their Nation ably and well for a short time or for the entire history of their State, like Senator CARL HAYDEN.

I suppose the man that I will miss the most will be SYD HERLONG.

It is significant to note that when he retires in January, he will be only the fifth Floridian ever to serve as long as 20 years in the U.S. House of Representatives.

A. SYDNEY HERLONG, Jr., comes from a distinguished central Florida family. Mary Alice and SYD have four charming daughters who, along with their grandchildren, are the "apples of their eye." It is an affectionate and close knit family that gives you a warm feeling of friendship and those of us who are friends of the Herlongs cherish that privilege.

SYD was elected county judge of Lake County in 1936 and was to serve three terms before his election to the 81st Congress. Both Florida and the Nation are richer because he determined to make that step.

He served as president of the Florida County Judges Association, president of the University of Florida Alumni Association, and the Florida State Baseball League, along with serving as lieutenant governor of Florida Kiwanis Clubs. He has the high distinction of holding the 33d degree in the Masons as well as membership in the Shrine, Elks, Pi Kappa Phi, Phi Delta Phi, Florida Blue Key, and Omicron Delta Kappa.

I would, however, remark more about that personal acquaintanceship and friendship I have enjoyed with SYD and Mary Alice Herlong.

SYD HERLONG has been my friend and confidant in the years I have been privileged to serve with him. He has a nonsense attitude toward basic legislation and firm convictions about the proper course of action. I have enjoyed my conversations with him about pending bills and his thoughts on their merits or demerits—his dry humor and friendship.

Congress will continue in 1969. But, it just will not seem the same without SYD HERLONG.

Those of us who know him best will remember him not for the length of time he served, but because he served his State and Nation so well.

Mr. GIBBONS. Mr. Speaker, will the gentleman yield?

Mr. SIKES. I am delighted to yield to the distinguished gentleman from Florida [Mr. GIBBONS].

Mr. GIBBONS. Mr. Speaker, the Herlong family and SYDNEY HERLONG have been great Florida names and they will remain great names for a long, long time.

Mr. Speaker, long before I was ever privileged to come here I had heard of SYDNEY HERLONG and his fine family, his great prestige and his great reputation as a legislator and as a responsible Member of Congress and a trait which I have known about him for a long time and that is the warmth of his friendship.

Mr. Speaker, when Martha and myself came to Washington a few years ago, I shall never forget and I am sure that Martha shall never forget the great warmth and friendship that the Herlongs showed to us.

Mr. Speaker, I regret to see SYD HERLONG step down and change his career. I say change his career because SYD is a young man—he is able and has many more years of service ahead of him.

SYD is a true friend—he radiates personal worth. His smile is infectious and his sense of humor is inspiring.

SYD HERLONG is a good Christian—a good American and a true conservative. He votes his conscience and works faithfully at his job.

I know that SYD has long been recognized for his alert interest in athletic sports and he has left his fine mark in this field also.

Mary Alice, SYD's fine wife has been a great help to him. She has also been a help to Martha and me.

We join in wishing SYD and Mary Alice the very best of luck in their new career—they have had a great past—certainly there will be many fine things ahead for them.

Mr. SIKES. Mr. Speaker, I wish to express my deep and great appreciation to the Florida delegation and to others of our colleagues for the wonderful things that they have spoken about our dear and able colleague SYDNEY HERLONG, and may I again express my appreciation to the gentleman from Ohio for making a part of the time on this special order available to us for this purpose.

Mr. McCORMACK. Mr. Speaker, at the close of the 90th Congress, we shall lose

our friend and colleague, the Honorable A. SYDNEY HERLONG, JR., who is voluntarily retiring from Congress.

Representative HERLONG has served the Fourth Congressional District of Florida for 20 years; he has been a valuable member of the Ways and Means Committee. I know his constituents will miss his representation as we will miss his presence.

Born in Manistee, Ala., Congressman HERLONG moved to Florida with his family as a child. He married Mary Alice Youmans in 1930, a gracious lady who has been his devoted wife and a loving mother to their four daughters, Mary Alice, now Mrs. A. G. Patillo, Jr.; Margaret, Mrs. James H. Mayfield; Dorothy, Mrs. Charles H. Hay; and Sydney, Mrs. Jed Johnson, Jr.

Representative HERLONG manifested his dedication to public service long before he joined the House of Representatives in 1948. He received his law degree from the University of Florida and then engaged in law practice in Leesburg, Fla. Elected county judge of Lake County, Fla., in 1936, Judge HERLONG served in that capacity until 1948, when he was elected to represent his district in Congress. He has been lieutenant governor of Kiwanis, International, president of the Florida County Judges Association, and president of the University of Florida Alumni Association. He once served as treasurer of the Lake County Chamber of Commerce, and as president of that county's Young Democrats. He has served on the advisory council of the Florida Institute.

Congressman HERLONG has held membership in many civic organizations, including the Odd Fellows, the Loyal Order of Moose, the Shriners, and the Elks. He is a participating member of the Methodist Church. He is a member of Pi Kappa Phi, Phi Delta Phi, the Florida Blue Key Honor Fraternity, and Omicron Delta Kappa.

With his retirement, the House of Representatives of the United States will lose a dedicated and responsible Member. Many of us who regard him as a close friend will miss him in a personal way. His constituents will miss his devotion to his district and his State. Fortunately, as he has told us, Congressman HERLONG's retirement from the House does not mean that he will discontinue his interest in politics. For that we are thankful. For his service and his friendship we are grateful. His career in the House of Representatives has been a shining example of integrity, rectitude, patriotism, dedication, and devotion to the public weal.

Mr. ASPINALL. Mr. Speaker, I wish to join with my colleagues in the tribute they are giving to our good friend and able public servant, SYDNEY HERLONG, who has been with us for two decades here in the National House of Representatives.

I came to the House of Representatives with SYD, as he is affectionately known to all of us, in 1949 at the beginning of the 81st Congress. Our colleague has made an enviable record of service, and it is well known to all that he could have remained here indefinitely if he had so desired. He has been a capable, industrious, loyal, and understanding legislator. He has served his Nation well and he most certainly has served ably the people whom he has had the honor to directly represent here in Congress. Along with his legislative work, he has done yeoman service in many of the extracurricular activities of Congress. We shall miss him in all of the varied activities in which he has taken part.

I join with all of his friends in wishing him happy, prosperous and successful days and years ahead. Above all, of course, I wish for good health for him and his family.

When one leaves after being so long a part of a body such as ours, he, of course, has established a record of service. The record of service of SYD HERLONG is constructive and outstanding in all particulars. We shall miss our colleague very much and shall greet him with sincere affection when he returns to visit us.

Mr. BROWN of Ohio. Mr. Speaker, SYD HERLONG will be sorely missed by his colleagues on both sides of the aisle after 20 years of able service in the House.

While I did not have the pleasure of serving with SYD during the greater part of this time, I am well aware of his ability as a legislator and of the important service he has rendered both in the House and on the Ways and Means Committee. I also know that my predecessor who served with him for many years in the House held him in the highest regard.

Men like SYD HERLONG are needed in the Congress and his leaving will be a loss not only to the House but to the Nation. But his retirement is well earned, and I wish for him peace, contentment, and success in his future endeavors.

Mr. FULTON of Tennessee. Mr. Speaker, it is an honor to join with my colleagues to express my admiration for SYD HERLONG, a man whom I had admired long before having had the privilege of serving with him in the Congress and, for these last 4 years, on the Ways and Means Committee.

For nearly 20 years SYD HERLONG has served diligently and effectively in the Congress. His service has earned him the respect and admiration of the House and deserved recognition throughout the Nation.

He is deservedly known as a man of strong conviction who has never failed in the courage of these convictions. He is also a legislator who, in matters of considerable controversy, has sought reasonable and workable alternatives.

It is always a time of regret when a colleague with the experience, dedicated service and record of achievement compiled by one such as SYD HERLONG decides to leave the House. He will be missed.

Mr. NICHOLS. Mr. Speaker, as a freshman Member of this House, I have not had the privilege of knowing the distinguished gentleman from Florida as long or as well as you and many other Members of the House have. I am not familiar with the many important roles he has played in providing leadership for this House and for this country.

But from the many things I have heard about him from those who have served with him during his 20 years in the Congress, I know he has served his people well. It seems to me that he exemplifies the characteristics that any freshman Congressman would like to develop during his service here in Washington.

There is no greater accolade that can be paid to any public servant, whether he be a town clerk or a Member of this Congress, than to say of him, "he placed those he served above his own personal interests, and his country and his God above all else." I know this can be said of the gentleman from Florida who is leaving this House after 20 years service.

Mr. Speaker, in joining my other colleagues in paying tribute to the gentleman from Florida, I would like to point out that at least a part of his great success undoubtedly comes from his having been born in my State of Alabama. I also wish for him a long and happy retirement from his labors in the Congress.

Mr. WHITENER. Mr. Speaker, one of the first Members of the House of Representatives that I was privileged to meet when I took my seat in the House on January 3, 1957, was the distinguished gentleman from Florida, Hon. A. SYDNEY HERLONG, JR. In those first days of my service as a Member of the House of Representatives SYD HERLONG was courteous, considerate, and most helpful. I shall never forget his kindness to me.

My first impression of him was that of a man devoted to the service of the people of his district, State, and Nation. Down through the years my respect and admiration for SYD HERLONG has increased. I am honored to number among my close friends SYD HERLONG.

It was with a deep sense of regret, therefore, that I learned that this extremely able member of the Florida delegation in the Congress contemplated retiring. At this very critical time in the history of our Nation when the future well-being of our way of life demands public service of the highest order the Nation can ill afford to lose the services of men such as SYD HERLONG.

He has served the people of his district, State, and Nation with outstanding success and distinction. As a member of the Ways and Means Committee he has made his influence for sound fiscal policy felt on the tax structure of the Nation.

His legislative accomplishments cover many segments of our national life. As he retires from the House of Representatives SYD HERLONG leaves a record of service of which he can be justly proud.

I extend to him my sincere good wishes for health and happiness in the future. While he will not be with us in the House after this year, I know that in all future endeavors SYD HERLONG will continue to serve his fellow man with honor and devotion.

Mr. VAN DEERLIN. Mr. Speaker, I regret very much that our distinguished colleague, SYD HERLONG, is retiring at the end of this session. He will certainly be missed, when the 91st Congress convenes in January. For during his 20 years of service in this body, Mr. HERLONG has advanced to a position of leadership in the Ways and Means Committee. Both the committee and the Nation have benefited greatly from his wise counsel.

SYD's expertise on tax matters is matched by his knowledge of baseball. He

established his credentials as an authority on our national pastime during his service as president of the Florida State Baseball League; and as far as I am concerned, he has a lifetime hold on the title, "Mr. Baseball," in Congress.

I wish SYD and Mary Alice all the best, which they have so richly earned, in the years ahead.

Mr. HORTON. Mr. Speaker, SYD HERLONG came to the major leagues of politics as an uncommonly well-prepared rookie.

An able lawyer with a successful practice in Leesburg, Fla., he was elected county judge of Lake County in 1936, and was subsequently reelected to additional terms in 1940 and in 1944. In his two decades in this House, he has served his Nation, his State, and his district admirably. He has now announced that he will not seek reelection, and his contribution to the work of this House will be sorely missed by his friends and colleagues.

But SYD HERLONG will be missed also as the House's most dedicated baseball fan. Whether the words of Mr. Dooley, "Fractions dhruv him fr'm school an' th' vagrancy laws dhruv him to baseball," are applicable we shall not here debate. In any event, his baseball career carried him from high school and college teams to the presidency of a minor league baseball club and, eventually, to the presidency of the Florida State Baseball League. And he was a driving force behind earlier annual encounters of Republicans and Democrats of this House on the baseball diamond.

I came to know SYD HERLONG when I was president of the Rochester Red Wings, before I came to Congress. I can attest to SYD's enviable capability and reputation in baseball, just as I can now attest to his considerable talents as a statesman and as a legislator.

I will miss SYD as a colleague and as an able partner in the House, but I know that our friendship will continue long after his retirement from the Congress.

Mr. PATMAN. Mr. Speaker, when a Member has been returned to this House by his constituents for 10 consecutive terms, it becomes a matter of considerable historical significance—as well as a great personal compliment to the incumbent. Our colleague and friend, the Honorable A. SYDNEY HERLONG, has well merited the trust, confidence, and honor bestowed upon him by so many thousands of discriminating voters in the great State of Florida. I regret exceedingly that he has reached a decision not to seek another term.

SYDNEY HERLONG is a sincere statesman, faithful to the ideals of democratic government, and a constant friend of truth. He has served the public interest without though of self, he has constantly sought to build and improve for the benefit of the people without severing the historic taproot of national heritage, he has been a champion of progress and individual freedom, and from my personal knowledge, it can be said that SYDNEY HERLONG has never lost a friend.

We shall all miss this fine and gracious gentleman from Florida—a truly distinguished legislator, a precise and excellent legal technician as befits an outstanding member of the Florida bar—and a warm and generous friend. May I tender to him, Mr. Speaker, and to his wonderful wife and family my heartfelt best wishes that the years ahead will be meaningful, with purpose and accomplishment equal to the spendid career that has already earned the Honorable SYDNEY HERLONG the deep respect and admiration of every knowledgeable American.

Mr. ULLMAN. Mr. Speaker, SYD HERLONG is one of the truly great gentlemen of the House of Representatives. His presence will be sorely missed by all of us who have valued his fellowship so highly, benefited from his good counsel, and received inspiration from his ability and his dedication.

There is a quality of humanity in SYD HERLONG that all of us can emulate, a quality of humility that we all admire. He has served this House, the Nation, and his State with unusual distinction. He has always treated his friends and colleagues with respect, loyalty, and personal warmth.

It has been one of the great pleasures of my years in the House to serve with SYD on the Ways and Means Committee. He has been a great help to me on so many occasions, and a great friend always.

We wish him all that the good life can offer to one who has earned the very best.

Mr. GRIFFIN. Mr. Speaker, at the end of this Congress, the Honorable SYD HERLONG will retire after a successful and distinguished career in the House of Representatives. During his tenure as a Member of this House, SYD HERLONG has provided an example of leadership and ability which has inspired those of us who have been fortunate enough to know him. His departure will be a genuine loss to all of us and to the people of the State of Florida whom he has served so diligently and well.

As a valued member of the House Committee on Ways and Means, SYD HERLONG has been instrumental in the passage of some of the most important legislation passed in our legislative history. The Herlong-Baker bill paved the way for a reform in our graduated tax table. Portions of his eldercare bill ultimately became a part of medicare.

However, by any standards of achievement, Mr. Speaker, the accomplishments of SYD HERLONG must rate high. His love of country and devotion to duty stand as a model we would all do well to emulate. His absence will be felt, not only as a Member of Congress, but for me, personally as well. I have known SYD HERLONG well for the past 19 years and will feel a personal loss at his departure.

I join my colleagues in saluting SYD HERLONG, a great American, and wish him well in all his future endeavors.

Mr. EVINS of Tennessee. Mr. Speaker, I want to associate myself with remarks of the gentleman from Florida [Mr. SIKES] in paying a brief but sincere tribute to our colleague and friend, Representative SYDNEY HERLONG, JR., who is retiring from the Congress after 20 years of distinguished service.

SYD HERLONG was first elected to the 81st Congress on November 2, 1948, and was reelected to all succeeding Congresses. He has rendered outstanding service to his district, State, and Nation, and we will miss him in these sacred precincts. However, we wish him the very best of good luck and success as he begins a richly deserved retirement.

Mr. KLUCZYNSKI. Mr. Speaker, it is a real personal pleasure for me to have this opportunity to join with my fellow Members in paying tribute to Representative SYD HERLONG. I am honored to be able to count so many truly good friends among the Members of this body, but no one has been a better personal friend than he has. Our association has been long and close and rewarding. I know that he has extended the same hand of friendship to many of you, as he has to so many in other walks of life. We will miss his professional abilities, of course; that goes without saying. But we will all be the poorer, personally, when he is no longer here. I am truly glad to be able to speak here to wish him a long and joyous and rewarding life, in whatever he undertakes when he leaves the House.

Mr. LONG of Maryland. Mr. Speaker, it is a pleasure to join in tribute to our distinguished colleague, A. SYDNEY HERLONG, JR., who is retiring this year after 20 years of outstanding service to the people of Florida and to this Nation. SYD HERLONG is a man of great honesty and integrity, whose sound instincts and rare good judgment make him a valued Member of the House of Representatives and of the Ways and Means Committee on which he serves. SYD has been witness to many changes in this Nation and in the world since he was elected to the 81st Congress in 1948, and his experience and understanding—to say nothing of the pleasure of his company—will be missed by all who enjoy the benefit of his thoughtful counsel.

Mr. FRIEDEL. Mr. Speaker, over the years in this historic Chamber of the Congress of the United States, many eloquent words were said whenever one of our colleagues decides to retire from his arduous duties. Because of my sincere friendship and esteem for our distinguished colleague, the able Representative from the Fourth District of the great State of Florida who has announced his intention not to seek reelection to this body, I rise to pay tribute to the Honorable SYD HERLONG.

It was not long after my election to Congress that I had the very good fortune to form a friendship with SYD HERLONG that has lasted to this day and will continue, I am sure, for the rest of our lives. He is first and foremost an American and believes and practices, in his official capacity, what he sincerely thinks is in the best interest of our country. That all his actions are based primarily upon logic and justice is due, in large measure, to his training as a lawyer and his experience as a judge.

Cold logic, however, is not the sole motivating cause for the actions taken by our esteemed colleague whom we honor today, for he is also a man possessed of an understanding heart and imbued with love of his fellowman. This is amply evidenced by his work and interest in his church, the Boy Scouts of America, and his love of sports. The fact

that he is a past president of the Florida State Baseball League and is now a member of the advisory committee of the Professional Golfers Association of America, and a member of the board of the Burning Tree Club shows his activities in this field.

Fraternalism and his endeavors to foster brotherhood among men looms large in the life of SYD HERLONG who has the distinction of being a 33d degree Mason—the highest degree and greatest honor in the world's oldest order. He was also honored by being elected to the Omicron Delta Kappa and the Florida Blue Key Honor Fraternity. His interest in crippled children's hospitals caused him to become a Shriner and his desire for civic betterment and fostering love of country won him recognition in Kiwanis International of which organization he is a past lieutenant governor.

It is not necessary for me, I am sure, to recount his distinguished career as a Member of Congress for we are well aware of his work as a dedicated Representative from his district. His patriotism can, perhaps, be gaged by his strong support of our men in the Armed Forces and his advocacy of our position in the Far East. As an able member of the House Ways and Means Committee and his work on the Herlong-Baker tax rate reform bills, he won the admiration of many of our colleagues.

An analysis of his record in Congress reveals his consistent views regarding economic matters and the preservation of the free enterprise system which made America great. At all times, he urged strengthening our national defense.

Ten times the people of his district have sent him to Washington to represent them in Congress and undoubtedly would for an 11th time had he so desired. We know that retirement from the House of Representatives does not mean retirement of SYD HERLONG, for his keen intellect and interest in doing what he can on behalf of his State and our Nation will continue. His many talents will, I am certain, be employed and utilized in the years to come for the welfare of America and mankind.

We shall miss him greatly.

He has our very best wishes for health and happiness and may his future be even brighter than his past.

Mr. MURPHY of Illinois. Mr. Speaker, with the second session of the 90th Congress coming to a close, we are reminded that Congressman SYDNEY HERLONG will not be with us in the next session. He has faithfully served his country, the State of Florida, and the people of the Fourth Congressional District with distinction for the past 20 years as a Member of the U.S. House of Representatives.

Never one to indulge in self-aggrandizement, SYD HERLONG has been, in a quiet and unassuming way, a stalwart Member of the House of Representatives. As a member of the House Ways and Means Committee he served with dignity, integrity, and with objectivity. It is my pleasure to have served with SYD HERLONG for the last 10 years.

His presence will be missed in the 91st Congress. However, I am sure that I voice the feeling of all the Members in wishing SYD HERLONG contentment and good health during his retirement.

Mr. FALLON. Mr. Speaker, I would like to join my colleagues in expressing our sincere regret at the departure of our fellow Congressman, SYDNEY HERLONG, a fine man and an outstanding Member of the House. In his 10 terms in the House of Representatives, Mr. HERLONG has earned the profound gratitude of both his constituents and his country for his devoted service in their behalf.

In both private and public life he has demonstrated excellent qualities of leadership. For 18 years he made a successful career in the legal profession, first in private practice and then as a judge. He has served as an officer in numerous professional, civic, fraternal, and business organizations including the Florida County Judges Association, the University of Florida Alumni Association, Kiwanis International, the Lake County Chamber of Commerce, and the Florida State Baseball League. He has been a member of the advisory council of the Florida Institute of Government. He is a 33d degree Mason and a Shriner, a member of the Odd Fellows, the Loyal Order of Moose, the Knights of Pythias, Pi Kappa Phi, and the Blue Key Honor Fraternity.

SYD has made a particularly outstanding contribution in his work on the House Ways and Means Committee, of which he has been a member for 7 of his 10 terms.

It is my belief that the kind of personal sacrifice in the public service, so well demonstrated in the career of SYD HERLONG, has made our Nation what it is today and will keep it strong, whatever challenges we may have to face. As long as there are those like him who gladly accept the heavy responsibilities imposed on the citizens of a free and democratic society, as long as there are those with the courage and dedication to face honestly the problems which we as a Nation now face, as long as our Government is entrusted to those whose goal is the greatest good for all the people, this Nation may endure in the confidence that the quality of our leadership is the measure of our strength.

Let us pay tribute today to an outstanding Congressman and a great American. His diligent service stands as an example of our finest traditions of dedication and devotion to the maintenance of a free society.

Mrs. Fallon joins me in wishing SYD many more years of much happiness and continued success.

Mr. RAILSBACK. Mr. Speaker, as a first-term Member of Congress, and I might add, a member of the opposite party, I have had a chance to meet and visit with, and observe in action, my distinguished colleague from Florida [Mr. HERLONG]. I want to simply express my admiration for him and the job that he has done in representing his district and to wish him the very best success in whatever he chooses to do in the future. I want also to say that I look forward to having the pleasure of engaging him in a game of golf on his own stamping grounds.

Mr. BOLAND. Mr. Speaker, Congressman A. SYDNEY HERLONG, JR., is retiring this year after two decades of able and distinguished service to his country and to the Fourth Congressional District of Florida.

Known for integrity, for diligence, for strength of character, Mr. HERLONG has earned the respect and admiration of his colleagues in the U.S. Congress. I know my fellow Members of the House join me in extending best wishes to Mr. HERLONG and his family now that he is leaving public life.

SYD, as he is known to a host of friends both in and out of Government, has devoted almost all of his adult life to public service. Educated at the University of Florida, where he earned a law degree in 1930, he practiced law in his home city of Leesburg until his election to the post of county judge in 1936—a post he held for three successive 4-year terms. In 1948, he was elected to his first term in the House of Representatives. His dedication to his country, his hard work for his district, and his service to his constituents, earned him reelection to the Congress for nine straight terms.

Again, Mr. Speaker, I want to extend my very best wishes to Congressman HERLONG, his charming wife, Mary, and his four daughters.

Mr. BURKE of Massachusetts. Mr. Speaker, at this time I would like to call attention to my fellow Democrat and colleague from the State of Florida, the Honorable A. SYDNEY HERLONG.

SYD HERLONG was elected to the 81st Congress on November 2, 1948; he has been a Member of this great body since that time. I am sure that other Members share my feelings in that we are unanimous in our praise and the annals of the House of Representatives over the past 20 years are filled with the record of the courageous statemanship, the wise counsel, and brilliant leadership of SYD HERLONG. He has served Florida, the Nation, and the House of Representatives loyally and faithfully as a Member—his legislative talents, and his loyal devotion to his country will long be felt in a way which has caused and will continue to cause our Nation and its people to grow from strength to greater strength.

It is with deep regret that I watch SYD HERLONG leave the Chambers of the House, but I am sure that he will take great satisfaction in knowing of the contributions he has made here and that they will bring him many pleasant memories.

Mr. KEITH. Mr. Speaker, saying goodby to SYD HERLONG is a rather unhappy task—particularly for those of us who have known him for many years. It has been a pleasure to serve with him for five of his 10 terms as Congressman from the Fourth District of Florida, and I am as saddened as his constituents must be that he has chosen to retire.

He has served his district and his Nation well. His advice, his commonsense, and his sound knowledge of fiscal affairs will be missed by all of us—and particularly by his colleagues on the Ways and Means Committee—when the 91st Congress convenes in January.

May I take this opportunity, therefore, to congratulate him, to bid him a

fond public farewell, and to wish him and his lovely wife, Mary Alice, the best of luck in all their future endeavors.

Mr. PICKLE. Mr. Speaker, today has most appropriately been set aside to pay tribute to one of our dear friends, SYD HERLONG. At the end of this Congress, and with 20 years of service behind him, SYD will hang up his gloves. I use that phrase advisedly, Mr. Speaker, because SYD has always been a dynamic and effective scrapper for any good cause.

When I first came to Congress, I went to SYD for help in facing those initial hurdles which confront every newcomer. His response was generous, sincere, and effective. I owe my membership on the powerful Interstate and Foreign Commerce Committee in large measure to the help of my distinguished colleague, SYD HERLONG. I shall always be grateful.

SYD is a leader with sterling qualities: He takes a sincere interest in any problem presented to him, and his understanding of the human emotion is truly emphatic.

Mr. Speaker, it will be hard for us to recover from the retirement and loss of a colleague with such outstanding qualities, but I am glad for SYD that from this session on, his debates, committee meetings, bills, and amendments will all be conducted under that good Florida sun.

Mr. JOHNSON of California. Mr. Speaker, when the 91st Congress convenes the face of one of our most respected Members, A. SYDNEY HERLONG, JR., of the great State of Florida, will be among the missing. His decision to retire at the end of the 90th Congress was a blow to his constituents and to his colleagues.

It has been my pleasure to serve with SYD for 10 of the 20 years that he has served his congressional district, his State, and his Nation efficiently and honorably. During his tenure in office he served on three committees—Post Office and Civil Service, Agriculture, and Ways and Means. He was never too busy to lend a helping hand to his constituents and his colleagues, and he was called upon often because of his vast knowledge of legislative matters.

To SYD, as he leaves the House of Representatives, after so many years of dedicated service, I want to wish him a happy retirement and commend him for a job well done. It has been a privilege and a pleasure to serve with this outstanding public servant.

Mr. REUSS. Mr. Speaker, the retirement of my good friend and colleague, SYD HERLONG, at the end of this session will leave this House a little the less, not only in wisdom and understanding, but in good cheer as well.

SYD HERLONG's two decades of valuable service to his country, his State, and his district are well known. The knowledge and insight he has brought to the many matters of importance before the Committee on Ways and Means have gained for him the admiration and respect of his fellow members.

We knew him as the gracious host at a yearly reception that has become legendary. And, last but not least, as a baseball fan without peer, one ever ready to lend his considerable moral support to the members of the majority in their annual contest with the distinguished members of the minority.

We will miss you, SYD.

Mr. SCHNEEBELI. Mr. Speaker, for many years in Congress, SYD HERLONG has been one of our leaders in the promotion of private enterprise, local initiative, and Federal economy. He has been an important advocate in the fight against the continuing concentration of Federal authority and control here in Washington. His effective work in the Committee on Ways and Means for more than a decade has helped to shape much important legislation emanating from that committee. And he has been an excellent proponent in floor debate in the legislative area in which he was chiefly interested.

SYD worked very closely and in tandem with Chairman MILLS in committee deliberations and whenever he spoke during the sessions, his suggestions, advice, and leadership were highly regarded and respected.

We need more men like SYD in Congress, particularly in these days to fight against free-wheeling spending and awesome and damaging deficits, and the Congress can ill afford to lose men of his stature, influence, and motivation. We are sorry to see SYD leave the Congress; we shall miss him.

Mr. RODINO. Mr. Speaker, I am proud to join in paying tribute to our distinguished colleague, SYD HERLONG. It was with deep regret that I learned of SYD's decision not to seek reelection, and I realized we would lose from our midst a warm friend and a most able and dedicated legislator.

Since we first came to Congress together in 1949, I have had the privilege of counting myself as one of SYD's many friends, and through the years I have been fortunate to have benefited from his counsel and advice. He is a truly kind and thoughtful person, always willing to give of his time and effort.

Whether on the House floor or the baseball diamond, SYD is an energetic and effective leader, and I recall that it is largely because of his efforts that our dauntless Democratic baseball team came into being and enjoyed great success. In fact, since the days when my son Peter was the team's mascot, my family has held SYD in affection, and they join me in wishing him all happiness in the years ahead. Although absent from us, SYD will certainly be in our thoughts.

Mr. SLACK. Mr. Speaker, I would like to join with the many friends and admirers of our colleague, Congressman SYDNEY HERLONG, who has arrived at the decision that he will no longer seek to retain his place in this body. All of us who have known him during his extensive term of service have learned to admire his determination and insistence upon clear and impartial consideration of the issues as they are brought to our attention for formal and final action.

He has earned a place in the records of activity of the House of Representatives which ties the major work of his life directly to the creation of living history. We know he has fought the good fight in a committee assignment where the demands are virtually endless and the pressures are severe from all sides. Certainly, none of us could wish to go forth into retirement with a higher and more securely earned prestige status among our fellow colleagues.

My very best personal wishes go with him and I hope he will not lose touch with us as he enjoys the benefits of a less turbulent existence among the people of his native State, his family, and friends.

Mr. EDMONDSON. Mr. Speaker, we are going to miss the able Congressman from Florida, the Honorable A. S. HERLONG, JR. He has for years been an effective and powerful member of the House Committee on Ways and Means, and an influential and strong Representative of the great State of Florida.

Beyond that, however, he has been a warm and considerate colleague and friend. always ready to lend a helping hand or extend wise advice and counsel to his many friends in this body.

We in Oklahoma value the Herlong family for an added reason—the lovely daughter of our colleague, SYDNEY, who is now Mrs. Jed Johnson, the wife of the youngest Oklahoman ever to win a seat in the House.

Congressman HERLONG has won the esteem and respect of all who serve in the Congress, and has surely earned the privilege of retirement.

We wish him years of happiness and success in every future endeavor and enterprise.

Mr. BETTS. Mr. Speaker, SYD HERLONG is one of the great men in Congress. During his service in the House he has commanded the respect of Members in both parties who, unanimously regret his decision not to run for reelection. As a fellow member on the Ways and Means Committee I am especially sorry to see him depart. He has been a tower of strength in the committee deliberations and his contributions can be found in every piece of major legislation considered by the committee.

SYD is one of the best liked and most admired Members of the House and I have always included him among my close personal friends. Not only on the floor of the House and in the Ways and Means Committee will he be missed. In the friendships which we make aside from our legislative labors, he was one of our most delightful Members. It is in this close circle of friendship where we will miss him most.

I join with my colleagues in extending my congratulations to SYD in a distinguished congressional career and my best wishes in years ahead.

Mr. MORGAN. Mr. Speaker, I rise to join in paying tribute to my dear friend, SYD HERLONG, who is planning to retire after completing a score of years of distinguished service in this House of Representatives.

I am sorry that SYD is leaving us and we shall all miss his amiable and cheerful disposition as well as his wise counsel and outstanding legislative ability. Those who serve the House and the country through membership on the great Committee on Ways and Means have special and difficult responsibilities. More than half of his legislative service has been on that major committee and SYD has met the challenge of his com-

mittee work with outstanding skill and distinction.

Over the years it has been my privilege and pleasure to number SYD among my friends as well as a colleague whose ability as a statesman evoked my respect and admiration. Although SYD HERLONG is now leaving this body, I know he will remain active in helping and serving his fellow men. He deserves and has our sincerest good wishes for his good health and continued success in all he may do after his formal retirement from the Congress. It is my hope that he will make it a habit to return to Washington from time to time and visit the Capitol. His sage advice would be of great value to us and it will always be a pleasure to see him. To SYD, I say, "We are sorry to have you go, remember we shall always be glad to see you—and best of luck."

Mr. MATSUNAGA. Mr. Speaker, I rise to join my colleagues in paying tribute to the distinguished Member from Florida: The Honorable A. SYDNEY HERLONG, JR., who now joins the ranks of the few who hear such wonderful words uttered about them during their lifetime.

SYD HERLONG comes from the Sunshine State, which fact is openly manifested in his cheerful disposition, his many virtues, and fine personal qualities. Our colleague, like so many others in this body, a former practicing attorney, came to Washington in 1949 as a newly elected Congressman. He served his district, the State of Florida, and the Nation ably and conscientiously from the 81st Congress to this day—spanning a period of some 20 years. He has rendered outstanding service as a member of our Committee on Ways and Means, and his influence in legislation reported out of that committee will be felt for a long time to come.

I would like to express my sincere regret that SYD HERLONG has elected not to seek reelection. We who know him will all miss him. My very best wishes go with him in his retirement, and it is my fervent hope that he and his family will find it possible to leave the Sunshine State on occasion and visit in my own Aloha State, where we can guarantee as much sunshine and even more. To SYD we say "Aloha."

Mr. RHODES of Pennsylvania. Mr. Speaker, it has been my pleasure to have been associated with our distinguished colleague, SYDNEY HERLONG, since he first came to Congress in January of 1949.

During those years, I have cherished his friendship and held him in respect and high esteem. I have found him to be a dedicated and able representative, devoted to duty and to the service of his district and the Nation.

We served together for many years on the Post Office and Civil Service Committee and on the Committee on Ways and Means.

I have differed with SYDNEY occasionally but never doubted his integrity, his sincerity, and his desire to do what he believed to be in the public interest.

Like Mr. HERLONG, I was first elected to the 81st Congress and served continuously through this 90th, and will retire, with him, when this Congress ends.

To SYDNEY and his lovely wife I wish to express best wishes for good health and many happy retirement years.

Mr. DERWINSKI. Mr. Speaker, our respected colleague, SYD HERLONG, has been an outstanding Member who has certainly earned our respect and admiration as a legislator of exceptional stature.

SYD has very consistently maintained a sound philosophy of government. He has been diligent on behalf of his constituents and his legislative efforts have been put to good use for citizens across the country.

SYD has truly been a "Rock of Gibraltar" during many stormy legislative periods and with his calmness, wisdom and foresight, he has helped many Members think through complex situations we have faced in floor activities.

Above all, I wish to join in commending SYD HERLONG as a friend and a wonderful individual whose personal assistance I will always cherish. He certainly deserves the tribute being accorded him this afternoon.

Mr. STUBBLEFIELD. Mr. Speaker, I believe all my colleagues in the House will join me in expressing our sincere gratitude to ALBERT SYDNEY HERLONG who is retiring this term as he completes 20 years of dedicated service in behalf of his country and his constituents in the great State of Florida.

Mr. HERLONG left a promising and successful legal career, first in private practice and then as a judge, to enter politics. He brought with him a rich and varied background of participation in numerous civic, professional, and fraternal organizations. He has been an officer of the Florida County Judges Association, the University of Florida Alumni Association, Kiwanis International, and the Lake County Chamber of Commerce. He has been a member of the State Democratic executive committee and the advisory council of the Florida Institute of Government. He is a 33d degree Mason and a Shriner, an Elk, a member of the Odd Fellows, and of the Loyal Order of Moose, the Knights of Pythias, Pi Kappa Phi, and the Blue Key Honor Fraternity.

In the House, Representative HERLONG has made outstanding contributions in his work for the Ways and Means Committee, on which he has served diligently for seven of his 10 terms. The House is going to feel very strongly the absence of this fine man and dedicated American, and I can personally add that I and all my colleagues will sorely miss the warmth and considerateness and spirit of cooperation with which he treated everyone. Our Nation has been made and will remain strong through the dedicated service of men such as SYDNEY HERLONG.

Mr. CORMAN. Mr. Speaker, I wish to join my colleagues to pay tribute today to the Honorable A. SYDNEY HERLONG, JR., who will retire at the close of this term from a distinguished career in the House, where he has represented Florida's Fourth District for 20 years.

Both as a private citizen and in public office, Mr. HERLONG has performed devoted service for his community and his country. He brought to Washington 18 years of legal experience, first in private practice and later as a county judge.

In the years since he first took his seat in the House, Representative HERLONG has won the respect of all of his colleagues for his diligence in carrying out his congressional responsibilities. He has been a valuable member of the Ways and Means Committee since 1955, and his contributions to it will be sorely missed.

It is with sincere regret that all of us take leave of this outstanding Congressman and fine American.

Mr. DORN. Mr. Speaker, it has been a privilege to serve in this House with SYD HERLONG. To know and to be associated with him these past 20 years has been an inspiration to me, and to his colleagues here on both sides of the aisle.

Mr. Speaker, SYD HERLONG is one of the few men with whom I have served that I would follow blindfolded. To be perfectly frank to my colleagues here today, I have come upon this floor many times during a rollcall vote and all I would want to know about that particular legislation would be how HERLONG voted.

SYD HERLONG has consistently stood for fiscal responsibility. He fought unceasingly for a balanced budget, a sound dollar, and to prevent inflation. SYD HERLONG just as forcefully and ardently fought for constitutional government, States rights, and individual liberty in the best tradition of our beloved southland. He has upheld those principles and ideals as enunciated by the Founding Fathers.

SYD HERLONG's public record will demonstrate his devotion to and his belief in our private enterprise system. SYD HERLONG is devoted to the private enterprise system because he is well aware that this system is the best to promote an industrial and agricultural production unexcelled in the history of the world. The private enterprise system made America the heart and core of freedom—the arsenal of democracy.

Mr. Speaker, SYD HERLONG's family largely resides in my congressional district. It is a famous family. Most of the Herlongs in South Carolina live in what was formely old Edgefield County—a county which gave to the State of South Carolina 10 Governors, many Lieutenant Governors, U.S. Senators, and famous generals. The Herlong family today in that area is serving community, State, and Nation in the same tradition. It was my privilege to personally know SYD HERLONG's father, who was president of the Herlong family reunion. On a number of occasions, I have had the privilege of attending this great family reunion. My mother's closest friends and associates were members of this great South Carolina family.

They have been stanch supporters of the church, the local school, and the home as basic fundamental institutions of a democratic society. Mr. Speaker, SYD HERLONG married a South Carolinian, Mary Alice Youmans, of Fairfax. She is a great lady in the tradition of the Old South, and they have reared a wonderful family devoted to their heritage and their magnificent family tradition.

Mr. Speaker, I am a better Congressman having known and associated with SYD HERLONG. This Congress is a better Congress for his service and America is a greater Nation.

Mr. Speaker, we are going to miss SYD HERLONG in this great body, but whatever his endeavors in Florida he will always have our every wish for his success and very much happiness.

Mrs. Dorn joins me, SYD, in wishing for you and your splendid family the very best always.

Mr. CRAMER. Mr. Speaker, it is a distinct honor to join my colleagues today in this well-deserved tribute to A. SYDNEY HERLONG.

SYD, during his 20 years in the House of Representatives, has performed an outstanding service to his district, to the State of Florida, and to the Nation and the insight he brings to the consideration of legislation affecting the country will be sorely missed.

As Florida's representative on the important Ways and Means Committee, SYD has developed an enviable record. in behalf of responsible tax legislation and has been a vigorous fighter in behalf of sound fiscal policies for the Nation.

An attorney by profession, SYD has always found time to participate in important civic activities including serving as president of the Florida State Baseball League, recognizing the importance of competitive athletics for the young men of our country. I feel both sadness and regret that Syd has decided to retire from the Congress. I am convinced. however, that his decision to retire from Congress is not a decision to retire from public service entirely as his experience and wisdom will continue to be called on in the years ahead.

Although of different political faiths, I have always found the Congressman from Leesburg to be helpful and cooperative with all members of the Florida delegation. He is now and has been a great statesman and I shall always value the friendship that I hold with A. SYDNEY HERLONG.

Mr. WHALLEY. Mr. Speaker, at this time, I join with my fellow colleagues in expressing my appreciation to the distinguished gentleman from Florida, the Honorable SYD HERLONG, for his many years of conscientious and devoted service to the people of his district, his State, and his Nation.

It was with regret that we learned of his decision to retire from Congress.

Congressmen HERLONG has been an outstanding asset to the Congress, and his insight and knowledge of the intricate details of his work have been inspirational to all of us. He has contributed immeasurably to the stature of the House of Representatives.

We commend the good judgment of the voters of the Fourth Congressional District of Florida for continuously returning Congressman HERLONG to Washington. His zest for life and democratic convictions will be sadly missed by all of us, both in Florida and in Washington.

I wish the Congressman and his family the very best in the years ahead.

Mr. O'NEILL of Massachusetts. Mr. Speaker, it is with deep regret that I join my colleagues in bidding farewell to our beloved colleague, the Honorable A. S. HERLONG, Jr., of Florida.

When I first came to the Congress 16 years ago, it was my good fortune to meet SYD HERLONG, and it has been my great pleasure to get to know him well over the years.

Mrs. O'Neill and I had the privilege of visiting the Herlongs at their beautiful home in Daytona Beach. We shall never forget how much we enjoyed the company and appreciated the hospitality.

SYD HERLONG combines two attributes necessary for a good Congressman: He is a born leader and a tireless worker, he works constantly and with great dedication in behalf of the people of his district and of his State. When he speaks his colleagues listen.

We will sorely miss him. I join with his other friends and his family in wishing him great joy and success in the future.

Mr. SPRINGER. Mr. Speaker, I appreciate the opportunity to add a few words to the many spoken here today about our colleague, SYD HERLONG.

Everyone of us will miss the advice and wise counsel SYD has always been willing to give his colleagues on both sides of the aisle, and I know the House Ways and Means Committee will have a big gap to fill in replacing him with someone who has been as hardworking, conscientious, and faithful in attendance.

The past two decades have seen some of the most revolutionary changes in the progress and development of our country. The Ways and Means Committee, in formulation of its legislation, has been in the forefront in promoting vast social and economic changes. With experience and seniority come wisdom and knowledge, and SYD HERLONG can look back with pride on the achievements he has helped to effectuate through his work on the committee and in Congress.

We shall all miss him, but he will be leaving us with the admiration and respect of all colleagues and with the welcome mat always out in front of all our doors and the House Chamber.

Best wishes and good luck.

Mr. FARBSTEIN. Mr. Speaker, 20 years is a long time in the life of a man and a nation. In the 20 years which SYDNEY HERLONG has spent in the House of Representatives as the distinguished Member from the Fourth Congressional District of Florida, our country has faced many crises and weathered many storms. It has done so partly because men like SYD HERLONG have been here representing the people of the United States.

Congressman HERLONG was elected to the House of Representatives in 1948. After three terms, his ability and the high esteem of his fellow Members brought him an assignment to the Ways and Means Committee where he became known for his hard work and vast knowledge of our revenue system and tax laws.

SYD is a member of many civic, professional, and patriotic organizations, most of which have recognized his capacity for leadership by electing him one of their officers. But it is his membership in the House of Representatives which has always meant the most to him. When he announced his impending retirement, he said:

> The Congress of the United States is made up for the most part of the finest people I have ever known.

He will be sorely missed by all of us who have had the gift of his friendship.

Mr. COLLIER. Mr. Speaker, I am grateful for this opportunity to pay tribute to a fine gentleman and a great legislator, A. SYDNEY HERLONG, Jr., who will break from the ranks when the 90th Congress fades into history.

Although SYD HERLONG is still on the sunny side of 50, he will have served in this great body for 20 years. He has, during those two decades, represented his constituents with distinction and written a record of legislative accomplishment that should inspire those who follow him to even greater efforts.

Through our mutual service on the Committee on Ways and Means, I have learned to know and respect SYD HERLONG as an accomplished lawmaker, well-qualified to participate in writing the tax laws of a great nation. Those of us who are privileged to serve on this important committee will miss him as we strive to solve the problems of raising the billions that are necessary to operate the Government of the United States.

During his 10 terms in the House of Representatives, SYD HERLONG has served his district well, he has served his State well, and he has served his country well. My best wishes accompany him as he leaves this body. May God bless him in his future endeavors.

Mr. O'HARA of Illinois. Mr. Speaker, there is no Member of this body that I hold in loftier esteem and warmer affection than SYD HERLONG. We came to the Congress together, 20 years ago come next January, fellow Members of the 81st Congress. The friendship that started with a handclasp on the first day of the 81st Congress has continued and has grown stronger and sweeter with every passing day.

In all sincerity I can say that I have known no more dedicated legislator than SYD HERLONG. I doubt that he ever uttered a word or cast a vote without first consulting and obtaining the approval of his conscience. A man of large ability, enjoying the respect and the friendship of all his colleagues, he has served his district and the Nation brilliantly, effectively, and in the finest tradition of the House of Representatives of the Congress of the United States. I am happy to join with my colleagues in high tribute to him.

Mr. WHITTEN. Mr. Speaker, I wish to join with my colleagues in paying tribute to Hon. ALBERT SYDNEY HERLONG, an outstanding Member of Congress, and a longtime personal friend.

As I have said many times in the past, it seems that those who voluntarily retire are usually the Members we can least afford to give up. During his period of service here, SYD HERLONG has contributed greatly to his district, State, and Nation. His commonsense and hard work have meant much in retaining such stability as we have had.

SYD has a wonderful family, and I know that part of the reason for his decision to retire is that he may have more time with them. He quits at an active period in his life and we wish for him many, many happy and successful years ahead. We shall miss his fine service here but we trust and hope we may have many op-

portunities for continued association in the future.

Mr. BUSH. Mr. Speaker, I have only been in the House of Representatives a short time, but in this short time I have come to have tremendous respect for most of the Members of this great body.

As a member of the Ways and Means Committee I have gotten to know SYD HERLONG, and there is no Member of this body for whom I have a higher regard. In our committee, when he talks, everyone listens. I want to wish our colleague the greatest happiness in the years to come, and to tell him from the bottom of my heart that I value his friendship and have the utmost respect for everything he has stood for here in the House of Representatives.

Mr. SIKES. Mr. Speaker, the retirement of the Honorable A. S. HERLONG, Jr., leaves a void in the ranks of the Congress which will be hard to fill. SYD is truly a remarkable Member in many ways. He is an effective, efficient worker, a firm advocate of his beliefs, and a distinguished legislator in every way. His excellence in the craft of statesmanship will be missed, not only by his colleagues and his district, but by the Nation as well.

We wish him the best of everything in his retirement to his beloved native State. Although Congress will be poorer because he will not be among us, Leesburg, Fla., and its environs will be richer.

SYD has a remarkable capacity for making and retaining friends. I am sure that in the months ahead when the weather grows cold in the District of Columbia, he will find that many of those friends can travel even better and farther than he thought. I imagine that many of those friends will find their way to his doorstep in sunny Florida. I certainly hope that one of these days I will be one of those traveling friends of SYD HERLONG'S.

Mr. ROSTENKOWSKI. Mr. Speaker, when I was first elected to Congress, SYD HERLONG had completed 10 years of service to the people of the Fourth District of Florida. In the 10 years that have passed since then it has been my good fortune to have gained his friendship. It is difficult to realize that he will not be returning next year to continue his outstanding service to our Nation. I, for one, shall miss him.

No matter how many words are written or spoken praising his ability, we who have been privileged to work with him know the true value of his contribution to serving the needs of our country. Not only has he been an outstanding example of an effective legislator and a dedicated American, he has been an inspiration.

It has been a pleasure for me to serve with him on the Ways and Means Committee. With all the intricate, detailed legislation that the committee has to consider, SYD HERLONG has proven himself to be one of the most knowledgeable members of the committee. It has been richly rewarding for me to observe him in action and I have benefited from his wisdom and understanding. The knowledge and experience he has gained in the 20 years of service in the House of Representatives will be missed and we will be the poorer for it. However, we cannot deny him his opportunity for relaxation with his family and friends in Florida, so I wish him the very best, and hope that he will not forget his old friends in Washington, D.C., but occasionally return to visit with us.

Mr. HALPERN. Mr. Speaker, I realize with great personal regret that the close of this session will mark the retirement of the Honorable A. SYDNEY HERLONG from the U.S. House of Represetatives. For 20 years, Representative HERLONG has served the Fourth Congressional District of Florida. He has been a valuable member of the Ways and Means Committee and a dedicated and responsible Congressman.

It is not often that we recognize in one man the attributes of a great American. Congressman HERLONG has shown his love of country since the earliest days of his career. Civic duty has always been important to him, and this is evidenced in his membership in many civic organizations, including the Elks, the Shriners, the Loyal Order of Moose, and Kiwanis, International.

After he received his law degree from the University of Florida, Mr. HERLONG began legal practice in Leesburg, Fla., in 1930. From 1936 until 1948, he served as county judge of Lake County, Fla., and for a time held office as president of the Florida County Judges Association. He was elected to Congress in 1948, and has represented his constituents with enthusiasm and dedication.

We will miss SYD HERLONG. I should like to wish him continued success and happiness, and to laud him for his outstanding contributions to his district and his country.

Mr. VANIK. Mr. Speaker, I want to join my distinguished colleagues in paying tribute to the work and service of Hon. SYD HERLONG of Florida.

In the 14 years that I have served in the Congress it has been my privilege to work on many occasions with SYD. He has always been patient and understanding. Although we have had different points of view on many national issues, he was the first to recognize the basis for divergent views on such issues.

My work as a member of the Ways and Means Committee has been enriched because of the special association I have had with SYD HERLONG. He is a man of strong opinions and strong positions. His mark is on many laws and causes which he has developed during his long and useful career in the Congress.

My heartiest best wishes to SYD HERLONG and his family for happiness and good health in his retirement. Of course we expect to see him often and hope that he will make it his business to give us the benefit of his counsel and judgment.

Mr. RHODES of Arizona. Mr. Speaker, the retirement of the Honorable A. S. HERLONG, JR., leaves a void in the ranks of the Congress which will be hard to fill. SYD is truly a remarkable Member in many ways. He is an effective, efficient worker, a firm advocate of his beliefs, and a distinguished legislator in every way. His excellence in the craft of statesmanship will be missed, not only by his colleagues and his district, but by the Nation as well.

We wish him the best of everything in his retirement to his beloved native State. Although Congress will be poorer because he will not be among us, Leesburg, Fla., and its environs will be richer.

SYD has a remarkable capacity for making and retaining friends. I am sure that in the months ahead when the weather grows cold in the District of Columbia, he will find that many of those friends can travel even better and farther than he thought. I imagine that many of those friends will find their way to his doorstep in sunny Florida. I certainly hope that one of these days I will be one of those traveling friends of SYD HERLONG'S.

Mr. SMITH of Oklahoma. Mr. Speaker, I wish to join my colleagues in commending the character and service of one of the most capable and honored Members of the House of Representatives, the Honorable SYD HERLONG, of Florida. Although I have not had the privilege of knowing him for as long a period of time as most of you, I have been most impressed with his dedication to the American free enterprise system and his attention to the serious matters that have faced the 90th Congress.

SYD, we will miss you and I want to generally wish you every success in your new undertaking. And I hope that you will find it convenient to return to visit the Congress often.

Mr. MURPHY of New York. Mr. Speaker, our distinguished colleague from Florida's Fourth Congressional District, the Honorable SYD HERLONG, has announced his retirement at the end of this year after 20 years of service in the House of Representatives.

When he leaves at the end of the year, he leaves a distinguished record of service to his constituents and to his Nation. As a member of the powerful Ways and Means Committee he has shown himself to be an able and knowledgeable legislator.

Beyond his legislative work, he is a friendly and considerate man who is greatly admired and well liked by all of his colleagues.

His retirement is a great loss to the Congress, to his constituents, and to the Nation, but we have benefited from his service for so long that he has certainly earned the rest. I want to wish him and his wife many happy years of retirement, and to congratulate him on his outstanding record in the Congress of the United States.

Mr. ROONEY of New York. Mr. Speaker, I should like to join the gentleman from Florida [Mr. SIKES] and SYD'S many other friends in the House in paying tribute to him here today. SYDNEY HERLONG will voluntarily retire from the House of Representatives at the end of the 90th Congress but, knowing him, I am sure that it will not be the end of his service to his fellow men.

It has been my privilege to know SYD for all the 20 years that he has faithfully served here in the House. He is an able legislator and represented his constituents in the highest tradition. When the gavel sounds for the close of the 90th

Congress, SYD HERLONG can look back and survey a two-decade job well done.

SYD will be sorely missed here in the halls of the House and on the Committee on Ways and Means, on which he so ably served. I wish SYD and wife, Mary Alice, the best of everything in the years to come and I know we shall all envy their enjoyment of the Florida scenery.

Mr. RUMSFELD. Mr. Speaker, residents of the Fourth District of Florida can look with justifiable pride upon the service and accomplishments of their Congressman for the past 20 years, the Honorable A. SYDNEY HERLONG, a dedicated and able Member of the U.S. House of Representatives.

SYD HERLONG has been a faithful and effective member of the House Committee on Ways and Means, and it is with deep regret that I view his decision to retire from congressional service.

I know that I am joined by other Members of the House in wishing SYD HERLONG well and in expressing the hope that he will continue his keen interest in the welfare of our Nation. His many contributions to the growth and development of our country will be long remembered.

Mr. BOB WILSON. Mr. Speaker, I join my colleagues today in paying tribute to SYD HERLONG, who after 2 decades of service is hanging up his spikes and not running again. It has been a pleasure for me to serve with Representative HERLONG. Although I cannot lavish praise on Florida oranges—we call them belly buttons in California—I can, with sincerity, pay my respects to the integrity and dedication of SYD HERLONG to our country and what it stands for. I would be remiss were I not to mention that we Republicans hope to fill Mr. HERLONG'S seat with another fine Congressman this fall, another Congressman Herlong, in fact, but with different initials after his name in the register.

All of us know the trials and tribulations of being a Member of Congress. I am hopeful that we all can experience the same satisfaction that the knowledge of a job well done brings when we leave the Congress. From all of us go our best wishes to SYD HERLONG for a lengthy, happy retirement.

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## HELPING THE POOR IN AGENCY PROCEEDINGS

The SPEAKER pro tempore. Under previous order of the House the gentleman from Ohio [Mr. FEIGHAN] is recognized for 5 minutes.

Mr. FEIGHAN. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and to include extraneous matter.

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

There was no objection.

Mr. FEIGHAN. Mr. Speaker, today I have introduced a bill—H.R. 17974—to amend the Administrative Procedure Act in order to fill a long-neglected void and greatly to improve the rulemaking process of Government agencies.

Fundamental to wise administrative rulemaking is the provision of an opportunity for the participation therein of persons whose interests may be affected.

This was recognized as a basic precept of the Administrative Procedure Act from the very inception of that seminal, vital legislation. Accordingly that act provides, in section 553, that Government agencies must give public notice of a proposed rule and afford an opportunity to interested persons to participate in the rulemaking process by submitting information and argument concerning the proposed rule. Such persons also are guaranteed the right to petition for the adoption, amendment, or repeal of rules.

Pursuant to that provision organized labor, organized consumers, and business, commercial, and professional interests of our Nation have been able aggressively to participate in rulemaking. Through their own staffs or through attorneys or lobbyists retained for the purpose they are able systematically to scan the Federal Register for notices of proposed rules that may affect their interests and to present to Government agencies information and argument essential to wise government. The opportunity thus afforded these great interests is our most effective protection against arbitrary dictatorship by uninformed administrative agencies in our increasingly complex Government.

Yet, much rulemaking of our Federal departments, officials, and agencies has a direct impact on persons—notably the indigent—who are quite unable to maintain staffs or to retain lawyers or lobbyists to protect their interests.

For those masses there is no voice in the rulemaking process. For such rulemaking the basic precept of the Administrative Procedure Act has never been carried out.

That is the void that must be filled.

For those voiceless masses—the poor, the deprived, the underprivileged—a voice must be provided. Until that is done the Administrative Procedure Act is but an imperfect guarantee of liberty. It protects only the strong.

Accordingly the bill I have introduced, H.R. 17974, would amend the rulemaking section of the Administrative Procedure Act by directing the Attorney General to enter into contracts with, or to make grants subject to appropriate conditions to, the National Legal Aid and Defender Association—or such similar bodies as he may find appropriate from time to time—whereby such an organization, with Federal funding to provide for it the necessary staff and facilities, may participate in rulemaking on behalf of the poor in a way approximating the participation enjoyed by the great business and other organized interests of our society. Those interests, through their trade associations, their Washington offices, and otherwise, are, in very truth, a part of Government. And so they should be in a democracy. The time has come to assure that the poor man also becomes a part of Government.

I have considered, before introducing this bill, whether it is not possible to depend upon private contributions to provide the requisite funds to the National Legal Aid and Defender Association. But that simply is not feasible. Commendably, private contributions from the bar and from corporate business pay for the present activities of the NLADA in its great legal aid work throughout the Nation. But increasingly the demands for legal aid strain its resources. Never could it secure the means, save from government itself, to carry out the vital function that it would have to serve in order to fill the void in our rulemaking process.

I have considered also the possibility that the void might be filled by some Government office. But no Government agency can provide the aggressive advocacy that is needed. What is needed are the initiative and the independence of a private body, dedicated solely to the interests of the poor. No Government bureau can do the job as efficiently and with the freedom that is essential to courageous, persistent, single-minded devotion to the interests of the poor.

In selecting the NLADA for special mention in my bill—without excluding the possibility that the Attorney General might select other bodies also to supplement the NLADA's efforts—I have been mindful of the established position of that organization in our national life. For a half century it has been diligent in protecting the rights of the poor. In the face, often, of great adversity it has remained true to its mission. In communities throughout our Nation it is known as a great force for good, never flinching but never irresponsible. Its close ties with national organizations of the bar and its cordial support from many segments of our people give assurance that it can be depended on to move to an enlarged theater of service with the distinction, the fidelity, and the vigor that have characterized so notably its great service to the poor of our Nation for many decades in the past.

To some it may seem that my proposal is novel, even revolutionary. There are, I confess, elements in it of the revolutionary. It is as revolutionary as was the spirit of '76.

Our Revolution of 1776 was the product of attempted government without the participation of those whose interests were affected. It was an ill-advised King of England and a smug Parliament composed of the landed gentry and the rich merchants of Britain who sought to arrogate to themselves the right to tax the Colonies without affording those Colonies a voice in the decision. Their arrogance fired revolution from the yeomanry of Massachusetts to the planters of South Carolina. And our Nation was born.

May the fiery spirit of '76 never flag in our land. And may we who govern never be guilty of the blindness of those in London who sought to impose big brotherism on the Colonies.

We have seen in recent weeks, within the shadow of our Capitol, the gleam of the spirit of '76. The poor people came to Washington to make it clear that that spirit still inspires. When all is said, the essence of the Poor People's Campaign has been the simple assertion that they, the poor, will be heard in the councils of Government. They, no less

than the National Manufacturers' Association, will play a part in Government.

And they have the right to be heard.

But that right can be realized only if we heed, and provide the means and machinery to make their participation possible.

It was want of means and machinery that led Sam Adams and the people of Boston to take to the streets in the years before 1776 until revolution came. Surely we, who inherited the blessing of that revolution, have the wisdom to provide for the poor man's right to participate in the rulemaking of his government today. Surely we have the wisdom, lacking in an indifferent British King and a shortsighted British Parliament, to understand that there is a better way than to compel people to take to the streets to voice their aspirations for a better life.

My bill would provide the better way.

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## ON THE CREATION OF A JOINT COMMITTEE ON CRIME, THE COURTS, AND LAW ENFORCEMENT

The SPEAKER pro tempore (Mr. GONZALEZ). Under a previous order of the House, the gentleman from Iowa [Mr. SCHWENGEL] is recognized for 15 minutes.

Mr. SCHWENGEL. Mr. Speaker, across America, tension and instability are widespread. Undisciplined elements in our society increasingly run rampant. This is leaving a deep imprint on the Nation. They have carved out a new legacy of violence and left us a heritage tarnished with destruction and devastation.

In recent months, some of our educational institutions have come under seige as college campuses are torn by student revolt and rebellion. Our electoral system, and indeed, our whole process of representative government, is in jeopardy as national leaders have tragically, and all too frequently, fallen prey to the bullets of the assassin. Our society is being uprooted and inflamed as scores of cities have been put assunder by racial turmoil and mass violence. Our system of private enterprise and free government is steadily being eroded as organized criminal activities, largely unnoticed in the wake of other more spectacular events, continue to flourish and expand.

This wave of crime and violence takes a heavy toll from all of us. Last year alone, nearly a billion dollars of property was stolen. While some of this rise in crimes against persons and property can no doubt be expained by the migration to our urban centers, the higher proportion of crime-prone youth in our population, and more efficient crime reporting techniques, the hard fact remains that, by any standard, the shadow of crime has rapidly become longer and more menacing. Nowhere is this more graphically reflected than in the National Capital itself. Rampant fears of violence and disorder have dampened the flow of tourists to our seat of government. Elsewhere across the land citizens similarly act not out of confidence, but out of fear. Crime has truly become our most pressing domestic problem.

We cannot wait until crime and violence hopefully withers away because its underlying root causes have been removed. While we in Congress should, of course, act to eliminate the seedbeds of crime, we must also take more effective measures to curb existing violence and disorder. We must act here and now. There is no longer time for hesitancy and inaction.

When we legislate, we must do so on the basis of a careful and thorough exploration of all the facts. The prerequisite for intelligent legislation should always be an empirical blueprint of knowledge and experience from which we can sift relevant information and choose viable proposals for congressional consideration. I believe that Congress can be both more creative and effective if we establish a permanent Joint Committee on Crime, the Courts, and Law Enforcement. Why should such a committee be helpful?

Even a cursory perusal of the major development in the field of criminal law reveals an absence of congressional initiative. The events which first come to mind—Mallory, Mapp, Miranda—are products, so to speak, of "judicial legislation," not congressional action. Our legislative contributions—the antirackeeering bills, the Law Enforcement Assistance Act, and the Omnibus Crime Control and Safe Streets Act—while to be commended, represent, at best, long overdue responses to the pressing demands of crime and violence. Why is it that we deal only with special or particular problems of crime prevention and then only after the situation has become grave? Why is it that we have largely forced the courts into acting through judicial mandates? The answer, it seems to me, is that we have no continuing, permanent committee in Congress to which is delegated the specific tasks of keeping abreast of current problems facing law enforcement and acting as our own regular and independent source of information on criminal matters.

The absence of such a standing committee and, in turn, the lack of legislative activity in the field of law enforcement, has forced our courts into a position for which they are peculiarly ill suited and from which they should be rescued by our reassertion of Congress' traditional lawmaking role.

I want to make it expressly clear at this point that I am not saying that our courts do not have the duty to decide whether laws and procedures are in accord with the Constitution. Of course they do. But it was never contemplated, least of all by the courts themselves, that they would be delegated the task of writing specific laws and spelling out detailed procedures. What has happened is that the courts, and in particular our Supreme Court, have correctly sensed a lawmaking vacuum into which they felt they had no choice but to move. In reality, such moves are more or less moves of desperation. Since nobody else was showing any initiative in exerting control over the law enforcement process, the justices apparently felt they had no alternative but to do so.

Today, when the Court pronounces rules we in Congress dislike, we often verbally criticize the Court for what we consider to be the unjust usurpation of our powers. As former Senator, and now justice, Kenneth Keating wisely observed:

> It is one of the great ironies of American life, and always has been, that the Congress . . . will be critical of judicial law-making, particularly in the administration of criminal justice, while failing to recognize that the courts cannot but respond firmly to social necessity when the legislative branch abdicates responsibilities for constructive action.

Certainly this cannot be said to be healthy for the legislative process.

To return to the question I posed earlier, why is it that our courts are peculiarly ill suited to police the administration of criminal justice? Why is it that Congress has the potential of being a much more suitable vehicle to consider crime problems and promulgate criminal legislation?

First, wise rulemaking must be based on comprehensive, accurate knowledge of need and effect. This, however, is exactly what the courts are unable to obtain in advance of their decisions. Judges must be concerned primarily with unique sets of facts presented in the context of specific cases before them. These may or may not be typical. In judging whether or not the police conduct at issue is common, the courts, in the absence of detailed knowledge of general police needs and procedures, often have to rely on intuition and commonsense in judging police behavior.

More often than not, however, they will be faced, not with standard police practices, but with hard and unusual cases tainted by isolated instances of shocking police behavior. Typically, the counsel who argue such cases will confine their comments to case facts and legal precedents. Although the justices sometimes interrogate counsel as to particular effects of hypothetical decisions or about general police practices in their locales, they are largely handcuffed in their ability to announce tentative conclusions in advance and thereby gain the wisdom of public discussion. Interested parties may be allowed to file amicus curiae briefs detailing to the court the general requirements of law enforcement and, obviously, the justices do not operate in so tight a vacuum as to be unaware of published articles as well as past judicial experience with similar cases. While this unquestionably allows some leeway, the justices still must hand down their decisions with little understanding as to how, in actual practice, the protection of individual rights will be affected and surely with no information about how far reaching their effect will be on law enforcement generally. Unlike Congress, they cannot appoint investigative committees supported by sufficient funds and staffed with enough manpower to gather beforehand all relevant information and thoroughly sift out pertinent considerations.

No matter how many hypothetical questions justices may pose for counsel in oral argument, there can be no effective substitute for our legislative procedure of revealing a bill in advance and subjecting it to the scrutiny of the ex-

perts and public alike. While it is true that public hearings provide a broad forum to collect diverse views and available information and that the amendment process has no counterpart in our judicial system, we still must be prepared to exploit these advantages of the legislative process. Unless we in Congress are prepared to establish a permanent committee capable of carrying on the type of thorough, wide-ranging investigation that is demanded by rising crime and violence, these advantages exist largely in name only.

Second, custom has long required judges to decide particular cases on the narrowest possible grounds. This old legal precept has left its imprint in the form of so many gray and hazy areas in the law that police, prosecutors, and judges alike often find themselves confused. Even such a prescriptively detailed opinion as Miranda did not come close to providing the police with an operating set of rules to govern in-custody interrogation. To name just the obvious, Miranda did not tell the police when a person is "in custody"; when his statements are "spontaneous" or when they are "the product of interrogation"; what is an "effective waiver of rights"; or whether nontestimonial evidence introduced at trial is the fruit of statements made during a prohibited interrogation. Cases which only focus on a small segment of criminal procedure must, of necessity, be productive of uncertainty.

The dicta is always a potential source of confusion; it is the natural result of a legal system which chooses to focus only on issues discussed in a law suit, that is, on "actual" controversies. Our courts, which gear themselves to hearing and dealing with only one narrow issue at a time, are obviously ill equipped to simultaneously enact, evaluate, and adjust the numerous and closely connected parts of our complex system of criminal procedure. It is therefore quite to be expected that the courts will create problems, not so much by what they say, as by what they have left unsaid. Congress, however, does not labor under this handicap. It has the potential ability to concurrently deal with the many facets of our criminal system and act in a manner dictated by the whole interrelated structure.

Third, court decisions, in their welter of legal verbiage, ordinarily do not provide law-enforcement officers with the precise, comprehensive, and understandable guidelines they need to carry out their duties. Appellate decisions always seem to be written in a way that is difficult for many lawyers, much less policemen, to understand. It should not be necessary for cities such as Chicago to have to go to the lengths of appointing legal advisers to translate the Court's rules to the officers on the beat. Studies by a permanent committee might enable the Congress to generate simple, clear guidelines and operating procedures for the police to follow.

At this point, let me stress again that I am not advocating that Congress impinge on the Court's traditional power to be the national arbitrator of constitutionality. What I am urging is only that Congress reclaim its rightful role as our foremost and adequate lawmaking body. Particular standards to be followed in conducting interrogations and the like, for example, are not constitutionally compelled. They are the proper subject of legislative concern and action. Miranda, for example, does not foreclose congressional legislation. In fact, as evidenced by our recent crime package, it seems to invite it. In that case, the Court said repeatedly that it would sanction "other procedures which are at least as effective" as its series of warnings in securing the privilege against self-incrimination. Some of these legislative alternatives, which the Congress chose not to explore or adopt in the omnibus crime bill, I will discuss at greater length in subsequent speeches. Let me say only that they might be more effective, and less expensive, than either the Court's procedures or Congress' present rules both in protecting the dignity of the individual and in meeting the exigencies for law and order.

Similarly, the Supreme Court is not the sole institution which may enforce the rights extended to the States through the "due process clause" of the 14th amendment. As we have just recently recognized, section 5 of that amendment provides that—

> The Congress shall have power to enforce by appropriate legislation, the provisions of this article.

The courts, in fact, have frequently pointed out, if not urged us, to exercise our dormant power by adopting statutory regulations which would thereby tend to reduce the need for judicial interpretation and obviate some of the uncertainty in current criminal procedure. Basically the problems are legislative in character. Even such noted members of the bar as Henry Friendly and Walter Pope have been quick to remind us that if we are to make further progress toward efficiency and decency in criminal procedure, we shall have to do so principally through legislative action. Yet, if Congress is to properly, effectively, and responsibly discharge its duties, we must have a Joint Committee on Crime, the Courts, and Law Enforcement. By continually studying and keeping abreast of problems facing law enforcement, such a committee would provide the information to enable us to deal with problems with foresight instead of on a random, ad hoc basis. It would give our legislative committees a broader base of information from which to intelligently weigh the various interrelated problems and proposals posed by our system of criminal procedure; it would free us from the confines and rigidities that come from focusing primarily on problems in the context of particular bills; it would provide us with an independent source of information; it would give us a framework of knowledge, a general perspective, a broad overview from which we could consider the relative merits of competing proposals. Such a committee could periodically order investigations, conduct hearings, commission studies from private institutions and foundations, systematically survey the professional literature, and do whatever else is necessary to generate relevant information. It could explore a host of proposals in advance, be educated in turn by knowledgeable experts and public opinion, and provide a wealth of assistance to our legislative committees to help them carry out their lawmaking responsibilities.

Such a committee might also remove some of the emotional overtones which too frequently surround current deliberations on particular bills. Its studies may introduce a note of objectivity and rationality; its research might lead to mediation and accommodation, to the avoidance of black-or-white treatments which lead to the total sacrifice of some values at the expense of others. In this way, a joint committee might better enable us to intelligently balance the demand's of individual freedoms with society's requirements for law and order.

As we should have already learned many a time, legislation that is ill conceived and poorly drafted may be worse than no legislation at all. Rule 5(a) with its vague reference to "unreasonable delay" created endless streams of turmoil and litigation. The advantages of statutory procedures may prove illusory if we legislate in haste. Research, study, and thought are necessary. This is particularly true in the area of criminal procedure where the law has to be reasonably firm and specific and yet retain enough latitude and flexibility to provide for the difficult or unusual case. If we do not want to make the situation artificially difficult by enacting vague legislation, we should establish a joint committee and take advantage of the information and expertise it generates to draft our acts clearly, make express our legislative intent, and explore and consider all the implications our actions may have. Such a committee would enable us to do a more competent job of drafting and to better secure the fruits of legislative action.

Traditionally, it has been the Congress, rather than the executive branch of Government, which is supposed to have the lawmaking initiative. In the field of criminal law, the Congress has largely forfeited this initiative primarily because it sorely lacks its own independent source of information on which to legislate. No doubt there are other substantial reasons for executive leadership in this field, but one cannot help but feel that Congress could be more effective and creative.

Today, our major source of information is the executive branch—the Kerner report, the studies of the President's Commission on Crime in the District of Columbia, the Attorney General's Report on Poverty and the Administration of Criminal Justice, and the National Crime Commission with its report, task force studies, and accompanying surveys. It is quite easy to understand our reliance on the executive. Very few, if any, congressional offices can afford either the services of a crime expert or to devote much time to independent investigation and research. As individual Congressmen and Senators, we simply lack the time, money, staff, and experience to be our own fertile sources of information in this com-

plex and ever-changing field. Our committees which deal with problems in criminal law and procedure provide us with some information but all too often its value is restricted to the merits or lack thereof of a particular administration proposal. Ranging from the Judiciary, Government Operations, and the District of Columbia Committees all the way to Commerce, these committees have so many other diverse and competing interests that they can hardly be expected to devote a considerable amount of staff time to general information gathering about crime. The contribution they can reasonably be expected to make, divorced from the context of a particular bill, is naturally quite limited.

As the demands for congressional action to deal with problems in our law enforcement structure accelerate and become more pressing, it is imperative that we secure our independent source of information. After the harrowing economic collapse of the thirties and the threat of postwar inflation in the forties, Congress responded to the times by creating a Joint Economic Committee to conduct annual hearings on the state of the economy and to provide it with independent, reliable, information about what was then our most pressing domestic problem. Today, the committee is still effectively probing the weaknesses in our economic structure and keeping the Congress continually aware of developing problems. At the same time, it has both generated a body of experts and established a liaison, on a more or less permanent basis, with the executive branch, and in particular, the Council of Economic Advisers.

In recent years, crime has emerged as so critical a problem to the national well-being that there is no reason it should not be given the same careful, exhaustive, and reflective treatment accorded to our economy by the Joint Economic Committee. If we were to establish a Joint Committee on Crime, the Courts, and Law Enforcement, it too would in time generate a professional staff capable of handling skillfully some of the recurrent problems posed by our existing law enforcement system. It would also provide an independent source of information enabling Congress to take the initiative if needed proposals are not forthcoming from the executive branch of Government. The committee would be able to focus exclusively on criminal matters, to conduct pilot studies and surveys over a broad range of problems, and to draw on and evaluate proposals from private groups, such as the American Law Institute's model code of prearraignment procedure. A Joint Committee on Crime, the Courts, and Law Enforcement could tap the work being done at various educational institutions and foundations thereby enlisting their valuable aid and in the process acquiring a better idea of how to deal with future crises. It could provide a needed, systematic study of the whole area of law enforcement and the administration of justice. At the same time, such a committee can serve both as a liaison between the Congress and the executive and between Congress and private group.

Last, we must remember that we are as yet a society with only a limited amount of resources to invest in crime control and our law enforcement structure. Surely it can be argued that almost every aspect of our law enforcement system is in some need of repair, revitalization, or improvement. Before we pass a measure to pump more funds into one arm of our law enforcement structure as opposed to another, we should look at the marginal utility of any competing courses of action requiring additional expenditures.

Before we decide to vastly increase the amount of resources devoted to attacking organized crime, we should decide whether or not the money could be more profitably spent suppressing street crime, controlling riots, or improving our correctional institutions. Before we concentrate our expenditures in the area of improved police salaries and equipment, we should explore the alternative of expanding and improving our prosecuting offices and our criminal courts. This exploration and evaluation of alternative approaches is largely beyond the scope of our existing legislative committees; it would be within the natural province and capability of a permanent joint committee.

For these reasons, I have introduced today a bill calling on both Houses of Congress to create a Joint Committee on Crime, the Courts, and Law Enforcement. I strongly urge your consideration and support of this measure. I think it is a big step in the right direction. It will help us to deal with problems in criminal procedure in a faster and more intelligent manner. In subsequent speeches, I hope to outline some of the areas in which I think this committee could make a positive contribution. The time for inaction and hesitancy is past. We must act now. Again, I urge your support of this measure to modernize our legislative procedure for dealing with problems in the administration of criminal justice.

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## REPUBLICAN SEMINAR ON FOREIGN AID AND ECONOMIC DEVELOPMENT

The SPEAKER pro tempore (Mr. GONZALEZ). Under previous order of the House, the gentleman from New York [Mr. GOODELL] is recognized for 60 minutes.

Mr. GOODELL. Mr. Speaker, the demands being placed upon the economy of this Nation today are unique in their magnitude and their scope. We are engaged in a bitter and prolonged conflict abroad and at home we confront a whole series of crises that cry out for action. But the Nation's means are inevitably limited; we cannot accomplish at one and the same time all the things we might like to accomplish, however desirable.

The failure to establish priorities in our national objectives which would reflect a realistic assessment of our economic capacity is a cardinal failure of this administration. This failure has produced a fiscal crisis of dangerous dimensions, accelerating inflation and an aggravation of our balance-of-payments problems so severe as to threaten the continued existence of the free world's monetary system.

It is not surprising that under these circumstances, the foreign aid activities of this Nation, now in their 22d year, should come under the closest scrutiny. Can we afford an aid program at all? Even if we can, have our two decades of help to other countries really produced any lasting benefits for them, or for ourselves?

On the other hand, if, as seems likely, the ghettoes of the third world are one day going to explode on our doorstep as our domestic ghettoes have exploded, it may rightfully be asked whether we can afford not to have an aid program? These questions illumine the crossroads at which the United States stands in its relations with the poorer nations of the world. And the road we take will unquestionably have the most serious consequences not only for the developing nations, but for ourselves.

To focus attention on this great issue, the Republican planning and research committee in the House of Representatives sponsored a seminar on May 9 last on "Foreign Aid and Economic Development." This was the second in a series of public, nonpartisan seminars on critical national issues to be held under the auspices of the planning and research committee. The first, on the balance-of-payments problem, took place on January 24, 1968; the proceedings appeared in the RECORD for February 5, pages 2133–2163.

For our seminar on foreign aid we were most fortunate in securing as panelists a group of experts of international repute. They included: Prof. Gunnar Myrdal, Institute of International Economic Studies, Stockholm; Dr. John Pincus, Rand Corp.; Prof. Gustav Ranis, Yale University; Mr. Lester Brown, Department of Agriculture; Prof. Thomas Molnar, Long Island University; Dr. Irving S. Friedman, International Bank for Reconstruction and Development; and Dr. Patrick M. Boarman, director of research, House Republican conference and professor of economics, Long Island University—C. W. Post College.

In addition to our panelists, we were privileged to have as observers at our seminar the following distinguished journalists and representatives of public and private organizations active in the foreign aid field: Mr. Felix Belair, the New York Times; Mr. David Willis, the Christian Science Monitor; Mr. Philip L. Geyelin, the Washington Post; Mr. Richard S. Aldrich, International Basic Economy Corp.; Mr. Henry Geyelin, Council for Latin America; Mr. Jacob Kaplan, consultant in international finance and economics; Mr. Reed Irvine, Board of Governors, the Federal Reserve System; Mr. James Grant, and Mr. Joel Bernstein, Agency for International Development.

We have received many expressions of interest in the seminar proceedings, both from Members of Congress and the public. Particularly noteworthy was the national attention given to the remarks of one of our panelists describing the "Green Revolution"—the American-led and American-inspired agricultural rev-

olution in Asia which is transforming the hopes of that continent. We hope that the public dialog we have initiated on foreign aid will continue, and as a contribution to that end, I include in the RECORD the transcript of the seminar proceedings, the supporting papers submitted by the panelists, and other relevant materials:

FOREIGN AID AND ECONOMIC DEVELOPMENT

(Public seminar, planning, and research committee, Republican conference, House of Representatives, Washington, D.C., May 9, 1968)

The committee met, pursuant to notice, at 9:15 a.m., Hon. CHARLES E. GOODELL, presiding.

Present: Representative CHARLES E. GOODELL, chairman; Dr. Patrick M. Boarman, director of research, House republican conference.

PANELISTS

Prof. Gunnar Myrdal, Institute of International Economic Studies, Stockholm.

Dr. Irving S. Friedman, International Bank for Reconstruction and Development.

Prof. Gustav Ranis, Yale University.

Mr. Lester Brown, Department of Agriculture.

Prof. Thomas Molnar, Long Island University.

Dr. John Pincus, Rand Corporation.

OBSERVERS

Mr. Felix Belair, the New York Times.

Mr. David Willis, the Christian Science Monitor.

Mr. Philip E. Geyelin, the Washington Post.

Mr. Richard S. Aldrich, International Basic Economy Corporation.

Mr. Henry Geyelin, Council for Latin America.

Mr. Jacob Kaplan, consultant in international finance and economics.

Mr. Reed Irvine, Board of Governors, the Federal Reserve System.

Mr. James Grant, Agency for International Development.

Mr. Joel Bernstein, Agency for International Development.

TRANSCRIPT OF THE SEMINAR PROCEEDINGS

Mr. GOODELL. Ladies and gentlemen, as Chairman of the Republican Planning and Research Committee in the House of Representatives, it is my great pleasure to open our seminar on foreign aid and economic development.

I want to welcome to our discussion this morning the distinguished members of our panel and my colleagues in the Congress who are present, particularly those in ranking positions with the key committees whose responsibility it will be in the very near future to evaluate and pass upon the administration's foreign aid proposals.

I also want to welcome the eminent gentlemen who have consented to serve as observers and whom I shall shortly introduce.

This is the second in a series of public nonpartisan seminars on critical national issues to be held under the auspices of the Republican Planning and Research Committee. The first, on the balance of payments problem, took place on January 24th last. A Congressional Record reprint of the proceedings of that affair has been prepared and is available here this morning for those of you who wish to have a copy.

I am glad to report that the response which our balance of payments discussion encountered in the Congress and elsewhere, especially in the academic community, has been exceptional.

In today's seminar on foreign aid, we have again endeavored to bring to bear on a vital national question the resources of the academic community, in particular, the skills and knowledge of economists of international repute.

We are particularly pleased and honored to have with us on our panel Professor Gunnar Myrdal of Sweden, author of an historic work on race relations in the United States, "An American Dilemma," and equally well known as an authority on the problems of the developing countries.

Recently Professor Myrdal published a massive three-volume work entitled "Asian Drama: An Inquiry Into the Poverty of Nations", which has been widely commented on for its unusual and provocative analysis of the obstacles to progress in Asia. We understand this study has been at least three years in the making and we hope very much that Professor Myrdal will present to us some of his principal findings.

The other distinguished members of our panel are Dr. John Pincus, of the Rand Corporation, editor of the recently published anthology, "Reshaping the World Economy;"

Professor Gustav Ranis, a distinguished authority on foreign aid and Director of the Economic Growth Center at Yale University;

Mr. Lester Brown, a noted economist from the Department of Agriculture, who specializes in the agricultural problems of the less-developed countries;

Professor Thomas Molnar, of C. W. Post College, Long Island University, who is the author of several books on Africa and who has traveled extensively in that continent as well as in Asia and Latin America.

It is my pleasure, finally, to introduce Dr. Irving S. Friedman, Economic Adviser to the President of the World Bank.

Gentlemen, we are greatly in your debt for taking the time to be with us this morning and to help us grapple with what is admittedly a vast and complex and, need I add, controversial subject.

In addition to our panelists, the following distinguished observers are with us: Mr. Felix Belair, of the New York Times; Mr. David Willis, of the Christian Science Monitor; Mr. Philip L. Geyelin, of The Washington Post; Mr. Richard S. Aldrich, Vice President, International Basic Economy Corporation; Mr. William E. Barlow, President, Council for Latin America; Mr. Henry Geyelin, Executive Vice President, Council for Latin America; Mr. Jacob Kaplan, consultant in international finance and economics; Mr. Reed Irvine, Chief of the Asia, Africa, and Latin America Section of the Division of International Finance, Board of Governors of the Federal Reserve System; Messrs. James Grant and Joel Bernstein of the Agency for International Development. Mr. Grant is Assistant Administrator for AID in Vietnam and was formerly the AID Mission Director in Turkey. Mr. Bernstein is Special Assistant to the Administrator of AID, William Gaud, and was formerly Mission Director in Korea.

Also with us as an observer is Mr. Jeff Starn, of the Congressional Quarterly. Last, but not least, I want to present to you the Director of Research of the House Republican Conference, Dr. Patrick M. Boarman, on my left, himself a specialist in international economics and a member of the faculty of C. W. Post College, Long Island University.

Ladies and gentlemen, for more than twenty years this Nation has led the way in helping the poor nations of the world strive to overcome hunger, disease, poverty, and the despair which attends them. In doing this we have, it is true, acted in our own best interest; but, together with our allies in the developed world, we have also collaborated in one of the greatest humanitarian ventures of modern times. The total amount of aid extended by this country to other nations between 1946 and 1967 is $128 billion. If purely military aid is subtracted from this total, we are left with the still enormous sum of $90 billion. Our record in this regard stands alone; it is one of which we can be justly proud.

Nevertheless, our position in the world economy has radically changed from what it was twenty years ago. The dollar has fallen on evil days and remains in a most precarious position abroad. Our trade surplus has all but vanished and at home we confront a financial crisis as severe as any in our history. In view of the gravity of our own fiscal problem and the urgent demands made on our resources here at home, it may be rightly asked if we can afford to have an aid program at all. On the other hand, the gap between the rich and the poor nations is not lessening, it is rapidly widening. Freedom, dignity, and, indeed, life itself for millions of people in the most densely populated portions of the globe remain in jeopardy. It is equally valid, therefore, to inquire whether we can afford *not* to have an aid program.

It is at all events clear that the United States stands at a crossroads in its relations with the poorer nations of the world. The amount of aid which has been requested for 1969 is a miniscule fraction of this Nation's gross national product. In fact, it is less than one-half of one percent of GNP. But the relatively small size of the proposed aid program does not adequately measure its profound bearing on the present and future relations of this Nation with the less-developed nations of the free world. What we decide here in the Congress in the next days and weeks will have consequences of the greatest moment for ourselves and for the poorer nations.

We in the Congress are earnestly seeking advice and information about the foreign aid program which will help us to make sound decisions on this vital issue. I would like to invite our discussants to offer us whatever specific suggestions may occur to them with respect to the pending legislation on foreign aid. In this connection, it would be helpful if we could consider the following principal questions:

1. What has U.S. foreign aid accomplished since the end of World War II?

2. What lessons have we learned in respect to wrong and ineffective uses of aid to promote development of the less-developed countries?

3. Where do we go from here? What new approaches to aid ought we to consider? What must be done to give maximum effectiveness to U.S. aid now and in the future?

4. Given the need for fiscal stringency in this country and in the face of the extreme aggravation of our balance of payments problem, should we have an aid program at all? If an aid program is found to be indispensable, what is the amount of economic aid this Nation can and should make available and what forms should it take?

5. Can our foreign aid make any significant contribution toward narrowing the gap between the rich and the poor nations?

6. What role does the economic system of a less-developed country play in the successful absorption of foreign aid? Should the economies of the developing countries be centrally planned or should greater reliance be placed on a free enterprise market economy to give maximum play to individual incentives?

I would hope that by raising such questions we could come to grips with the basic purposes of our aid program and with the realistic limits on our aid effort which are imposed both by our own resources and the absorptive capacity of the less-developed countries.

I turn now to our distinguished panelists from whom we shall hear first. May I suggest that because of the limited time we have at our disposal, each participant keep his remarks within a reasonable period. Let me add that our panelists have submitted longer statements of their views which are available here to interested members of the press and Congress.

When we have heard from all of the panelists, I propose that we allot an additional

period of time for an exchange of views among the panelists. Thereafter, the seminar will be open for questions and comments from the members of Congress who are here with us and from our distinguished observers.

I should like to open the proceedings now by calling on Professor Gunnar Myrdal. Professor Myrdal?

Dr. MYRDAL. Mr. Chairman, ladies and gentlemen. I must confess that in respect to our subject which is the U.S. foreign aid program, I feel somewhat like a displaced person. My interest in foreign aid is global and I like to think that I take the long view of its function and significance. At the same time, I have read with profound interest the document provided to us here by the Agency for International Development ("Foreign Assistance Act of 1968—Proposed FY 1969 Program"). I have great admiration for what the Agency has accomplished; the problems to which the document addresses itself are immense. I myself in my youth have been a sometime member of the Swedish government and in those years the questions with which AID is currently concerned were in the forefront of my own thinking. My role now is that of student and as such I try to take the longer and larger view.

I discussed this point with Dr. Boarman; he assured me that the delineation of a broader view would be useful as background for our discussion this morning.

The proposals offered to the Congress by AID constitute a program for one country, the United States, and a program, moreover, which is geared to what we hope is a temporary situation. It is a program which is being offered at a time when the United States is experiencing acute difficulties with its balance of payments. Americans are being asked to think about foreign aid when there is mounting unrest in the universities and in the cities and in the context of a national election this Fall. The obvious danger in all of this is the temptation to take an unduly provincial view of the relationships between this Nation and the less-developed world. I do believe that we have to look at these relationships from a truly international point of view and in the context of the situation in which the United States functions as the leader of the rich countries.

Let me, before I go further, make the summary observation that most of the figures which are quoted in the AID document about school enrollments and the sizes of gross national products are fanciful; some of them, indeed, are not worth the paper they are printed on. The reasons for this observation are developed at length in my book, ("Asian Drama") and I am not going to dwell on it further, particularly since none of the policy conclusions of the Agency depend on these figures. I wanted to underscore this point because I think we should be cautious when dealing with figures from the underdeveloped world.

My main point is, however, that whatever the rich world can do, even if aid programs are made very much bigger, will mean very little. Aid can only be of marginal help to the developing countries. The major things they will have to do themselves, and we shall have very little influence on these things. They must have more social discipline, they must stamp out corruption, which is rising, and which is a severe hindrance even if sometimes we think that is just a natural aspect of the development process.

The less-developed nations will have to institute educational reforms and not in the simple terms of investment in men, which in my opinion is not even a correct formulation of the problem. What is needed in education is a fundamental change in its direction, in its content. Much education in less developed countries is simply miseducation, maintaining a social structure which is against development, and persuading people that if you can read or write you shouldn't work with your hands. These are large problems which we in the rich world cannot do very much to resolve.

These countries need land reform. And let me make clear that what I mean is not a wholesale dividing up of the land. I mean getting a relation between man and land which makes possible and provides incentives for hard work and productive investment. And there we have very little influence. We can make resolutions at the international assemblies jointly with the elites from the less developed countries who are prepared to entertain radical solutions. But there the matter stops.

And so we can continue over the whole scale of things which must be changed in the poorer countries, their institutions and attitudes. Clearly, there must be a population policy aimed at bringing down the birth rate. And even there I would say our contribution is marginal. Tribute nevertheless needs to be paid to American efforts to develop more effective contraceptive techniques. This is a real contribution.

But the problem of effectively controlling births remains immense. Governments in these countries have to be persuaded to take a firm position on the matter and I would say that not half of the governments in the underdeveloped world have taken a position. The administrative problems are tremendous (a flagrant example being India). There are shortages of the needed doctors and nurses and paramedical personnel. We can help a little here, but we don't have enough medical people even to send out to train others. In other words, this is something which they must do themselves.

By saying all this, I don't mean that what we are doing is not important. These countries are in such a desperate situation that even the marginal help we provide is very important. It is indeed, tremendously important and I look forward to a time when we are prepared to take very much more radical measures and to incur even larger sacrifices.

Before I get specific on aid, let me remind you that there is a big field, the trade field, where we have fallen behind even more than in aid. My great friend, Jacob Viner of Princeton, has said that foreign aid is a sort of a conscience money we are prepared to pay to these countries because we are not prepared to take their imports. I think there is something to this.

Fifteen years ago, I said that we have to have a double standard of morality in commercial policy and, for once, a double standard of morality which is not against weak people but for them. The poorer countries cannot do without protection (although admittedly some of their protectionist measures are ill-advised). But we can afford to do without protection from them. We should really open our markets; and in that respect, America had not been very progressive.

The meeting in New Delhi recently of UNCTAD was a step forward insofar as the rich countries made a general declaration that they would move in certain directions. But very little of practical value came out of it and the poor nations remain very dissatisfied. The trade problem is one we cannot afford to neglect. And it is not too much to say that the long-run effectiveness of foreign aid will depend very much on our trade policies.

If I now may focus on aid: I do not need to remind you that in the sixties the total volume of what we usually call aid (a figure which should be scrutinized very carefully) has been stagnating. Whereas the gross national products of the rich countries have been increasing rapidly during this period, the percentage of their outputs allocated to aid has been decreasing. Moreover, other changes have occurred which have lowered the quality of the aid. Originally, aid was provided without any extensive tying of it to exports of the developed countries. Now, almost all of it is tied to exports which has substantially reduced its value to the less developed countries. A study on Pakistan has shown that the tying of aid has raised the cost of the affected imports to that country by 40 percent.

So in this respect we have gone backwards and lowered the quality of our aid. Another aspect of the lowered quality of aid is that we have moved from grants to loans. For a time—and this was very much under wise American leadership—the rate of interest was going down; now it is going up, as a reflection of our own situation. Obviously, as the former chief of the International Bank [George Woods] has declared in ringing terms, this is a most dangerous development which will impose increasingly heavier burdens on balances of payments of the less developed countries. Here too, I assert, we are going in the wrong direction.

The Marshall Plan money which you Americans gave to Europe consisted primarily of grants. At the time, I criticized this policy and I think I was right. If you had given the money in the form of loans, the French might have been a little less difficult and obstinate in the current international monetary crisis. I don't doubt that America would have been a good creditor and would not have pressed them. In any case, here is a case of where you gave the rich countries grants and are now pressing the poor countries to take aid in the form of debts. This represents a lowering of quality.

It is also true of late that more and more politics has gone into aid. And, speaking as an old-fashioned economist, you will understand me when I say that when politics goes into business, morals go down. It is worth remembering, incidentally, that of the share of your gross national income taken by aid, something between 30 and 40 per cent goes to South Vietnam. Many of us would not reckon that as a regular part of aid to undeveloped countries. This is part of your involvement in the Vietnam war.

We are not going to discuss the Vietnam war but I will merely say that you have to deflate your aid figures to allow for Vietnam and you will have a figure which is comparable to what we in Sweden are doing. The fact that the aid program is trending downwards in America is not in itself bad. Fifteen years ago, I said that a dangerous illusion, shared by both Americans and the rest of the world, was that because of America's immense wealth it could alone provide the aid needed by the whole world. This was a mistaken view and such a policy was bound to fail.

What I would look forward to in the present situation is that devoted and competent people in AID and in Congress will keep the torch burning and provide the maximum amount of aid to underdeveloped countries consistent with the preservation of world confidence in the dollar.

Taking a longer view, I believe the rich world as a whole will very definitely have to raise the level of aid. My country, Sweden, currently makes available in aid about a third of one percent of its national product. It has been decided to raise this to one per cent, that is three times as much, within the next few years.

Let me advert to something else. Too often, aid in the United States has been defended from the standpoint of foreign policy or of national security. It is argued that the Nation is engaged in aid in its own best interests, and so on. You have always done that. You did it during the Marshall Plan. I know America. And I know that this is a sort of perverted puritanism. You have a great suspicion of your own good motives. Unfortunately, you are believed and this is one of the reasons why your policy intentions are not always realized. I am afraid that many in Congress are rather skeptical about aid because it has been announced

repeatedly that it is in the Nation's political interests only to have it discovered that these interests are not very well taken care of by your aid.

A sound position on aid, in America as in my country, is that we engage in it because of our solidarity with the poor people. Our motivation should be compassion. The poorer nations are suffering; we must try to help them. This is pure humanitarianism, which is so much nearer to American ideals and to how an ordinary American thinks.

What is required is a change in our whole ideology on aid. In that connection, we should move increasingly to internationalize aid. Many far-sighted members of this Congress have been saying that for a long time. It is true that America is big and it is true, among other things, that America is one of the countries which can rapidly increase its agricultural production because of a long-standing policy of restricting acreage. And there is no question but that mass hunger would have broken out long ago in big countries like India and Pakistan and Turkey if it hadn't been for the P.L. 480 aid. But the gradual drying-up of agricultural surpluses will ultimately raise the cost of this program to the point where the Congress may be less and less inclined to support it. And Americans may rightly insist that other developed nations carry their fair share of the aid burden. But these are all reasons why aid needs to be internationally organized.

As an old international person, I know that tremendous difficulties will have to be faced in moving aid to an international basis. Nevertheless, I do believe that it is in that direction we must go and what we must do so not in terms of self-interest but in terms of compassion, of solidarity with poor people. And if I may be frank, one of our difficulties has been that the rich countries, including America, have not been successful within their own boundaries in getting people psychologically and politically prepared to make real sacrifices for poor people. Another and no less thorny problem is that the rich countries have managed their economies, internally and externally, so ineptly that they are already in serious balance of payments difficulties (like the United States and Great Britain) or are on the verge of such difficulties.

Let us hope that we can change this pattern of events. I said once, in Ken Galbraith's company, if you were to put Ken Galbraith and me on a mountain top with five beautiful secretaries, we would solve the problems of a balanced economy over a weekend. In this respect, science is ahead of politics, there is no question of that. In this connection I think that one of the most valuable parts of the AID document to which I have referred is the part which argues that aid is not a burden on the American balance of payments. I think this is very well reasoned. But the necessity for such an argument and the thought behind it is that aid should be contingent on a healthy export surplus. This, in turn, is based on the rational fear that a country whose exports are slipping is becoming less competitive, internationally.

In my part of the world, we do not subscribe to the idea of tying aid to our exports. I think Sweden is actually free from it. Whether we give to an international organization or make bilateral loans, we don't tie anything. Nevertheless, our export sales exceed our aid because our industries are competitive. The effectiveness of any country's aid program is to that extent dependent on its success in maintaining its competitiveness in world markets.

Thank you.

Mr. GOODELL. Thank you, Professor Myrdal. I should have paid special tribute to the Members of Congress who are here. Three Members are present from our Foreign Affairs Committee who might qualify in your category of "mentors" and "pedagogues": Clem Zablocki of Wisconsin, John Monagan of Connecticut, and Donald Fraser of Minnesota; and from the Banking and Currency Committee, Thomas Ashley of Ohio.

I noted in the audience Congressmen Wiley Mayne, William Roth, Garner Shriver, Robert Corbett, Edward Biester, and Theodore Kupferman. We are delighted to have them here and I am sure that we will have others coming in and out.

Other Members whose attendance was noted included: Robert McClory, William Brock, Don Clausen, Ross Adair, Charles Whalen, Roger Zion, Larry Winn, William Wampler.

I would ask the other panelists to do their best within reason to stay within ten minutes in their presentations so we can have a full exchange later among the panelists. Our next speaker is Dr. Irving S. Friedman, Economic Adviser to the President of the World Bank. Dr. Friedman?

Dr. FRIEDMAN. Thank you, Mr. Chairman.

I would like to express my appreciation for the opportunity to participate in this panel. As you are all aware, the Congress is now considering legislation of considerable importance to the World Bank group in which I work. I am sure that you will understand if in my brief remarks I do not express views on this pending legislation.

Very important questions—and, if I may say, very difficult questions—have been put to us for consideration today. These questions encompass virtually all of post-war history in both the developing and developed worlds. Indeed, many cannot be answered without looking deeply into pre-war history. However, they are fair questions of the kind we have to cope with in our day-to-day work.

In reaching answers to such questions there are certain key facts which I find useful always to keep in mind and these may be useful to summarize for our discussions today.

1. Since 1950 the world economy has experienced an annual rate of growth estimated at about 4.5 per cent in real terms, which is probably without precedent in history for its magnitude and continuity. The aggregate production of goods and services in the world is now more than twice as high as it was in 1950. In 1967 it probably reached a total of $2,000 billion, with about three-quarters of this huge output in the industrial countries. Nevertheless, for a combination of well known reasons, many of these wealthy industrial countries have repeatedly, if not chronically, experienced shortages of resources and savings and accompanying inflationary pressures.

2. The United States has continued to be by far the largest single entity in the world economy. It accounts for almost two-fifths of world output.

3. The so-called developing or poor countries have experienced rates of growth in the post-war period comparable to those of the advanced countries. However, because of their very low starting points the divergences between the poor and the rich countries have become greater, not smaller. Moreover, the category of developing countries include a great diversity of nations, ranging from those with estimated per capita incomes of about $50 per person to about $1,200 per person. Indeed, the differences within these categories are greater than the differences between the more affluent of the developing countries and the countries we usually refer to as advanced countries. When we look closely at these developing countries, we find that those in South Asia and Africa, which are the poorest to begin with, are those which have the lowest growth rates.

4. The growth rates of the developing countries become particularly disconcerting when they are measured in terms of per capita income rather than total income. This is essentially because of the relatively high rate of population increase in these countries. Indeed, since 1960 the developing countries have had a rate of population growth more than twice as high as in the advanced countries.

Latin America, which had the highest rates of population growth, experienced only a 1.8 per cent rate of improvement in per capita income. In South Asia, the combined impact of rising population and sluggish growth reduced the increase of per capita income to only about one-half of one per cent per year. Pakistan, however, it might be interesting to point out, did not conform to this picture.

5. Within these overall growth rates we find rather dramatic differences in the various sectors of the economy. In all regions, manufacturing production increased at a fairly rapid rate, amounting to about 7 per cent per year. Agricultural production, in sharp contrast, has grown much more slowly. Since in these areas more than half of the population is engaged in agricultural pursuits and about one-third of the domestic product originates in agriculture, the poor performance of agriculture has meant poor total performance. With poor agricultural income, domestic markets for manufactures and services remain very small despite population size and growth. Moreover, the slow expansion of agricultural production has made the balance of payments problems of many countries more difficult because they are often heavily dependent on agricultural products for exports and in some cases, because their rising populations tend to outstrip local food production and hence to increase imports. I would like to add, parenthetically, that, for the reasons mentioned, recent evidence of changing governmental and public attitudes toward agriculture in Asia are most welcome.

6. Apart from the problems of agriculture, very significant progress has been made in building the foundations of modern economies—roads, water supply, sources of energy, etc. have been greatly improved. Literacy has been increased, although I concede Professor Myrdal's point that not all of the education by any means has been well directed. And better health has become much more prevalent. Probably one of the reasons why growth rates in developing countries have not been higher is that so much of investment has gone into needed public works and the full fruits of these investments in increased outputs will be registered only in the years to come. These real indicators of progress warn us against oversimplified generalizations about success or failure in these countries.

7. To those of us engaged in development finance, export earnings are of particular importance and interest. Experience indicates that the export sector provides the spark for the rest of the economy. Where, as in a country like Korea, exports have done very well, the development process has usually been much more accelerated than in countries such as in South Asia, which have not succeeded as well in expanding exports.

Exports also provide foreign exchange without which the countries could not obtain the capital goods needed for the modernization and rationalization of their economies. Indeed, we sometimes forget that of the foreign exchange used by countries for development, 80 percent on an average accrues from their own export earnings.

8. Despite the attention which is paid to the provision of external capital, in most of the developing countries the great bulk of resources for development are found in the countries themselves. On average, about 80 per cent of the investments in the poor countries are financed from their own resources. Moreover, as a group these countries, despite their low levels of output, have tended to save an increasing proportion of their current income. The development effort being

made today is very largely the effort of the poor countries.

External capital, whether from private or public sources, bilateral or multilateral, plays a critically important part, but it has not been a substitute for the efforts of the developing countries. This is not to say that the developing countries cannot do more for themselves. Indeed, unless they do more for themselves, there is no hope whatever for solving their grave problems no matter how much external financing can be obtained. In many countries, for example, more effective savings efforts and more realistic monetary policies need to be instituted. More realistic family planning programs are indispensable.

Such changes are the necessary prelude to major economic transformations.

9. The flow of external capital, public and private, to the developing countries has not kept pace with the opportunities for productive investment. We have finally come to a stage in history where there is no doubt that more foreign capital can be efficiently used. For many years the developing countries have been steadily improving their ability to use effectively both their domestic savings and funds from abroad. We have estimated, in the World Bank, that another $3 to $4 billion of external capital could now be effectively employed by the developing countries as compared to current capital flows. In 1967 it is estimated that a total net flow of external capital from public sources amounted to something more than $7 billion, with another $3 to $4 billion or so net from private sources.

10. Finally, a number of countries in the less-developed world are experiencing difficulties in coping with their foreign debts. The external public and publicly-guaranteed debt of the less-developed countries amounts to over $40 billion. The service on this debt amounts to close to $4 billion per year and has been growing more rapidly than export earnings.

As all statistics, these figures have to be interpreted rather carefully as to their significance. It is simply wrong to imply that the problem of excessive foreign debt is now a general problem. It is a serious problem for a number of countries and is likely to become ever more serious unless steps are taken to make external capital available to these countries on terms which are more manageable than those which have prevailed in the past. Obviously, the developing countries must take steps to ensure the most efficient use of imported capital within a framework of sound development policies.

The record is thus clearly not one of unqualified success or unmitigated failure. It is very mixed and changing. I believe, however, Mr. Chairman, that we can learn several clear lessons from this experience. First and foremost is that the policies which the poor countries themselves adopt are of the most critical importance in determining development progress. Nothing can substitute for their own good performance. Secondly, a sustained and increasing flow of external capital can be effectively employed and, if it is not available, the developing countries will fall even further behind the developed countries. Thirdly, it is in the interest of all to bring about the largest possible flow of private capital since private capital brings with it modern management skills, other technology, access to markets, and future as well as current financing. Effective development finance will try to combine the pursuit of sound development policies by the developing countries, the provision of adequate external assistance on reasonable terms from the developed countries, and the participation of private industry to the fullest extent possible.

The developing countries cannot expect to obtain external capital unless they pursue sound policies, but the industrial countries cannot expect that such policies will succeed unless the needed additional external finance is forthcoming.

Finally, I would like to register the view that failure on the part of developing and developed countries to take the necessary measures for effective action and development is bound to increase social and political instability all over the world.

Thank you, Mr. Chairman.

Mr. GOODELL. Thank you, Dr. Friedman.

While I recognize that the remarks our panelists have prepared may not conform directly to the five questions which we posed at the outset, I hope we can get the discussion subsequently centered on these five questions. For the present, the panelists are free to give their broad views and to respond to previous panelists if they wish.

Professor Gustav Ranis of Yale University.

Dr. RANIS. Thank you, Mr. Chairman.

As the Chairman pointed out in his opening remarks, the present situation, after twenty years of foreign assistance, is a rather grim one. I don't think we can call it fatigue any longer. We can start worrying about sleeping sickness in the foreign assistance business.

The reasons for this are many and complicated, but I think they come down to two main questions that have been raised in the minds of Congressmen, of the man in the street, and of donor countries. They are: is aid-giving really effective in ensuring social, economic and political progress in the less-developed world? And, second, if AID is effective, why should we care?

Now, if both of these grounds are dominant, that is, (a) if it is important to the development process, and (b) if we should care, it is presumed that reasonable men will find it in their hearts and minds to vote larger aid appropriations. If either one of these trends is weak, we can understand the present fatigue.

Let me talk about each of these in order. First, how much difference does aid make to development? Mr. Friedman has given us some figures about the long period from 1950 to the present time which sounded pretty encouraging. They are pretty encouraging. However, I think one has to look a little more closely at what happened during the fifties as opposed to what has happened during the sixties in order to answer the first question that I posed. I would say that the progress in the less-developed world during the 1950's was far from adequate in terms of the resources put in by the donors. What is not recognized is the substantial turn-around in a number of countries—by no means everywhere—that has taken place in the sixties.

Now, I think that both the donor and the recipients should share some of the guilt (if guilt is the right word) for the performance in the fifties. On the recipient side, I think it is fair to say that after the first flush of independence and in the expectation that development could be foreordained by government just as political independence had been foreordained, a pattern emerged in most less-developed countries which militated against rapid growth. That pattern can be summarized very briefly in terms of a feeling that the government should either allocate resources to the private sector by direct administrative controls, or handle some of the activities itself to insure that the colonial pattern which had existed prior to World War II in many countries would be broken. What we had was a well-intentioned effort to substitute desires for development on a national basis for the previous patterns of trade and growth.

Thus, with the best intentions, government deficit financing was embarked upon in a large number of countries in excess. Exchange control arose, that is, the desire on the part of governments to get hold of the foreign exchange resources which previously had been plowed back in the raw material exporting sectors. The idea was to get hold of those resources and put them into industry because there seemed to be a high correlation between industrialization and development. As a result, the so-called control syndrome made its appearance. Development efforts were concentrated on large scale industry, whether public or private. It was inevitable that an enclave type of development should occur which did not touch the preponderance of the potential actors in the less-developed society, including, notably, small-scale and medium-scale industrialists and farmers.

All of this caused the energies of both civil servants and of would-be entrepreneurs, to be directed either towards continuously modifying the control structure or trying to circumvent it or buying their way around it. Thus, the most precious gift of all, individual entrepreneurial energy, was frequently dissipated.

The aid givers, the U.S. among them, share part of the guilt for this development. We did have mistaken notions about Marshall Plan carryovers to the rest of the world. We didn't really face up to the fact that we were now entering an entirely new ball game and couldn't just dispose of it with a little technical assistance or by just sending some money. In fact, we were dealing here with a host of institutional obstacles which had to be understood and then overcome by mutual understanding on the part of ourselves and the recipients. During the fifties, we thought that resources were more important than the quality of the domestic effort in these countries. The fact is that in at least some countries, and in a number of important cases, there has been a significant turnaround in the view of the growth process and in what are the main springs of development.

The objective, it should be noted, is still the same. These countries still want to break away from their colonial patterns. They want to develop on a national basis. But the tools are becoming somewhat different and so is the quality of our assistance, even though I don't want to argue the quality points that Dr. Myrdal mentioned. There is another kind of quality which I think has increased tremendously, namely, the quality of aid as a catalyst. This new function of aid is not simply to be a provider of resources, to put more wine into old and leaky bottles, but to try to create better bottles in the less-developed world.

What we really have here is a new focus on the mobilization of all, or at least of most of the domestic actors: the peasants, the small industrialists, the medium-scale industrialists, in addition to those fat cats who used to get the benefits of the control system. Now, the ingredients of this new change are more restraint on government spending, reduction of foreign exchange controls, liberalization of imports, letting people have access to resources on a more competitive basis. I am not saying that government ought to stand aside; but government has to exercise restraint with respect to what it can do and what it cannot do, with respect to the kinds of tools it uses and the kinds of tools it just cannot use.

Aid is crucial in this process, because even though it may be unimportant in magnitude (it may only be $1 out of $6, or $1 out of $10), and is often needed to reassure those civil servants who are going to take those steps, who are going to loosen those controls, that they won't be caught short. If in doubt, civil servants usually don't want to take a chance. This is true all over the world. And if there is doubt, aid can help to dissipate it. Aid allows the authorities to liberalize their system without worrying about the small loses in tax revenues or in foreign exchange reserves which might follow immediately upon the loosening up of the restrictions.

Aid is very important because it can provide the particular kinds of institutions that

are necessary for the growth of the financial intermediaries and the adaptive research required to get the new seeds not only sown but made safe for mass use across the countryside. Aid makes possible technical advice and, of course, actual imports of commodities. The latter have gone increasingly not to big, fancy structures as in the fifties, but increasingly for such things as fertilizer for these farmers who now have the incentives to put the fertilizer and the new seeds and the new technology to work.

In short, there has been a major change in emphasis. Let me mention some of the countries in question here. Taiwan we all know about. The structural changes there beginning in 1961 included land reform, devaluation, and an increase in the savings rate from 5 to 20 per cent in 1966. By 1965 we were able to graduate Taiwan, at least from AID assistance, and to set it on its own feet.

That is basically the purpose of our foreign assistance; it is not to close gaps. I think the closing of gaps is a much misunderstood phenomenon. We are never going to close gaps absolutely, even if these countries grow faster than we do. The absolute gap is going to continue to increase. The problem really is to try to get them on their own feet so they can have progress year by year, which is what most people want. They want to have a better year next year than this year, and they want to have a better life for their children than they have had. I think the gap analysis is often very much misunderstood.

Now, Korea is another such case. We had a problem with stabilization for many years; inflation was rampant during the fifties and even the early sixties. But ultimately we got that under control; there was a devaluation in 1964; imports were liberalized. The monetary system was reformed; savings rates, which were negative in the late fifties, rose to about 13 per cent. Export growth rates are now in the neighborhood of 40 per cent a year.

Still another example is Pakistan which is perhaps more typical. It could be argued that Korea and Taiwan are special cases, with special institutional advantages and human resource advantages. Pakistan is not a "yes, but" case. Pakistan is an average less-developed country which, when I was there for two and a half years in the late fifties, was completely stagnant. There was no per capita income increase whatsoever. Now we have a 3 per cent per capita income increase on a sustained basis, in spite of a bad monsoon, in spite of war with India, and in spite of a holdup on foreign aid that was imposed during that war. Food production has gone up from a point at which it was barely enough to take care of the population increase to where it is 5 per cent a year ahead of the population increase. Exports are now growing at 10 per cent a year. Use of the new miracle seeds, which other people on the panel may want to talk about further, has increased from a planting of 600,000 acres in May of 1967 to 3.5 million acres in May of 1968.

What is really interesting about Pakistan, however, is that once you open up the system, in respect to one particular sector, the whole thing begins to ferment, and growth becomes possible from a point of complete stagnation. You now have small industries going up in the Punjab where even agriculture was once stagnant. Once these people had access to imports on a competitive basis, they began to buy the pig iron they needed to build their tube wells; they built 32,000 such wells on their own without government involvement at all. And that led to a higher water level and permitted them to use more fertilizer. As a result, agricultural productivity went up. At the same time, machine shops went up all over the Punjab. This indicates that once you stop constraining people with the wrong kind of controls and pieces of paper, they are basically able to make a go of it, and in the process to bring about growth for the society as a whole.

No one would have suspected this would be possible in the late fifties in this particular country. Now, I know this is an incomplete story. I have picked successful cases. There are unsuccessful cases and I am willing to admit that. I think what is important is that it can be done and I think we are much better at doing this now than we were some years ago. Notwithstanding, many people still think, "this is a rat hole, we are pouring money down the drain, there is no end in sight, we are never going to get out of this business, and why shouldn't we stop now?"

I think the point is that aid does work when reasonable men on both sides sit down together, define what the problem is, and then use aid as a catalyst to get domestic decisions made that have to be made before progress really can be sustained.

Let us consider the second question, why should we care? Even if it is true that more and more countries will, in fact, succeed and graduate from aid, why should the United States care? We have got our problems. We've got our ghettos, we've got the problems that the Chairman has mentioned. I am not going to make a case in terms of enlightened self-interest. I think Professor Myrdal is perfectly right in that we can't expect to get United Nations votes, we can't expect to get favorable views on Vietnam, we can't expect to get gratitude in response to our aid. If we want that, if that is the reason we are doing it, I think we should forget it.

If we are successful in making adolescents out of children, then I think we should be mature enough to realize that adolescents are going to kick us in the shin and the more vigorous they feel the harder they are going to kick us. I know there is the Fulbright thesis which says the aid will lead us to more involvement in more Vietnams. Without passing judgment on Vietnam, I am not sure whether we are there because we have an aid program there. I would say this notion is subject to considerable question. There is much to be said, of course, for doing more of our aid multilaterally. Indeed, we in the U.S. are more receptive to purely multilateral aid than some of the Europeans.

I am not sure whether I agree with Professor Myrdal that aid has become more political. I think we have learned our lesson that we can't really make short-run gains by loading down our negotiations with political considerations. At the same time, we all have our legitimate long-run interests. The Europeans have their interest in their ex-colonial countries, we have a special interest in Latin America, we have interests elsewhere in the world, and these things certainly color the aid relationship. But we are not as prone to a short-term political calculus in our aid as giving in the earlier days.

I also am quite convinced that if we take the easy way and say, well, we have got to worry about our domestic ghettos, we are going to make the same mistake we made twenty years ago when we neglected our domestic ghettos. We are going to have foreign ghettos which are going to be exploding on our doorstep ten or twenty years from now. And I hope that we have learned the wisdom of being willing to pay a very inexpensive insurance policy to avert major complications later, whether at home or abroad. The world is just too small for us to say, let's not worry about conflagrations abroad. We shall not reach the moral leadership to which we aspire by spending $30 billion or $35 billion a year to show that we can be internationalists militarily and simultaneously reverting to isolationism on the non-military side.

At the simplest level, can we really be comfortable in a world which has served billion people who just don't see the chance for progress. And what does our aid cost us? As has been pointed out, our aid is a pittance. It is a pittance even in this year of fiscal pressure, as has been pointed out. It is a pittance related to almost anything else we do. It is a pittance compared to the amount of liquor we drink. It is a pittance compared to the amount of cars we destroy every day of the year. It is a pittance in terms of the GNP and it is a pittance in terms of the budget. There is little question in my mind that the argument about "can we afford it," is really a phony argument.

The argument about putting two ghettos next to each other and saying we have to take care of one now and forget the other, is a phony argument. We can afford anything we want to afford.

Now, there have been some suggestions—and I hope we've heard the last of them—that there might even be a moratorium on aid, that at least for a couple of years we should either cut it down or cut it out. I think of a more dangerous suggestion. Everything we have gained in terms of increasing the quality of our AID is going to go out the window if we do anything of that sort. We are already down to the bone; we will be cutting into the bone if we cut this program. It is the lowest program ever proposed and if the cuts that are being talked about are even going to be close to reality, we are going to really write off past investments.

The Chairman mentioned the billions of dollars we have spent in the past. It is a very poor businessman's attitude to write off a very substantial investment of this kind for the sake of a temporary quasi-advantage to the fiscal budget.

If we do this all the progress we have made towards restructuring of the societies, towards loosening them up, letting the markets operate a little more, giving people a chance to have access, to a better life—all this would be reversed. They will turn inward again; they will turn autarchic and we will have lost the investment of the last twenty years in these countries. It will be the height of irony if at this time when we really know where we are going much more than we ever have, we were to stop in midcourse.

It is my judgment that the aid program ought to concentrate much more than it has on the private participation support program. It ought to do nothing else, in my opinion, than link its aid to the loosening up of existing restrictions exemplified in the Title IX kind of approach, in which progress is accomplished sector by sector. This ought to be the hallmark of the aid program in the future. We are not there yet but it is my conviction that it would be sheer folly if at this point we turned our back on these countries.

Thank you very much.

Mr. GOODELL. Thank you Professor Ranis.

Mr. Lester Brown of the Department of Agriculture.

Mr. BROWN. Thank you, Chairman Goodell.

If I might, I would like to focus my few minutes on question number one of our proposed agenda, viz., what has U.S. foreign aid accomplished since World War II? And I would like to focus on one of those accomplishments: the agricultural revolution in Asia.

For those of us whose thinking is conditioned by the food crisis in Asia of 1965 and 1966, the news of an agricultural revolution may come as a surprise. In fact, the four monsoons which triggered that crisis largely obscured the revolution that has been under way for the past three or four years. What, you may ask, is the evidence of this agricultural revolution? Let me just cite a few figures for some Asian countries.

Professor Ranis referred to Pakistan. Pakistan is just now harvesting a wheat crop which is from one-third to one-half larger than its previous record harvest. This is not an increase of three per cent or five per cent or seven per cent but is an increase ranging

between thirty and fifty per cent, depending on just how the final estimates come out.

India, the epitome of a country with a food problem, has this year also harvested a wheat crop probably thirty per cent above the previous record. I use as a reference point the previous record in order to eliminate, in part at least, the effect of weather variations. I should add that India's total food grain crop is going to be up probably 12 to 15 per cent above the previous record.

The Philippines, a country which had a stagnant agriculture for the past ten or fifteen years, has suddenly begun to move and is this year self-sufficient in rice for the first time since 1903.

The Asia I am talking about excludes China and, of course, Japan. It is a group of countries containing something over a billion people. The major breakthrough in agriculture in Asia is evident all the way from Turkey through the Philippines. There is scarcely a country in Asia that is not affected to some extent; some are more advanced than others. What are the reasons for this? Why, suddenly after fifteen years of effort, are we beginning to see some of our efforts bringing forth some results?

One thing is clear: we have reached the point where it is no longer either feasible or fashionable to short-change agriculture. We see in country after country in Asia a new commitment at the top. In the case of India, the new wheat program which was initiated by Jim Grant, our former mission director, who is here, is being directed and monitored from the Prime Minister's Office. Fertilizer imports this year in Turkey may exceed imports of petroleum, traditionally the leading import product. This gives some idea of the emphasis that Turkey is placing on agriculture. In the case of India, the agriculture budget was increased last year 33 percent over the preceding year. India is now using the equivalent of about one-fifth of its foreign exchange earnings to import fertilizer. In the case of Pakistan, the amount of fertilizer made available has increased several fold during the 1960's and is expected to double again by 1970.

New political commitments are one factor in this increased emphasis on agriculture. Another is scarcity, particularly where rice is concerned. A third factor, and this is an explicit U.S. objective, has been a short-tether policy on food aid. When I first came to Washington in 1960, we signed a four-year food aid agreement with India providing 16 million tons of wheat and a million tons of rice to be shipped over a four-year period. In retrospect, those most familiar with the situation would agree that this effectively postponed any meaningful actions on the part of the Indians in agricultural development. We are no longer signing four-year food aid agreements. When necessary, we have restricted the length to only a few months at a time.

Some of the elements contributing to the agricultural revolution have been long in the making, particularly in the area of infrastructure. Aid has been financing roads, dams, farm-to-market roads, and irrigation projects which are now making possible some of the rapid advances in agriculture. This activity has been under way for many years. We have been training agriculturalists, some 4,000 from Asia over the past several years, through AID, the USDA, and the land-grant colleges. These trained professionals now provide an important complement to the agricultural technicians, who are directing the agricultural revolution.

We have seen a major reversal in price policy where countries have become producer-oriented and not solely consumer-oriented. The old psychology of hold the prices down for the benefit of the urban consumers is no longer dominant in most Asian countries.

Along with these resource commitments, these policy changes, has come within the past few years the introduction of a dramatic new technology in the form of the high-yielding food grain varieties referred to earlier. Most of us did not expect these varieties to move quite as rapidly as they have. We had occasion a few weeks ago in my office to total the acreage planted in Asia to high yielding varieties of wheat, rice, and to some extent corn, grain, and sorghum over the past four years, and the numbers go like this:

In 1964–65 there were some 200 acres planted to high-yielding varieties. These are largely trial demonstration plots. In 1965–66, this increased to 23,000 acres; the next year, three million acres; and the year just ending, 1967–68, there were twenty million acres so planted. That is a phenomenal rate of increase by anyone's standards. In this coming year, the 1968–69 crop year, it is quite likely that the acreage will increase to some 30 or 40 million acres.

These new varieties are not improved varieties in the traditional sense. They are not just 10 or 20 per cent better than the old varieties. Allowing for the needed inputs and proper management, they are twice as good, and this is one reason why they are multiplying so rapidly. It is one reason why there is a black market for seed for these varieties in a number of Asian countries. It is one reason why a number of the countries have turned to the wholesale importation of large quantities of high-yielding Mexican wheats, of high-yielding rices from the Philippines. The intention is to accelerate the dissemination of the new seeds. Here is an excellent example of countries importing a technology already developed that happens to be adaptable to their own environment and taking full advantage of it. It is perhaps one of the most dramatic examples of this particular kind of thing.

The new varieties are more than just high-yielding varieties. They are, I think, an engine of change. In a statement prepared a couple of months ago, I pointed out that these new varieties may be to the agricultural revolution in Asia what the steam engine was to the industrial revolution in Europe. Cultural practices are being changed in order to realize the genetic potentials of new varieties. Farmers must use a whole package of new inputs and new cultural practices. These new varieties are largely a seasonal, that is they can be planted at any time of the year. They make possible multiple cropping which did not exist before.

As the new varieties are adopted, the index of multiple cropping increases, with the result that individual farmers are not just replacing a low-yielding variety with a high-yielding variety but are replacing one crop of a low-yielding variety with two crops of a high-yielding variety. The index of multiple cropping is rising rather steadily in a number of countries, such as India, the Philippines, Pakistan, and others.

The new varieties require a great deal more care and attention than the older varieties. They are utilizing labor which has traditionally been in some instances unemployed during the off-season and, in a more general case, underemployed. They are mobilizing capital in the rural areas of Asia in a way which was not thought possible a short time ago. Farmers in West Pakistan are investing in tube wells very heavily, installing some 6,000 or 8,000 per year as I recall, and the returns on these new wells and the water from them are so high that farmers are paying off their investments in one to two years on the average.

This is not to say that there are not problems with the new varieties in the agricultural revolution. There are. There are the diseases to which the new varieties may be susceptible. There is always some risk of a repeat of the Irish potato famine when the potato blight hit Ireland very suddenly. But efforts are under way to minimize this. The number of varieties being used are diversifying yearly and I think the prospects of disease-caused catastrophes are diminishing accordingly.

The value of water has increased sharply in Asia in the past two or three years as the new technologies, more fertilizer, and the new highly responsive varieties have been adopted. Water resource development and water management is a major area of potential progress in Asia over the next several years.

What are the implications of this agricultural revolution now under way? First, it means a much more rapid rate of growth in food production in Asia than has prevailed over the past several years. It is not inconceivable that the rate of increase in food production in Asia the next few years, into the 1970's, could be as much as double that of the early and mid-1950's. Not only will a more rapid rate of growth of the farm sector, which constitutes a third to a half of these economies, contribute more in itself toward a more rapid rate of overall economic growth, but it will also stimulate a much more rapid rate of growth in the non-farm sector.

The agricultural revolution in Asia, if it continues, may result in one of the most rapid sustained rates of regional economic growth experienced in any region at almost any time. In world-wide economic terms, it could be one of the most significant developments, perhaps the most significant development since the economic reconstruction and rebirth of Western Europe following World War II. More importantly, the progress being made toward solving a problem which many had considered to be virtually insoluble should give the leadership of the developing countries confidence in what the new technology, properly applied, can do to improve the welfare of their people.

Mr. Chairman, thank you.

Mr. GOODELL. Thank you, Mr. Brown.

Professor Thomas B. Molnar of Long Island University. Professor Molnar?

Dr. MOLNAR. Thank you, Mr. Chairman.

René Dumont, and now Gunnar Myrdal, tell us that not only Africa, Asia too *est mal partie,* that they have started out on the wrong foot. My ex-compatriot, Prof. Thomas Balogh, advisor to many, including the present British government, has joined these gentlemen, in his review of Mr. Myrdal's book in the New York Times, calling attention to a number of clichés about underdevelopment, clichés now gradually unveiled and exposed. Permit me to add now my own observations gathered on three continents of the so-called Third World, observations I wish to summarize under two headings, or rather, in the form of two recommendations:

1) Let us discard the myths fabricated by ideologies, and

2) Let us state the factors which, under favorable conditions, may lead to development.

Myth: Capitalism is responsible for making rich nations richer, poor nations poorer.

It is easy to observe while traveling that wherever a degree of success is achieved in Third World countries—a modicum of prosperity, a hopeful outlook on the future, stability and freedom—an important factor is the presence of one or more industrial nations from the West, Japan, Australia, etc. Since in these countries by and large a free economy prevails, it is not hard to see that some of the spirit of freedom penetrates through their presence. The concrete forms this spirit takes are the following: companies and exploitations set up by them provide steady work for a part of the population whose income they raise and whose standard of living they stabilize; they contribute, through locally paid taxes and other forms of participation, for example vocational schools, to government revenue and general

progress; they help diversify the host country's economy through the secondary industries they encourage, the roads they build, the ports they install; finally, they maintain schools, hospitals, and other services.

Western presence also refutes, at least partially, the cliché about the *general* unreliability and laziness of local populations. While it is true that in most countries of the Third World the inherited social structure, plus the socialistic tendencies of the present governmental policies help maintain a climate hostile to progress, it is no less true that there are many individual exceptions to this rule. One of the crucial points in the whole problem of underdevelopment is, in my opinion, the encouragement to be given to the exceptional individual, the exceptional enterprise, the exceptional situation. After all, when India is criticised, and rightly so, for the lack of social discipline, the existence of 60 million untouchables, the impediments on the slaughtering of cattle, etc. one may point to the active Indians in East and South Africa. It is true that in such instances it is the removal of a minority from its home environment and its displacement to a new and challenging situation which constituted the chief factor of progress. Yet, Western industrial presence should act precisely as creator of challenges and new situations, and as a talent scout.

Examples of islands of prosperity in underdeveloped countries abound, and the promising thing about them is that with a modicium of local cooperation, they do not remain islands. Whether in Venezuela or Gabon, Mauretania or Chile, Western exploitation of mineral or other resources is a stabilizing factor in the above sense. Even in so-called socialist economies, like that of Guinée (aluminum). Western presence is a harbinger of hope.

Thus, it is very alarming that this link between Western industry and underdeveloped countries is constantly attacked. Let me list two such attacks. One is by men like the Brazilian economist, Celso Furtado, who promotes the idea that since local government knows best the local needs, foreign enterprises should be nationalized. This is, of course, a nonsequitur. He also blames these enterprises for developing certain selected regions, thus creating a disequilibrium in overall uniform growth. This view conflicts directly with the hope that the Western presence may act as encouragement for local talent and initiative. It is strange in the mouth of a Brazilian whose government, rather than giving all help to its northwestern and Amazon regions, preferred to build a huge capital. Brazil, in the middle of nowhere and contributing to no conceivable development, even regional.

Another attack against the Western presence is contained in the papal encyclical, "Populorum Progressio" (Art. 26), where not only the "profit motive" and "competitive spirit" are condemned with hardly important qualifications, but also the concept of "private ownership" which recognizes no "social responsibility". Now, if we look, for example, at the African tribal system, we realize that one reason why enterprising Africans 1) do not achieve a successful land exploitation, and 2) prefer to acquire diplomas which, in Mr. Myrdal's words, are "passports to escape hard work," is that private ownership is discouraged by the tribal structure and at present by what goes under the name of "African socialism". In this instance, the encyclical's exhortations are clearly based on erroneous information.

Myth: Foreign aid is *owed* by rich countries to underdeveloped ones.

This myth is spread by irresponsible politicians, but also by respectable scholars like Prof. Jacques Berque of the College de France in Paris. It is then accepted by many Western economists and businessmen who think that by paying a kind of tribute to the underdeveloped countries and to a mythical "world opinion", they will not have to make serious and constructive efforts in the direction of a more correct approach. The whole idea received a recent formulation by President Boumedienne of Algeria who even suggested a new class struggle on a global scale against the rich nations.

Now let us remark that in colonial times the colonies benefited by preferential treatment in their economic relationships with the mother country. Their products were bought at the world price or above (unlike the practice of the Soviet Union which for years treated its satellites in a much harsher manner, selling to and buying from them at arbitrarily set prices). Since decolonization, let us not forget that leaders like Nkrumah, Castro and Nasser helped undermine the system by selling cotton and sugar to the Soviet Union at lower than world prices—for political advantage and ideological support.

It should be kept in mind that the departing colonial powers, as well as the Western countries now present in developing lands and accused of "neo-colonialism", have decisively contributed to the infrastructure of these countries. They built, and keep building and repairing, roads, bridges, railroads, airports, factories, schools, which are lasting contributions and for which the local government would have no funds or competent personnel. Even such a cool-headed man as ex-president Albert Lieras Camargo of Colombia, has complained that American companies behave in his country and continent the way they would never dare behave in their own. Lieras Camargo forgets, together with more radical men, like Celso Furtado and Archbishop Helder Camara of Recife (Brazil), that in South America these companies are often obliged to act like pioneers of progress, creating and maintaining an environment they find ready-made in the United States.

Once the last-mentioned, Mgr. Helder Camara, complained to me that since 1945 the United States had taken $14 billion worth of raw material from the soil of South America. Compensation was in order for this loss, he suggested. He conveniently forgot two things: 1) local capital would have been unable to open up the continent's resources on such a large scale, and 2) no market other than the North American would have been able to absorb the available tin, coffee, oil and copper, not to mention the work and jobs offered, the schooling and other services introduced by these companies.

Myth: Land reform is a *sine qua non* of development.

Many of the existing or projected land reforms are false solutions because the peasant, now owner of his plot, has no staying power, capital or equipment. Yet, in a sense he is attached to his land like the medieval serf because he cannot legally sell it, so, in many instances, as in Mexico, he will find subterfuges and become, in fact if not in law, a tenant farmer for richer "kulaks".

We find, nevertheless, that "Populorum Progressio" (Art. 24) encourages state-expropriation of land when it is "poorly used". Of course, only large estates are meant because, again, the encyclical seems not to know the problem, just mentioned, of new small owners. Nor does it seem to know that governments, such as Brazil's, for example, possess enormous territories it could exploit, valorise and distribute, but that they prefer to take over already existing and well-equipped estates and plantations. This is a cheaper way, and more rewarding in terms of votes, present and future.

Attention must also be called to the fact that in tropical climates, land cultivation needs different techniques than under temperate climate. Because of the heat, chemical reactions in the soil are more rapid; because of the extremes of rainfall and drought, plants may rot or perish; because of the wind and the wholesale destruction of forests by the tribes, erosion carries away the topsoil; because of the social and family structure, cattle breeding is notoriously inefficient. All these factors should be considered before land distribution is undertaken; generally such distribution (reform) should not have the size of land as a criterion, but the degree of its efficient exploitation. Otherwise, food production in developing countries will continue to lag, and lag dangerously behind the rate of population growth. Here again, this is not the foreign governments which should be blamed for insufficient aid in food products, but, as F.A.O. has finally admitted, the inadequate attention given to the problem by local governments which do not invest sufficiently in food production and fail to mobilize manpower for it. No wonder their food imports are growing.

Myth: Priority should be given to industrialization over agriculture.

This myth, it is true, has lost some of its earlier force, but it is still very much alive. Except where foreign-initiated industry has helped create jobs and steady income, the local population has no income to buy and consume local products. Under governments dedicated to a planned economy, the private sector of industry tends anyway to be suppressed or, like in India, it finds itself hedged in by so many bureaucratic obstacles and licenses, that it prefers to sell out to the state or liquidate its operations. The reverse process, observable in Austria and Argentina, is rather rare, that is when a non-socialist-minded government resells the industries and businesses its predecessors have started or acquired. Otherwise, it is notorious that State-run enterprises (Argentina and its railway comes in mind) keep operating with fantastic deficits, spawning and perpetuating a gigantic bureaucracy.

It is sad to note that on this issue, too, the recent encyclical (art. 47) recommends that governments raise the tax level so as to "intensify development efforts". It must be pointed out that many of the governments so nobly urged, are incredibly corrupt, so that the existing tax system does not bring the expected results. Private companies, local and foreign, pay out more in bribes than in taxes, and would have to continue doing so even if taxes were raised. Thereby they enrich the party in government, and contribute to the political strife between parties, all of which want to benefit from these extra sums, for which no accounting is required. Putting more money in the pockets of these governments is by no means a guarantee that the new funds will be better spent than the old.

2) Let me now state some factors leading to development and consequent wise use of foreign aid.

a) First among these factors is a reasonably stable government in the developing country. Such a government will not demand, under extremist pressure, unexpected and non-negotiated new taxes, and will not unexpectedly curtail production of foreign companies. It will not threaten nationalization (as in Chile, Venezuela, recently Zambia). Governments that come to mind in terms of stability are Ivory Coast and Taiwan. The first is a striking example of a well-managed State in troubled West Africa, maintaining excellent ties with the industrial powers, developing its trade, local industry, road networks, internal security, school system, etc. In Taiwan, land reform was orderly, gradual, creating minimal bitterness and encouraging former landowners to invest in industries which help market the country's agricultural products.

b) Such a stable country will not maintain a huge bureaucracy which drains both local resources and foreign aid funds. In "socialist" Guinée and Mali the bureaucracy swallows up more than half of the budget;

recently 80% and 60% respectively of the budget increase was channelled into higher salaries for bureaucrats. In this domain too, it is necessary to examine whether higher taxes do not simply mean a yet higher standard of living for members of the elite, and new luxury for foreign missions and embassies. Nor should it be forgotten that when a bureaucratic class possesses power over economic life, such as licensing imports, new companies, etc., its interest may indirectly be to perpetuate poverty and corruption.

c) The stable and economically-run (non-bureaucratic, non-socialistic) government will also be less wasteful. The worst example in this respect was, perhaps, Ghana under Nkrumah. In a few years, he squandered the four hundred million pounds left in the country's treasury by the departing British. Waste takes various forms: a steel mill in Egypt, a national airline in Ethiopia, the manufacture of new cars in India, splendid public buildings and presidential palaces, prestige projects, military expenditures. Without going into the merits of their stand and only looking at it from an economic angle, it is significant that the nuclear non-proliferation treaty is most adamantly opposed by two of the world's most slowly developing countries, India and Brazil.

The lesson of these several points for a healthy American policy of aid, can now be drawn. It is a simple lesson: there are deserving and undeserving countries in terms of their response to factors of development. In the long run, it may be hoped that foreign aid will create increasingly favorable market conditions for American companies. Meanwhile, however, these benefits are limited, and they could accrue to American companies more directly by certain internal fiscal reforms too.

Yet, recognizing the obvious imperative of helping develop the countries of the Third World, I wonder if the new approach should not concentrate on the encouragement of individual effort and initiative. The alternative is clear: it is the increasing luxury guaranteed to a small elite, bureaucratic, non-productive, addicted to status symbols, and even to the repression of the local citizenry. How much more useful would be to seek out the private sector and its deserving individuals and groups. Even small countries, like Guatemala, benefit very little by government-to-government aid, like the Alliance for Progress. I was told in that country that Alliance and AID are a good thing *not* because of their official contribution, but because of the presence of some 3000 Americans (the officials and their families) who spend handsomely a remark to be pondered by all those discussing foreign aid policies.

Sensible policies could be based on this approach, namely on the attitude that individuals, rather than governments, should be helped. As Mr. Guido Fernandez, then executive secretary of the National Association for Economic Development (ANFE) of Costa Rica, wrote in 1963, the Alliance for Progress "with the best intentions, amplifies the radius of action of the public sector. . . . The private sector which is supposed to produce added income and a permanent source of increased employment, remains stagnant or reduced to a minimum." True, in this manner progress will be less spectacular, but spectacular progress displayed by governments addicted to planning is usually of the Potemkin-village type. Whereas concrete aid to concrete persons, industries, cooperatives, or other branches of activity would create not only islands of prosperity, but would also encourage a desire to imitate, to compete.

This implies, some might remark, a clear attempt to influence the prevailing internal economic policies within the recipient country. But all types of aid necessarily do so. And not only aid, but other actions and events as well. It is ill-advised to argue, for example, that the end of the Vietnam war would liberate new funds for purposes of foreign aid. On the contrary, one consequence of ending that conflict, if it ends, with American loss of face and with doubt spreading as to American promises, would be that many Asian nations might turn to socialistic policies and into socialist regimes. People, even against their long-range interests and better knowledge, tend to imitate the victor, or the one who appears more powerful.

Why not use American power intelligently, towards influencing the economic policies of countries desirous of American economic aid? And correspondingly, why not deny aid to countries which refuse our conditions?

I note this healthy tendency towards making American foreign aid more selective and hence more concentrated, in Secretary of State Dean Rusk's recent statement before the Senate Foreign Relations Committee. He also emphasized the necessity of local effort and willingness to work, and the obligation on our part to help the willing, not the indolent, the bureaucratic, the troublemaker. We must hope that these are no mere words, but the expression of a new, more realistic, attitude.

In conclusion, I would like to remark that when Professor Myrdal calls upon us to become pedagogues in this field, I trust he allows for the fact that we pedagogues may have rather different philosophies.

Thank you very much.

Mr. GOODELL. Thank you, Professor Molnar.

Dr. John A. Pincus of the Rand Corporation.

Dr. PINCUS. Thank you, Mr. Chairman. I will be brief.

Economic development is only one goal of U.S. foreign aid and normally it is, I would think, not a very important one.

Our foreign aid has usually succeeded in promoting very rapid rates of economic development, the kind of self-sustaining growth that Professor Ranis spoke of, only where per-capita aid has been massive, as in the cases of Taiwan, Greece, Israel, Jordan, South Korea, and Pakistan. But aid itself has been massive only when economic development was a secondary goal. Recognizing the subordinate importance of economic development and aid policy for this country, I shall deal with it briefly under two aspects. First, how can the present program be made more effective; and, second, what can the United States do, in addition to the present aid program, to promote economic development.

The principal characteristic of the aid program today is that the United States has somehow become involved in lending money to underdeveloped countries instead of giving it away. As a result, we have contributed substantially to underdeveloped countries' official foreign debts which are now in the neighborhood of $40 billion. In many instances these can be paid off, if at all, only at substantial cost in terms of national economic development.

We are rapidly getting ourselves into the position of a creditor who has to keep lending in order to be spared the embarrassment of having his debtor default. On the other hand, if we cut aid back much further and do accept repayment, we will soon be receiving net capital inflows from the world's poorest countries.

India's official foreign debts are now over $7 billion, Chile's $1.5 billion, Indonesia's $2 billion, and so on. The aid and food for peace legislation should be amended to authorize the Administration to offer grants or low-interest loans, depending on the recipient. Otherwise, we are simply maintaining a fiction that becomes increasingly costly. If aid is to offer funds to India, Pakistan or Brazil, they should be 100 per cent grants. Aid to Mexico or some of the other South American countries should be at rates that reflect their much greater capacities to pay.

As far as past debt is concerned, I have two suggestions. First, repayment of the portions lent under authorities other than that of the Act for International Development—that means mostly past lending—should be stretched out. There is not much point to stretching out existing AID loans because the repayments return to a revolving fund for relending as authorized by Congress. Stretch-outs in this case simply change the distribution of funds among countries. They do not affect the total amount available, unless Congress chooses to reduce new appropriations by the amount of the repayments.

A second proposal is that if economic development is going to be an important element of the aid policy, as I believe it should be, then we should authorize the program on a five or ten-year basis and fund it according to the results we are looking for. Economic development takes time and rapid growth is going to cost more than slow growth. Roughly speaking, and with some of the exceptions given by Professor Myrdal and others, the results are proportional to the costs.

One point is often overlooked in this connection. Many recipients of U.S. aid, such as India, Brazil, and Indonesia, have received very small amounts on a per capita basis. Eighteen years of U.S. aid, for example, have transferred to India less than $1 of aid per Indian per year. Now, this understates the strategic importance of these amounts of aid in helping to break foreign exchange bottlenecks. Nevertheless, I think it is optimistic to expect that foreign aid can affect or even catalyze very effectively economic transformation in India or anywhere else at $1 a head.

Third, we can try to assure that aid is used effectively and not devoted to fanciful industrial monuments of the kind that other speakers have referred to or, for that matter, other forms of latter-day pyramid construction. It would be a mistake to insist on greater efficiency as a condition of receiving foreign aid. It is simply too much to expect that efficiency, honesty and balanced judgment will normally mark underdeveloped countries' use of foreign aid funds.

If a country can deliver the standards of administration that are often called for by critics of waste in the aid program, then that country should be giving technical assistance to the United States and not receiving it. In a time when enthusiasm for foreign aid is noticeably restrained, it seems appropriate also to look at the second question: What can we do in addition to the present aid program?

Policies that might supplement foreign and include increasing the poor countries' capacity to import at little or no budgetary cost to developed countries. A number of measures have been proposed and they include reduction of tariff and non-tariff barriers to products exported by underdeveloped countries, the preferential tariff treatment for their manufactured exports, agreements to establish higher prices or more stable prices for food and raw materials exports, and financial support for economic integration of less-developed countries.

Some of these proposals are attractive, I think, because they would help to orient poor nations' economies toward world markets and away from the costly effort to achieve industrial self-sufficiency. These four issues I have just discussed were covered at the recent United Nations Conference on Trade and Development with inconclusive results.

One potentially fruitful line of approach was not discussed at the Conference and that is what I would like to discuss here. Underdeveloped countries are now relatively isolated from major private capital markets, except indirectly through the operations of the World Bank and similar bilateral agencies. There are three major reasons for

the current absence of poor countries' obligations being issued in world markets. The first one is that the lenders have a good deal of uncertainty and lack of knowledge about poor countries; a lot of risk is involved. The second factor is restrictions on foreign borrowing in the lending countries through capital market controls; and a third factor is that borrowers and lenders are reluctant to add to debt service in view of the heavy obligations already imposed by official foreign aid and suppliers of credit.

If the U.S. government were, in effect, to guarantee bond issues by less-developed countries up to specified limits on condition that the proceeds were spent here, a connection could be initiated between private investors and the underdeveloped countries. Today, for example, the Export-Import Bank lends money to finance exports of American equipment abroad, largely to underdeveloped countries, and the rates of interest reflect the implicit U.S. government guarantee involved.

If the United States wants to maintain and enlarge its trade and investment ties with underdeveloped countries, it is free to authorize a similar institution to guarantee underdeveloped countries' bond issues or to borrow funds directly in the U.S. market for relending to underdeveloped countries at terms and conditions that would depend on the present and prospective international solvency of the borrower. A modest interest subsidy fund appropriated by Congress could cover the differential between the government guaranteed market borrowing rate and the lower rates that some underdeveloped countries could afford to pay.

In addition to building and perpetuating markets for American goods, such a device offers the additional advantage of linking the underdeveloped countries to U.S. capital markets. The government of Mexico today, for example, borrows certain amounts annually in the New York market. It is one of the few who do. As other nations receiving such loans progressively develop their economies, the activities of the proposed relending agency might be limited simply to guaranteeing bond issues without a subsidy provision. In the longer run, intervention by the United States authorities might become unnecessary, as in the case of Mexico.

Ultimately, of course, appropriations for foreign aid and bond issues floated in financial markets to be relent are simply alternative ways of tapping U.S. capital resources. But the latter method obviously encourages far more trade per dollar of appropriated funds. This method allows capital markets to be tapped at modest budgetary costs on the basis of mutual material advantage without the lengthy and perhaps not very profitable process of annual Congressional hearings, to say nothing of the great temptations faced by the foreign aid agency to allow relatively short-term considerations to dominate the allocation of funds.

Such a system could not be effective, however, for a number of underdeveloped countries unless steps were first taken to reduce the debt service problem through such policies as debt stretch-out and conversion of loans to grants. Otherwise there will be growing pressure to default.

I am not suggesting that the proposed system of guarantees and subsidies replace the existing official aid program. As I see it, the transformation of the present aid program into a system of grants, combined with tied capital market borrowings set initially at perhaps $500 million a year, would substantially improve underdeveloped countries' growth prospects without imposing any serious strain on the American economy or balance of payments.

Thank you, Mr. Chairman.

Mr. GOODELL. Thank you, Dr. Pincus.

We will move very quickly to our observers for questions and comments, but before we do so, for a brief exchange and commentary, I will recognize Professor Myrdal.

Dr. MYRDAL. Mr. Chairman, ladies and gentlemen. I read in preparation for this discussion the minutes from the Balance of Payments Seminar. There you really had some fun. You had clashes of opposing views—which always makes for interest. I am afraid we are a more tedious crowd because, on the whole, we are saying the same things.

I am reminded of a time long ago when, together with others, I was helping to prepare our Swedish "New Deal." This happened to take place a little earlier than yours and we were a little more successful because we were not so scared of the expenditure. One of my associates of this period, who was really conservative, cited the old saw about economists never agreeing. "But the terrifying things," he said, "is that you do agree." Although in our discussion here this morning, our emphases have been different, I don't think we disagree. We have our differences, and in considering such a tremendously large problem as aid and development each of us quite naturally focuses on what is uppermost in his mind.

Take Professor Molnar. His views might be considered to be furthest from my own as he is conservative and I am not, at least in my original intentions. Nevertheless, I am very much on his side when he says that capitalists are not exploiting the underdeveloped countries. I agree that this notion is absolutely wrong.

The horrible thing is this: if you were to take the whole Indian subcontinent and let it sink to the bottom of the ocean tomorrow, it would hardly disturb the development curves of the rich countries. They need everything from us and we need nothing from them. And this is what is so terribly disturbing. By the same token, however, Professor Molnar's perturbation about socialism in some of those countries is without foundation. The conception is unreal. Take the case of India which is supposed to have a socialistic economy. If so-called socialism obtains in that country, it does so only in the petty little sector which is big industry. Even here, we do not have socalism simply because the state builds up the steel industry; the state does this because private business fails to do so.

In reality, there is very little socialism in India. Indeed, in Pakistan, which advertises itself as a private enterprise economy, there has been more public investment per year proportionately than in India. And very few of these countries are opposed to private capital investments.

My friend, Lester Brown, and to an extent also Professor Ranis have stressed, in an optimistic vein, the possibilities of technological changes in agriculture. But this is a very volatile sort of thing. The less developed countries have had good crops now for a couple of years, but we might be talking differently if they should have bad crops. Anyhow, I do believe that land reforms are very important. This might be interpreted as being in opposition to Professor Molnar. But by land reform, I do not mean necessarily the distribution of land in equal plots. I mean establishing a relationship between man and land which provides incentives for hard work and investment. And that is the type of land reform which will be required increasingly in the future if the technological breakthroughs referred to by Lester Brown are to bear fruit.

I agree with Mr. Pincus about the desirability and the possibility of trying to make greater use of the private capital market for development purposes. One of the obstacles here, of course, is the artificially low level of interest rates which practically all underdeveloped countries endorse without further discussion. But the need to encourage greater use of private capital is incontestable, and here again I am in agreement with my fellow panelists.

Mr. Brown and Professor Ranis have great expectations with respect to the changing of price policy in the less developed countries. It is true that price policies are not very rational in most of these countries. Nevertheless, we should not forget that in a country like India, where only a fourth of the farmers have anything to sell, the bulk of the output is extracted and distributed by non-market processes, chiefly through money lenders and landlords. Roughly only a third or a fourth of agricultural output goes to market, but it is precisely in the market sector where hunger is most acute. Hence, higher prices will very often mean only less consumption.

These problems are complicated and I remain a little skeptical about the popularity of price policies, even in America. In general we are too quick to draw analogies from our type of market economy and to apply them in the non-market situation which prevails over wide areas of the underdeveloped countries.

It is at all events evident that there are some differences among members of the panel. But if we had a week here I am sure that the margin of disagreement would be substantially narrowed. In fact, we already agree on the most critical issues. In all of this, my hope is that responsible people in the Congress, as in the Agency for International Development, will keep the torch burning and insure that the level of your aid program is not further reduced.

Another underlying consensus here is this: that on the whole we feel that what the United States is doing is good, that what A.I.D. has accomplished is good and that it has learned from experience. In this connection, it is my hope that the United States can manage its own economic affairs in such wise as to eventually preclude the need to tie every dollar given in aid. It is regrettable that the tiny portion of your total output which is allocated to aid should be jeopardized by the diminished competitiveness of American industry. The rich nations must maintain economic balance and economic order, both within their own boundaries and among themselves. I would hope also that there could be an effective cooperation among the various central banks so that the U.S. and other nations would not feel the need to make further economies in what are already very small aid programs. And I am encouraged by the statement in the AID document that U.S. aid could be increased by a half billion to a billion dollars without posing a threat to the balance of payments.

Then, again I would hope that we who write books and articles and, of course, the Congressmen may be successful in persuading the American people not to pretend that we are giving aid to other countries in our own interest. Continued asseverations that our efforts are selfishly motivated will jeopardize their success in the long run.

And may I stress again a point I made earlier, viz. that aid should not be used as conscience money for a bad commercial policy. We should be prepared to consider the trade problem. The great advantage of opening up our markets to the exports of the less developed nations is that the receipts then go directly into their industries and into their economies through private entrepreneurs rather than via governments. Many here, I suspect, would regard this as a desirable development.

Thank you.

Mr. GOODELL. We shall now turn to our board of wisdom, our observers, and anything they have that they would like to present as a comment or a question.

Mr. Aldrich?

Mr. ALDRICH. I represent a part of the private sector which entered into the development process some twenty years ago. We find

ourselves today operating 155 companies in 39 countries of the world, with some 30 per cent of our assets in Latin America. I think all would agree that this is an underdeveloped portion of the world.

We are active in these undertakings: hybrid seed corn in Brazil, where we are the largest producers of hybrid seed corn in Latin America; supermarkets in Argentina, Peru and Venezuela; mineral development; poultry in Argentina, Brazil, Chile, Colombia, Peru, and Mexico; low-cost housing in Mexico, Peru and other countries. In these fields, we have some $50 million in assets, some $19 million in equity, a 10 per cent return on those assets, and a 25 per cent return on that equity.

When we first went into the supermarket business in Venezuela, 92 percent of the products were imported. Today 92 percent of the products sold in those supermarkets in Venezuela, which incidentally is the largest commercial company in Venezuela today, are domestically produced.

The hybrid seed corn operation in Brazil to which I referred will produce this year 20,000 tons of hybrid seed corn with a reproductivity factor of some 600 times, or roughly 12 millions tons. This has enabled Brazil for the first time in its history to export corn.

I respectively submit that if you analyze these sectors of my company, and the activities of a consortium of other companies doing the same things, we might well have here desirable candidates for long-term, low-interest loans aimed at accelerating the development process. This seems especially pertinent when the development process appears to be slowing down because of the reduced availability of aid funds.

This is an opportunity to use some of the words of the previous speakers, to underwrite an exceptional enterprise achieving exceptional results in the development process. I would think there would be considerable point at this time in examining whether or not aid funds can be allocated, untied, to such an enterprise representative of the private sector.

Thank you, Mr. Chairman.

Mr. GOODELL. Thank you. If I may repeat my earlier identification, Mr. Aldrich is the Vice President of the International Basic Economy Corporation.

Are there any comments from the panel? Yes, sir? Mr. Irvine?

Mr. IRVINE. I, like Professor Myrdal, am impressed with the agreement that we have seen today, especially the agreement that policy of the recipient countries is more important than aid because aid is only marginal.

My good friend, Gus Ranis, has pointed out the value of aid as a catalyst in getting policies adopted that will be effective in promoting economic development. But I would like to ask whether aid is the most effective device that we can possibly think of, or the only device that we can utilize to get the desired policy changes adopted.

I was told just two days ago that to get a certain country to change its exchange rate, which everyone has agreed for many years it ought to change as a matter of sensible economic policy, would require that double the amount of aid that we are now giving. This amounts at the present time to about $80 million a year. This is an expensive pedagogical device. I would like to suggest that since what we are dealing with here are ideas and understanding of economic realities, we should devote a little more effort to promoting and spreading the kind of basic development economics we have heard expressed this morning. For some very small percentage of the amount that we spend on economic aid, we could mount, I suggest, a very successful educational effort that would react directly upon the policy-makers, upon the people. What is critical is to persuade the intelligentsia or the intellectual community, the politicians and others to understand and accept the policies which are required.

I would like to ask the panel whether or not they would agree that much more could be done in this area?

Mr. GOODELL. Professor Myrdal?

Dr. MYRDAL. I am reminded in listening to the last speaker of a conversation I had with the head of the International Monetary Fund some time ago in Stockholm in which I said to him, "You are doing a tremendous job." On the whole, I think it is good that these poor countries should be advised on how to run their monetary and fiscal affairs. But I do not find the same interest in accepting advice on the part of the rich countries. And, as you know, the rich countries have recently been managing their economies in a most abominable way. Consequently, I think the role of the Monetary Fund in teaching the rich countries what is correct policy should be enlarged.

On the whole, I would say that there is no lack of advice to poor countries as to how they should run their economies. And the Monetary Fund has been a prime factor in the purveying of such advice.

Mr. GOODELL. Professor Ranis?

Dr. RANIS. I guess we are beginning to see a little difference of opinion on a couple of issues, which is probably healthy.

I did mention three functions of aid, you may remember. One is the catalytic function, whereby a donor may sit down with a recipient and talk about the problems which really pervade a total system and influence not only the economy but the society. I do think that we have every right to such a discussion. I don't believe that is intervention. I think that if we just send them a check through the mail we will be intervening on the side of the status quo. That is intervention that doesn't affect the quality of our aid in the way it ought to be affected.

So there is no question about our right to do this. Now, the question is, could we confine ourselves to this and forget about money, at least provisionally? Here, clearly, it is necessary but not sufficient that there be complete agreement on the substance of the policy package that we are talking about along with the aid package that they would like to talk about as well.

If there isn't such agreement, then money won't make any difference. Once you have got the agreement on what is good for the recipient, then you have two other functions which come in. One is to create particular kinds of institutions needed to implement the policy package. Between changing a law and really getting the new institutions to work, a great deal of advice will need to enter in, new institutions may be required, in fact, there may be particular kinds of projects and technical assistance needed to make the new policy package really work and take it off the books and into the countryside.

Secondly, and perhaps most important: once a country takes the major steps that you are talking about, viz., a devaluation or import liberalization (this will in most cases require in the short-run an adjustment from quantitative restrictions to tariffs) there will be at least a temporary drain on the foreign exchange reserves. Revenues may decline for a period. And even if these are not in fact major sources of concern, the availability of an increment of foreign assistance is terribly important to convince those who need to be convinced that the policy package which is proposed is not only correct but safe. When we talk about the government in the less-developed country, we are talking about some members of it, just as in our government. There is nothing new in saying that it is helpful to persuade people by reassuring them that the taking of certain steps will not lead to a collapse.

Mr. GOODELL. I should identify our inquisitor properly. Mr. Reed Irvine is Chief of the Asia-Latin America-Africa Section of the Division of International Finance of the Board of Governors of the Federal Reserve System.

I congratulate you, Mr. Irvine, you stirred the panel up. Dr. Friedman wants to answer you.

Dr. FRIEDMAN. Gentlemen, two points. As one who had a considerable amount to do with the evolution of the International Monetary Fund's activity in this field over eighteen years and has a responsibility for this sort of thing in the World Bank, I think it is very dangerous to try to develop specific proposals intended to apply in general terms to all countries. The international agencies, which is where my experience is, have had great advantages, which might offer lessons for bilateral aid agencies.

One of the things we have is continuity. When we enter into a relationship with a country or with people in a country, whether in the government or in the private sector, they know that they are going to be dealing with us over long periods of time.

I think it is fair to say that in a situation of this kind, a considerable amount of private off-the-record behind-the-scenes influence on policy takes place which has little to do with money. But, then, we have the advantage in that we're talking to people with whom we have talked for ten or fifteen years. And even those who are new in their jobs hope to stay in office long enough to be talking to us in the future. Personally, I don't know a place in the world where there are not some senior civil servants who have been in place for twenty years or more.

Now, this is something which, as I say, is a positive advantage in that we do exercise a kind of influence that isn't always related to money. Secondly, we have the central fact that through the instrumentality of foreign aid, capital is being provided to the developing countries. The basic question for the donor country (for example, the United States) is what are you going to be talking about to the recipient country? What is going to be the subject matter of your conversation? Based on our experience, it is remarkable the extent to which countries are prepared to sit down and talk about their domestic policies in a frank and open way as long as they know the discussions are off-the-record, and that they are not going to see their statements in the newspapers.

And so we have an advantage which I think might be of interest to the aid agencies and I know they follow this very closely, which is that we are able to establish the kind of relationship with a country that doesn't regard the aid advice giver as someone who is foreign to them but rather someone who belongs to the same family and in effect that the foreign advice giver is not in that sense foreign.

The relationship of confidence between donor and recipient which obtains between the developing countries and international agencies is a result in great part of the continuity of such agencies. Consequently, I personally favor the suggestions made here to put these aid programs on a longer term basis. There is a good probability that the same kind of relationship could be established between donor countries and recipient countries if you had the same continuity between the national giver and the recipient.

The other point I want to make concerns Dr. Myrdal's reference to the lack of controversy in our discussion. The seminar on the balance of payments, which preceded this one, was highly controversial because there was little or no argument about objectives. The participants favored an expanding world economy. They favored a monetary system that would allow international trade to expand. They did what all economists do, viz., having established the basic value system, there were some nice hot arguments about technique.

I think if we ever get foreign aid to the

point where it is adequate, where there is world-wide agreement on objectives, where these objectives are more or less being fulfilled, and what we are talking about is questions of technique—you will find that we'll get very controversial.

Mr. GOODELL. Mr. Belair, The New York Times.

Mr. BELAIR. Mr. Chairman, since several members of the panel have commented on a lack of controversy, I want to see if I can stir up a minor one.

Going to the second part of Question 3 in Mr. Goodell's opening remarks, or the whole of Question 3, I would like to hear some discussion or suggest as worthy of consideration the question whether the aid agency should not be an independent entity, removed from the jurisdiction of the State Department.

Most people who have studied this thing agree that political motivation is not the best foundation for foreign aid, however important economic development may be. Going back historically, we all may remember how General Marshall, when he was Secretary of State, objected to the independent status of ECA, saying that you would have, in effect, two Secretaries of State. Nevertheless, Senator Vandenberg made that independence and equivalent Cabinet rank for the administrator of the agency a price for his support and management of the bill on the floor. He prevailed, as we all know.

Coming down to more recent years, when George Ball proposed that AID be incorporated physically in the State Department, Vice President Humphrey remarked to me that this would be the height of folly and that if you really wanted to foul up the foreign aid program just put it under the direction of a bunch of Foreign Service officers. But any number of reports have pointed out the existence of a kind of dichotomy between political motivation and economic objectives in the aid field. And these reports have revealed the mistakes that have been made as the result of conducting aid programs on such a basis.

I am rather impressed with the operational problem here, if it is one, and by the possibilities that such a reorientation of control might give the program. Paul Hoffman remarked to me at one time that in his whole administration of the European Recovery Program, he found it necessary to go to the White House to see the Secretary of State with a problem on only three occasions. Each of these issues was decided in his favor. In the last six or eight months, Bill Gaud has had to go to the White House the same number of times and he won on only one occasion. In each of these cases, as I recall it, the problem to be settled was whether the United States aid to be given should take the form of a loan or a grant.

I am impressed that while the Vice President could talk as he did about physically incorporating aid in State, he couldn't quite complete that thought process, follow it to its logical conclusion, and suggest that the agency have complete independence. As I see it, and as Paul Hoffman demonstrated, there is no trick to operating independently as an agency while still keeping that operation within the framework of U.S. foreign policy.

The mistakes that I think can be attributed to State have to do with its ability to initiate projects, rather than where it vetoes them. I think AID could do a much better job, and take greater pride in its work, if it were an independent agency.

Thank you.

Mr. GOODELL. I think we will exempt our two AID spokesmen as biased witnesses on this particular point. Panel, any comments?

Professor Ranis?

Dr. RANIS. I certainly agree with the objective that Mr. Belair puts before us. In terms of how the U.S. foreign assistance effort looks to the developing countries, there would be a certain advantage I am not sure, though, whether a separation which is simply at the Cabinet level, would necessarily be very different from what we now have.

Foreign assistance is a tool of foreign policy. I don't think that we can get away from that. Whether discussions about how best to serve U.S. foreign policy take place at the White House immediately or take place first in the State Department will not make an awful lot of difference, in my opinion.

The fact that Bill Gaud lost two out of three probably has less to do with the structure than with the fact that right now AID is not in a very strong position in this city, or in this country. I don't think that if you had a separate agency it would come out necessarily any different.

I do have the feeling that where the two staffs are entirely merged, as they are in Latin America in the Alliance for Progress, this is not ideal. As long as you have an aid agency which starts out by worrying about economic development, at some point the U.S. has to look at this as a U.S. problem. It is a national program for which U.S. taxpayers are being asked to put up the money. It seems to me fair that at some point the President, the Executive Branch, or whomever he delegates, should review our foreign aid activities. This does not imply day-to-day intervention with the short-run political objectives that Foreign Service officers may be pursuing.

When a basic issue does come up it would come up in any case, it seems to me. No agency can be a law unto itself though it is conceded that basic questions of policy might come up at the White House level more frequently than at the Secretary's level. But I am not sure whether even this would result in any significant changes in results.

Mr. GOODELL. One of the spokesmen for AID, Mr. Grant, is rising to the challenge. I didn't mean to exclude you, Mr. Grant. A comment?

Mr. GRANT. I think it would be worthwhile to refer back to our earlier discussion of what have we learned about foreign aid. There seems to be a consensus on our panel, with which I agree, that the lesson of the fifties and the early sixties is that self-help for development is a key factor. The developing country must want to help itself.

A second lesson that we have learned in the fifties and early sixties is that the skillful use of aid can both encourage and accelerate the use of self-help in a country. It also can encourage other bilateral donors to give greater emphasis to aid to developing countries. A lot of the donors are not development oriented, but they can be made so by the example of other successful donor countries. There are many illustrations in the past several years of the skillful use of aid as a method of influence. Dr. Brown mentioned aid to India in respect to agriculture. We kept our food aid on a short tether, on the one hand, and we made available large amounts of fertilizers and other productive inputs, once the countries began to shift their policies in the right direction.

It is worth emphasizing that policies of this sort go to the guts of the problems in these countries. They affect their fundamental direction and they affect the basic relationships between those countries and us. If the United States is going to put food on a six-month by six-month basis or one-year by one-year basis, contingent upon changes in policies, this is something that involves the United States as a corporate body. It is not something which merely one agency of the United States government is involved in.

To get effective self-help with the skillful use of aid requires use of leverage. And the leverage, if it is to get at a really gut policy issue of a country, has to clearly be something that the United States as a whole stands behind. There can be no escaping the basic conclusion that the Secretary of State and the head of the aid agency need to work hand-in-hand on the basic policy issues.

The question this raises is, how important does the State Department consider development to be? In the 1950's, the State Department gave relatively little attention to development and much more to other matters. The great change in the sixties is, that development has emerged as a major objective of U.S. foreign podicy. In this kind of a framework, it seems to me to be feasible and useful for the aid agency to function inside the general framework of a foreign policy department, the State Department.

And if I may, Mr. Chairman, I would like to pick up one further point that Dr. Brown mentioned. It seems to me we can look back on the last five years with considerable satisfaction. In those countries that are prepared to help themselves and who have been the principal recipients of our aid, there has been significant progress (though not enough) viz., about a 5 per cent increase in GNP. And, as Dr. Myrdal mentioned, we have done particularly well in industries in which there has been a major investment in infrastructure. These have grown by around 8 to 10 per cent.

What really has been lacking has been progress in agriculture. And this lack of progress in agriculture has been far more than a drag on GNP. It has meant that for more than half of the population growth had literally ceased. The clear proof of this could be seen in one less developed country after another in which great urban complexes were being spawned. If you wanted to get in on the 20th century you had to move from the village into the city.

Now the technological breakthroughs we are witnessing offer us for the first time the prospect in Asia that that half of the population which is rural, growing cereals, can experience faster growth for the next ten or fifteen years than the people in the cities. This is going to have profound repercussions. The overall GNP will go up; but far more important than statistics, it will mean that the one-half of the population which has remained behind while urban growth has been at a rate of 10 or 15 per cent, will experience growth at last.

This means that the relationship between the cities and the rural areas should become much healthier. Dr. Brown's point about the new agricultural breakthrough requiring technology inputs means that the farm has become a business. You don't use these new technological breakthroughs without fertilizers, without pesticides, without pumps. In a sense, we not only found a way to increase GNP, but a way to really change the whole process of development in the rural areas. We are already observing this in Pakistan, Taiwan, and elsewhere. The figures Dr. Brown brought out are really staggering. We have just never seen anything like it, the progress of a new idea from 200 acres to 23,000 acres, to 3 million acres, to 20 million acres in four years. That this is happening all over Asia verges on the incredible.

It is important to emphasize that this breakthrough will only continue if India, Pakistan, and other countries can get the inputs required to make this change work, namely, less food imports but far more fertilizer imports. And if you will take a look at the aid program that is before Congress now for India about half of it $200 million, is for fertilizer. About half of all the development assistance in the current aid bill is for agricultural inputs to support the agricultural revolution that is now in process. To lose the momentum we now have would be particularly tragic, it seems to me. What is clear is that a basic set of new ideas has suddenly broken through in the last few years. And the important thing right now is not to abandon our support for this terribly important forward movement.

Mr. GOODELL. You speak of fertilizer. How

much of our help is for the obverse of that in population control?

Mr. GRANT. I don't have the exact figure here. It is substantial and it seems to me that this is the other side of the great breakthrough. Five years ago, we didn't have the technological breakthrough on either population or on food production. Now, we have breakthroughs on both. If the United States and the other major aid sources keep insisting that they consider these developments to be important, this will support the people in these countries who want to go ahead on these fronts. There is no doubt in my mind that since the United States has begun to make clear to developing countries that we consider increasing food production a sine qua non for development and for our aid, all those persons in the developing countries that have advocated these measures, have become ten-feet high. They have had twice the leverage, three times the influence that they had before this.

Mr. GOODELL. Mr. Brown?

Mr. BROWN. There are two or three things that I did not cover, and that Jim Grant has not yet covered, that I think are important for this panel and this committee. One is that the agricultural revolution we are talking about is very largely an American-inspired, agricultural revolution. Whether you look at the food policies that we have helped these countries to shape, or the fertilizer plants being built in Taiwan, the Philippines, Pakistan, India, Turkey, and many other countries, largely by U.S. firms; whether you look at the building of the infrastructure; or whether you look at the exciting new seed varieties being developed by the Ford and Rockefeller Foundations and now sweeping large areas of Asia—if Professor Myrdal will permit me—I can't help feeling a bit of nationalistic pride because we have played a very major role in almost every aspect of these developments. The countries themselves have done a lot, but, clearly U.S. participation across-the-board, public and private, has been very important.

The other thing I would say, since we have touched on the population problem, is that I don't think that the agricultural revolution by itself is going to close the gap between food and population. However, it is going to buy some time, so that we can get family planning as well organized as agricultural development now is. And I would suggest that with the sweeping changes that now seem to be occurring, with rural people breaking with tradition, it is going to be much easier for the family planners in the future. They will be dealing with people who have made some initial rather drastic breaks with tradition and who will therefore presumably be more susceptible to some fairly "radical ideas in the family planning area."

Mr. GOODELL. Yes, Dr. Pincus?

Dr. PINCUS. It is time to introduce a little controversy. I want to dissent from this general picture of glee about agriculture and point out that, while it is fine up to a point, so far we haven't talked about the central economic issue, one with which we are very familiar in this country. Farmers' productivity here has increased very rapidly. It doesn't make the farmers as a group particularly happy, economically. In fact, it makes them come to the government for help. The reason is that prices fall when production goes up.

Most of the people in the developing countries are farmers. If their productivity increases too rapidly, their incomes are likely to decline as prices fall. So this may mean that instead of solving problems of underdeveloped countries you are solving one set and creating another.

Now this is not bad in itself. This is the normal process, after all, of economic development, a sort of stumbling from problem to problem. Of course, I don't imagine that next year Indian farm income is going to go down as a result of increases in production. But to the extent that a number of countries in this area are agricultural exporters, this is going to diminish the demand for their exports, Thailand being a case in point. This means a restructuring of trade in the area. It means a restructuring of the distribution of income, with the results not always favorable to the agricultural sector.

Now, I don't mean to say by this, that technological progress should be stopped. But I think the impression has perhaps unwisely been created that productivity in itself is an answer to the economic problems of the agriculturel sector. In the semideveloped, in the more developed countries, and in the underdeveloped countries, that is not true. In fact, most of the agricultural problems (think of coffee and cocoa) arise today from the fact that productivity has increased so rapidly.

Mr. GOODELL. Professor Ranis?

Dr. RANIS. I guess Professor Pincus demonstrates why economics is called a dismissal science. When things go well, we worry about them going too well.

I would differ with him quite strongly, and for this reason. I don't think that any less-developed country really thinks of agriculture as the end-all of its development process. They all want to industrialize. They all want ultimately to have a balanced economy with a substantial portion of their people in industry and services. Even the so-called agricultural countries like Denmark and Australia acquired a substantial industrial sector, as we know, once they arrived.

The real issue is whether or not agriculture should be permitted to play its role in the overall development process. And that is where we are missing out. We've been pouring our money into industrial enclaves and have left out of the main stream of the savings and aid potential the agricultural sector, which is the largest sector in most of these countries.

It is true that people get enthusiastic and pendulums swing too far and some people say everybody ought to be self-sufficient. That is nonsense. Everybody ought not to be self-sufficient because you can't grow wheat in the Sahara and you shouldn't try to. But, basically, when we consider the decades of neglect with respect to 80 per cent of these populations and realize what a tremendous reservoir of potential productivity exists here—as Mr. Brown and others have shown—it makes sense to utilize that slack for growth of the economy as a whole. A productivity increase in any sector can only lead to the kind of rates of GNP increase that every society is striving for.

Mr. GOODELL. Professor Myrdal?

Dr. MYRDAL. Let me just add a word in support of Professor Ranis. There is currently so much hunger in the world that I doubt whether increasing productivity in agriculture is going to create difficulties for the less developed countries. And if they get a little richer, then Burma and Thailand, which are exporters of rice, should enjoy bigger markets. But fundamentally there is so much hunger still, that I don't see any real problem emerging on this front.

We have become accustomed to thinking in terms of resources allocated to agriculture and industry as being competitive with each other. It would take too long to develop the argument here, but I don't think there is any such competition. Industrialization which is truly desired is sound. Initially, industrialization doesn't contribute much to creating employment; very often, it takes away employment. But in the long-run, industrialization is desirable and I don't see any real problem of competition with agriculture. I think Professor Ranis and I agree on this point.

Mr. GOODELL. Mr. Belair?

Mr. BELAIR. Mr. Chairman, I was impressed—I don't want to seem an apologist for Les Brown, I don't think he needs any—but I was impressed with his observation that increased production in agriculture depends not only on modern technology but on implementing policies such as incentives to farmers and the abandonment by less-developed country governments of their deliberate depressing of farm prices. The two seem to have gone hand in hand.

In fact, we didn't begin to ses this vast increase in production until we did get those incentives and other policies that encouraged production, so much so that I think some of the things that Mr. Brown pointed out tend to refute a major conclusion of the report of the President's Science Advisory Council. In its report on the world hunger problem the Council suggested that we wouldn't really get a vast increase in production unless and until there were a concomitant effective demand for such products, meaning an equivalent and concurrent industrial development in the urban population centers.

I thought at the time that this thesis ignored the whole principle of capital formation in agriculture which modern technology has made possible. It would appear that this can be documented in the case of at least one farmer growing irrigated corn in India, where by improved varieties increase yields, and double-cropping, his income was increased from $600 to over $2,000 a year.

Well, if he has got that improvement in his income, and assuming he wants to improve his standard of living, he is going to find ways to spend it. That, in turn, it seems to me, will stimulate industrial development.

Mr. GOODELL. Dr. Friedman?

Dr. FRIEDMAN. Mr. Chairman, I will be very brief. First, in agriculture, we welcome the progress that has been made and look upon it as an outstanding example of where success may be achieved by a large input of private capital and private initiative, both external and internal. I very much endorse what Mr. Brown has said about the impact this has on the whole economy.

Secondly, I think that he would agree that the solving of the agricultural problem, in the sense of improving the productivity of the farmer, doesn't mean that we have solved the development problem. One of the problems that besets the world today is that the developing countries are growing up in an environment of modern ideas. These countries have their own ideas, learned largely from us, about income distribution, about the issue of unemployment versus full employment, about urbanization. And these governments are trying very hard, like governments in the developed countries, to reconcile what are sometimes conflicting goals. They are feeling their way and what looks to us like ineptitude or corruption is really just their attempt in a drastically altered environment to reconcile the many different objectives of government, as well as to respond to a variety of public pressures.

The other thing I want to say is that we are dealing in this field with problems, the solution to which requires a tremendous degree of professional skill and competence.

The foreign aid field has come to be regarded as a kind of popular sport, one cut above gossiping over cocktails, and to take part in which only a minimum of knowledge is required. Those of us who have specialized in the economics of less-developed countries are aware that we know mighty little about it. We know mighty little about the statistics involved as Professor Myrdal noted, and there is far too little research being conducted on these matters. We are dealing with new countries, some of whom have not really been part of the economic universe at all in our sense of the word. We have to recognize that all of the expertise that we can bring to bear—economic, physical, political, and social—are necessary. We can no longer afford the luxury of easy generalizations about the policies best calculated to help the underdeveloped countries.

Mr. GOODELL. Professor Molnar?

Dr. MOLNAR. I think my question ties in with what Dr. Friedman just said. Population control and family planning seem to have become part and parcel of the whole AID program. I am wondering whether the American voter, or the Congressman who represents him would back foreign aid if he knew of its involvement with this morally delicate subject?

A second question is how will the recipients of such help or advice react to it? In Africa, for example, a man is practically measured by the number of children he has. He is extraordinarily proud of his big family, from one or several wives. Would he accept family planning as something that follows logically from aid received in agriculture?

Mr. GOODELL. As a Congressman I can't answer for the Africans, but I will answer your first question, will Congressmen support it? Yes.

Dr. Myrdal?

Dr. MYRDAL. Two great things have happened in America in the last ten years. First, the American people have taken increasingly positive attitudes toward population policies and toward the dissemination of birth control techniques. And this new attitude extends not only to the underdeveloped countries but also to your slums. I think the public opinion polls will bear me out on this.

The same change, incidentally, is evident in the attitudes of the Vatican. I foresee within the next few years an acceptance of birth control by the Church. And this will be a very good thing.

A second thing of which you can be even more proud is the technological revolution in the development of non-conventional contraceptives. America has paved the way for this revolution and for this the whole world must be grateful. The evidence we now have shows that there is no basic resistance among the people to birth control. The difficulties which remain are largely of an administrative order. And these difficulties ought not to be understated. The developing countries are soft states. The road from the capital city to the village is a long one.

Another serious obstacle to progress on this front is personnel. Modern birth control technology requires medical expertise. The difficulties which remain are not in the moral order because I think this issue has been largely resolved, both in the U.S. and in the less developed countries.

Mr. GOODELL. Professor Myrdal, I expected unusual observations from you but I didn't expect a papal prognosis. (Laughter.)

Mr. Brown?

Mr. BROWN. In defense of John Pincus' comments of a few minutes ago, I think that ultimately the most important constraint on the agricultural revolution now under way in Asia will be the lack of markets. This can be divided into two stages; the stage where countries which now have food deficits, such as India and Pakistan, move toward self-sufficiency, and the stage in which expanding production will force them to compete in the world market. I would suggest that in the short-run, before self-sufficiency is approached, the price and marketing problems should not be a serious constraint.

In respect to our own American agricultural policies, it is becoming rather clear that the emphasis on production is obsolete. The time has come to shift more resources into marketing and try to bring things back into balance if we can.

Mr. GOODELL. Dr. Ranis?

Dr. RANIS. It seems to me that the United States has a problem of a surplus in agriculture because of the fact that we have been unwilling to take the consequences of the shift out of agriculture into other industries. We have been unwilling to pay the political price for the necessary adjustments. This is a very different problem from that of enlisting large agricultural sectors in the development process faced by the countries we are now helping.

In response to Professor Molnar, our government's policy on family planning is to ensure that the recipient country has a voluntary program. Ours is definitely not a coercive program.

Secondly, we are talking here about family health and the survival of a smaller number of children to productive manhood rather than generating large numbers of children who do not make it. To follow Dr. Molnar would be a council of despair, in my opinion. Because people have preconceptions about the number of male offspring they ought to produce, must we merely wring our hands and abandon any effort to find solutions? I don't think that is a tenable position.

Finally, I would like to add one footnote to what Mr. Belair said. I agree fully that if you are talking about the mobilization of the agricultural sector as part of the total development process, a first step is to have incentive pricing.

The second need is to give the farmers some window on the rest of the economy, some investment opportunity, something to do with the proceeds from their sales of wheat or rice or corn or whatever. And this is where the industrial sector comes in. Freer markets and freer access to start small industries, to get involved in service industries, will provide outlets for the savings achieved in agriculture resulting from the growth in agricultural productivity. This is, after all, what Japan did in the 19th Century. Japan experienced an agricultural revolution in its day of the kind we are talking about now in the less-developed world. They utilized the proceeds of that sector, moving through many, many thousands of small private enterprises to establish what we now know to be a very strong industrial economy.

Mr. GOODELL. Mr. Willis?

Mr. WILLIS. I would like to ask members of the panel about a point that Dr. Pincus raised. It seems to be agreed that the shift from grants to loans has caused problems and that the interest rates charged on loans by this country is rising steadily. Dr. Pincus mentioned the possibility of tapping the private capital market in this country to help the less-developed countries, rather than concentrating solely on public funds. He suggested an agency that might be established to guarantee less-developed countries bond issues. Do the panelists have any other ideas as to how we might accomplish this? Is the present AID policy of investment guarantees working as well as it should? Should we try other ways of getting private investors to go into less-developed countries? Obviously, there just isn't enough public money available to accomplish the kind of things that we all want to see happen in the less-developed countries.

Mr. GOODELL. Gentlemen, we are running out of time. Will you keep your comments very brief? Professor Myrdal?

Dr. MYRDAL. I will be very brief. This question of private investment in underdeveloped economies must be placed in historical perspective. We have been preaching this, particularly you Americans, since almost the end of World War Two. And underdeveloped countries have been increasingly receptive, in the last five or ten years especially, to private foreign investment. They know as well as we that in the wake of private investment, management and technology follow. Nevertheless, such investment has yet to attain a significantly high level.

A plea has been made for new ideas in this field. I myself, and a number of other economists, have been concerned with the concept of the "management contract." The bulk of private foreign investment in less developed countries currently originates with big industries and in big countries. Small industry has never been a significant factor, either in the selling of its output or in the exporting of its technology and management expertise to underdeveloped countries.

I would like to see more support for the idea of participation by small industry in investment in less developed economies. Special forms of management contracts are available to minimize the obvious risks for small industries attendant on such investment and to help in generating the needed capital resources. Such contracts could specify precisely how taxes are to be levied on the small industries, the nature of their social security liabilities, and similar details. Ideally, they should prescribe that after a given period, say ten or fifteen years, the foreign enterprises should sell out their interests to the local government or to private enterprises in the country that wish to take over the operations. Such contracts should also guarantee the amounts of earnings and of principal that can be repatriated by the foreign investors.

I discussed this matter once with the late Prime Minister Nehru, who was a very vain man, and I tried to get him interested in all this. His answer was, "We borrow only from governments." And I said, "My friend, if you want to be truly independent, you should be more interested in bringing in a little private industry, if that is possible."

I do believe that we have here a source of investment funds to which we need to devote much greater attention than we have hitherto. We cannot rely on the underdeveloped countries themselves to make the needed arrangements. They are not skilled enough to do this and are not able to gauge the full potential of private industrial activity. They just sit in waiting. Consequently, in the rich countries we should endeavor to innovate in this area of small business investment in the less developed countries and not rest content with providing incentives only for the biggest manufacturers of ball-bearings, etc. We shall have to devote much more time to the contract than to the law, and much more time to the law than to international agreements. I believe in the contract, that is, in a device which will make it more possible for industrialists in general to take risks and make commitments.

Mr. GOODELL. Perhaps we could have a brief comment on just how investment guarantees are working? Dr. Pincus?

Dr. PINCUS. The new system of all-risk guarantees hasn't been in effect long enough for us to come up with any measured judgment. The one study that I have seen that went into this in some detail (but which did not evaluate the new all-risk guarantees) concluded that the U.S. system had not been terribly effective in that it cost several dollars of public funds to encourage one additional dollar of private investment. Essentially, a great deal of public seed money had been necessary in the United States to promote a flow of private investment funds.

Now, this was as of 1963 or 1964. The more recent experience is that there has been quite a demand for these investment guarantees. The question that arises, of course, is whether or not these investments would have taken place in the absence of the guarantees. This is very hard to know. Indeed, a chief objection of the U.S. Government to the proposal that American investors wishing to invest in underdeveloped countries be given tax credits is that this would simply provide a tax bonanza to people who would have invested overseas anyway.

I don't say the objection is valid. I merely point out that it has been raised.

Mr. GOODELL. Mr. Geyelin?

Mr. GEYELIN. We have had a lot of success in working in the Council for Latin America with Bill Gaud and AID and particularly with the Alliance for Progress program. We have noted a terrific increase in the number

of AID projects known, understood, and studied. Moreover, a lot of AID money made available solely to governments before, is now being absorbed by the private sector with only the limited risk guarantee.

We have not found much interest in the extended risk guarantee because most corporations, I think, feel that their management and know-how should not be guaranteed by public funds. In other words, that is their responsibility. What they want to be insured against are events beyond their control.

We are working on a case in Brazil right now where the AID people come to the private sector and say we've got X number of dollars available next year that have been channeled into production in Brazil in the past. The production record is outstanding, but nobody is eating any better and in the marketplace the costs are the same. What is the problem? Can we work it out together?

We've come up with the proposal to emphasize the marketing rather than the production problem. With this new emphasis, warehousing and distribution and the role of the middleman have become completely fundable activities. With the consent of the Brazilian government, perhaps half of the $40 million in AID funds will never have to be spent because the funding will be taken over by the commercial banks, investment banks, or other investors with only a limited guarantee. What is not generally known is that the unused AID funds do not flow back into the AID account. The sums saved are not credited to AID because they revert to the Treasury.

One last thing I would like to mention relates to the balance of payments effects of the AID program. Eighty per cent of AID money comes back into this country in the form of payment for U.S. goods and services. And if we consider the secondary effects of these inflows in the form of increased business activity, the taxes resulting therefrom, and the funds therefore available locally for, let's say, our own urban aid problems, the original outlay is diminished by a fantastic amount. I have always thought that this should be given much more publicity.

Mr. GOODELL. Dr. Boarman?

Dr. BOARMAN. Mr. Chairman, I would like to pose a general question to the panel, and specifically to Professor Myrdal. There has been reference several times here this morning to the fact that the developing countries will only progress if they learn how to help themselves. A number of dimensions of this problem and of the ways of promoting self-help have been discussed. One that perhaps has not received the attention it should is the question of the economic system which is appropriate to the developing countries. I think that question is central.

Professor Myrdal, in your massive study, "Asian Drama" (I have read the first volume, with two still to go), you go into considerable detail in describing the obstacles to progress in the developing countries and you focus on the matter of social discipline, on the problem of corruption, on the contempt for manual work, and on other attitudes and institutions which inhibit progress.

But you do end up, I find, with a general recommendation for maintaining central planning in these countries. I think when we look at recent world history, we find that the rich nations are rich in significant degree because they have relied on a specific economic system, namely, the market economy, as the engine of progress. What the market economy does, really, going back to Adam Smith's great insights, is to recognize and exploit some key psychological constants of human nature. It is the market which gives maximum play to human initiative, incentives, and enterprise.

The wealth of a rich country can be lost almost overnight, as we saw in the case of Germany after the war in 1945, when the country's economy collapsed. The collapse was not due primarily to war damage, but to the retention by the occupying powers of the National Socialist apparatus of controls over prices, wages and production. This system had functioned only under the pressure of Hitler's terror. With that terror removed after the war, the controlled economy paralyzed the forces for revival which were indubitably present. In 1948–59, the reinstitution of the market economy, the reform of the inflated currency, and the abrogation of controls caused an economic miracle to occur almost overnight. This miracle was imitated all over Europe as central economic planning lost favor in country after country.

More recently, we have the ironic spectacle of the Communist countries awakening to the irrelevance of Marxian economics on the one hand and to the creative and productive powers of the market economy on the other.

In the third world we confront, I think, a great tragedy in that, historically, capitalism (which is a bad word for the market system) has been identified in the minds of the elites in these countries with colonialism. But even in the third world, we see dramatic evidence of where, when the market system has been installed (and always, of course, within the context of an effective governmental framework), it has freed up people's energies and generated prosperity. We see this in Malaysia, Hong Kong, and other places.

A major handicap to our aid activities, in my judgment, is that aid has been given from government to government. And when we give aid to governments who are hostile to the market, we tend to magnify and extend the role of the government and of central planning and therefore to inhibit the incentives that otherwise might be able to work.

The role of aid, it has been said here several times, is to serve as a catalyst in economic development, and I agree. It seems to me also, however, that we should look upon the role of government as that of a catalyst, rather than as a dominating force setting arbitrary goals and targets for the people. Too often, we have created new inhibitions and new deterrents to development by subsidizing governments which disregard the the basic psychological forces in human nature which make for progress.

So I would like to suggest that a real challenge to the uses of aid is finding methods of creating and gaining support in the developing countries for an economic system, the market economy, which is the real source of wealth. In doing this, we need, of course, to emphasize the necessity of providing a governmental framework which will ensure legal and political stability, provide the needed infrastructure and public goods, and maintain the basic rules of the game (for example, fair competition, fair working standards, health and safety regulations). These are indispensable if the market is to accomplish its social purposes. Such a system, I would argue, is the only one which in the long run can truly raise standards and simultaneously preserve a minimum of freedom for the peoples of the underdeveloped countries.

Mr. GOODELL. Professor Myrdal, it is a big order. Can we do it briefly?

Dr. MYRDAL. We are all aware that the issues we have raised today are tremendous in scope and each of them deserving of exhaustive analysis. But let me try now to be demagogically short.

The fact is that we in the rich countries have, fortunately, a great deal more planning than we realize. We call ourselves free enterprise economies. But consider agriculture, consider anything you wish. We have planning in individual firms and on the part of the state, whereas in the less developed countries, they talk a lot about planning but have very little of it. I think Galbraith is right when he characterized India as a functioning anarchy.

The planning which I am for in these poor countries is the maximum coordination of policies needed to achieve given goals. There is nothing ominous about this. I believe that these countries need a great deal more coordination of all of the interventions in the economic process which they are making. These nations have a propensity to call planning what is merely interventionism. And this is, of course, wrong.

You talk about the market system, but in fact we in the rich countries are far from having one. That is why I think that concepts like underemployment and unemployment are inappropriate in the context in which they are usually used, i.e., with reference to a market economy. Just think what the labor market signifies today, or any other market for that matter. We are very far from the economist's ideal conception of a market process in any of these areas.

If I could specify in this shorthand discussion what I consider the most damaging thing in the less developed countries—it is the use of what I call discretionary controls: on investment, rates of interest, and many other things. The controls in turn breed corruption. And corruption corrodes the basic structure of economic incentives, of rewards and punishments. Our experience in the West with arbitrarily imposed controls shows that the same consequences follow here as in the less developed economies.

I would characterize economic policy in all of these countries (and in this respect Pakistan is not very different from India, for example) as attempts to drive an automobile with the accelerator down to the floorboards and all brakes on. This, of course, is a very expensive and wasteful way of running an automobile.

Mr. GOODELL. Mr. Bernstein, a brief comment or a question?

Mr. BERNSTEIN. I just wanted to say that I think there is some misconception in Dr. Boarman's comment about what AID is actually doing. The basic thrust of our efforts to influence policy is exactly in the direction that he has described as desirable, that is, to try to encourage the freeing up of the environment through adjustment in government policy so that it will release the productive initiative and energy of millions of farmers and businessmen in each of these countries.

There has been quite a problem, of course, in learning what the real problems are in these countries and how to relate general economic concepts to the realities in these countries. Mistakes have been made, but I think by and large there has been considerable progress in those countries which have grown rapidly and which have been the recipients of large-scale assistance.

I think it will be found that the direction of policy in these countries has been the same as the one which Dr. Boarman has recommended.

(Mr. Bernstein subsequently extended his comment as follows:)

A.I.D.'s approach to development assistance starts from the following three-part proposition:

Each country must develop itself;

It can do so most effectively if it can enlist the energies of all its people in the task; and

External assistance is only effective where there is strong self-help, including widespread private developmental initiatives, and U.S. assistance should be managed so as to encourage this condition.

Our basic approach, starting from this proposition, is to find the best ways to induce and assist improvement in the country environment that provides the incentives and the opportunities for the millions of farmers and businessmen to make productive decisions. This environment is determined primarily by:

The economic policies of governments in such matters as budget, tax levels and dis-

tribution, monetary regulations, domestic and external trade, exchange rates, licensing and business restrictions, pricing, and so forth; and

The extent of development of economic service institutions such as savings and credit institutions, cooperatives, extension and other technical services for agriculture and industry, marketing institutions and training institutions, and of the basic service industries of the economy that provide power, transportation, communications and water supplies.

It should be stressed that it is inevitable that *governments* must play the key role in fashioning this policy and institutional environment within which the individual citizens must operate. Realistically, there is no question of *whether* they should do it—only of *how* they do it. Therefore, AID must work with governments if it is to have broad impact in inducing the type of performance on their part that will result in fuller use of market forces and other private enterprise incentives to release the talents and energies of the millions of citizens, rather than reliance on direct controls and the production decision making of officials. As Dr. Myrdal said, the latter approach has been a primary source of both corruption and mismanagement. At the same time, within the limits of the resources available to it, AID can and does work with many private institutions in the host countries to assist their efforts to strengthen themselves.

AID's self-help conditions attached to its program loans and other forms of assistance stress the foregoing types of policy improvements. And our capital assistance and technical assistance is concentrated, often in mutually supporting combinations, on key institutional and service industry developments.

This spade work with the governments of the assisted countries also helps to create the necessary conditions for attracting and using more effectively external private resources—both capital and know-how, and from both profit and non-profit organizations. In addition, AID is making multiple and increasingly successful efforts to provide direct inducements and assistance, at both ends of the process, for an accelerated flow to the less-developed countries of private resources of all types. These efforts and the results are detailed in the AID program presentation to the Congress.

The acceleration of growth rates in recent years in such countries as Korea, Taiwan, Pakistan, Turkey, Thailand, the Central American Republics, Chile, Bolivia, and Jordan is not an accident. It is the result of just such efforts as I've described to mobilize private efforts in support of national development goals. AID programs have played an important role of encouragement and support for these host country efforts. Even such difficult cases as India and Brazil now seem to be responding, increasingly, to the same type of approach.

During my time in Korea over the last several years, the response to the improvements in the economic environment made by the Korean Government was so rapid and dramatic that you could literally see it taking place from month to month. From 1962 to 1966, output increased almost 10% per year. Agricultural output grew rapidly, and farmers' incomes advanced faster than nonfarm incomes. Industry grew by about 15% per year. Manufacturing is reported to have grown by 29% in 1967 alone. And this is over half small industry. Farmers are all small holders. So there is widespread participation in the improving circumstances. This in turn increases the popular sense of legitimacy of government and ameliorates social tensions. The growth of Koreans' pride in themselves and in their accomplishments has been marked, and this in turn has induced them to play an active and constructive role in Asian affairs that has been very helpful to the U.S.

Similarly, the "Green Revolution" in Asia that Dr. Brown and others have described so eloquently is not an accident either. As he noted, it is also the result of the same type of developmental assistance approach that I've described—applied to the food sector. The stress is on environmental improvements that will induce more productive private enterprise. On the policy level, AID has encouraged more budget and administrative attention to agriculture's needs, proper price and other production incentives and so forth. At the same time, it has worked hard and steadily for many years, in cooperation with many private U.S. institutions and with other parts of the U.S. Government, to induce and assist the building of the rather complicated set of service institutions that are needed to permit individual farmers to respond effectively to production incentives.

On the private side, both our voluntary non-profit institutions and U.S. agri-business have played a very important role. The already mentioned agricultural research and development role of our private foundations, and the heavy investment of American petroleum and other companies in fertilizer production and distribution are the most spectacular examples. Food processing will play an increasingly important role in the future.

The pay-off from these combined government and private efforts is now growing and becoming more visible. This would be a particularly bad time to falter in sustaining the key catalytic, coordinating and support role of the AID programs.

Mr. GOODELL. Gentlemen, you have provided a large measure of wisdom and knowledge for us this morning, in fact so large it made me miss a quorum call and that is a small contribution I am delighted to make, but I want to make the next call.

We are very grateful for the exceedingly valuable contributions that you have made to our discussion here today.

Thank you all.

(Whereupon, at 1 o'clock p.m., the seminar was adjourned.)

Supporting papers are included at this point:

HIGHLIGHTS FROM "ASIAN DRAMA: AN INQUIRY INTO THE POVERTY OF NATIONS"—A 20TH CENTURY FUND STUDY (1968)

(By Gunnar Myrdal)

A decade of research lies behind *Asian Drama: An Inquiry Into the Poverty of Nations*, a major Twentieth Century Fund study and a landmark in the career of Gunnar Myrdal, the Swedish economist. This three-volume study is an analysis of the problems of underdevelopment, development, and planning for development in South Asia. The countries included are India and Pakistan, which are intensively studied, Ceylon, Burma, Thailand, Malaysia, Indonesia, the Philippines, and, to a lesser extent, Laos, Cambodia and South Vietnam.

Unlike most current studies of South Asia's economic problems, *Asian Drama* is candid to the point of being undiplomatic. It does not assume that the South Asian countries, though poor, are developing. Nor does it assume that it is just a matter of time, and outside assistance, before these countries begin to develop. Instead, this study takes a hard and searching look at the economic, social and political realities of South Asian life, and finds that they cast a serious pall on the region's development prospects.

Just as Professor Myrdal's approach is unconventional, so is his explanation of the region's plight. South Asia's poverty is commonly attributed to a shortage of capital. Professor Myrdal disagrees. He concludes that irrational attitudes and outmoded institutions are mainly responsible for the abysmally low levels of living in South Asia. On the basis of his exhaustive inquiry, which included residence in the region, discussions with leaders and ordinary people, and close examination of publications and statistical material, he is convinced that the key to South Asian development is what he terms "institutional" change.

The study begins by considering political problems; successive topics are economic realities, planning, labor utilization, population size, and population quality. The brief notes which follow give only a hint of the book's substance. They are designed for the reader who wishes to scout the terrain before exploring it in depth.

PART I. INTRODUCTION

Professor Myrdal contends that one cannot take the full measure of the development problem confronting South Asia until one understands how factors like poverty, ignorance, ill health, climate, different languages and religious convictions, and prevailing social and political attitudes and institutions influence the conduct of economic affairs. Therefore he refuses to accept Western concepts and theories which assume an environment imposing no barriers to progress and sets himself the Herculean task of putting economic facts in their true social, political and physical setting.

Social scientists, like all human beings, have a full quota of sympathies and prejudices. They must search out and specify the value premises that guide their studies, says Professor Myrdal, and he takes pains to do so in *Asian Drama*. This book, he says, reflects his conviction that it is desirable and important that the South Asian countries move toward certain goals, prominent among them being higher levels of development and increased social and economic equality (pp. 57–68). He points out that these valuations, which he sets forth in detail, are held by influential South Asians themselves (pp. 54–56).

PART 2. POLITICAL PROBLEMS

South Asia's development prospects depend in large part on the extent to which the governments in power are able to frame appropriate policies and make these policies effective. In Part Two, Professor Myrdal seeks to determine how successful, in the light of their initial assets and liabilities, the new states have been in evolving workable systems of government.

He notes that while "all of the new states had to face the fact that independence did not automatically bring about a condition of national consolidation" (p. 174), the dimensions of the problem varied considerably in the several states. Geographical circumstances are more favorable to unification in some countries than in others. At one end of the scale is Ceylon, which is a compact island; at the other end are Indonesia, spread over many widely scattered islands, Pakistan—divided into two widely separated wings—and India, which has territorial integrity but is too large to be easily administered as a unit. Ethnic and religious divisions and social and economic cleavages are more pronounced in some countries than in others. Other factors differentiating the situation of the various states are more directly related to their colonial experience. Because their indigenous citizenry had not been permitted to participate in the process of government to any appreciable extent and because the transfer of power was far from smooth, "Burma, Indonesia, and the successor states of Indo-China were more handicapped in assuming the responsibilities of independence than were other new states in the region, even taking into account the painful consequences for India and Pakistan of partition" (p. 174). India was uniquely fortunate in having, as a legacy of her independence movement, a group of public-

spirited men who were schooled in politics and understood the need for social and economic reform (pp. 259–61).

Having placed the problem in historical perspective, Professor Myrdal evaluates political developments in the new states. The record is not encouraging.

In Pakistan, Indonesia and Burma democratic governments proved incapable of disciplining their own members, much less imposing law and order on the multitudes, and succumbed to military dictatorships which have yet to demonstrate their ability to give a responsible direction to political and economic activity. In Ceylon, popularly elected governments have signally failed to avert communal strife; democracy endures mainly because the army is not in a position to assume political power. India provides an interesting contrast in that its government has proved remarkably stable. It dealt very efficiently with the problems arising out of the departure of the British and partition, and established planning as a regular governmental activity. However, the leadership failed to enact major social and economic reforms in the first flush of independence, when this might have been possible, and political power has shifted over the years to those who are more conservative, even reactionary (pp. 273–78).

PART 3. ECONOMIC REALITIES

In Part Three, Professor Myrdal addresses himself to the realities of South Asia's economic situation. One of these realities is the overwhelming importance of agriculture. In every country in the region agricultural activities account for more than half of the national income and serve as a means of livelihood for more than two-thirds of the population (pp. 495–96). Productivity in agriculture is a good indication of the level of economic development.

Agricultural land is not abundant. In relation to population, South Asia's land resources are roughly comparable to those of Europe. Furthermore, the land is not intensively cultivated; output per hectare is far lower than it is in other densely settled regions. These facts in conjunction account for the low level of agricultural output and suggest the nature of the development problem (pp. 414–17).

Another economic "fact of life" Professor Myrdal singles out for attention is the foreign exchange situations of countries in South Asia. In recent years their export earnings have failed to keep pace with their imports, which have risen as a result of more strenuous development efforts and mounting food deficits (pp. 595–603). Despite an unprecedented inflow of foreign capital, they have therefore been forced to adopt increasingly stringent exchange controls. This trade imbalance can be expected to worsen in the future because there is little prospect of an expansion in demand for most of the region's traditional exports (pp. 643–49). The South Asian countries might attempt to diversify their exports with manufactured goods, but the difficulties of breaking into Western markets are formidable; nor are alternative markets very promising (pp. 650–51; 653–61). The most feasible policy would seem to be that of developing import substitutes (pp. 669–72). The inflow of capital, originating as it does with foreign governments and inter-government organizations, is an uncertain factor. But even if these agencies maintain their present volume of loans and grants, the mounting total of debt service charges will work to reduce the net capital inflow (p. 667).

Professor Myrdal observes that in their early stages of development the Western nations enjoyed the stimulus of a rising tide of external demand (pp. 682–83). Since this "engine of development" is largely absent in the case of the South Asian countries, they will themselves have to create conditions that could increase the tempo of economic activity. Moreover, the situation from which they begin is less favorable than that of the Western countries immediately prior to the industrial revolution: their political institutions are less well developed; their land resources are less susceptible of expansion and their populations are increasing rapidly; their living levels are lower and their social and economic structures are more stratified; and they live in a world where the pace of change is constantly accelerating (pp. 690–707).

PART 4. A THIRD WORLD OF PLANNING

Articulate South Asians have definite ideas about the lines along which they want their society to develop. In this part of the book, Professor Myrdal describes these ideas and indicates the extent to which they have influenced the course of events.

He points out that, unlike the Western countries, where planning followed development and was a "natural" process, the South Asian countries have tried to use planning to foster development. In this they resemble the Communist countries. On the other hand, even those South Asian countries that have come under a military dictatorship are intent on "democratic planning." Thus South Asia constitutes a third world of planning (pp. 738–40).

With independence, the South Asian countries wanted to institute, in its entirety, the modern domestic welfare state, based though it is on a highly developed economy with high average levels of living and substantial equality of opportunity (p. 774). Politically, they wanted to establish genuine democracy based on Western institutions and practices. Today only India, Ceylon, the Federation of Malaysia, and the Philippines have functioning systems of parliamentary government; the other countries have resorted to some form of authoritarian regime (pp. 775–79). Professor Myrdal feels "it is impossible to say that one form of government has proved more conducive to the application of policies of economic and social reform than the other (p. 779).

Although socialism has considerable appeal throughout the region, he finds that economic application of the socialist ideology is contemplated mainly in those fields where little private initiative has been manifest. State ownership or management is limited to public utilities, large-scale industry, mines, large plantations, banking, insurance and, to some extent, commerce (pp. 808–09; 819). Nowhere is agriculture—apart from the large plantations—regarded as a target for collectivization. Socialism in South Asia is a "rather vague term for the modernization ideology, with an inherent stress on equality as a primary planning objective" (p. 808).

Greater social and economic equality is a proclaimed aim of public policy—indeed, economic development is usually defined as a rise in the living levels of the masses. Nevertheless, "economic inequalities have generally not decreased since independence; if anything they have increased in all the countries of the region, with the possible exception of Ceylon" (p. 756). Professor Myrdal explains the reasons for inequality, an important one being the centralization of political power in a very small upper class (pp. 766–67).

All of the South Asia governments recognize the need to involve the mass of their people in plans for economic betterment. However, they expect voluntary cooperation. Professor Myrdal is highly critical of this attitude, because he finds that the level of social discipline is very low everywhere in the region; the people must be taught that they have obligations to the national community and that these obligations are to be taken seriously (pp. 891–95). "There is little hope in South Asia for rapid development without greater social discipline" (p. 895).

Where development plans go beyond stating a creed, they are constructed as financial plans, focussed on public investment. There is little coordination of public policies. And since policies relating to education and health, improvement of administrative services, land reform, projects for community organization, and other reforms in the attitudinal and institutional framework of society "are only incidentally related to expenditure, they are not really integrated into the body of the plans" (p. 901).

Assessing what the plans have accomplished, Professor Myrdal says: "Even in India, plan fulfillment has regularly fallen short of the targets for public investments in basic facilities and in industry. As for the dispersed and less calculable public efforts in agriculture, rural uplift, and education, the distance between plans and accomplishments is even wider" (p. 733).

PART 5. PROBLEMS OF LABOR UTILIZATION

By analogy to the job-oriented economies of the West, it is commonly assumed that the number of unemployed is an adequate measure of the underutilization of labor in South Asia and that there is a readily available labor supply awaiting productive employment, which could be provided by increased capital investment (pp. 961–62).

Professor Myrdal challenges this notion in this section. He says that the Western concept of unemployment has little meaning in a society where, in the absence of a dole, the pressure of economic distress forces everyone to find some means of support, where the labor market is not fluid, where many persons of working age are disinclined to engage in physical labor, and where standards of work performance are very low. He argues that traditional economic and social attachments, irrational attitudes, ignorance and lack of stamina are more important than capital deficiencies in holding down labor input and efficiency, and he documents his case (pp. 999–1000; 1147–50). For example, he demonstrates that "without any [technical] innovations and even without any investment other than longer and more efficient work, agricultural yields could be raised substantially" (p. 1253). He points out that, among other things, the institutional setup in agriculture outside the big plantations is such that many landlords absent themselves from their estates. The land is farmed by tenants and sharecroppers who have no incentive to make improvements because their tenure is uncertain and the rent they pay varies with their gross output. Because of the stigma attached to wage labor and the prestige attached to land ownership, many persons cling to tiny plots while land in larger units is insufficiently utilized (pp. 1065–70).

Even in the non-agricultural economic sector, "the bulk of the labor force is unaccustomed to a rhythm of sustained and diligent work, and management has often been lax in instilling discipline" (p. 1140).

What can be done to increase labor input and efficiency? A program of radical land redistribution has much to recommend it, says Professor Myrdal, but it is not politically feasible in South Asia today (pp. 1370–75). Instead of continuing to pay lip service to the slogan "Land to the tillers," South Asian nations might do well to "make a deliberate policy choice in favor of capitalist farming" (p. 1380). Progressive cultivators should be allowed and encouraged to reap the rewards of their efforts. Non-participating landowners could be penalized by heavy taxes, and the transfer of titles to non-farming nonresidents could be prohibited by law (p. 1380).

Technological reforms would have a favorable effect on labor utilization in agriculture and improve yields; even mechanization "need not be associated with less labor-intensive agricultural practices as it has been in the Western countries" (p. 1299). But Professor Myrdal warns South Asian planners that "the success of technological reforms . . . hinges largely on the extent of

prior, or at least simultaneous, institutional changes" (p. 1260).

Although the South Asian countries must industrialize as quickly as possible, he emphasizes that industrial expansion is unlikely to spark a general rise in economic activity (p. 1189). Even if entrepreneurs want to seize new opportunities, they may be unable to obtain the necessary supplies, facilities or trained personnel (pp. 1188–90). For several decades to come, he says, an expanding industrial sector cannot hope to employ more than a small number of additional workers, much smaller than the annual increase in the labor force, and that prospect underscores the need to give more attention to increasing the use of labor in agriculture (pp. 1173–84). At the same time, village crafts and small-scale urban enterprises must be promoted in order to give work to the rapidly increasing labor force.

PART 6. PROBLEMS OF POPULATION SIZE

Professor Myrdal feels strongly that economic development in South Asia cannot be realized unless the rate of population growth is checked. In Part Six he examines the dimensions of the population problem.

From World War II, to date, the application of modern medical techniques has caused a sharp decline in South Asia's death rate. Since fertility has remained stable at a very high level, there has been a steep rise in the rate of population growth. The forecast is for mortality to continue to decline while fertility remains constant or rises slightly (pp. 1414–22; 1438–43). By 1980 the population of South Asia is likely to increase by 60 to 70 per cent over 1960, to 1,150–1,250 million (p. 1458).

Against this background, Professor Myrdal argues for much stronger efforts to spread the practice of birth control, on the ground that "the rapid and accelerating population increase is retarding economic advance and holds the threat of economic stagnation or deterioration" (p. 1463). Until now, he says, there has been a "tendency among political leaders to draw false conclusions from Western experience, and assume vaguely that birth control will spread spontaneously with industrialization, urbanization, and rising levels of living" (p. 1509). But indications are that in South Asia the birth rate is not significantly correlated with income, literacy, education, occupation or caste (pp. 1446–47). Hence Professor Myrdal finds no reason to believe that economic or social progress will have an automatic restraining effect on population growth.

While urging large-scale birth-control campaigns, Professor Myrdal warns that the population increase can be halted only gradually. "The most important feature of this momentous growth process is that within the next decades, government action, no matter how vigorous, determined, and concerted, could do very little, if anything, to hold in check the powerful social forces propelling it" (p. 1458). Probably the most important factor is the youthfulness of today's population, which imparts a tremendous momentum to further increases and ensures that the labor force will grow rapidly until the end of this century. In fact, most of those who will be of working age fifteen or twenty years hence are already born, and "for a generation ahead, . . . the size of the labor force will not be very greatly changed by any reduction in fertility rates that might occur" (p. 1468).

Interest in population control will increase, and "it would not seem excluded that by the beginning of the 1970's government programs for family limitation will be in operation in all of the South Asian countries" (p. 1529). If past experience is a guide, these programs will suffer from a shortage of medical and administrative personnel. Still, he says that "the possibility now exists that the spread of birth control will be the greatest change in the next few decades" (p. 1530).

PART 7. POPULATION QUALITY

*Health*

The standard of living in South Asia today is so low as to be detrimental to health; poor nutrition causes deficiency diseases like anemia and beriberi; crowded housing abets the spread of communicable diseases. The low standard of public sanitation is probably the greatest hazard of all, according to Professor Myrdal.

All of the South Asian countries have taken steps to expand their health facilities and to train medical personnel. But Professor Myrdal finds that by 1960 even the best endowed countries had less than 20 per cent as many medically trained people as the nations of Western Europe and their need was greater because of their higher disease rates (p. 1586).

Health facilities are distributed unevenly among the nations of South Asia, in accordance with their relative economic positions (pp. 1582–92). Most hospitals and doctors are in cities and towns; the rural population continues to be treated by practitioners of indigenous medicine (pp. 1592–95; 1598–1602). Only Ceylon and the Philippines have a well-balanced network of health facilities in rural areas. There are almost no qualified pharmacists, except in Ceylon and India.

The inter-relatedness of health problems in South Asia makes progress difficult, Professor Myrdal says. "From the planning point of view the effect of any particular policy measure in the health field depends on all other policy measures and is, by itself, indeterminate" (p. 1618). Although new medical technology has brought about a big decline in the incidence of many diseases, "efforts to prevent and cure disease will increasingly require reforms in the field of nutrition, sanitation and hygiene and an increase in the supply of properly trained medical and paramedical personnel, equipment, clinics and hospitals. . . . Further advance will be much more expensive and slower in coming" (p. 1575).

*Education for development*

Education in South Asia must involve more than literary skills if it is to be an effective instrument in promoting economic development, says Professor Myrdal. Rational attitudes toward life and work must be imparted. But he finds that almost nowhere are these broader goals a part of educational policy. In fact the system "has on the whole been left as it was at the end of the colonial era" (p. 1654).

The central educational concern of all South Asian nations has been to increase literacy. In this effort, says Professor Myrdal, priority should be given to increasing literacy among adults, since this would have an immediate impact on development and would tend to make primary education more effective (pp. 1685–87). Instead, efforts to raise literacy have been concentrated in the primary schools; Indonesia is the only country that has an effective program of adult education.

Elementary school enrollment has outpaced the growth in population throughout the region, though enrollment is still low in general and is lowest in the poorest countries (p. 1717). Worse still, enrollment cannot be equated with attendance, and even less with educational attainment (p. 1722). "A large number of the children registered as enrolled do not attend school regularly; even if they do so at the beginning, they do not finish school. They never achieve more than a modicum of literacy and are destined to lapse into total or almost total illiteracy; in most South Asian countries only a small number ever acquire functional literacy" (p. 1724). School facilities are woefully inadequate and there is a desperate shortage of trained teachers (pp. 1730–36).

If one considers South Asia's low starting point—the small number of schools and teachers, the low base enrollment—the difficulties of drastically increasing school enrollment become apparent. School-age children form a larger percentage of the population in South Asia than in the West. Since the quality of education must be improved at the same time that the number of pupils is increased, an enormous investment is required.

Although expansion of the primary school system has been the announced goal of most planning, Professor Myrdal points out that secondary and tertiary schools have in fact expanded more—both in enrollment and in number of new schools (p. 1745). Concentrated in urban areas, these schools draw their pupils primarily from the urban middle and upper class (pp. 1745; 1801–02).

"The problem of reforming education in South Asia is far from being merely a quantitative one of providing more schools; it is as much or more a problem of eliminating miseducation and large-scale waste of educational resources" (p. 1622). The emphasis is on learning by rote and acquiring degrees. Considering the need for graduates with professional and technical training, Professor Myrdal finds the curriculum overly academic and literary (pp. 1776–80; 1807). Furthermore, little attempt is made to change the notion that education provides an escape from manual work.

Enrollment at the secondary and tertiary level should be kept at its present size, Professor Myrdal says. He recommends greater emphasis on technical and vocational education. "All schooling at the secondary and tertiary levels should be modernized to include more technical and scientific subjects, with greater emphasis on manual work experience" (p. 1817).

Throughout the school system there must be "radical change not only in curriculum, diversification, and direction of teaching, but in the very spirit of the schools and the relationships of the schools, pupils, and teachers with their local community and the larger society. The schools must seek to change the attitudes of the children and, ultimately, of the people" (p. 1823).

Professor Myrdal deplores "the relatively low priority given to genuine and radical reforms in the field of health and education" and attributes it to "the prevailing philosophy of development, which stresses the overriding importance of capital investment" (p. 1540). This has led the South Asian nations astray, he says, because "the investment approach entirely ignores the fact that institutional and attitudinal reforms, which depend on political decisions rather than budgetary considerations, are needed to make investments in education 'pay off,' and the broader consideration that the success of educational programs depends on the policies pursued in all other fields" (p. 1550).

The following are representative reviews of "Asian Drama" by Prof. Gunnar Myrdal:

[From Time Magazine, Mar. 15, 1968]

ASIA: SOFT STATES

Nearly a third of the world's people live in the great arc of eleven nations that stretches beneath the southern rim of Russia and China. From Pakistan to Indonesia, the countries of South Asia seem, however, to have more than two-thirds of the world's problems: grinding poverty, ruinous population growth, feeble economies, the burden of colonial pasts and, in Southeast Asia, armed Communist aggressors. In a new book published this week, *Asian Drama*, Swedish Economist Gunnar Myrdal suggests that the bulk of South Asia's troubles lie not so much in history or lack of natural resources as in the Asians themselve and their attitudes toward life and work.

Myrdal, whose *American Dilemma*, published in 1944, remains the classic study of

the U.S. Negro, was assigned by the Twentieth Century Fund to undertake a definitive study of South Asia's problems and prospects. The job took him ten years, including three spent traveling in the area, and his findings fill three volumes and 2,500 pages. Impatient with the Western tendency to defer to the heightened sensitivities of South Asian leaders and thereby pull their critical punches, Myrdal tells it like he sees it. Many of his conclusions will not only depress Westerners concerned about the area's future, but will certainly upset may Asians.

Contempt for Manual Work. All the conditions usually blamed for Asia's backwardness—such as lack of capital, of resources, of education—certainly exist, reports Myrdal. But far more damaging to progress are what he sees as basic Asian character traits and attitudes. In one long sentence that amounts to a Doomsday Book, he lists them as: "Low levels of work discipline, punctuality and orderliness; superstitious beliefs and irrational outlook; lack of alertness, adaptability, ambition and general readiness for change and experiment; contempt for manual work; submissiveness to authority and exploitation; low aptitude for cooperation." The last Myrdal notes ironically, is a legacy from Gandhi and other Asians who led the fight against colonialism by preaching noncooperation with authority. The battle for independence was won, but now the war for progress is being lost in part because of a non-cooperation hangover.

Neither civilian rulers such as Indira Gandhi nor the generals who have taken over from the postcolonial politicians in many South Asian nations have had much success in changing these attitudes. The result is that the best-laid, often Western-tutored, economic plans consistently go awry. Whether military or civilian, nominally capitalist or self-styled socialist, "the various political systems in the region are strikingly similar in their inability or unwillingness to institute fundamental reforms and enforce social discipline. They are all in the sense 'soft states.'" And, adds Myrdal: "There is little hope in South Asia for rapid development without greater social discipline."

Passport from Work. Myrdal is equally gloomy about the possibility of checking South Asia's population explosion. Again, contrary to the usual Western assumptions, he finds indications that birth control in Asia may not "spread spontaneously with industrialization, urbanization and rising levels of living." Even if he is wrong and massive birth control takes hold, the very youthfulness of the present population ensures, he says, that the Asian work force will not shrink for at least a full generation—and therefore neither will unemployment. Moreover, any advantage to be gained by borrowing Western technology to speed up the "takeoff" into industrialization is being nullified by the accelerating pace of the West's own industrial progress. The "pace of history" is working against the Asians.

The emphasis in Myrdal's book is on what is wrong but he does have some ideas about what should be done to set things right. First and foremost, the Asian nations themselves must bring about social reform and impose social discipline. Education, for example, must cease to be a passport to escape hard work. The West can help by mounting a massive research program into the problems of underdeveloped countries and by opening its markets wider to more Asian products. When it comes to agriculture, in which two-thirds of South Asians work, Myrdal echoes the sensible—if not always acclaimed—view that land reform that gives every peasant an equal plot and breaks up large estates may do Asians scant good. Peasants, unless reeducated, tend to continue farming just as when they were sharecroppers; efficient farmers are only penalized.

Most of the development aid to the region is now given by individual nations. Myrdal recommends that most of it should be distributed through such international agencies as the World Bank. That way, it would flow to those who need it with fewer conditions attached and a greater chance for establishing long-term stability.

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[From the Wall Street Journal, Apr. 8, 1968]

BREAKING THE CRUST OF OPINION ON ASIA

(NOTE.—The reviewer is professor of economics, Barnard College, Columbia University, and was chairman of the Council of Economic Advisers under President Eisenhower.)

(By Raymond J. Saulnier)

Perhaps because it is easier for a theme to get lost in a million words than in a few thousand, and because Gunnar Myrdal's "Asian Drama, An Inquiry Into the Poverty of Nations" runs to three volumes and well over two thousand pages, the principal mystery that confronts its reader is to discover what the author is trying most to say.

But the book has a theme, and it is an interesting and plausible one: Economic development in South Asia, and presumably elsewhere among the less developed countries, must be generated and achieved mainly from internal sources; help from the developed world, whether in the form of government grants and loans or imported private capital, while needed and welcome, can be only marginally important; what is really essential is to transform the attitudes of the people themselves and to reshape their indigenous institutions for more effective use of labor and other resources already available.

The second mystery is why it should have taken more than ten years of Professor Myrdal's time, a team of highly qualified assistants and what appears to have been more than a quarter of a million dollars of financial support to come to a conclusion that most nonspecialists on the subject have suspected all along. The answer, I suppose, is that no crust is so hard to break as the accepted wisdom of the established professionals in a subject, which is precisely the task Mr. Myrdal sets for himself in most of his three volumes.

A large part of the text, innumerable footnotes and most of the 16 appendices are designed to show that the "Western approach" to development problems has not been "adequate to reality." All of which is the more interesting in that what Mr. Myrdal offers as a substitute is a kind of Veblenian institutionalism as American as apple pie. Too much of the book, in this reader's opinion, is devoted to academic jousting, especially since a good part of the thinking that the author struggles so heroically to defeat has already been abandoned. But all's well that ends well and if the result is a victory for realism in economic studies, as I believe it will be, who can complain?

TO A SIMPLE STRUCTURE

It is also interesting to note, as does August Heckscher in his foreword to the three volumes, that Professor Myrdal was confronted by the additional difficulty of having been the architect of much of the intellectual edifice that had to be torn down to make room for the simple, and on the whole satisfying, structure that we are left with.

As for the work's conclusions on the outlook for South Asia, and on ways for accelerating the development process, one's first impression is that they are dreadfully gloomy. This is nowhere more apparent than in the extended argument against the essentially optimistic theory, associated mainly with the work of Professor Walt W. Rostow, that a generous application of economic assistance can bring the less developed areas rather quickly to a point of "take-off" into sustained, self-propelling growth. Mr. Myrdal rejects this theory mainly because he believes that the "initial conditions" that prevailed when the Western economies were accomplishing their take-off were much more favorable than those prevailing now in the developing countries.

When you add what Mr. Myrdal (along with other scholars) anticipates as regards population growth, and his discouragement with various conditions that make for poor utilization of labor—religious taboos, a preference for status-yielding government jobs over manual work and wage employment, disruptive language disputes, destructive competition among racial and religious minorities and the absorption of national effort in border disputes—you have an explanation of his pessimism that is complete except for one point. This is his belief—and it has disquieting implications—that South Asian governments tend to be too soft in administering their plans.

But it would be a grave mistake to interpret his result as altogether negative, though Professor Myrdal doubtless recognizes the risk that they will be so regarded. The constructive way to interpret his prodigious work is to say that it provides a basis for a more realistic approach to the development problem, and that we in the U.S. can find suggestions in it for making our foreign economic assistance programs more effective. Certainly it suggests that the time has come for a thorough reassessment of these programs, not with the idea of cutting them—though one of the unfortunate implications of the balance-of-international-payments deficit is that it threatens such a cutback—but with the idea of getting better results.

Looked at with this in mind, Mr. Myrdal's work has a good deal to offer, though it is difficult to use—policy suggestions are scattered and nowhere brought into a systematic arrangement—and is disappointing for the gaps it leaves unfilled.

The outstanding feature of his proposals is the importance attached to agriculture. Although no longer the case, there has been a tendency in the past to make the development process synonymous with industrialization. Not so with Professor Myrdal. To him, agriculture is the main element governing national levels of income and living, and therefore any hope for an improvement in welfare must turn mainly on the outlook for higher agricultural productivity; but agricultural productivity has been relatively stagnant and for this reason there has been no significant improvement in per capita national income. The trouble, in his view, is not a high density of population or a high man-land ratio, but a vicious cycle in which low living levels cause low productivity, which in turn yields low levels of living. Behind this unfortunate casal mechanism, says Mr. Myrdal, is the unfavorable effect of climate and "a social system of institutions and power relations . . . that is severely inimical to productivity. . . ."

His suggestions for breaking the cycle include: A small plot of land for members of the landless lower strata; gradual abolition of the sharecropping system; a respectable place for agricultural workers, by weeding out of the economic system and out of the people's minds the traditional distaste for diligent manual work and, in particular, for work as a wage employe; agrarian reform focused on the way land is used, rather than on the size of landholdings, and limitations on agricultural mechanization that has unfavorable labor-displacing effects.

The author concludes, however, that prospects for such a program, which he describes as a modified form of welfare capitalism for agriculture, are far from bright. He seems to believe that it would be too radical for conservatives and too conservative for radical ideologists bent on a more far-reaching redistribution of land. Hopefully this is a point on which he is wrong.

On industrialization as the road to development, Mr. Myrdal concludes that the level from which this process must begin in South

Asia is so low, and the increase in population so rapid, that "even if (industry) grows at an extremely rapid rate (it) cannot absorb more than a small fraction of the natural increment in the labor force for decades ahead." He agrees that industrialization should be pushed, and has kind words even for Gandhi's advocacy of cottage-style industry, but he insists it be accompanied by measures aimed at improving the utilization of labor in other sectors of the economy, especially in agriculture. Otherwise, he believes, "there is a genuine danger that industrialization drives in South Asia will leave by far the larger part of the economy in stagnation."

PETTY ISLANDS

Furthermore, he discounts the "spread effects" of the large-scale, Western-style manufacturing plants spotted throughout South Asia, more so in India than elsewhere and which many Western economists (including this reviewer) have hoped and believed would multiply and in time absorb a significant part of the population in productive, well-paid factory jobs. Mr. Myrdal shares none of this optimism: "South Asian countries," he writes, "now run the risk of creating petty islands of highly organized Western-type industries that will remain surrounded by a sea of stagnation. If this fate is to be averted, industrialization must be so directed, and so complemented by policies in other fields as to promote simultaneous development outside the sphere of modern large-scale industry." And by outside he clearly means mainly agriculture and small-scale craft industries.

Professor Myrdal turns out to be something of a heretic on foreign trade, too. It has been the conventional view that developing countries should try to finance capital-goods imports by building up their export industries. And it has been pretty widely accepted that such efforts had a fair chance for success.

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[From the Wall Street Journal, Apr. 6, 1968]

Mr. Myrdal sees little hope for export expansion because he believes world demand for the commodities that developing countries produce will grow only slowly, in large part because of technological advances in the West. He favors preferential tariff treatment for the commodities that developing countries along the lines favored by the "Prebisch School" at United Nations conferences on trade and development, but his principal suggestion is to plan industrial development so as to reduce the reliance of developing countries on imports. But neither does he see much hope in this essentially autarchic solution, and thus what he says on foreign trade turns out in general to be negative.

Although the author has turned heretic on a good deal that has been orthodox in development planning, he remains strictly faithful to the view that there is only a limited role in less developed countries for private entrepreneurship.

DOCTRINAIRE OPPOSITION

No one who favors a larger role for the private sector in the development process would quarrel for a moment with Professor Myrdal's major point, that attitudes and institutional arrangements are the principal obstacles blocking the road to growth. Anything his research does to clear the road will be all to the good; and one would expect him to welcome help from any quarter, including from private entrepreneurship. What he does not see, but which a good many Westerners and Asians have already noted, is that part of what needs to be done to eliminate the obstacles has to do with the attitudes of planners and their essentially doctrinaire opposition to private economic undertakings.

Professor Myrdal recognizes that development in the West was achieved in "the liberal interlude between mercantilism and the modern welfare state," but he has little room for such liberalism in South Asian development. It would perhaps be the ultimate heresy in development planning to make a particular point of encouraging and expanding the private sector, but the case for doing so is actually being made by events. Pakistan provides interesting examples of progress achieved where private effort is encouraged; Taiwan is a success story of the same thing; and surely the most interesting and far-reaching event affecting the planning process in recent years is the Soviet Bloc's rediscovery of the market as a means for allocating resources and energizing individual effort.

Actually, a larger role for private enterprise fits very well into the general cast and theory of Mr. Myrdal's study, all of which suggests that we may now be ready for a research effort that will seek specifically to determine the conditions under which private entrepreneurship can play a larger role in the development process. The crust of established opinion has been sufficiently broken by Professor Myrdal's effort that there may now be a chance to get an adequate examination of this question.

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[From the New Republic, May 4, 1968]

ASIA: SOFT STATES AND HARD FACTS

(By Kenneth E. Boulding)

Even with all the unfortunate overtones of the word it seems impossible to avoid calling this study monumental. It is large, authoritative and carries the imprint of a man who may very well be the world's top social scientist. It is timely, and it deals with what is perhaps the most important subject facing the human race today. With its great length and a certain sense of urgency pervading it, there is inevitably some repetition, but it is well written, with an easy flowing style, and it held my attention to the end. The faint-hearted reader should be advised that the book improves as it goes along, and there is much to be said for starting with the Appendices in Volume 3, many of which are important monographs in their own right. The work is excellently indexed and its magnitude may be judged by the fact that the author index alone contains over 800 names. The documentation and footnoting is extensive, almost beyond the call of duty.

Even though the book deals with a particular geographical region, a great deal of the analysis and conclusions apply to the rest of the underdeveloped world. The region actually covered by the study consists of Pakistan, India, Ceylon, Burma, Thailand, Cambodia, Laos, South Vietnam, Indonesia, Malaya and the Philippines. The book's main question is indicated by its subtitle. It is why are these countries so poor, as indeed they are, and what keeps them poor? Why is the process of development and modernization so slow and so difficult, in spite of a wide general agreement about the objectives of policy and the desirability of progress on the part of the ruling groups? Historically, the period covered is mainly from the end of the Second World War, which marked the achievement for most of these countries, with the single exception of Thailand, of political independence after more or less long periods of colonial status. The gaining of national sovereignty after having been part of the colonial empires of European powers for periods ranging from three hundred to a little under one hundred years is thus the main fact that unifies the region history.

There is certainly enough similarity among these countries to make the concept of a region defensible. Nevertheless, the differences are also very important, not only in religion, where at least four major beliefs divide the region—Islam, Hinduism, Buddhism, and Christianity—but also in language, culture, and political philosophy. The work concentrates on India as the major country in the region and one feels at times that the whole area is being viewed from the perspective of Delhi. Nevertheless, there is a good deal to justify such a perspective, for India is not only the largest of the countries, but also reflects in an extreme form the problems they all face. All these countries are culturally and linguistically heterogeneous. They are all governed by a small ruling class which likes to think of itself as a middle class, but is actually an upper class. In all of them, the mass of the population lives at a subsistence level or even below, and up to now has been very little touched by the processes of modernization.

The cumulative effect of the work is depressing in the extreme. Volume 1 begins on a note of modest optimism and one suspects that much of this was written before the study really got well under way. The ideals of modernization are clearly explained and it is evident that these ideals and values are very widely accepted by the ruling groups. It is possible for the reader to have the selfish thought that what Myrdal really means by modernization is turning people into Swedes—rational, productive, clean, healthy, honest, farsighted, and so on. Furthermore, in the first volume there is some optimism about "the third world of planning." The rulers of these countries are all committed to extensive government action designed to implement the values they hold, and bring about the type of society they envisage for the future. No longer is development to be left to the vast, incoherent, ecological forces of the market. The hand of the planner will guide the society along the narrow expansion path that leads to riches.

As the work goes on, however, one catches an increasing sense of depression as the carefully documented and marshalled facts come in. It becomes clear that these countries are never going to be much like Sweden and these people are never going to be Swedes. The transmission belts of the traditional culture are too strong. The vested interests are too great and there is an appalling homeostasis about the traditional village which seems to insure that what comes in from outside is eventually diverted into the old power structure and used to suppress change rather than to encourage it. Furthermore, the impact of the outside world in these countries has intensified their own problems. We see this in the most extreme form in Vietnam, but we see it also in the population explosion which has to be regarded as something completely exogenous to the existing social system of this region, and in the debilitating ambivalence, even of the elite, towards modern institutions because they are not only modern, but European or Western, and hence tinged with the hate-love relationship of the oppressed for the oppressor.

Myrdal is determined not to be mealy-mouthed. He has an excellent Appendix on Diplomacy by Terminology in which he decries the confusion of thought which so easily follows upon the use of polite substitutes for four-leter words like "poor." He is outspoken and well informed on problems of corruption, a little less so perhaps on the more elusive problem of incompetence. He is unsparing, furthermore, in his criticism of those Western economists and social scientists who think that development is equivalent to technology and who are unwilling to recognize the obstacles created by ancient tradition, class structures and especially by the existing power structure of the society. This is a point which is so underplayed in most Western and especially in American writing on the subject that it is refreshing to have someone who is not a Marxist point out that existing power and property structures, especially in the village, may be the most important obstacle to development. On the other hand, something in Myrdal is a little reminiscent of the depressing discovery

of the New Left that the powerful have power and that, therefore, very little can be done about it. Toward the end of the book Myrdal seems constantly to be saying that such and such should be done, but it will not be done because of the power structure.

The term "soft states" is used frequently throughout the work to describe the South Asian countries. What Myrdal seems to mean by this is that they are "undisciplined" in the sense that the actions of government are not necessarily carried out, that the government is unwilling to use coercion against its own people, and that perhaps there is a tendency to substitute words, assertions, and even legislative acts for things and deeds. The term "soft," however, in spite of having four letters may also be part of the diplomatic vocabulary. In many respects, these states are highly coercive, especially in regard to racial, religious, or linguistic minorities. Had what Ceylon has done to the Tamils, Burma to the Indian minorities, Indonesia to the Chinese, Pakistanis to Hindus, and Indians to Moslems, been done by a Western country it would have been described as fascist. Furthermore, most of these states have no hesitation in using military violence, either internally or externally, and waste their desperately sparse resources in arms races. In their foreign policies toward each other, they are strongly reminiscent of 19th-century Europe. This hardly seems to be covered by the word "soft." Furthermore, though the ideals of modernization and democracy which they profess are not matched by their performance, this may not mean so much an unwillingness to coerce as a covert recognition of the power structure. In Myrdal's terms, indeed, the United States could very well be accused of being a "soft" state; this is the "American dilemma."

It may well be that one of the problems of the book is that the "hard facts" which emerge with such depressing clarity as the work proceeds are counter in a sense to the author's initial presuppositions. Myrdal is very sympathetic towards planning and especially towards the "third world of planning," which is neither the cruel and ruthless austerity of the communists nor the futureless and undirected vision of *laissez faire*. As the book proceeds, however, it becomes clear that the mass of people in these countries are, in a notable phrase of the 1930's, "more planned against than planning" and that the "soft planning" (the phrase is mine, not Myrdal's) which is so characteristic of the region succeeds in bringing about the worst of all possible worlds. What planning has meant in these countries, especially in India, is, first, the use of the national budget for developmental public works which go somewhat beyond the usual Western framework to include, for instance, a state steel industry, and second, a large array of "discretionary controls," that is, quotas and licensing. It seems to be almost impossible to do anything in India without a license, which it is in the power of some government official to withhold. Under these circumstances, it is not surprising that corruption flourishes. Quantitative controls, or licensing, whether of foreign exchange, imports, materials, building permits, sites, or bank loans, inevitably provoke an enormous demand for corruption, and society has to have a very strong Puritan ethic if the supply is not to be found rather elastic. Although all the evidence he has collected points to this conclusion, Myrdal is a little unwilling to state it explicitly.

Nobody in this day and age is going to argue that a society should deny itself a self-conscious image of the future, or that government should deny itself any economic functions. In these days everybody has a mixed economy. Nevertheless, there are some mixes which are much worse than others and the Asian countries seem to have a positive genius for hitting on the worst of them, with the possible exceptions of the two richest among them, Malaya and Ceylon. Nobody is going to argue either that the particular set of prices which a free market would develop is necessarily optimum, from the point of view of future development, for these or any other countries. Some distortion of the price system in the interest of development can be defended. Discretionary, quantitative controls with quotas and licenses, however, mean that at a certain point prices go to infinity in the absence of bribery and corruption. It is extremely unlikely that this is an optimum price system. The same proposition holds, as Myrdal has also pointed out very effectively, for financial markets and the rate of interest. Artificially low interest rates coupled with quantitative restrictions are extremely unlikely to produce an optimum investment pattern. Yet nearly all these countries seem to have fallen into this trap. It is interesting to watch Myrdal being pushed by the logic of his facts towards a position much closer to that of Milton Friedman than he would like to admit!

In spite of the book's tremendous size and extensive coverage, there are some rather striking omissions. There is no really adequate discussion, for instance, of the role of the defense establishments and the war industry, either in the economic or the political life of these countries. Even more surprising, there is no comprehensive description of the system of taxation and public finance which one would have thought crucial to the development problems. There are only rather incidental references to the banking system and the nature of capital markets and financial institutions. These omissions may have been justified by the already enormous extent of the work and a certain pressure of urgency. Nevertheless, they do detract from the completeness of the argument. In conclusion, one hopes that a condensation will be produced which will make the essential argument of the work available to readers who will be put off by the 2,300 pages of rather fine print. One hopes also that some of the Appendices might be published as separate monographs, or again, might be combined and rearranged into a separate work. Myrdal's attack on the economists and economic models of development is often very sound, and economists should pay close attention to his insistence that concepts which may be meaningful in the environment of a developed country are frequently meaningless and confusing in the context of the underdeveloped world. His attack, for instance, on the notion of unemployment or even underemployment in the underdeveloped world, if perhaps carried a little too far, is still trenchant and necessary and his insistence that the major problem is the total culture which creates such a low productivity of labor is also highly valid. His insistence on the crucial importance of agriculture, and on the fact that for at least a generation to come no conceivable amount of industrialization in these countries will take care of the rapidly growing labor force, shows a very solid quantitative sense of what is perhaps the hardest fact of the whole problem.

Twenty-five years ago, in *American Dilemma*, Myrdal showed a remarkable capacity for telling us in this country what we should have known, and in a way did know already; that where ideals and reality do not coincide one or the other must give. *Asian Drama* has in a sense the same message for Asia: that the realities of the situation do not correspond to the ideals, the verbal pronouncements and the ostensible purpose of these societies. One hopes that the major result of this work will be a realistic reappraisal, however agonizing, of the total social dynamic of these societies by their elites. At the moment, their problems seem almost insoluable. It is precisely the kind of shock treatment, however, which this work provides, that may release us from the world of fantasy which we have too long inhabited, and this may then change the dynamic towards a more hopeful future for these countries and for the world.

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[From the Far Eastern Economic Review, Apr. 25, 1968]

HOW THE PLANNERS FAILED ASIA

(By L. F. Goodstadt)

(NOTE.—"Economic planning," an important new book by the distinguished Swedish economist, Gunnar Myrdal, has attacked much of the current thinking about the economic problems of Asia. Professor Myrdal claims that many of the economic theories popular in the region are wrong and that Asian leaders suffer from their habit of viewing the region's problems in Western terms. In a review of this book, Mr. Goodstadt argues that Professor Myrdal has not gone far enough. The author has exposed the unrealistic basis of economic planning in this part of the world and yet continues to believe that planning will provide the answers to poverty. Mr. Goodstadt nevertheless suggests that in the light of Professor Myrdal's work, the credibility of planners and economists in Asia has been destroyed.)

Asia has been poisoned by an infection picked up in the West. The disease has fairly obvious symptoms—an excessive confidence in the ability of modern economic theories to transform backward nations, an infatuation with Western social and political ideologies and an obsession with planning. The sickness is not less malignant for being psychological, and its disastrous consequences are to be seen in several countries of the region. The strange thing is that the West itself is largely immune to the sickness it has nurtured in its leading universities which have been the training grounds of a large proportion of Asia's elite. In Britain, Mr. Harold Wilson brought in Drs. Kaldor and Balgoh to act as house economists for him, and the tragic course of the British economy under the Labour Government probably means that the experiment will not be repeated. Again, if economists really were the oracles that the developing world fondly imagines them to be, Washington would have solved its balance of payments problem long before this; Britain would be bouncing along and there would be no agonising over the future development of some of the countries in the Common Market. Furthermore, the problem of world poverty would be well on the way to solution, for economists have been pouring out their counsel to the poor nations (and sadly, much of it has been accepted) for two decades.

The *Review* has made these points before, and indeed, to anyone who has to grapple with the facts of life of Asia's economies, they are inescapable. India, for all its army of planners and its plethora of economic regulations, is a mess. Ceylon has had a splendid plan on paper for several years, and yet the economy moves forward at an imperceptible pace. Burma seems to have decided on economic suicide in attempting to nationalise wholesale major sectors of commerce and industry. In Indonesia, President Sukarno probably set several world records for the amount of damage that one man could inflict on his country's economy. Just to make sure that there is no escape from the planners' influence, ECAFE has sponsored attempts to engage in regional planning, despite the fact that privately many of the ECAFE economists agree that regional planning is so much wishful thinking. Economic planning on a regional scale would be easier to swallow if national planning were a roaring success instead of a miserable failure.

Very often, it seems that the lonely voices of pragmatism which protest at the tyranny of the "monstrous regiment of economists" are buried under the weight of meaningless statistics and planning platitudes that are churned out by Asian governments. Now, however, the worm has turned, and an aca-

demic economist of impeccable "liberal" record has launched a massive attack on the economic shibboleths that have been allowed to distort the pattern of development in the region for so long. (Asian Drama: An Inquiry into the Poverty of Nations by Gunnar Myrdal. New York: *The Twentieth Century Fund*, 1968. Three volumes, 2,284 pages US$20). What makes Professor Myrdal's book of special interest is that he himself played a leading role in propagating many of the ideas that he now attacks—a fact he very readily acknowledges.

His book, *Asian Drama*, has been compared with the work of Keynes. This is more than just publisher's sales talk. Perhaps the greatest contribution that Keynes made to the practice (rather than the theory of economics) was to expose the orthodox economic theories of his day not simply as wrong but as ruinous to the economies of the West and enormously costly in terms of human suffering during the "Great Depression". He forced governments to accept responsibility for the health of their economies instead of finding an alibi for slumps in economics' "iron laws". This function, Professor Myrdal also performs, though it is only fair to say that he has not yet escaped entirely from the economic myths on which he was weaned. But the fact that he is in the "God make me good—but not yet" stage offers some hope that eventually he will cast out the old idolatries and accept a complete conversion.

This is a book that deserves to be read by anyone anxious for the progress and welfare of Asia, though it deliberately excludes Japan, Taiwan, South Korea and Hongkong—the "Chinese" (by culture and history) group of nations who have not allowed the planners and ideologists to take full control—and China. This is unfortunate because Professor Myrdal might have gained a great deal by testing his conclusions about "South Asia" against the policies and experience of the four "free" economies who have made a success of industralisation in Asia. The length of the book is a deterrent, and it is laboriously written and repetitive. But there is no need to read it all. The chapters on the history of the countries that Professor Myrdal surveys can be skipped; the author is not terribly impressive as an economic historian of either East or West. The pedestrian style is more than compensated for by the fact that Professor Myrdal confines economic jargon to footnotes and appendices, and the book can be readily understood by a reader with even a minimum of economic background. While the book as a whole does not represent a creative contribution to economic theory and many of Professor Myrdal's major theses have been more rigorously argued by other scholars, his is the first attempt to build up a comprehensive general critique of modern development economics.

It is hard to summarise the essence of a book this long. But Professor Myrdal has a few central ideas to which he constantly returns. The first of these is that economics is a group of theories which was worked out in the West and which is too slavishly applied in the very different Asian context. He believes that economic development in Asia will come from planning, but the logic and method of planning will have to be drastically reformed. He is convinced that economic progress is not just a matter of economic reforms but the total transformation of society, its attitudes and institutions. He argues that governments in the region are "soft", unwilling to insist on the discipline necessary to free their people from poverty; and that Asia has been blinded by prejudices and misconceptions which it has picked up from the West or created for itself. Perhaps the most recurrent of his themes is that it cannot be taken for granted that Asians are ready to grasp at every opportunity to foster economic progress; indeed, the opposition to the development process is very well entrenched. He is firmly wedded to the idea that it will only be possible to boost production when living standards are improved so that peasants are well-fed enough to improve their productivity and the proletariat healthy enough to become efficient.

The special virtue of Professor Myrdal's book is its attempt to be candid. He very rightly draws attention to the new "white man's burden": the conventional politeness with which non-Asians are expected to comment on life in the region. He accuses the intellectuals of Asia of romancing about the masses and refusing to face up to the need to change popular attitudes. He dismisses as false stereotypes such Asian views of themselves as being more spiritual than the rest of the world, more peace-loving, less prone to go to law and so on. He strips away the illusion that it is the population explosion that has caused Asia's hunger and points to the reserves of uncultivated land available in the region. As he says, agriculture in Asia still relies on tilling more land to increase production rather than on the adoption of modern farming techniques—which are what Asia needs to produce the food it needs.

Professor Myrdal, the "arch-liberal" is even willing to put in a good word for colonialism: "Generally, with all its shortcomings, the colonial period provided these countries with more 'development' than they had ever had, though not always in the direction that now seem desirable". This, of course, is the point. All the struggles that took place to force the retreat of imperialism in Asia, all the courage, all the high hopes and pledges have ended in broken promises as far as economic well-being is concerned (though Malaysia and Singapore could prove the exceptions). The reasons for the unhappy tale of failure and stagnation that have so often followed the departure of the colonialists must surely lie in the defects of economic policies and planning in Asia which Professor Myrdal portrays.

He begins with an attack on the tools used by economists in Asia. Whether economists like it or not, their theories cannot claim universal validity. They describe even Western economies very inadequately, and they are seriously deficient when applied to poor countries because there the data are lacking which would expose the errors built into the abstract theories. He condemns Asians for swallowing Western economic theories when their economic environments—unlike the West—are actually hostile to development. Bitterly, he remarks: "Knowledge about the true conditions in these countries is not only incomplete, even among their leaders, but biased in an optimistic direction". The leaders, he adds, insist on dealing with their problems in Western terms.

Professor Myrdal attacks the statistical information which Asian governments peddle, though he is more concerned with its theoretical defects than with its manifest inaccuracies. He also questions the ability of Asians societies to guide their economic destinies through direct controls: "The structure on which South Asian countries are trying to build democratic planning is in general weak and inimical to development". The governments of Asia have failed to push through measures which would force their citizens to accept a set of community rules and obligations to speed up progress. Corruption saps the authority of administrations, and, in any case, civil servants are not paid to set off the kind of revolution against their own governments that an economic breakthrough demands. He attacks the facade erected around plans with their "experts" and their "irrationally simplified economic models". Of the scarcity of hard knowledge about the economies of Asia, he urges: "Rationally, this should inspire a much greater humility than is usually demonstrated by plan makers and the economists who speculate about planning". He presses home the fact that the poor have not benefitted from the planning process in Asia.

After this onslaught, Professor Myrdal ought logically to be numbered among the "anti-planners". Unfortunately, he lacks the courage of his own rational convictions. He still clings to planning as the way out for Asia, though it is hard to understand what causes his intellectual blindness. Perhaps, in an academic sort of way, Professor Myrdal is right: economics should be able to come up with rational theories that will explain, predict and help to control the process of development. But the region cannot wait on the appearance of an Einstein to revolutionise economics.

Time after time, Professor Myrdal cannot bear the force of his own logic, and the reader is left with a book that destroys all justification for the addiction to planning that has ravaged the Asian economy. Possibly, Professor Myrdal is not in close enough contact with the region. Thus, the Professor's criticism of developments in Burma and Indonesia is strangely muted. He praises Ceylon for its rice subsidies though these have come close to destroying the economic—and political—fabric of the nation. He adds that Ceylon "is the only nation in the region that has an effective district organisation for public health". Yet 1968 saw a revival of malaria on the island for the first time since it was completely eradicated by DDT. Very often, the author seems impressed with schemes that have been well worked out on paper (like the development plans of India and Ceylon), and he forgets that a planning document means nothing unless it can be translated into reality.

Interestingly, although he condemns the Western attitudes of economists in Asia, almost all his footnotes refer either to academic articles or books that were surely the very targets of his criticism. Apart from one reference to the *Review* and considerable use of the (Indian) *Economic Weekly*, he ignores the daily and periodical press of Asia. Like Asia's own economists, he cannot rid himself of the feeling that economics does have the solution to poverty. This is tragic, for he has fallen into the same trap as all the rest of the professional economists who promise their ministers that all things are possible provided they espouse planning.

Willy-nilly, Professor Myrdal has set out the unanswerable case against planning. As he says, all effective planning must be done in physical terms. Planning—except in the vaguest sense—cannot be accomplished without reliable data. How, for instance, can a government hope to plan the expansion of an industry without knowing its relationships with other sectors of the economy, capital-output ratios, existing capacity, demand for its products, its raw material requirements and all the other details that govern the industry's growth rate. This kind of data is lacking in Asia particularly in agriculture. As the author says in another context: "Both the rewards of success and the penalties of failure are greater in an underdeveloped than in a developed country. The poorer the country and the greater the danger that it may not be able to lift itself beyond the thresholds to cumulative development, the more imperative that whatever efforts it makes and whatever scarce resources it scrapes together be used with maximum efficiency".

How can any government in Asia possibly delude itself that it has the knowledge to ensure that it acts in the economic sphere with maximum efficiency? As Professor Myrdal remarks: "The process of planning can be regarded as a 'learning process' in which intuition is transformed into hunches and hunches into knowledge". As he makes abundantly clear throughout the three volumes, Asia has not progressed beyond the "hunch" stage. The author almost gives up the ghost on planning toward the end of the third

volume: "Whatever actions are taken, they must be the worse for having an irrelevant and logically inconsistent theory to guide them". After a bitter attack on errors in the theories of planning, he confesses: "A bad guide is not necessarily better than none: bad guides not only mislead but also give false confidence". Truth, however, slips from his grasp, and he returns to his quest for better theories.

Why is it that a man of Professor Myrdal's stature is unable to make the final leap? Did he miss his footing right at the start of his enterprise where he laid down the value premises that he believes should be espoused in economic policies for Asia? These he calls the "modernisation ideals", the goals that Asia's intellectual elite have set for themselves. First on his list is "rationality", then planning, followed by increased productivity and several others. "In one sense," he remarks, "all of the modernisation ideals are contained in, and derived from, the ideal of rationality and planning". This ought not to be the case: in a region as impoverished as Asia, surely the first need—the only priority in fact—must be to increase production. He quotes India's Second Plan, which stated: "A rising standard of living, or material welfare as it is sometimes called, is of course not an end in itself". It is to be hoped that the peasants of Bihar in the famine of 1966 were consoled by New Delhi's concern for their "spiritual" welfare.

Surely, the message is clear enough. Asia's governments have been enticed by Western ideals of "socialism" and "equality" and lulled by the self-confidence of their economists into believing that a developing country can afford to jump straight from a primitive economy into all the social and political luxuries of a twentieth century welfare state. The reality is that when a nation is poor, it cannot afford to take the moral stand that the desire of profits is bad and private enterprise must be restrained. Yet this is a view shared by several Asian governments. Even where these governments believe that they are following practical communist models for development, they should bear in mind (as Professor Myrdal does not) the criticism pouring out of Eastern Europe about state planning. (Significantly, China's economists, in the pre-Cultural Revolution period at any rate, showed themselves to be highly pragmatic creatures.) Paradoxically, as Professor Myrdal says of India (the planners' paradise): "Most officials have to devote most of their time and energy to limiting or stopping (private) enterprise. This is like driving a car with the accelerator pushed to the floor but the brakes on". More than this, such a state of affairs is outrageous for a region as backward as Asia.

Even if planning made sense from a logical and practical point of view, it would probably be the wrong prescription for Asia. Professor Myrdal emphasises the fact that planning is an ideal whose attractions are confined to the elite and not shared by the masses. He states: "There can be no doubt that in the traditional setting of South Asian societies (excepting to an extent the Chinese) many people are 'survival-minded', striving for nothing other than to preserve their customary low levels of living". One solution to this would be to change traditional societies, but Professor Myrdal acknowledges the tenacity with which communities resist change. The other possibility is to bring the population to want more than mere survival. However in many countries in the region (Indonesia and Burma are the best examples), it is far better to cling to the protection of simple, even subsistence, economy; this way, the people remain untouched by the havoc created by governments' mismanagement. Why should a peasant adopt new methods of cultivation when the authorities fail to give him the assurance that he will be permitted to enjoy the extra income he produces untroubled by inflation or official interference?

Until Asian governments prove themselves worthy of their people's confidence in the economic sphere, they will stick to the old and trusted tools and techniques of their forefathers. Enterprise will be kept to a minimum because with bad administrations, its rewards are uncertain. By this time, even the most remote villages must have come to mistrust everything done in the name of a plan. The time has come to throw away the meaningless arithmetic of planning and substitute for it an equation that even the simplest can understand: effort on one side, reward on the other. This may delay the advent of social justice, but at least it will not compound hunger and disease as the economists' planning has done. And in the long run, affluence has its own way of ensuring that social justice is enhanced.

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THE DEVELOPING COUNTRIES IN THE PAST 20 YEARS: GROWTH TRANSFORMATION AND PROBLEMS

(By Irving S. Friedman, economic adviser to the President of the World Bank)

(The author would like to mention the assistance given to him in the preparation of this paper by Mr. Davison Budhoo and Mr. Bimal Jalan of the World Bank Economics staff. This paper does not necessarily represent the views of the International Bank for Reconstruction and Development.)

*Introduction*

1. This paper deals mainly with the *economic* indices of development. Development in the poor countries, it hardly needs be said, is, however, a broad-ranging experiment affecting every facet of their national lives—social, political and cultural—and economic indices cannot indicate by themselves the broader aspects of transformation and change that the developing countries are going through. Even in the economic field, production and income indices do not always measure accurately the extent of progress achieved, since the effort which the poor countries have to make to promote their development is not necessarily reflected in the growth of income or production in relatively short periods of time. It is now more and more widely recognized that the developing countries must first achieve a basic structural transformation of their economies, particularly in order to harness modern science and technology to their production systems. An essential aspect of such a transformation is the building up of social as well as physical infrastructure. The economic justification for these investments is not that they, by themselves, lead in the short run to growth of the national incomes of these counries, but that they will eventually increase the returns to directly productive investments.

2. With these qualifications in mind, we may now turn to the broad facts of the economic development experience of the developing countries. Attached to this paper as Appendix 2 are a series of charts prepared in the World Bank illustrating trends in economic growth, international trade and international finance of these countries.

II

*Income and population*

3. First, the national income growth rates. The United Nations declarations on the Development Decade called for an annual rate of economic growth of 5 percent in the developing countries to be reached in the 1960's. The combined average annual growth rates achieved in the developing countries has been somewhat below this target—actually it was 4.9 percent during the period 1960–66. This compares with a growth rate of 4.7 per annum during the previous decade.

4. Aggregate figures for all developing countries, of course, conceal wide variations. Among the major regions, the fastest growth in the sixties, more than 7 percent per year, has been in Southern Europe and the Middle East. These regions also experienced considerable acceleration in their growth rates in the 1960's compared with the average of the 1950's (in the 1950's, growth rate in both these regions was 5.6 percent). East Asia achieved average growth of 4.9 percent in the period 1960–66, which was somewhat lower than the growth rate achieved in the fifties (5.1 percent). Korea, Malaysia, Republic of China and Thailand achieved growth rates which were much above the average, but the regional average was reduced by sluggish growth in Indonesia.[1] Latin America sustained over-all growth of 4.7 per year in the 1960's. Increases in the gross national product for the region as a whole were held back by the relatively slow expansion of Argentina and Brazil. As a result despite the acceleration of economic growth in Chile, Peru and some Central American countries, the annual average growth rate for the region as a whole was lower in the 1960's than the average of the 1950's.

5. The slowest growing regions in the 1960's, as in the fifties, have been Africa and South Asia. Gross domestic product in these regions increased at average annual rates of 3.3 percent and 3.4 percent, respectively, somewhat less than in the previous decade. The decline in the average for Africa resulted largely from special circumstances in Algeria, where GDP actually declined, and in the Democratic Republic of Congo. The slow growth of India, chiefly accounted for the sluggishness of the indices of South Asia's expansion in the 1960's.

6. In per capita terms, growth of developing countries has been even slower. Their rate of population growth accelerated to 2.5 percent per year from 1960 to 1966 compared with 2.2 percent in the 1950's. Correspondingly, their average per capita economic growth in the 1960's was reduced to 2.3 percent. All the major developing regions have experienced rates of population growth of over 2 percent in the last decade, except Southern Europe where the growth rate has been 1.4 percent per year. If Southern Europe is excluded, the average per capita income growth in the developing countries in the 1960's is considerably reduced; it amounted to somewhat over 1.5 percent. The fastest growth in population in the sixties, following the pattern observed in the fifties, has been in the Middle East and Latin America (2.9 percent in both regions). There are also considerable variations among countries—countries like Argentina, Barbados, Bolivia, Chad, Greece, Tunisia and Yugoslavia had relatively low rates of growth of population (1.6 percent per annum or below), while a considerably larger number of countries e.g. Colombia, Dominican Republic, Ecuador, Guatemala, Honduras, Iraq, Israel, Libya, Nicaragua, Niger, Malaysia, Philippines, Peru, Thailand and Venezuela had rates of population growth between 3 to 4 percent per annum. Two countries—China (Mainland) and India between them accounted for well over one-third of the world's total population. Six countries of the developing regions—India, Pakistan, Indonesia, Brazil, Mexico and Nigeria—which together contain about one quarter of the world's population—had relatively high rates of increase varying from 3.4 percent (Mexico) to 2 percent (Nigeria). Between 1960 and 1966 the population of Asia increased by 200 million—enough to repopu-

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[1] The slowdown in the regional growth rates due to setbacks in the growth of individual countries is only an interesting statistical observation, it does not imply that, as a result of slow growth in one or two countries, other countries in these regions had grown less fast than they otherwise would have.

late the entire United States or the Soviet Union.

7. Because of the importance as well as the widespread interest in the subject of population control in the developing countries, it may be appropriate to make some comments on the relationship between population and economic growth. The arithmetic of this relationship is perfectly straightforward—if production in a society increases by 1 percent, and so does population—the gain per head in terms of income or production is nil; if population had growth by less than 1 percent, gain in income per head would have been positive. On the basis of this and certain other numerical economic relationships, economists and statisticians have calculated that on average a reduction in population growth rates in the poor countries by 1/10 of 1 percent is equivalent to an increase in capital formation—or foreign aid—of $600 million or so.

8. While the arithmetic of this relationship between economic growth and population is perfectly clear; unfortunately, the economics of it is not, and attempts at generalizations in this respect are often misleading. The available data indicate varying correlation between rates of population growth and rates of economic growth in different countries. Countries like the Republic of Korea, and Thailand, which have experienced high rates of growth have also had rapid increases in their population. In the case of India, on the other hand, a high rate of population growth has served to increase poverty.

9. The point is that what happens to economic growth does not depend on the size and growth of population *per se* but on whether productive use can be made of rising population. Where there are plentiful natural resources to be brought into use or where productive capacity and efficiency are increasing rapidly and where the population is so sparse that economies of scale remain to be realized, a larger population may be no drawback but actually a positive advantage in terms of the average standard of life. Australia and Canada are important examples of this. Some of the African countries, now sparsely populated, may potentially be able to gain rather than lose from larger population. But for most countries—India is a leading example—the existing numbers may already be too large, at least for the foreseeable future, since there already exists a very large potential labor force that requires to be equipped for production. It is in the inability of most developing countries to use their increasing manpower productively that the economic disadvantages of their population growth lies. Population control for many of these countries seems a necessity—not only on economic grounds but also on grounds of health, human relations and, indeed, as the very basis of civilized life. In judging the efforts of these countries, however, it is important to remember that it usually takes many years before birth-rates can be substantially reduced; also, that the current increase in population in developing countries is largely a reflection of the tremendous progress that has been made in cutting down death rates through better medicines and health care—in itself a part and a fruit of economic development—and this increase in population is likely to continue.

*Industry and agriculture*

10. Industry has been the most dynamic sector in the developing countries. Over the period 1948–1964 the rate of growth of manufacturing production has been considerably higher in the developing, as compared to the developed, countries. The average annual growth in the developing countries in manufacturing output has been over 7 percent throughout this entire period as against a growth of 5 percent in the developed countries. However, for the years 1965 and 1966, the average rate of growth for both types of economies was 7 percent.

11. On a regional basis the most spectacular increase in the developing world occurred in Asia (excluding Japan). Here an annual rate of growth of 0.8 between 1938 and 1948 was transformed to one of over 9 percent as an average over the period 1950–1964. The Latin American performance was more modest: the region as a whole experienced an average growth rate of just under 6 percent. Aggregative figures are not available for Africa, but the United Nations economic staff has estimated that between the second half of the 1950's and the first half of the 1960's growth in manufacturing industry for the region as a whole (excluding the Union of South Africa) was in the range of 7 to 8 percent per annum.

12. The percentage share of developing countries in world manufacturing production (excluding East European Countries and the Soviet Bloc) increased from 5.1 percent in 1948 to 6.6 percent over the period 1960–64 with Asia accounting for 40 percent of the increase and Africa for 60 percent. Over the same period the Latin American share of world production remained stationary at 3.5 percent. The value of per capita manufacturing production, increased by almost 60 percent for developing countries as compared to increase of just over 40 percent for the developed countries. Another indicator of advance by the developing countries can be seen in the changing composition of gross domestic product by major sectors: whereas manufacturing accounted for 14.5 percent of GDP in developing countries in 1954 this figure has increased to 17.9 percent in the period 1960–1964. The share of manufacturing in the developed countries at these two dates were 30.2 and 31.3 percent respectively.

13. While manufacturing industry in the developing countries increased at a rate considerably higher than in the developed economies, trends in productivity were not so encouraging. It is estimated that output per worker in manufacturing increased at an average rate of about 3 percent per annum during the period 1955–1964 as compared to about 4 percent for the developed countries. Yet it is the increase of productivity which is essential if substantial increases in living standards are to be achieved; it is only by substantial increases in output per worker particularly in agriculture and manufacturing that the rise in population can be offset.

14. In the manufacturing sector development has often been oriented toward substitution for imported manufactures, exports accounting for only a small part of production. The share of developing countries in world exports in manufactures and semi-manufactures, which declined from 6.6 percent to 5.0 percent during the period 1955–58 improved by 1966 when it reached nearly 6 percent. The average annual growth rate in exports of manufactures from these countries has been over 7.5 percent compared with an expansion of 9.5 percent per year in total export volume of manufactured goods. Among the developing countries, the Republic of China, Hong Kong, Israel, Mexico and Yugoslavia have been the most successful in expanding their sales of manufactured goods abroad.

15. The policy of increasing domestic production of manufactured goods to substitute for goods hitherto imported has created serious problems for the developing countries, which some economists had anticipated, but many had ignored in their eagerness to "encourage" industrialization in the poorer countries or their eagerness to "save" foreign exchange because of chronic balance of payments difficulties. In the opinion of the author it remains one of the most important fallacies influencing many governments. For one thing, the foreign exchange saving of import substituting industries has proved to be much less than anticipated because of the continuing need for imports of equipment and intermediate goods. Another important problem has been that almost all developing countries, even those with large population have small markets, in the economic sense, because of the low levels of income. Consequently, substitution for imports has led either to production in small plants of less than optimum size or to optimum-sized plants producing below capacity. In both cases the result has been high cost production behind high tariff walls—production which is uncompetitive in world markets. This has hampered development of exports. It has made balance of payments problems worse and lost the dynamic element of growth which frequently come best from an internationally competitive export sector. It was—and is—popular because it seems to serve the purpose of accelerating growth; welcomed by the protected industries, and may be looked upon by foreign aid givers as a means of reducing foreign aid needs. Instead, the author is convinced from observation over many years that it has frequently reduced growth and increased balance of payments needs over time. The problem has been intensified by the restrictive commercial policy of developed countries in lines in which developing countries may have a comparative advantage, e.g., clothing and light manufacturing industries which the developed countries are often eager to protect for their own less competitive industries.

16. It is, however, in agriculture that the growth of the less developed countries has been the most disappointing. The rate of growth of agricultural production in developing countries was, generally lower—in many instances considerably lower—than the increase in gross domestic product. This was particularly the case for 1965 and 1966 when drought conditions in many countries worsened an already serious food production situation (Table 3). Per capita food production in developing countries followed an even more disappointing course with an increase of only 9 percent over the 11 year period 1953 to 1964. The sharp setback of 1965 and 1966—per capita food production in the developing countries in the latter year was 4 percent less than in 1964—means that much of the progress achieved in earlier years has now been lost. Indeed it is estimated that for all developing regions except the Middle East per capita food production in 1966 was less than before the second World War.

17. Insofar as individual countries are concerned, Table 4 classifies countries in relation to the magnitude of average percentage change in agricultural production over the period 1952–56 to 1963–65. This is compared to average annual changes in food production and population. While there is a general correspondence between high rates of population growth and high food production, there are some countries where these two diverge considerably—e.g. Iraq and Colombia with rates of population increase of 3 percent and 3.2 percent respectively and average annual growth rates for food production of 1.6 percent and 2.8 percent. At the other extreme are a number of countries—Burma, Cyprus, Ethiopia, Tunisia—with annual growth rates in food supply far outpacing population increase.

18. Food production per capita has grown relatively slowly in developing countries over the postwar period. However, the proportion of labor force engaged in agriculture in the developing countries has consistently been falling. For example, in Costa Rica the proportion of economically active population engaged in agriculture fell from 55 to 49 percent between 1950 and 1963 and in Mauritius from 44 percent to 38 percent between 1952 and 1962. Another encouraging factor is the changing role of agricultural production in gross domestic product over time. For all developing countries agriculture contributed only 30.5 percent of GDP over the period 1960–64 as compared to 35.7 percent

over the 1950–54 period. This compares, however, with contributions of 7.2 percent and 8.6 percent respectively for developed countries over identical time periods.

19. The apparent increase in productivity in agriculture is related, to some considerable extent, to the increased use of agricultural inputs such as fertilizers, farm machinery and pesticides. Over the period 1954–1966, total consumption of commercial fertilizers in the developing countries increased by over 300 percent and production increased by just under 300 percent (Table 5). On a regional basis the use of fertilizers increased fastest in Asia: total consumption there increased five-fold during the period 1954–1966. In Latin America, and the Near East, consumption of fertilizers increased three-fold; in Africa it doubled.

20. Even so, the tremendous potential for use of more fertilizer to increase agricultural production and productivity can be judged from the fact that while in Western Europe the consumption of fertilizer per hectare of arable land was 130 kg., in North America 52 kg., and in Japan 319 kg., in Latin America it was 16 kg., in the Near East 15 kg., in the Far East 8 kg., and in Africa 2 kg.

21. Mention may be made of the increasing emphasis given by many developing countries to intensified programs for agricultural production through the provision of production prerequisites to farmers. Such programs may include, apart from fertilizers, a whole range of subsidized agricultural inputs—e.g., improved irrigation facilities, the supply of farm equipment such as tractors, pumps and harvesting machinery, distribution of improved strains of seed or other planting material, the provision of technical advice through extension work. To take a few examples, in West Pakistan the government provides free electrification and drilling facilities for private tube wells. In India beneficiaries of the High Yielding Varieties Program receive various elements of subsidy over a wide range of farm inputs. In North Africa and the Near East grants towards tree planting and small scale aforestation is being increasingly used as an incentive for higher agricultural production and productivity. There is a growing awareness in many countries of what can be achieved through the harnessing of science and technology to agriculture, and governments, as never before, are cognizant of their responsibility as adviser, guide and coordinator.

*Savings and investment*

22. Most of the resources for financing development effort in the developing countries come from their own national savings. The net contribution of national savings to investment varies widely among countries and, though it is not possible to generalize, may broadly be thought of as amounting to roughly 80 percent of the total. A study of a group of 40 developing countries in various regions during the period 1960–65 shows that the contribution of national savings to investment was 88 percent in Latin America, 83 percent in East Asia, 81 percent in South Asia, 73 percent in Southern Europe and the Middle East and 68 percent in Africa. Data on savings are often unreliable and become available only after a considerable time lag, but the available evidence suggests that the developing countries are endeavouring to increase the ratio of savings to income. During the period 1960–65, for a group of 40 developing countries, average savings as a ratio of GNP amounted to over 14 percent; in a number of these countries the proportion was considerably higher e.g., Argentina, Brazil, Ivory Coast, Malaysia, Peru, Thailand and Trinidad and Tobago. Also, for a large number of developing countries the proportion of savings out of additional income (usually called the marginal savings ratio) is higher than the average savings/income ratio, suggesting that average savings ratio over time is also rising. But for a majority of developing countries, partial data suggest savings rate is considerably lower than 15 percent, and in some cases, as shown in Table 6, has even been declining over time (e.g., Democratic Republic of Congo, Dominican Republic, Ghana, Iraq). Very few industrialized countries, in contrast, save less than 20 percent. On an average, during the period 1960–65, Japan saved as much as 36 percent of its gross national product; Germany, Netherlands and Switzerland—all three saved around 28 percent of GNP, Sweden 24 percent, France a little over 22 percent, United States about 19 percent and the U.K. 18 percent.

23. Increasing the rate of national savings out of additional income is an especially important task of public policy in the developing countries. It is proving a difficult task in relatively rich countries which already enjoy high incomes. It is a tremendously difficult task in the poorer countries, however obvious the need to do so. The poorer a country, the more difficult it is for it to divert current income away from consumption to investment for a more or less distant future. The levels of consumption are already pathetically low; and the "revolution of rising expectations" which accompanies economic development further puts a premium on current consumption as against investment for the future. There are also many institutional and sociological difficulties in mobilizing savings, arising out of a traditional inclination to hoard rather than save in forms that can be readily mobilized for investments, a large nonmonetized sector, fragmentary money and capital markets and underdeveloped banking and savings institutions. These limitations have to be borne in mind in judging the savings efforts of the developing countries.

24. It has been possible for gross investment in most developing countries to be higher than their own national savings because of the inflow of private and official financial resources from abroad. For the group of 40 developing countries studied, gross investment has been roughly 17.5 percent of the GNP during the period 1960–65 as compared with somewhat over 14 percent for national savings. Recent estimates made in the World Bank show that a number of countries had investment rates as proportion of gross domestic product of about 20 percent or more. Among these are Argentina, the Republic of China, Guyana, Korea, Peru, Thailand, Trinidad and Tobago, Tunisia and Yugoslavia. In some of these countries a dramatic improvement in the rate of investment has taken place in the sixties, compared with the fifties. For example, Korea's investment as a proportion of GDP increased from 12.5 percent in 1953–59 to 21.6 percent in 1966, and Thailand's from 15.3 percent in 1952–59 to 23.1 percent in 1966. Investment rates such as these compare favorably with a number of developed countries, e.g., the United States which invested 17.6 percent of its gross domestic product during the period 1960–65 or United Kingdom (18.1 per cent) or France (21.4 percent).

25. But as with savings, investment rate in a large number of developing countries is considerably lower than the average e.g., Ceylon, Chile, Guatemala, India, Iraq, Nigeria, Pakistan and Philippines. Some developing countries have even experienced declining rates in the sixties compared with the fifties e.g., Algeria, Democratic Republic of the Congo, Dominican Republic, Iraq, Venezuela. From year to year, the ratio of investment to income has varied according to the level and movement of consumption—public and private—as well as the inflow of resources from abroad. The net contribution of resources to developing countries has probably declined in recent years because of a slackening in the inflow of foreign capital, official and private combined, at a time when the outflow of amortization interest, profits etc. from the developing countries has been rising sharply.

*External debt*

26. The sharp increase in indebtedness of the developing countries during the last decade is a major aspect of this problem of the probable decline in resource contributions from the developed to the less developed countries. For 92 developing countries, it is estimated that their medium and long-term external public debt increased from $9.6 billion in 1956 to $41.5 billion at the beginning of 1967—a more than fourfold increase. The increase in total indebtedness has been accompanied by an increase in the debt service payments by developing countries, which has proved very onerous. The debt service payments by the 92 developing countries increased from under $800 million in 1956 to nearly 3,900 million in 1966. In the more recent period, between 1962 and 1966, debt service payments have grown at an average annual rate of 10 percent, considerably faster than the increase in exports of goods and services by developing countries as a group. (The external public debt and debt service ratios for selected developing countries are shown in Table 7 and Table 8.) The sharpest increase in these payments during this period has been for developing countries of South Asia, East Asia and Africa. The increase was considerably less for Latin America, but the absolute amount of debt service payments by countries in that region have been very large.

27. Although many less developed countries are still able to assume more external debts, the rapid expansion of debt service obligations in recent years has become a matter of grave concern in a growing number of countries. In some cases, the burden of servicing debt has become so acute that it has required arrangements for rescheduling of past debt (e. g., Ghana and Indonesia in 1966; Argentina, Brazil, Chile, Liberia and Turkey in previous years.) The nature of the debt problem facing the developing countries and its close relationship to the terms of aid is exemplified by India. In relation to exports of goods and services, India's debt service payments (i. e., debt service ratio) increased from 9 percent in 1962 to 16 percent in 1966, resulting from an 82 percent rise in debt service obligations, while exports increased by only 10 percent. India's existing debt and its terms imply an even heavier burden in the future. If there is no change in the terms of present debt [2] and if additional aid is forthcoming in reasonably adequate amounts on terms similar to those of aid given in 1966, the absolute level of annual debt service is likely to double by the early 1970's and triple by the end of the decade. In this case, debt service obligations might increase to 30 percent or 40 percent of export earnings, depending on the rate of export expansion.

28. Unless the terms of aid become more appropriate and commensurate with the debt-servicing capacity of the developing countries, debt crises are likely to become more general, more frequent and more persistent in the future for countries which are likely to require net inflows of capital for a considerable time in the future. The short-term solution to the problem for the countries already in difficulty may lie in rescheduling or refinancing arrangements for debt service payments due in the next few years, but the longer term and more basic solution depends on increasing the magnitude and liberalizing the terms of future aid.

29. This follows from the fact that as loan terms harden, the net flow of resources decreases. Thus, for example, assuming a steady level of lending at the rate of $100

[2] Active consideration, however, is now being given to a rescheduling of India's external debts.

per year, simple calculations suggest that the harder the terms, the less the net flow in each successive year. If this loan is extended on "hard" terms (5½ percent interest, 13 years maturity including a 3-year grace period), the annual debt service charges would exceed $100 aid level in the eighth year. Conversely, as loan terms harden and debt service charges mount, more aid is required each year to maintain the same net flow. For example, to produce $100 of net flow in the tenth year, $270 of gross aid is required on hard terms, and only $109 on concessional terms such as those charged by the International Development Association (¾ percent interest, 50 years maturity including a 10-year grace period.)

30. The recent trends in the terms of official financial assistance to the developing countries do not provide much room for comfort. The share of grants in such assistance is declining rapidly and in 1966 it was about 63 percent as against 76 percent in 1961. Data, compiled by the OECD, on average financial terms of official bilateral loan commitments, show that average terms of loans improved somewhat for loans made in 1964, but in 1965 they became less concessionary. Between 1963 and 1965 interest rates on total bilateral loans increased from 3.3 percent to 3.6 percent, and the average maturity periods decreased from 25.1 years to 22.3 years. However, in 1966 the average interest rates of development loans were once again lower at 3.1 percent (maturity periods were also somewhat longer), but it is not yet clear whether the improvement in 1966 is an indication of a trend or merely a move toward regaining of the average terms of 1964 (see Table 9). There is evidence that in certain cases, at least of India, there is an awareness that improvements in future terms of loans and credits must be made.

31. However, before leaving this brief discussion of the external debt problem, it should be noted that as in other cases, the use of simple ratios like debt service ratios may distort an accurate appreciation of the problem. Aside from the obvious observation that other sources of foreign exchange receipts in addition to exports greatly affect the ability to service debt, there are the more subtle aspects deriving from the fact that the ability to service debt is intimately related to availability of savings both from domestic and external sources and the process by which this savings ultimately affects the balance of payments position of a country. Those public and private policies and activities which increase output, promote national savings, encourage capital inflows and bring about a more efficient use of savings in productive investments, improve debt servicing capacity. Increasing exports may be used as the formal point of attention, particularly as these increased exports result from increases in efficient output and improvement in the techniques of exploitation of markets in other countries. Countries are, however, not equally able to increase and diversify exports. For these countries where this results from causes beyond their control or where the process must be very slow, the debt burden may be onerous, even when the debt service ratio is relatively low.

*External capital flows, public and private*

32. At the same time, there has been very little improvement in the overall level of development assistance provided by high income countries during the last six years. The flow of aid (net of repayments) from these to the developing countries has remained nearly stagnant at around $6 billion.[3] This contrasts with a near doubling in official aid flows which was achieved in the six years before 1962. (The official capital flows during the period 1956–61 increased from $3.2 billion to $6.0 billion.) During the period 1950–1955, official capital flows to the developing countries were relatively small, averaging around less than $2 billion. The stagnation of aid flows in the recent years has reflected the stagnation in the assistance to LDC's from the major donor countries, namely, France, Germany, the U.K. and the U.S.A. The share of these countries in the total official aid flow from DAC members declined from 91 percent in 1961 to 84 percent in 1966. The assistance from a number of minor donor countries has, on the other hand, increased markedly during the recent period (e.g., Canada, Japan, Sweden, Austria and Australia), but the effect on the total aid flows has not been marked (see Table 10).

33. The flows of development assistance has been supplemented by flows of private capital. The net flow of private capital is estimated to have averaged around $3.0 billion during the period 1956–1961. For the period 1962–1966, the average flow per year was maintained, but year to year fluctuations were much wider than in the previous period. From the level of $3.0 billion in 1961, they decreased to $2.4 billion in 1963 and then climbed to a peak of nearly $4.1 billion in 1965.[4] However, there was a drop in the level of these flows in 1966 of about $300 million, mainly accounted for by the drop in flows from the United States (see Table 11).

34. Because private investment depends upon a multitude of private decisions, it is also difficult to predict the course of such flows. For example, there was a large increase in the flow from the United States in 1964 and 1965; in 1966, there was a large decline. In 1966, the concern over the balance of payments may have had an effect on the general attitude towards further investment abroad, even though the United States continued to regard capital exports to the developing countries as acceptable and desirable. A much more important factor in the decline in the United States private capital flows would seem to be the exceptionally high rates of interest reached in the United States market itself. The high interest rates of 1966 had the effect of attracting the liquid assets of direct investors, and perhaps also led to postponement of planned investment abroad or raising funds outside the United States. This uncertainty in private capital flows resulting frequently from causes outside the host countries creates difficulties in policy making, e.g., in judging the magnitude and composition of development programs, the likely size of the balance of payments deficit, and the financing of anticipated balance of payments deficit.

35. Private investment in the developing countries takes three main forms: direct private foreign investment (in plants, mines, plantations); purchase of stock of existing companies in developing economies; and lending to public or private parties. The private sector of industrial countries also participates in the financing of activities of multilateral agencies by purchasing participations in their loans, and by buying their bonds. Direct investment is the most important of these forms, representing about 60 percent of private capital exports to developing countries.

36. A complete statistical picture of the geographical and functional distribution of private direct investment among developing countries is not available, but partial data for the U.S., France and the U.K. show that a large part of private investment tends to be concentrated in a few countries and within a few sectors in those countries. Thus, for example, manufacturing accounts for about 40 percent of total cumulative U.S. direct foreign investments and petroleum for 30 percent. Of a total U.S. direct foreign investment portfolio in all countries of $54.5 billion at the end of 1966, $11.5 billion (21 percent) was in Latin America and $10.0 billion (18 percent) in all other developing countries taken together. Between 1960 and 1966 the U.S. invested at an average annual rate of only $431 million in countries other than Canada, Western Europe and Latin America. In 1966, however, total U.S. investments in these countries—which include countries like Australia and South Africa as well as the developing areas—was the lowest since 1960, falling from a peak of $756 million reached in 1965 to a trough of $375 million. Over the same period the U.S. invested at an annual rate of $1,350 million in Western Europe and $700 million in Canada.

37. In Latin America, the pace of new U.S. direct investments fluctuated widely over the period, but at the end of 1966 was averaging about $210 million a year, with a slow but steady trend of increase from 1962. Seventy percent of investments made during this period in Latin America has been in manufacturing industry; there was actual disinvestment in petroleum. This contrasts sharply with other areas, where 60 percent of all investments since 1960 has been in the petroleum industry and less than 25 percent in manufactures.

38. The importance of foreign private enterprise in developing countries lies not only in financing the transfer of physical resources, but also—and even more significantly—in the transfer of intangible resources such as skills, techniques, and entrepreneurship which accompany direct private investment. Transfers of managerial abilities and technical knowledge may well be of critical importance in accelerating growth and in many cases can be obtained only from their private originators in the more industrialized countries. Industrial technology in the developed countries of the West is primarily the property of private enterprise, being embodied in patents, machines, tools, processes, plant layout, etc. Governments in most cases have great difficulties in marshalling these resources and in transferring them abroad—unless they have been developed within government-owned operations. There is much to be gained in the developing countries from technological and financial association with the private enterprise in the developed countries, including improvements in ability to market their exports. However, private foreign investment can only take place if the right conditions are created in both the capital-exporting and the capital-importing countries. The developed countries can encourage greater outflows to the developing world by providing incentives to investment in these countries—for instance by modifying their fiscal systems so as to avoid double taxation and by taking such measures as are required to avoid neutralizing the intended effects of investments inducements granted by host countries. The developing countries on their part can do much to attract foreign capital by adopting positive attitudes towards private investment and, in particular, by providing for its greater security and by pursuing policies that enable companies to operate within a reasonable framework of costs and prices.

39. Certain steps have already been taken by individual countries to provide against political and commercial risks inherent in foreign investment. The government of the United States, for example, guarantees private investments in developing countries against a wide range of political and com-

[3] Preliminary DAC information indicates that the net official flow may have exceeded $7 billion in 1967.

[4] In considering the statistics on private capital flows, it must also be remembered that they are subject to a wider margin of error than are official contributions. Whereas the governments themselves keep the record of their own outpayments, in the case of private capital, the record must be inferred from a selected sample of private companies and from the indirect evidence of balance of payments data.

mercial risks. Under the specific risk guarantee program, losses guaranteed include those due to expropriation or confiscation, war, revolution and insurrection as well as losses on housing mortgages to Latin American countries. As of October 31, 1967, specific risk insurance issued under the foreign aid program amounted to more than $4 billion. Complementing the specific program is the "extended risk guarantee program" under which the U.S. President may determine to reimburse 75 percent of loss against all universal risks except fraud and misrepresentation.

40. The recent implementation of risk guarantee schemes by a considerable number of countries is encouraging;[5] the hope remains that this type of safeguard will be extended to more countries in the future. Risk guarantees constitute a potent weapon in the drive to direct new investments to the less-developed world. In the nineteenth century and right up to the period before the first World War the United Kingdom and to a less extent the more highly-industrialized countries of continental Europe were able to export very large quantities of capital to the then less developed areas of North America and Oceania. Today the situation is quite different. The world's two major capital exporting countries—the U.S. and the United Kingdom—are now handicapped by balance of payments difficulties, while other countries have not shown sufficiently sustained interest in foreign private investments to offset the reduced activities of these two countries. Vigorous and imaginative measures are therefore needed to encourage a greater outflow to the less-developed world. The construction of a strong legal and institutional framework for the protection of private investments is an important step in the right direction. In this respect much still remains to be done at the national level.

41. An international initiative in the field of efforts to improve the climate for investment was also taken in October 1966 when "The Convention for the Settlement of Investment Disputes between States and Nationals of other States" came into being under the auspices of the World Bank. The Convention provides for an international machinery which would be available on a voluntary basis for the conciliation and arbitration of investment disputes.

42. One of the most significant developments in the field of public lending in the post-war years has been the phenomenal growth of international lending institutions. From the relatively insignificant levels of multilateral lending in the early fifties, the total commitments by multilateral organizations (chiefly the World Bank, the International Development Association, the European Development Fund, the Inter-American Bank, the European Investment Bank, and various U.N. agencies) amounted to $2 billion in 1966, and disbursements about $1.4 billion. Until mid-1952, the bulk of international assistance was directed towards European recovery; the World Bank, for example, from the beginning of its operations in 1946–47 to mid-1952 had disbursed less than $250 million to the developing countries. Today, the Bank's annual disbursements to the latter amount to more than $500 million. The total commitments of the World Bank to all member countries increased from less than $300 million in 1951–52 to over a billion dollars in 1964–65, and then dropped a little to around $875 million in 1966–67. During the course of its 21 years of operations, the Bank has lent over 10 billion dollars, has borrowed widely in world markets to augment its resources, has originated and developed a highly varied program of technical assistance activities, and has added two affiliates to assist the development process: the International Development Association which lends on concessionary terms to the poorer countries among the Bank's membership; and the International Finance Corporation which finances and encourages others to finance, productive private enterprises, especially in the developing areas of the world. The economically more advanced members of the IDA—the so-called Part I countries—this year agreed to recommend to their legislatures the replenishment of the resources of the Association to a level of $400 million per year or about 60 percent above the level of $250 million annually in the previous years.

43. In addition to the growth of multilateral institutions in financial terms, an important development in the field of development finance has been the strengthening of supplier-recipient relations through various aid coordinating mechanisms. The World Bank itself has pioneered in the organization of consortia and consultative groups of aid-giving countries, to provide a common meeting ground for reviewing the economic performance, needs and prospects of individual developing countries. The Bank as the chairman of these groups assumes several responsibilities—on the one hand, it provides to the donor countries information and objective judgment based on extensive field work on the economies of the countries concerned, and possible investment opportunities, and on the other hand, assists the developing country wherever possible to assess its needs and to take measures required to use assistance most effectively. So far eleven such consortia and consultative groups have been organized for the following countries: Colombia, India, Korea, Malaysia, Morocco, Nigeria, Pakistan, Peru, Sudan, Thailand and Tunisia. Parallel to the effort of the World Bank in coordinating assistance are a number of other initiatives in this field, for example, the consortia for Greece and Turkey organized by the Organization for Economic Cooperation and Development, the Inter-American Committee on the Alliance for Progress, and the Colombo Plan Organization.

*Export earnings*

44. While important as a source of supplemental resources and even more as a source of much needed and scarce foreign exchange, financial assistance from abroad still accounts for a relatively small part of the foreign exchange earnings of the developing countries. Some 80 percent of the imports of developing countries are still financed out of earnings from their own exports. Especially during the period after 1959, the increase in the exports of developing countries, according to GATT figures rose by 41 percent during the period 1959–60 and 1965–66, compared with an increase of 23 percent during the period 1953–54 and 1959–60. However, despite their acceleration in the early sixties, exports of developing countries continued to lag behind the expansion in world trade. Their share in world exports, which had declined from 27 percent in 1953–54 to 22 percent in 1959–60, fell further to 19 percent in 1965–66. This fall in developing countries' share has been partly due to their concentration on primary products and partly because even in the field of primary commodities themselves, they have been losing ground as compared with the developed countries. World exports of manufactures have seen an exceptionally fast growth during the last decade, by far exceeding the expansion witnessed by primary commodities. In 1965, primary commodities accounted for over 81 percent of the developing countries' exports. The share of manufacturing exports, even though still relatively low, is rising—it was 18 percent in 1965 compared with around 11.7 percent in 1950.

45. Slow growth of exports of primary commodities is due to sluggish world demand conditions for food, raw materials of agricultural origin and light manufactures. These primary commodities are the victims of the well-known phenomenon that a smaller proportion of incomes is spent on food as incomes grow, of competition from synthetic substitutes and of protectionist policies of industrialized countries. In addition to slow growth, the export earnings of primary producers, in general, show wider short-term fluctuations than those of the advanced countries leading to considerable instability in the export earnings of developing countries. The instability of developing countries' export earnings is further accentuated by the fact that developing countries' exports are usually concentrated on one or two primary products. For example, a recent World Bank survey of 86 developing countries showed that in 1965, 38 countries relied on a single product and 74 countries relied on one to seven products for 50 percent or more of their export earnings from commodity trade. A bad year for one or two commodities may mean a considerable loss of earnings for developing countries which specialize in them.

46. To make matters worse, in a number of cases the shortfalls in export receipts of developing countries can not be foreseen—this is a specially important difficulty in the context of a planned program of development since future investment plans have to be based on certain expectations with regard to future export earnings, and a sharp unexpected fall in these earnings can seriously disrupt a country's development efforts. To tackle this problem of unexpected shortfalls, an international initiative was taken recently. In response to a resolution adopted by the First United Nations Conference on Trade and Development in 1964, the staff of the World Bank in late 1965 proposed a scheme, generally known as the Scheme for Supplementary Finance. The Scheme is aimed at defending development programs from the dangers of disruption arising from unexpected adverse movements by providing supplemental resources under certain conditions. The scheme proposed is based on a close and continuing relationship between the Agency administering the Scheme and the countries concerned, and an understanding regarding the broad content of development plans and policies, including export projections. As long as the performance of the country was satisfactory, judged by its adherence to agreed policies and programs, the Scheme would make available adequate long-term finance to cover an unexpected shortfall from "reasonable expectations," embodied in an export projection.[6]

47. The importance of rapid growth of exports for development needs hardly be emphasized. Growth of export provides the foreign exchange that is essential for meeting the import needs of a higher rate of investment and growth. Further, the mobilization of export earnings for development purposes presents less of a problem to developing countries than the mobilization of earnings in other sectors of the economy (e.g., peasant agriculture). Thus a rapid expansion of ex-

[5] Latest available information indicates that five countries other than the U.S. i.e., Australia, Denmark and the Federal Republic of Germany, Japan and Norway—have investment guarantee schemes covering various categories of political risks relating to investments in the less developed countries.

[6] The scheme has received wide international support both from the developing countries and a number of developed countries. It was examined by a group of governmental representatives, set up by the Trade and Development Board of the United Nations. The Group reported to the Second United Nations Conference on Trade and Development, which has recommended the continuation of the inter-governmental Group to resolve some outstanding issues and report as early as possible to the Trade and Development Board.

ports not only widens the foreign exchange bottlenecks to investment expansion but also facilitates the attainment of a higher rate of domestic savings. A study of economic indicators for 40 developing countries during 1960–65 appears to show that there was a significant relationship between growth rates and the expansion of external trade in the various regions. Areas which experienced more rapid growth—Southern Europe and Middle East and the Far East—also achieved relatively high rates of export growth while areas like South Asia had slow growth of both GDP and exports. A similar broad relationship can be discerned in the growth experience of individual countries. Countries with above-average growth rates tend to have above-average rate of growth of export earnings. In countries like China, Israel, Korea, Pakistan, Thailand and Yugoslavia, above-average growth rates were accompanied by vigorous growth of exports.

III

*Social transformation*

48. Beyond economic growth as can be comprehended within the framework of "key" indicators lies the question of whether, and how, governments over the past twenty years have managed to accelerate the process of social transformation necessary to achieve successful development and higher living standards for their people. This has been done, *inter alia*, by providing more and better medical and health services, education and housing. A few of these important indices of social development are briefly examined below.

*Health*

49. Although as noted above, there was some improvement in the world food situation in the 1950's, about half of the world's population remained malnourished, undernourished or both As contrasted to an increase of 59 percent per capita in the food supplies available for human consumption in developed countries over the last 15 years, food supplies per capita in the developing countries increased only 18 percent; furthermore, for the developing regions the increase consisted mostly of vegetable derivatives as contrasted to the developed regions where the increase was mainly in highly nutritional products of animal content. The calorie and protein content of per capita food supplies per day in developing countries were, respectively, 32 percent and 34 percent less than in developed countries twenty years ago; this position had hardly changed at all by 1965. The incidence of malnutrition for the developing regions is about 25 percent, while in developed areas per capita calorie supply exceeds requirements by about 20 percent.[7]

50. The ratio of deaths due to infection and parasitic diseases to total deaths from all causes has, however, continued to decrease. The record of the first half of the sixties was particularly impressive. Over the fifteen-year period 1950 to 1965 deaths from plague decreased from 23,193 in 1950 to 112 in 1965 and from cholera from 130,481 to 13,990; the incidence of smallpox declined from 335,208 in 1950 to 56,312 in 1964.

51. Other indices of the state of health were also encouraging. According to available estimates deaths occurred in the world as a whole at a rate of about 16 per 1,000 population annually between 1960–64; in the developing countries, however, the rate was more than double that of the developed ones—an average of 20 per 1,000 as compared to 9 per 1,000. On a regional basis mortality in the developing regions was lowest in Latin America (14 per 1,000) and highest in Africa (about 25 per 1,000 population). Over the period as a whole the trend in mortality has been decreasing—e.g., in Asia where it dropped from 23 to 20 per thousand over the decade 1955–1964. This was achieved despite a scarcity of doctors. The physican/population ratio averaged less than 1:1,000 for Europe and North America. In Africa it was about 1:21,000 as compared to levels ranging from 1:2,000 to 1:5,000 in most countries of Latin America and from 1:2,000 to 1:3,000 in the majority of countries of Asia and Oceania.

*Education*

52. The decade of the fifties was one of remarkable progress in educational advancement at all levels. The fight against illiteracy gained pace in countries such as India, Pakistan and the Sudan. Even though progress in those countries was not sufficient to prevent the total number of illiterates from rising, it sharply dampened the previous trend of illiteracy. In 22 out of 37 African countries in 1950 primary enrollment as a percentage of the 5 to 14 age group was less than 20 percent; only in 5 countries did the enrolment ratio exceed 40 percent. A similar survey taken in 1960 showed that in 14 of the countries the enrolment ratio was over 40 percent; only in 12 was it less than 20 percent. Similar comparisons can be made for all of the developing regions.

53. In the first half of the decade of the sixties the world-wide illiteracy rate continued to drop, falling from 44.3 percent to 39.3 percent. The number of literate persons rose from about 879 million to 1,141 million; and those of adult illiterates from around 700 million to 740 million. Insofar as the developing countries are concerned, the increase in enrollment in secondary and primary education has considerably exceeded the rate of increase of population in that age group—in the Arab countries, for instance, the rate of increase in primary and secondary school enrollment averaged 9 percent and 12 percent respectively as against a population growth of about 2.5 percent in the relevant age group. Both the Latin American and African countries undertook, at international conferences in Santiago (1962) and Paris (1965) respectively, to allocate annually 4 percent of their gross national product for educational expenditure starting from 1965. Asian countries, however, did not find it possible to commit themselves to that target until 1980.

*Housing*

54. Standards of housing and sanitation have generally deteriorated in the developing countries. Then tremendous growth of urbanization in the postwar period has posed new housing problems for all developing countries. The growth of the shanty town and the slum is not a new phenomenon, but it is one which will remain for a long time yet, given the expected acceleration in the growth of population and urbanization and the general inadequacy of resources to cope with the human and social problems and requirements inherent in such growth. A few examples will illustrate the magnitude of the present problem, particularly since they are taken from countries which have shown concern with development and living standards. In Mexico City, for instance, about ⅓ of the population of 4,500,000 live in shanty towns and squatter settlements, in Ankara (Turkey) the proportion is one-half; in some of the major cities of India it is considerably more than half. In Morocco in 1960 half the urban dwellings had neither kitchen nor private sanitation facilities. Two-thirds had no running water in the houses or courtyards. In the countryside an investigation covering 2,370 families revealed that only one possessed a wash basin and only 4 a shower bath, a mere 1 percent of all dwellings had running water in the house or courtyards. A comparison of results of the 1948 and 1960 censuses in Ghana shows that the number of persons per dwelling increased from 14.2 to 18.4 in Accra; in the country as a whole 12 percent of the inhabitants lived 20 and more to the same house in 1960. In towns of over 50,000 the proportion was 36 percent. Similar examples from many of the developing countries can be given.

IV

*Concluding statement*

55. This paper has ranged over a wide field. What does the analysis of the development experience of the developing countries add up to? There is little doubt that there has been growth; the living standards in the developing countries are better today than twenty years ago. Yet, it is no secret that there is considerable frustration and gloom over the performance and prospects of the developing countries. This is unfortunate; it is true that, given the expectation with which the process of development began in the developing countries, the actual gains in income growth have proved to be inadequate. Similarly, population growth has been fast; in many developing countries investment and savings rates are not good enough; and their exports have not been increasing fast enough. On top of all this, there is also the fact of political instability, internal strife and external clashes. This, however, is not the whole story.

56. Indications of social transformation, referred to in Section III, may be, even from a strictly economic viewpoint, more important as indicators of potential gains (or losses) in the future than key economic indicators; they reflect achieved changes in standards of living. Today more children go to school in developing countries than ever before, more villages are electrified, there are more doctors in relation to population, more people read and write, there are more roads, more schools, more clothing, and so on and so forth. Similarly, the increase in population is also a reflection of the tremendous progress that has been made in cutting down death rates, through better medicine and health care.

57. Much, however, remains to be done. Economic development is an all-embracing process. It involves the creation of new and the reshaping of old political, social, economic and financial institutions. It involves the evolution of a whole framework of policy instruments and techniques to structure and guide the direction and pace of change. It is not sufficient that developing countries expand their physical capacities—in roads and railways, power plants and irrigation works—however important these may be. An equally important and perhaps more difficult task is to work out development strategies and ascertain that they can be implemented within the framework of a sufficiently coordinated and efficiently functioning administrative system, to protect cultural values, to reorganize financial institutions and condition them to requirements of balanced economic growth, to reform tax structures. Over the last twenty years economic planning as an economic discipline with its own methods and procedures has emerged as the harsh harmonizer of national yearnings and aspirations against practical realities. If it has served no other purpose—and the author does not share this view—it has at least brought out starkly into the open the gap between emotional hopes and possible fulfillment, between minimal needs and relative availabilities.

58. In the process of experimenting with new techniques and of trying out new ideas we have learned a great deal from the experience of the past twenty years. Our present need is to apply this experience. In the developing countries, this means more carefully drawn up development programs and creating the conditions for their persistent and successful implementation, and for the

[7] A committee of nutritional experts reported on calorie requirements to FAO in 1957. Details of measurement of such requirements can be found in *Calorie Requirements. Report of the Second Committee on Caloric Requirements*, FAO, 1957.

developed countries this means providing the needed external capital to support these well-conceived programs as long as they are implemented with determination and vigor. The world-wide effort to accelerate growth and avoid the consequences of a failure to cope with this most profound economic problem of our age, may not succeed. If it fails, however, it will not be because we do not know enough, but because we could not create the political will to apply this knowledge wisely.

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TRADE, AID AND WHAT?

(By Prof. Gustav Ranis, Yale University, From Kyklos)

I

One of the most pervasive and characteristic features of the post-war era has been the phenomenon of the less developed world embarking on a more or less conscious effort at assessing and deploying its total resources in the context of more or less ambitious national development plans or programs. Any assessment of the total inputs which can be made available in this effort must consist of an examination of the resources which can be generated domestically (e.g. domestic output, savings, labor force) and of the additional resources which can be provided through economic contacts with the rest of the world, i.e. via the related spheres of aid and trade. A good deal has been said in this context, about the welcome effects of foreign aid and trade in alleviating the economy's overall resources tightness and, specifically, in providing additional much-needed import capacity.[1] More than once, moreover, we have heard the plaintive charge that the 'unfairness' of the international trading mechanism manifesting itself via the deterioration of the less developed economies' terms of trade has had the effect of virtually 'taking away with one hand what the other hand has given'.[2] Much energy has, moreover, been spent both in analytical and statistical debates on what has and is likely to happen to these terms of trade, and in the search for international cooperative solutions to the problem.

Most of the discussion on these issues has, however, been characterized by a disconcerting unwillingness to view the trade and aid problem as an integral part of the underdeveloped economy's domestic growth effort. Admittedly, our understanding of the development process is still quite inadequate, but that seems nevertheless a poor excuse for 'playing ostrich.' Any analysis of the potential contributions of trade and aid must remain essentially arid and void of policy significance unless carried on within a more general framework in which the process of growth itself occupies center stage. It is the purpose of this paper to indicate the role which foreign trade and aid, seen from this perspective, can play as facilitators of the domestic growth effort—both from the point of view of resources utilization and, more importantly, from the point of view of the achievement of the required institutional transformation within the less developed economy.

II. TRADE AND AID: RESOURCES UTILIZATION

The notion that growth in the underdeveloped world derives basically from contact with the developed world through trade and/or the movement of capital fails to describe reality in the twentieth century. It must, in fact, be viewed as an intellecutal hangover from the experience of the nineteenth century when growth emanating from the industrial 'center' spilled over to the underdeveloped 'periphery' through the simultaneous occurrence of i) the generation of export surpluses by the countries at the 'center' ii) a resulting—and automatic—financial accommodation or capital movement iii) the accompanying—again automatic—flow of technological know-how, entrepreneurship, skill and organizational capacity from the 'center' to the 'periphery' and iv) the development of assured export markets for the products of the 'periphery'—all four elements guaranteed as part of a package by the rules of the colonial system in which the exportation of political power and control represented the main stabilizing force.

In the present-day context, this 19th century picture featuring trade as the main 'engine of growth' no longer holds. We are now in an era in which these four vital functions are, at best, substituted for in an imperfect and piecemeal fashion, if at all. The needs of the less developed economy for an import surplus, for example, must now be mainly financed by official 'aid' without the benefits of certainty and automaticity. The flow of technical know-how and entrepreneurship likewise is no longer on a profit-seeking basis but rather on a politically negotiated basis. Finally, less developed economy export markets are by no means assured and prospects for satisfactory substitute arrangements of the interventionist variety are by no means bright.

In short, the idea that trade provides the springboard for growth based as it was on the special political conditions of the nineteenth century and the role of the 'periphery' as dutiful markets for finished products and suppliers of raw materials to the 'center', is no longer valid. And what has replaced it is a series of more or less makeshift arrangements still considered temporary by many (e.g., aid) and imperfect at best. We do not deny that trade and aid may be of great importance to the contemporary developing economy but we do believe that it can no longer be counted upon to provide the major stimulus for an across-the-board per capita income change.

Moreover, even in the unlikely case that new and improved institutional arrangements could be provided as a more perfect substitute for the execution of the abovementioned four economic functions, this constitutes by no means assurance that sustained growth will automatically result. For, as even the nineteenth century experience has shown, what results in the absence of a pervasive domestic growth effort may at best be the development of 'economic enclaves' comprised of growing export sectors in a general sea of stagnation. The 'spill-over effect' from such growing points cannot be counted on any more today than then to provide the required impetus to pull the rest of the economy along with it.

All this is not to overlook the fact that in some special cases 'development through trade and aid' may still retain some importance. For example, small countries with special political and economic ties to specific advanced countries (e.g., Puerto Rico with respect to trade, and Israel with respect to aid) manage to retain some of the features of a 'patched up' nineteenth century system. However, for the vast majority of the typical resources-poor, labor surplus countries characterized by a large and stagnant subsistence agricultural sector, trade and aid must be cast in a facilitating but not initiating role. Growth must be viewed as primarily a domestic problem and we must thus inquire, first, into the domestic forces which contribute to or hinder growth and, secondly, in case growth does occur, into the role of foreign trade and aid in that context.

Efforts at economic growth in the labor surplus underdeveloped economy must essentially result in increasing productivity through the reallocation of economic resources. In our view this process is likely to have to follow a 'formula' which reads somewhat as follows: (i) the achievement of continuous substantial increases in labor productivity in the agricultural sector so that disguised unemployed rural labor can be freely reallocated and agricultural surpluses to fuel the industrialization process can be generated (as a smaller fraction of the entire population supplies the rest of the economy with food and raw materials); (ii) the simultaneous expansion of employment opportunities in the industrial sector to absorb the labor released by the agricultural sector; (iii) the labor reallocation and industrial output expansion process proceeding fast enough to outstrip population growth which is simultaneously augmenting the rural 'reserve army' of the underemployed; (iv) emphasis on the general 'tightness' of resources, in terms of both the mobilization of 'hidden rural savings' and other, more conventional, domestic savings out of industrial profits to accomplish these objectives through time; and (v) the allocation of the annual savings fund to both sectors in a 'balanced' fashion to promote increases in productivity in both sectors without the serious deterioration of the (internal) terms of trade of either, i.e. the maintenance of the 'unlimited supply of labor' condition[3] as long as labor redundancy persists; and (vi) the generation and adoption of technological change biased towards the economy's relatively abundant labor resources.[4]

Basically what is involved is a gradual shifting of the center of gravity of the economy by successfully siphoning off the agricultural surplus and industrial profits generated each year and allocating this total savings fund to both sectors without freeing more (or less) agricultural workers in one than can be productively absorbed in the other. Getting most mileage out of the savings fund in the sense of speeding up the reallocation process depends in large extent on the ability to reject imported productive techniques developed for a radically different factor endowment, the ability to improvise on the basis of domestic technology, to reorganize domestic production functions in many relatively unspectacular ways[5] so that more of the underemployed rural workers can be productively absorbed.

It is in this context of a 'formula' for domestic success that trade—and aid—can play an important, if nevertheless subordinate, role. The significance of foreign aid, for example, emerges clearly from the fact that, in this fashion, additional savings can be made available to the economy in the form of an import surplus and that the resulting arrival of the commodities from abroad serves to alleviate the typically excruciating resources of the developing economy. This is quite apart from the productivity-raising technical assistance component of most aid programs. The possibility of running a limited import surplus for a limited period of time thus serves to soften the straitjacket of the low income economy and provides it with additional room in which to manoeuvre.

Turning now to the significance of trade in the growing economy, opportunities for in-

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[1] See, e.g., WILLARD L. THORPE, *Trade, Aid or What?*, Johns Hopkins Press, Baltimore, Maryland, 1954.

[2] See, e.g., RAUL PREBISCH, 'Commercial Policy in the Underdeveloped Countries', *American Economic Review, Papers and Proceedings*, May, 1959.

[3] ARTHUR LEWIS, 'Development with Unlimited Supplies of Labour,' *The Manchester School*, May, 1954.

[4] For a fuller statement of this necessarily abbreviated 'formula', see G. RANIS and J. C. H. FEI, 'A Theory of Economic Development', *American Economic Review*, September 1961, and J. C. H. FEI and G. RANIS, 'Innovation, Capital Accumulation and Economic Development', *American Economic Review*, June, 1963.

[5] I.e., see the author's 'Factor Proportions in Japanese Economic Development', *American Economic Review*, September 1957 for relevant examples.

ternational commodity exchanges may be compared with the introduction into the underdeveloped economy of a new and highly potent 'production function', more efficient than any alternative method of securing the goods required, with exports as inputs and imports as outputs. The existence of such a versatile 'machine' can contribute markedly to the easing of development production bottlenecks and to providing the economy with the type of investment goods which it is not yet ready to produce itself.

With the underdeveloped economy undergoing domestically initiated growth and structural change, the full resources significance of foreign trade as a welcome appendage to our domestic growth 'formula' is considerably enhanced. The primary emphasis in this dynamic setting must be on the search for export substitutes, reversing the historical tendency toward an increasingly narrow natural resource-oriented export base and emphasizing a higher human ingenuity and skill component of exports. The production of goods which are capable of incorporating indigenous entrepreneurship and organizational talent and responsive to per capita income change abroad can be increasingly expanded in the context of a growing economy.

There admittedly exists a good deal of skepticism currently concerning the possibilities of such export substitution in most of the less developed world, but it should be remembered that much of this skepticism is based, implicitly or explicitly, on the traditional concept of the 'enclave economy' and does not visualize the full potentialities of change as a fundamental concomitant of growth. Most current efforts to project underdeveloped economy export earnings for the future suffer from the same difficulty: they project demand for the present bundle of export commodities without paying attention to the fact that the major feature of growth over the decades ahead must lie in such countries' ability to seek export substitutes and alter their trade pattern. To deny this is, in fact, to deny the possibilities of structural change as an empirically valid phenomenon.

It is, of course, not easy to predict the precise direction this push towards export substitution will take in any particular country context. Nineteenth century Japan moved from raw silk to cotton yarn, to cotton cloth, to rubber goods and electrical equipment, in the nineteenth, and to machinery, ships and turbines in the twentieth century. In a dynamic setting the precise pattern, in fact, becomes a largely academic question. The economy will exploit its new comparative advantage over time by moving gradually away from its natural resource-dominated base towards ever so slightly more and more sophisticated methods of production, increasing the relative inputs of human ingenuity as the economy's capacity to do so increases.

In this connection the full potentialities of trade within the underdeveloped world are often neglected. As is well known, currently only a very small portion of total exports of the typical underdeveloped economy experiencing growth is to replay with other such countries. The opportunities for increased trade with a no longer stagnant less developed world are undoubtedly of considerable magnitude; as the human skill and ingenuity component of exports becomes larger and the natural resource endowment component smaller the potentialities for exploiting comparative advantages arising from the inevitable skill differentiation begin to mount. Underdeveloped economies may be well advised to reassess their fixation on traditional trade channels as well as on the traditional export basket. The all-too-frequent incidence of self-sufficiency as a national objective constitutes a serious road-block to the exploitation of comparative advantage within the underdeveloped world.

Skeptics once again will be quick to cite the narrowness of domestic markets as preventing any substantial increases in such trade. But this pessimistic conclusion is based again on the esentially static view of the contemporary underdeveloped economy. Observers see few possibilities because they have been conditioned by the long experience of stagnation. Once the possibility of a successful, if not spectacular, development effort, domestically initiated, is admitted for a considerable number of such countries the picture begins to change. Just as Nurkse envisioned the possibility of domestic development proceeding along the principle of balanced growth—with newly created industries serving as each other's market and source of supply—balanced growth internationally among the less developed countries is eminently feasible. Such measures as the regional coordination of production and investment, free trade areas and common markets can be very helpful in exploiting this potential in the years ahead. A necessary precondition for the success of all such institutional devices is, however, the focusing of domestic energies on domestic growth in each of the participating countries if the potentialities of a dynamically shifting comparative advantage are to be mutually realized.

Moreover, as the less developed economy slowly increases its capacity to produce and export goods with a higher human resources component, it will tend to import only the more and more sophisticated goods, or sophisticated stages of production. This, perhaps more conventional, emphasis on import substitution should, however, not be interpreted, as it so often is, as attempting to duplicate domestically the production of previously imported items virtually overnight. Sometimes a different type of consumer good, perhaps of somewhat lower quality (e.g. a 'less refined' sugar) may do equally well; and a domestic substitute for the latest imported machinery is likely not only to accommodate considerably more reallocated agricultural labor per unit of investment, but also to represent a much reduced drain on the balance of payments in terms of the raw material and service requirements over time. In particular, one may question the wisdom of 'premature' expansion of so-called heavy industry in which such countries clearly do not have a comparative advantage in the forseeable future and which could not have been established by private capital outside of the 'hothouse' of government protection and subsidization.

It should be emphasized at this point that the underdeveloped economy would be ill-advised to abandon or neglect its traditional natural resource-based exports in the course of this process of growth and structural change. Earnings from this source are, in fact, particularly essential in the resources sense during the early transition period to keep the trade gap from becoming completely intolerable. No one would advocate the premature disposal of "dirty water"; in fact, what can be done in terms of domestic quality control and international primary commodity research to obtain a better basis for predicting traditional export earnings should be done. What it seems necessary to emphasize is that a marginal improvement in the terms of trade, a few good years of export earnings, ought not to dissuade the society from the crucial effort of attempting to find "cleaner water". The traditional export base should rather be viewed as providing the economy with the necessary breathing space in which to apply the "formula" of growth. If occasional Korean War-type situations seem to reverse the tendency towards a deterioration of the traditional export base, neglect of the long-run underlying forces will only bring a day of considerably more severe reckoning later. There is little point in waiting for nineteenth century miracles to repeat themselves; in the twentieth century such miracles are likely to be almost entirely man-made.

In summary, this basic understanding of the role of trade as providing extremely helpful additional maneuverability to the resources-tight economy endeavoring to move forward provides ample response to those who claim that the industrialized economies "are taking away more through unfavorable terms of trade than they are providing through aid". If the less developed economy is stagnant it is not clear where the blame should be placed; and even if the economy were forced to remain glued to its traditional natural resource-oriented export base, such trade would not be engaged in if it weren't socially profitable; the only charge that can be legitimately levied against it is that it doesn't represent a big enough tail to wag the dog of development.

### III. TRADE AND AID: INSTITUTIONAL TRANSFORMATION

The above formulation of a successful domestic development effort and of the important role foreign trade and aid can play in this context represents an (all too sketchy) summary of what is likely to be the resource utilization pattern within the dualistic economy once the economic system has gathered sufficient steam or momentum to get off dead center. It does not, however, have the capacity to explain whether the economy will or will not take the appropriate actions outlined and thus gather momentum in the first place. The answer to this fundamental and more difficult question may seem to lie beyond the scope of this paper but must, nevertheless, be faced. Basically it must be sought in terms of the adequacy or inadequacy of the economy's underlying institutional arrangements through which economic decisions affecting broad masses of people can be carried out effectively. This requires *inter alia*—in terms of our 'formula' for growth—the development of functioning markets to which increasing numbers of individuals have access: a labor market sufficiently efficient so that surplus agricultural workers can, in fact, be reallocated to the industrial sector; a commodities market conducive to the expansion of productivity in both sectors; a financial or capital market reaching the masses of people and ensuring the more rational channelization and allocation of savings. In short, potential entrepreneurs must have access—at a price—to the required resources if the human skill and ingenuity component in the economy's total output is to be increased. This many-faceted market development problem is by no means an easy one to analyze or prescribe for, but there can be little doubt that the institutional transformation of the economy must go hand in hand with the more narrowly materialistic prescription already noted.

The traditional practice of 'planning for resources' only, i.e., the 'adding up' of the probable domestic savings and foreign aid available, must, in other others, be supplemented by 'planning for policy' which aims at effecting the required institutional transformation. It is, of course, much more difficult to devise policies which will provide previously barred individuals access to particular markets and permit the indigenous innovational potential to challenge the tyranny of the traditional output/quality mix and traditional technical production coefficients. But facing up to such problems is also essential if most of the contemporary underdeveloped areas are, in fact, to beat their Malthusian traps and become capable of routinized self-sustaining growth.

The major question the typical planning commission should, therefore, ask itself is not what commodities can and cannot be exported or imported over time. It is quite im-

possible—and certainly wasteful of valuable human energies—to attempt to project a dynamically changing scale of comparative advantage in order to forecast future foreign exchange earnings and requirements. It is much more important to promote policies aiming at institutional transformation, i.e. what is crucial is for the economy's innovative abilities to be harnessed for growth. While this positive effort must essentially be undertaken by the underdeveloped economy, policies abroad can also be of considerable assistance. We may thus, finally, turn our attention to how foreign aid and trade can be used to broaden the underdeveloped economy's resource base by means of a gradual institutional transformation.

The search for policies which yield the required institutional change must be viewed in the context of the role and capacity of the less developed economy's government. For one thing we must recognize that most of the countries we are concerned with are dedicated to a so-called 'mixed economy' system featuring some industrial investment activity by the public sector plus government attempting to more or less substantially influence the scope and direction of private sector activity in order to ensure consistency with some overall national plan or program. This attempt to influence—without complete take-over and centralized direction on the one hand, or laissez faire on the other—has, in most instances, resulted in the curious mushrooming growth of a vast network of largely direct, some indirect, controls over the private sector. Secondly, we must recognize that, typically, the government's administrative and technical capacity is severely limited. While there is usually little question about the abilities of the top layer of civil servants, it is typically true that the rank and file of government officials who are forced daily to make vital decisions affecting private sector economic activity have no special competence for doing so. Yet the little slips of paper—whether allocating foreign exchange or cement or providing building permits—over which they have control usually mean life or death to the individual private entrepreneur.

In this 'third dimension' of development planning, therefore, the government's capacity to intelligently guide the private sector even if its overall resources calculation is impeccable, is severely circumscribed. This is not to say that the public sector may not have an unmistakable comparative advantage (over the private sector) in managing public utilities and other social overhead enterprises—or may be able to control quite effectively large-scale private industry. But what we are trying to emphasize as part of the total landscape is the sheer physical and technical incapacity of government to effectively deal with the tens of thousands of smaller factories and workshops, not to speak of the millions of agricultural production units. Customarily the civil service has at its disposal neither sufficient technical training nor hours in the day to administer the network of direct controls and allocation devices which the resources-tight economy has all too often thrown up. As the controls consequently work badly, new ones are devised to patch up the leak, and thus the process goes snowballing along.

The civil servant's distrust of the 'profiteering' entrepreneur on the one hand, and the latter's unwillingness to believe that the government, of necessity in charge of the overall resources calculation, can ever be expected to deal fairly and impersonally when it comes to resources allocation, are matters not to be neglected. It is such attitudes which prevent the broadly based participation in development activities which constitutes the first law of institutional transformation and thus a *sine qua non* for sustained growth. Regardless of the social system a particular society adopts there seems little escape from the fact that it must devise institutions appropriate for the mobilization of indigenous talent and resources on a mass scale. Routinized growth cannot be achieved with the active participation of only 5 or 10% of the population.

The economic consequences of this situation is that the small entrepreneur suffocates under the mass of interlocking direct controls, while government and favored large-scale private enterprises prosper. Notions of industrial efficiency spring up which have little to do with the economic resources calculation of maximizing labor-using innovations and much with the prestige value of the modern capital-intensive plant. Public corporations, protected, subsidized and always at the head of the queue when foreign exchange and/or domestic credit are being allocated, flourish without being held properly accountable in terms of economic efficiency; and the small would-be entrepreneur faced with an interlocking set of controls and sanctions, unable to gain access to resources in an impersonal manner, is frustrated at every turn and finally subsides into inaction. As a consequence, we encounter the so-called 'shortage of entrepreneurs' phenomenon and the trend towards large-scale and public investment activities 'to get things done' is further accelerated. In the international trade sphere this tendency for government to drive resources increasingly into its own hands and that of the industrial oligarchy has its own repercussions. When coupled with the customary inability of government to meet its tax goals, the increasingly ambitious public investment program periodically leads to inflationary pressures and foreign exchange crises, and a further tightening of import and exchange controls.

It should be readily admitted at this point that not all the blame for this emphasis on the large-scale and the spectacular at the neglect of the small-scale and the non-spectacular should be placed on underdeveloped economy governments. Mature economy aid procedures and the administrative preference of foreign aid officials for committing large amounts quickly, to nicely visible (to local officials as well as visiting Congressmen) projects have undoubtedly contributed considerably to the failure to innovate and effect the necessary institutional reforms. It is far more 'easy' to allocate aid to projects which are less demanding in terms of indigenous ingenuity and 'neatly' absorb large quantities of development loans. After all, foreign aid officials are beset by the same difficulties as local civil servants; as well intentioned as they may be, they do not have the technical competence or time to do anything but be responsive to requests for the standard large-scale project, usually in the public sector. There is no way of blue-printing development loans for thousands of small workshops. The case of the modern factory conceived by engineers and staffed by technicians from abroad, finally handed over to indigenous managers as a 'turnkey' project represents only an extreme example of a general tendency. Certainly much-quoted preferences for financing only the import component of particular projects—when coupled with the well-known fact that country aid allocations are not really determined *ex ante* (except in the broadest sense)—have tended to bias investment programs further towards the adoption of imported large-scale technology, quite independently of already existing local preferences.

The question to which we have addressed ourselves—how can aid and trade policies help the underdeveloped economy in its efforts to achieve the required institutional transformation—must be approached in this context. Given the limitations of the machinery of government—and given the fact that the society will want to avoid a coercive solution—we suggest that the only way to ensure massive participation of the economy's human and material resources in the development effort is to permit a larger role for the market mechanism. An extreme laissez faire solution is as inappropriate in the context of the well-known market inperfections, social overhead requirements and the like as the attempt to centrally control all economic activity; but where necessary, interferences should be handled by indirect and vertical (i.e., impinging only at strategic points) rather than direct and horizontal controls. It is suggested that in most less developed economies a movement along the spectrum towards a greater use of the market mechanism seems indicated.

Perhaps the most important of these markets is the foreign exchange market. The method chosen to allocate this bottleneck resource may make all the difference with respect to the overall performance of the domestic economy. And it is precisely here where the flow of aid from abroad might be carefully applied to achieve a better performance. Consideration might, for example, be given to the 'compartmentalization' of aid so that, while a portion continues to be allocated, as it is now, to the traditional social overhead construction projects in which government has a clear comparative advantage (and to military hardware, where relevant), a substantial portion is earmarked for the support of a competitive market in foreign exchange in which all claimants, large and small, old and new, are permitted to compete freely and impersonally.

Such a freeing of the foreign exchange market would entail prior government-to-government agreement as to the volume of the annual flow of aid automatically forthcoming—and would probably be accompanied by a substantial raising of tariffs on luxury consumer goods to avoid any extensive dissipation of resources. The aid recipient, in other words, commits itself to freeing the market and the aid-giver commits itself to supporting such a market continuously at a given level so that other foreign exchange resources (e.g., from exports) plus the flow of aid will seek a balance with the demand for imports at the freed rate of exchange.

The local government's commitment here is, of course, more fundamental than meets the eye. For if the government is nevertheless determined to carry out an overly ambitious capital-intensive investment program, whether directly or via favored private enterprise—inflationary and/or balance of payments pressures are inevitable and, if in excess, will inevitably lead to the reimposition of controls. Thus the aid-giver's willingness to continue the automatic flow of capital through the balance of payments support device as long as the market remains free indirectly forces the government to be more reasonable in setting its growth targets. Provoking a foreign exchange crisis serious enough to culminate in the reimposition of foreign exchange controls would now, instead of constituting a 'legitimate' plea for more aid (as in the past), lead to the automatic curtailment of aid. While this may look like politically harsh medicine it should be recalled that it would result from a prior bilateral agreement which, granting mutually good intentions *ex ante*, focuses on the central issue of comparative growth performance under alternative policies. Many a planning commission may, in fact, welcome having its hands strengthened in this fashion vis-à-vis the demands of the powerful old line ministries; and the aid dispenser can begin to rely on a relatively objective performance index, removed from the peculiarities of intergovernmental pressure points on the one hand, and the suspicions and controversies surrounding political ideology, on the other.

If the institutional transformation under

discussion is to be pervasive enough to ensure the mass participation of the 'neglected' agricultural and small-scale industry sectors in the development process, any such freeing of the foreign exchange market must indeed be viewed as complementary to the freeing of other domestic markets. This might involve, for instance, a curtailment of the customary maze of direct allocative controls and permits, with respect to credit, raw materials, the establishment of new businesses, etc. Once again, the flow of aid from abroad could be instrumental in bringing the small man fuller access to domestic credit, for example. Support of the foreign exchange market in the manner previously described inevitably results in an equivalent (at the freely determined exchange rate) flow of local currency counterpart funds. In order to preserve these funds for purposes of development and ensure their efficient channelization and allocation, institutional arrangements can be devised to divorce them from direct government control and the attendant temptations for diversion to the government's current account. Such funds might, for example, be channeled to rural credit institutions, small industry corporations and other financial intermediaries and thus act to widen and deepen the economy's financial markets via the use of interest rates as an allocative device. Where necessary, a portion of such funds may be used as a social cost in the establishment of the required institutional framework.

Such use of aid funds to help achieve the required institutional transformation should, of course, not be viewed as a crash program from which to expect spectacular dividends in the short run. Rather, it is appropriate to view it as a chance to stimulate long-run processes aimed at providing the environment in which the broad masses of economic agents in the less developed economy have a chance to seek personal improvement. Unless such painful and unspectacular steps towards effecting an institutional transformation across the vast landscape and affecting the bulk of the population are taken, there is very little hope that trade and aid, viewed only in the resources sense, can be of really decisive help. Unless the preponderant agricultural sector, for example, is stirred into participation and productivity increase, there can really be very little hope for sustained growth. In a word, the attitude of doing a small number of spectacular things over a short period of time must give way to doing a large number of unspectacular things over a long period of time. While, admittedly, there are risks involved in shifting from an emphasis on 'resources calculation' to 'planning for a new policy design' aimed at institutional change, the risks of 'business as usual' are considerably greater.

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NEW DIRECTIONS IN WORLD AGRICULTURE

(By Lester R. Brown, U.S. Department of Agriculture)

The year 1968 has been characterized by uncommonly bleak headlines, ranging from the stringent measures announced early in January to improve our international balance of payments to the recent step-up in the conflict in Vietnam. But there is some exceedingly good news elsewhere, and much of it, as usual, is being eclipsed by the bad.

The good news is that we may be on the threshhold of an agricultural revolution in many of the hungry, densely populated countries of the less developed world, particularly in Asia. Further, we are witnessing some advances in food technology which, if commercially feasible, can make quality diets available to millions at much lower costs.

This paper constitutes a more encouraging assessment of food production prospects, in Asia at least, than has previously been possible. Let me identify some of the factors underlying the current assessment, many of them observed during extensive travel in Asia during recent months.

At the top, one senses a new political commitment by Asian governments to respond to the demand by farmers for incentive prices and the range of inputs needed to modernize agriculture. The dramatic new, high yielding varieties of food grains are being disseminated more rapidly among farmers in some countries than had either been planned or anticipated. Further, the yield performance of these varieties is proving much more transferable from experimental plots to field growing conditions than was thought possible.

The impact of the new varieties is such that they are becoming an "engine of change," bringing numerous other changes in their wake. They also provide a means for tapping some of the much discussed production potential of tropical agriculture, heretofore largely unexploited.

Despite the progress reported and prospects cited in this paper, the food-population problem is not close to being solved. It is far from solution. But the present dynamic agricultural climate makes Asia today far more receptive to U.S. assistance policies in this field, to agricultural technical assistance programs, and to sound private agribusiness investments than was the Asia of two years ago.

The food-population problem will not be satisfactorily solved until population growth is effectively slowed and eventually stabilized. The agricultural revolution which seems to be in the making will, if it continues, contribute to a solution of the problem by buying additional time for countries to mount effective family planning programs.

PAST RECORD NOT BRIGHT

The food production record of the less developed countries from the beginning of this decade through 1966 is not an encouraging one. Food production, scarcely able to keep pace with population growth, not to mention additional demand generated by rising incomes, fell behind overall demand. The result for country after country was either rising imports, rising food prices or some combination of the two. However, preliminary crop reports for 1967 in the developing countries indicate food output per person gained 6 percent over last year's drought depressed levels, bring production per person back to the levels of the early 1960's.

The beginning agricultural resolution is most evident where it is most needed, in Asia, a region containing 56 percent of the world's people. It extends from Turkey to the Philippines, and includes the pivotal countries of India and Pakistan. Together, these four countries alone contain over 700 million people, or about half the population of the less developed world excluding China.

GROWING EMPHASIS ON AGRICULTURE

Recent progress traces to several factors including a growing emphasis by governments in these countries on agricultural development, and a willingness to allocate scarce resources to this goal. Several factors underlie this growing emphasis: (1) the disappearance of world surpluses of wheat and rice, (2) the movement toward harder terms on U.S. concessional food shipments, and (3) a growing insistence by our government—in USDA, AID, and the Congress—that food aid recipient countries make an adequate effort to develop their own food producing resources.

We have increasingly used food aid as a source of leverage to encourage more rapid growth in LDC food output. When a country requests commodities from us we analyze its agricultural development effort and identify shortcomings. We then seek commitments to remedy them. We may ask a country to build farm-to-market roads, to increase the share of its budget resources going to agriculture, to improve its climate for foreign agribusiness investment or to undertake any of a host of other needed actions. Stated simply, food is no longer a free commodity—we exchange commodities for commitments, commitments to improve agriculture.

But pressure comes not only from outside. Indeed it seems that the possibilities of the new agriculture have caused farmers to place unprecedented demands on Asian governments to ensure availability of seeds, fertilizer, and other inputs. In fact, the increasing political muscle that farmers have developed may make the commitments of their governments to farmer-oriented policies and programs essentially irreversible, a marked departure from the years of political neglect.

This new political climate—both international and internal—has led to concrete commitments of budgetary and foreign exchange resources. India increased its budget for agricultural development by 42 percent last year; it is now using the equivalent of one-fifth of its foreign exchange earnings to import fertilizer and fertilizer raw materials.

Turkey's imports of fertilizer and fertilizer raw material may make up the largest single item in overall imports this year, exceeding for the first time petroleum and petroleum products. The availability of fertilizer in Pakistan is twice that of two years ago, and several times that of 1960. It is expected to at least double again by 1970.

HIGH PRICES AND NEW VARIETIES

Among the major forces for agricultural progress in Asia, two stand out: the sharply higher prices for the major Asian food staples, rice and wheat, and some dramatically superior new varieties of wheat, rice, and coarse grains.

Prices of food grains, particularly rice, have climbed sharply in many Asian countries as a result of scarcity at home and the disappearance of surpluses abroad. This rise, reflected in prices received at the farm level, has made the use of purchased inputs such as fertilizer much more profitable than heretofore.

Exciting new varieties of rice, wheat, grain sorghum, and corn are now available. In large part, they have been developed at the International Rice Institute in the Philippines and at what is now the International Maize and Wheat Improvement Center in Mexico. (The Institute was sponsored by the Rockefeller and Ford Foundations, the Center by Rockefeller). The new varieties are much more responsive to fertilizer than traditional varieties. Under proper growing conditions, they outyield traditional varieties not by a mere 10, 20, or 30 percent but by a multiple of 2 or more. This is why they have caught the imagination of so many Asian farmers.

The new rice varieties provide a means for tapping some of the vast but largely unrealized food producing potential of the tropics. At present, rice grown in temperate zone countries, e.g. the United States, Spain, Italy, Japan, and Australia, yields 4,000–6,000 pounds per acre (rough rice) as contrasted with only 1,000–1,500 pounds in most of the tropical and subtropical rice growing countries. The high yields attainable with the new varieties, coupled with the potential for multiple cropping where water is available, provide some impressive opportunities for expanding the world's food supply.

THE SPREAD OF NEW VARIETIES

Use of the new varieties, expanding very rapidly in several Asian countries, is already beginning to have an impact on regional grain production levels. The area planted to improved varieties in Asia this year is estimated at 16 million acres—most of it in India, Pakistan, the Philippines, Afghanistan, and Turkey! The total could expand to 30–35 million acres or more next year.

Improved varieties of wheat and rice have been planted in greatest quantity. India alone has planted about 5 million acres of

each. Pakistan has planted approximately 2 million acres of Mexican wheat for harvest this spring, and hopes to plant up to 1 million acres of rice this year. Turkey has nearly 400,000 acres of wheat and the Philippines perhaps 500,000 acres of rice. In addition, nearly 3 million acres of corn and sorghum have been planted in India.

These planting levels are beginning to represent sizable portions of total acreage. The improved varieties of wheat account for about 15 percent of wheat acreage in both India and Pakistan. Proportions for rice are lower—about 6 percent in both the Philippines and India. Data on the contribution to increased output of the acreage planted to high yielding varieties are not available but these plantings must have expanded Asia's food grain supply by several million tons.

As improved seed becomes available, the new varieties are often quickly adopted by a relatively small group of farmers—the larger, more commercial farmers who have adequate irrigation and credit. But the irrigated land suitable to new varieties is limited. And in West Pakistan, for example, lack of farm credit is limiting the distribution of available fertilizer. But these difficulties should not be overestimated since West Pakistan is expected to harvest a wheat crop this spring some 10 percent above the previous record.

The rate of adoption may also be influenced by other factors. Extremely high prices for rice during the past year have stimulated interest in planting improved varieties. As output increases, prices may drop somewhat from present levels—reducing incentives to plant or to carry out essential cultural practices. The increased output can also lead to problems with inadequate marketing facilities.

Much land is not suited to the new varieties now being disseminated. Some farmers, after trying them, will return to the traditional varieties. But the overall trend will be up. And in the short run, food stortages can be alleviated or self-sufficiency obtained with only a portion of total acreage planted to improved varieties. Over the longer run, strong and continuing research and breeding programs will be necessary to insure steady progress.

NEW VARIETIES—ENGINE OF CHANGE

The new food grain varieties are far more than just another technological breakthrough—they may be to the agricultural revolution in Asia what the steam engine was to the industrial revolution in Europe. In addition to their influence on production, the new varieties are playing a critical role as a catalyst, causing farmers to break with tradition and reconsider their agricultural practices.

It was hoped earlier that fertilizer would perform this function, and it has, to some extent. But traditional varieties are often not responsive enough to fertilizer to provide the readily visible profit peasants need to adopt new practices.

Some of the new varieties—like IR-8 developed at the International Rice Institute—do well even with traditional cultivation methods. But far more than the old rice, IR-8 is responsive to scientific farm management, to far heavier doses of fertilizer, to timely pesticide treatment, to a broad range of improved practices. Not only do farmers learn through experience that the so-called "miracle rice" works; they learn that it works better if accompanied by generally improved production technology.

The new varieties are requiring a reexamination of existing agricultural policies and development strategies. The more intensive use of labor associated with the new varieties for instance—the new high yielding rice varieties require weeding—is actually resulting in seasonal labor shortages in some rural locales in Asia. Wages paid farm laborers in India's Punjab during the harvest season reportedly exceeded those paid skilled laborers in New Delhi this year. As a result of labor scarcities during planting and harvest seasons in some areas, planting and harvesting are being staggered and extended over a longer period. Crop calendars are being revised.

The new rices grow both during the monsoon and during the dry season, provided, of course, enough water is available. Many traditional varieties, because they are much more photoperiod sensitive and require a longer growing season, are not as adapted to growth during the dry or winter season. Dissemination of the new varieties is thus often followed by a sharp rise in the index of multiple cropping.

Alterations in cropping patterns are also occurring. Farmers with enough water to grow a crop of rice during the dry season will frequently do so. Those with insufficient water for rice are turning to a cereal with lower water requirements, usually grain sorghum. This is now occurring in the Philippines and India. After the first cutting, grain sorghum sometimes ratoons (regrowth from original root stock) one or two times providing additional harvests of grain from the original planting. Test fields of rice and sorghum multicropping at the International Rice Institute in the Philippines have reportedly yielded 8 tons of grain per acre per year; This contrasts with an average of 2 tons of corn per acre in the United States.

ACCELERATING FARM MECHANIZATION

Among the traditional assumptions concerning agricultural development, those concerning farm mechanization are perhaps most in need of reexamination. Experience with the new rice varieties is demonstrating this need.

IR-8 matures in 120-125 days, as contrasted with 150-155 days for traditional varieties. When planted at the customary time at the beginning of the monsoon, it matures well before the end of the monsoon. Once ripe, it must be harvested quickly, and artifically dried lest it sprout in storage. Traditional rices, maturing after the monsoon, can be harvested in a more leisurely manner and dried in the sun along the roadside. The new varieties then may require, as a minimum, mechanical drying. In many instances, mechanical threshing may also be advisable.

Because IR-8, and most other high yielding rice varieties are quick maturing, it is often possible to plant a second crop of rice before the end of the monsoon. If planted promptly, such a crop can use monsoon rainfall for initial growth, then supplemental irrigation thereafter. But such rapid seedbed preparation may not be possible with bullocks and bullock drawn equipment. Mechanical power may be required. Similarly, under some conditions tractors must be used for seedbed preparation to realize the full potential of Mexican wheats.

The full potential of the high yielding rices cannot be realized in the absence of careful water management. This requires pumps, engines, and fuel to both move water out of the paddy, when natural rainfall or flooding is excessive, and to move water in, particularly during the dry season when additional water is needed.

PROJECTIONS OUT OF DATE?

As the "agricultural revolution" spreads throughout Asia it is becoming increasingly difficult to project rates and directions of change. Many of the numerous studies undertaken in recent years, projecting the production and demand of food and the demand for purchased farm inputs, have not allowed for the possibility of sharply increased yields due to new technology.

Increased yields may make it possible to halt the trend toward growing food deficits and in some cases reverse it. The Philippines expects to be self-sufficient in rice in a year or so; Turkey may be self-sufficient in wheat shortly thereafter. Pakistan and India are moving rapidly to narrow the gap between food consumption and food production. Other nations, not yet doing as well, are also showing signs of forward progress.

Existing projections for fertilizer demand may require alteration in light of the greater responsiveness of the new varieties to fertilizer. Some projections of fertilizer demand have assumed that the use of one additional pound of fertilizer would yield 10 pounds of additional grain. Available information shows the new varieties have a much higher response coefficient.

In the short run, the greater responsiveness of the new varieties should increase the profitability of fertilizer use and increase the demand for fertilizer above what it would otherwise have been. Over the longer run, however, the demand for fertilizer could be lower than would otherwise have been the case since a smaller quantity of fertilizer will be required to achieve any given level of food grain production. Nonetheless, the developing countries face a continuing fertilizer deficit, requiring increased imports unless the pace of their new plant construction accelerates within the next few years.

The growing demand for irrigation pumps, engines, and tubewells will accelerate in the future as the need for supplemental irrigation and better water management increases. Heavier investment in inputs for a given crop—needed to realize the genetic potential of the new varieties—requires better protection from insects and diseases. A new market for mechanical rice drying equipment is also developing far ahead of the supply.

If I were a Vice President for International Operations of an American agribusiness firm, I would have some of my staff out in the wheat fields and rice paddies of Asia attempting to assess the marketing and investment implications of the new, high yielding varieties of grain. The demand for virtually all inputs will be affected.

ADVANCES IN FOOD TECHNOLOGY—CLOSING THE PROTEIN GAP

The remarkable advances in production technology discussed previously should not obscure the recent breakthroughs in food technology which, though not as yet nearly as far along, may in the long run augment the current production advances. At the same time as increased yields are making available greater quantities of food, food technologists and private industry are improving food quality through the development and better utilization of low-cost sources of protein.

The problem posed by the shortage of protein in the LDC's is in many ways parallel to the excess calorie problem in the United States. Confronted with the need to reduce the caloric content of diets, food technologists began developing low calorie foods and beverages. A technology evolved to meet a need, creating a low calorie food industry which today manufactures and markets more than 700 million dollars worth of low calorie food products in the United States.

In the problem of protein shortage, there are similar elements—a widespread need and a technology evolving in response to this need. There are now indications that a high protein food industry is emerging to parallel the low calorie food industry.

The conventional means of eliminating deficits of high quality protein has always been to expand production of livestock products. As per capita incomes rise over a long period of time, protein deficiencies in diets disappear, but only at a high cost in terms of grain required. Given the costliness of eliminating protein deficits using livestock, U.S. food firms are increasingly attracted to the

possibility of developing livestock product substitutes from vegetable sources.

Substitute livestock products have developed gradually over the past generation, with the pace accelerating in recent years. The average American now consumes more margarine than butter. Hydrogenated vegetable shortenings have largely replaced lard in our diet.

To date, substitution has been primarily vegetable oils for animal fats, but food firms are now pushing ahead rapidly to develop protein products such as substitutes for milk and meat. Researchers in laboratories of several major U.S. food firms are confident of developing products synthesized from soybeans or other vegetable protein sources which will be virtually indistinguishable from chicken, ham, and beef. One major U.S. food firm is already test marketing a substitute for bacon.

Most hungry countries have indigenous supplies of high quality protein—usually in the form of soybean oil meal, cottonseed oil meal, peanut oil meal, or copra—which can be used to manufacture high protein foods. These oilmeals are often used for a variety of purposes, including fertilizer, livestock feed, and as export commodities. But some food firms are beginning to incorporate these proteins into imitation or substitute livestock products, beverages, gruel, and breakfast foods, to be marketed commercially. AID is supporting several market surveys and market testing projects by U.S. firms in developing countries.

Recent advances in synthesizing amino acids now make it economically feasible to upgrade cereal protein by adding small quantities of the limiting amino acids. The addition of a few pounds of lysine, costing about 4 dollars, to a ton of wheat raises the quality of wheat protein to a level approaching that of casein, the protein in milk.

With U.S. encouragement, the Indian Government bakeries in Madras and Bombay last month began marketing a lysine-fortified product called Modern Bread. Early reports indicate that it has been selling out every day, and plans are underway to extend lysine-fortification to several other Government bakeries, with private bakeries also expressing strong interest.

At present, the use of synthetic amino acids to fortify food is one of the most exciting possibilities available for making substantial inroads against malnutrition. Unlike most other methods of upgrading protein intake, this does not require changes in dietary habits. Over the longer run, it may be possible to achieve the same end by evolving new varieties of cereals which will contain a larger percentage of higher quality protein.

CONCLUSIONS

Exceedingly favorable prices for food grains in most Asian countries, coupled with some dramatic new technologies in the form of high yielding varieties of rice, wheat, and coarse grains, are triggering an "agricultural revolution" in Asia. The superiority of these varieties over traditional ones is so pronounced that they are becoming an "engine of change" in rural areas; they are altering cultural practices, the level and pattern of inputs used, cropping patterns, and the index of multiple cropping.

Many factors will constrain the rate at which the new varieties are disseminated—inadequate water supplies, a shortage of farm credit, and susceptibility of some of the new high yielding varieties to local insects and diseases. But it seems quite likely that food production in free Asia will, barring unforeseen circumstances, expand much more rapidly over the next few years than it has thus far during the 1960's.

Accompanying the revolution in agricultural technology are some exciting advances in food technology such as the utilization of oilseed meals in high protein foods and the fortification of cereals with synthetic amino acids. These breakthroughs could contribute measurably to alleviating the widespread shortage of protein in the hungry countries over the next 5–10 years.

But while the potential for improving the world food situation may be in hand, the benefits thus far have been limited. To strengthen the favorable forces now at work and see the revolution through will require continued commitment by governments in the developing countries, supported by all the assistance the United States can provide.

The new varieties were referred to earlier as an engine of change. We could carry the analogy a bit further and say that we now have the engine going; but an engine at full steam needs far more fuel and attention than one sitting at a switching station waiting to get a track.

Years of U.S. assistance, both public and private, coupled with stepped up efforts by the developing countries themselves, are beginning to pay off. It is essential that we work to maintain and accelerate the forward momentum now developing. If maintained, this momentum greatly enhances the near-term prospects for putting Asian agriculture on a more modern footing—for turning the current advances into a pattern of self-sustaining agricultural growth.

The following two articles are a sampling of the response to the theme of the "Green Revolution" developed at the seminar:

[From the New York Times, May 14, 1968]

FARMING REVOLUTION IN POORER LANDS IS HELD NEAR

(By Felix Belair Jr.)

WASHINGTON, May 13.—A group of experts believed that the underdeveloped world is on the verge of an agricultural revolution that may prove as important to mankind as the Industrial Revolution of the early 19th century.

That consensus emerged at a seminar by six development specialists arranged last week by the House Republican Planning Research Committee. One panelist said the break with the past, especially in Asia, already was comparable to the economic rebirth of Western Europe after World War II.

The panel noted numerous developments as indexes of the revolution's impact.

For at least half a dozen Asian countries the revolution is well under way. It is changing the farming practices, politics and, to some extent, the culture of countries from Turkey to the Philippines.

Last year's record wheat crops and unparalleled yields of rice, corn and sorghum have prompted predictions that the race between food and population can yet be won.

New high-yielding varieties of seeds for these food grains have doubled and tripled production realized on the same land with conventional strains. With more readily available supplies of fertilizer and pesticides and modern equipment, they are bringing a new farm technology that is becoming an engine of change in rural areas.

Under proper growing conditions the new dwarf wheat strains have increased yields from 11 to 40 bushels an acre. Test fields using new varieties of rice have produced eight tons to the acre per year, compared with an average of two to four tons an acre for most temperature zone countries, including the United States.

Equally important is the firm commitment by Asian Governments to agricultural development in response to farmers' demands for incentive prices, the specialists said. There is a willingness to allocate scarce resources, including foreign exchange, to meet the requirements of modern agriculture.

The growing insistence by the Department of Agriculture and the Agency for International Development that recipients of United States food and capital loans and grants as well as technical assistance make greater efforts to improve their own agriculture has started to pay dividends, the experts said. And the pressure is coming from other donor countries as well.

Lester Brown, head of the Department of Agriculture's International Development Service, said: "The increasing political muscle that farmers have developed may make the commitments of their Governments to farmer-oriented policies and programs essentially irreversible—a marked departure from the years of political neglect."

From 1960 to 1966 food production for the less-developed countries was barely able to keep pace with population growth, it was reported. Government policy was marked by arbitrarily depressed farm prices intended to benefit consumers and somewhat higher export prices designed to accumulate foreign exchange. Many farmers usually produced just enough to feed their own families.

But gradually, the story of the new miracle seeds and what they could do with ample equipment was getting across to Asian farmers. The Governments acted.

Asian underdeveloped countries alone planted 16 million acres with high-yielding food grain seeds this year, most of it in India, where a record wheat crop of 95 million tons is expected, and in Pakistan, the Philippines, Afghanistan and Turkey. The total is expected to reach 25 to 30 million acres next year.

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[From the New York Times, May 21, 1968]

THE GREEN REVOLUTION

Some years ago one American aid official in Eastern India was good-naturedly referred to by Bengali bureaucrats as the *pugla sahib*, crazy gentleman, because he kept rushing about the countryside calling for instant revolutionary changes in age-old agricultural practices.

He was one of hundreds of "crazy" Americans who for the past two decades have been devotedly spreading the gospel of modern agriculture—research, credit, fertilizers, pesticides, irrigation, improved seeds—to farmers and their governments in the developing countries. For years such energetic agents of American governmental and private aid organizations have had relatively little to show for their efforts. Modest improvements in food output were overshadowed by massive increases in population—and for that matter still are.

Today, however, there are signs that what William Gaud, head of the Agency for International Development, calls "the Green Revolution" has begun to catch on. A panel of development specialists in Washington reported the other day that the underdeveloped world is on the verge of an agricultural revolution that may prove as important to mankind as the Industrial Revolution of the early nineteenth century. If population control made comparable progress, the outlook would indeed be bright.

The optimistic agricultural forecast is based on record crops during the past year in at least a half-dozen developing countries, ranging from Turkey to the Philippines and including all-important India. Immediate credit for the spectacularly increased production of wheat, rice, corn and sorghum is given to new, high-yield seeds developed in research institutes in Mexico and the Philippines, initiated and supported especially by the Rockefeller and Ford Foundations.

To extend the breakthrough that has finally been achieved will require an even greater effort than before. Extensive indigenous research will be required to adapt new varieties to local conditions and to minimize destruction by pests and disease. Additional trained extension workers, more fertilizer, more pesticides, more credit will be necessary, as will new storage, transportation and marketing facilities to transfer larger crops to consumers.

This is why the A.I.D. has been devoting in increasing proportion of its tight budgets to agricultural programs in recent years. This is why it is especially important that Congress not cut heavily into A.I.D.'s modest budget request for the new year. The Green Revolution is one revolution that deserves the wholehearted support of even the most conservative American.

Further material follows at this point:

[From the Columbia Journal of World Business, September–October 1967]

HOW MUCH AID FOR THE HAVE-NOT NATIONS?

(By John A. Pincus)

How much, indeed? There have been a number of estimates of the savings gap—the difference between investment levels needed to sustain a specified rate of economic growth and the estimated funds available from a combination of domestic saving and probable capital inflows from abroad. There have also been estimates of the trade gap—the difference between estimated import levels required to maintain the specified growth rate and probable foreign exchange revenues available from a combination of exports and capital inflows.

More recent analysis is based on a so-called two gap approach—in which the larger of the two gaps is applied on a country-by-country basis to emerge with a combined world total. Those estimates that are roughly comparable emerge with a total requirement for anywhere from $10 billion to $20 billion annually by 1970 and $16 billion to $34 billion by 1975. The variation is accounted for by differences in target growth rates in the world economy (ranging in the estimates from 4.1 to 5.5% per year for LDCs), in the behavior of exports and imports, and in assumptions about savings propensities in developing countries and about the relation between investment and changes in output.

A good deal of effort and analytical refinement have been injected into the analysis of LDC requirements for foreign capital, and in the process economists have been able to apply an increasingly sophisticated technique to measurement of the gap. I suggest, however, that further refinements of the aggregate gap analysis are virtually valueless as guides to policy, although they may be of considerable professional interest. Nor are the existing estimates, despite the great differences among them in input of effort and intellectual novelty, of much more value than the casual observation by George Woods that underdeveloped countries could today effectively use an additional $3 to $4 billion annually of capital from abroad. This is not to suggest that Mr. Woods' estimate should be taken any more seriously as a guide to the size of the gap than any of the econometric guesses cited above.

GAPSMANSHIP IN PERSPECTIVE

Gap-estimation exercises are essentially a political arithmetic, a technique for quantifying discontent. They put the seal of rationality on donors' charitable inclinations, or on the aspirations of nations that receive aid. A nation with an average annual income of $150 per head has an economic plan aimed at raising real income by say 3% per head per year—a goal that, according to the planners, requires $50 million annually in gap-filling aid. Is there anyone so naive as to imagine that the contentment of one's people or the stability of one's government or social system will be assured by the gap-filling aid endowment?

In the brief silence that follows, let me point out the obvious: the pause ensues because the gap we are dealing with is the one that separates the aspirations of governments and people in underdeveloped countries from their present realities. This gap is not only vast, but multidimensional. It cannot be encompassed by any computations of the margin that separates savings from investment targets or exports from import requirements. This is not to say that it lacks any measurable dimensions; as we shall see, there are some. But first, let me enumerate the components, all of them too obviously interrelated.

The aid requirement is usually discussed in terms of an economic gap. The size of this gap can roughly be measured by the difference between average income in developing countries and that in industrial nations. The economic gap also includes an element of domestic income distribution. Oil-rich countries for example have high per-capita incomes, but very unequal distribution, and an aspect of the economic gap thereby remains unfilled.

Another gap is social. The developing countries aspire to build modern urbanized societies, moving, in the well-worn phrase, from status to contract in social relations.

A third gap is political, reflecting a desire for mass participation in a stable political system, either in the form of parliamentary democracy, or of various forms of state socialism.

A fourth gap is psychological, proceeding from a consciousness of living in nations that are not "modern," where people are less able to utilize the mixed blessings of contemporary technology; of belonging to colonial societies with their heritage of inferior status, often with overtones of racial inferiority; of belonging to social groups that maintain, despite themselves, feelings of inferiority born from the awareness of educational and cultural deprivation.

ULTIMATE HIATUS

Each of these four elements combines to create a situation that might be called a gap in the quality of life. In industrial countries, life is usually long and reasonably healthy; people spend from ten to twenty years as students, developing their intellectual and technical skills. The majority of them are relatively insulated from real poverty. Leisure time and the means to enjoy it are normal constituents of life. Most people, whatever their doubts and insecurities, do not feel that other contemporary societies are clearly superior to modern industrial ones. And finally, with obvious serious exceptions, most people feel that they are able, at least in some degree, to determine their material destiny. By and large, only a tiny fraction of people in poor countries can boast these advantages; and that minority serves to make its countrymen more aware of the gap in the quality of their own lives.

The first five gaps are overlapping differences that many people in poor countries are either directly aware of, or in the case of certain social or psychological elements, express through hostility to the policies of rich nations. The sixth gap, if we can call it one, is often not something that people in poor countries seek to close, despite its adverse effects on the quality of life and on economic standards. This is the gap in population rates. Governments of developing countries would generally prefer to bring population growth down to the levels prevailing in industrial countries, but individuals do not necessarily share this opinion. In many countries, family limitation is far from a universal quest and it would require an obsessive attachment to social goals for people to wish to shorten their own life expectancies as a substitute for family planning.

WHERE DO YOU START?

Now that we know that *multiple gaposis* is a condition of the world community, what does it have to do with how much aid developing countries need? The answer is that it depends on what gaps you want to fill. In terms of costs, the cheapest to fill is probably the population gap. It has been estimated that investments in birth control in India are of the order of one hundred times as profitable as investments in production. But this gap may be hardest of all to fill presently, in view of the existence of the first four gaps. The economic gap means that large families offer a form of social security, while the social gap implies differences in value systems and attitudes vast enough to be incompatible with acceptance of family planning. The political gap includes a frequent reluctance by political leaders to offend long-standing traditions affecting procreation. We should remember that birth control was a political tabu in the United States until very recently. Finally, the psychological gap may often carry with it the feeling that rich countries' proposals for population control reflect a lack of confidence in the poor countries' ability to achieve stable and prosperous societies; therefore, to the underdeveloped countries, foreign subsidy of birth-control efforts may simply be the rich countries' way of announcing that the basic problems are insoluble.

How much would it cost to fill the economic gap? It depends on the time horizon. Filling it halfway at once by raising per capita incomes to say $1,000 a year, the bill would come to about $1.4 thousand billion, a sum roughly equal to the combined annual gross national product of the industrial countries, and more than two hundred times as much as the current aid flow.

If we rule out levels of philanthropy that reduce donors' incomes to zero, we could work out some equal average level of world income at about $630 per capita (1963), if the rich countries initially transferred about $600 billion annually to poor countries. These sums could naturally be reduced if the returns to investment in developing countries surpassed those in industrial countries. Then according to the implicit view expressed here, aid would flow back toward the original donors.

Neither of these alternatives is likely to win unanimous approval as a method of filling the economic gap. If adopted, they would do little to reduce most of the other gaps. For example, once government-to-government aid, somehow magically extracted from a willing public, starts hitting hundreds of billions a year, the political rewards that accrue to the dispensers of aid in the recipient countries would become substantial and the prospects for perpetual coups d'etat would be enhanced. Nor would there be much systematic incentive to reduce other gaps in an atmosphere of magalargesse.

The reason for introducing these fantasies into the discussion is simply to demonstrate that if the goal is approximate equality of income, sights must be set very high indeed. Even if we forego the vision of instant equality, and aim only at equality with today's levels of income in rich countries after a generation, it means that on the average, per-capita income would have to increase at the rate of 11.5% annually over a 20-year period, nine times faster than the current rate. Even to reach current per capita levels of the rich nations within 50 years, by the year 2017, per-capita GNP in the poor countries would have to increase by 4.2% annually, three times as fast as it is now on the average.

A COOL $550 BILLION PER ANNUM

How much foreign capital would it take to hit the 20-year target? Initially, we are talking about a $70 billion annual increase in LDC income, compared to a current annual increase of perhaps $8 billion in purchasing-power equivalent. For the 50-year target, the annual GNP increase required would initially be of the order of $25 billion. We can compute the subsequent aid requirement on the following assumptions: (1) foreign capital initially finances all of the increase in growth and is replaced progressively by increased domestic savings; (2) the capital in-

flows allow LDC economies to build a sufficiently flexible structure to avoid growth restriction stemming from foreign exchange shortages; (3) each dollar invested raises the value of total output by 33⅓ cents in perpetuity, (4) rates of population growth decline by one-fourth during the period.

All of these assumptions are probably invalid to some degree, but we will simply take the implicit fraud for granted. In the first year of a 20 year program, the LCDs would be saving at their current rate of about $24 billion and rich countries would contribute $215 billion in grants. With marginal savings rates of 20%, LDCs would save $41 billion in the second year, rich countries would contribute $240 billion and so on. The 20-year program aimed at bringing LDC incomes to 1965 levels in industrial countries would require an additional capital inflow of $11 thousand billion over the period, or an average of $550 billion per year. One dismaying feature of the 20-year program is that under our assumptions, the 11.5% per-capita growth rate requires steady increases in foreign aid, although by 1985, domestic savings in LDCs would be more than one-sixth of GNP, and could thereby sustain a 6% rate of growth, unsupported by capital inflows.

In the slightly less fantastic 50-year program, foreign capital requirements would total $2.1 thousand billion, starting at the rate of $93 billion in the first year, and declining to zero after 32 years, averaging $65 billion annually over the period, about seven times the current level of capital flows. If we allow population growth rates to decline by 50% instead of by one-fourth, then the required capital inflow is a mere $1.7 thousand billion, averaging $64 billion annually over a 27-year period.

In other words, there isn't enough money to fill the economic gap in any reasonable time period. Even to fill it halfway within a generation is impossible in practice.

For those who remain unconvinced, let's take a look at the success stories of economic development. Economic growth in the past 15 years has been most rapid in a number of Communist countries, plus Japan, Germany, Spain, Greece, Israel, Jordan, Iraq, El Salvador, Nicaragua, Trinidad, Jamaica, Venezuela, Mexico, Thailand, South Korea, and Taiwan. The Communist countries did the job by enforcing a tight squeeze on current consumption, and channeling the savings into investments for capital plant and education. Japan and Germany had the basic skills, and the additional advantages of massive postwar aid, with further stimulus in Japan's case from the Korean war and in Germany's from cost advantages stemming from a large initial labor supply and the growth of the European market.

SMALL IS BEST

When we turn to success stories in developing countries, several points are clear. The table designated "Exhibit 1" lists growth rates, population, per-capita aid, and export growth for the fast-growing countries (6% or more annual increase in gross domestic product). First, most of the fast-growing countries are small. Ten of the 13 countries have less than 20 million people. Second, most of them have either received massive U.S. aid, four to fifteen times the worldwide average per capita, or else struck it rich through minerals, tourism, or staple exports. Third, they have been much more competitive in world markets than the LDCs as a whole, as measured by comparative export growth rates. The only sizable countries that have grown rapidly over the 15-year period without much aid are Mexico and Thailand. Mexico benefited substantially from the U.S. market for goods and tourism, and from access to international capital markets to help finance industry; Thailand from rice, tin and a fairly steady growth of all domestic economic sectors.

EXHIBIT 1

GROWTH OF DOMESTIC PRODUCT, UNDERDEVELOPED COUNTRIES, 1950-52—1962-64

| Country | Percent GDP growth rate, 1950-52—1962-64 | Per capita U.S. aid, 1949-65 | Population 1965 (million) | Trade growth 1950-52 to 1962-64[1] (percent) |
|---|---|---|---|---|
| Greece | 6.4 | $207 | 8.5 | 3.5 |
| Yugoslavia | 7.7 | 106 | 19.3 | (2) |
| El Salvador | 6.8 | [3] 24 | 2.8 | 4.2 |
| Jamaica | 7.3 | [4] 11 | 1.7 | 12.3 |
| Mexico | 5.9 | [5] 12 | 39.6 | 3.7 |
| Nicaragua | 6.4 | [6] 52 | 1.6 | 7.2 |
| Trinidad | 8.5 | [7] 44 | 1.0 | 9.6 |
| Iraq | 9.4 | [8] 7 | 7.0 | 11.7 |
| Israel | 10.2 | 430 | 2.5 | 17.0 |
| Jordan | 8.2 | 241 | 1.9 | 13.1 |
| Taiwan | 7.4 | 212 | 12.1 | 8.8 |
| South Korea | 6.1 | 166 | 27.6 | [9] 14.6 |
| Thailand | 6.3 | [10] 15 | 29.7 | 4.9 |
| All LDC's [11] | 4.8 | 27 | 1,422.1 | [12] 3.0 |

[1] Corrected for terms of trade changes (1962=100).
[2] Not available.
[3] Cotton, industry, CACM.
[4] Bauxite, tourists.
[5] Tourists, industry.
[6] Cotton, CACM.
[7] Oil, tourists.
[8] Oil.
[9] 1955-64.
[10] Rice, tin, maize.
[11] The population totals include only countries receiving U.S. aid. If all LDC's were included the population total would be 2,300,000,000; and aid over the 16-year period, on the basis of mid-period population, would total $18 per capita.
[12] 1950-62.

These "success" stories (with all the problems they still face barely hidden behind the facade of aggregate growth rates) account for only about 6% of the people who live in developing countries, and have often been associated with massive aid transfers. If the remaining 94% were to receive the same amounts per capita, U.S. aid appropriations would have had to reach $130 billion over the past 16 years, about three and one-half times the actual level of aid. Other donors' contributions (currently accounting for two-fifths of the aid flow) would have had to increase by the same proportions.

This gives us some indications of how much aid the developing countries need. More, much more, if they are to bring their income levels even within hailing distance of current northern levels by the end of this century. On the other hand, from the viewpoint of the industrial countries, the present level of aid seems to be about the right price for the diverse collection of diplomatic, military, economic, and philanthropic benefits they receive in exchange for their outlays. Aid outlays, after rising sharply from the early Fifties through the early Sixties, have stabilized over the past four or five years. The inference is that in view of other claims on rich nations' resources, present aid levels reflect *social opportunity costs* as perceived by donors.

Therefore, as might be expected, donors' and recipients' views diverge. Donors apparently are much less concerned in practice than in theory about the possible dangers stemming from a world permanently divided into rich and poor nations. Recipients, on the other hand, are much less worried in practice than in theory about the possible harmful social and political effects of excessive dependence on aid from imperialist countries. In fact, they are currently bargaining for preferential trade access to the markets of industrial countries, and higher prices for commodities through international agreements. Both of these, if achieved, are virtually guaranteed to cement their economic and political dependence even more closely than aid, despite the apparently automatic and market-determined nature of the transfers.

Nor have the LDCs invariably demonstrated as much zeal in pursuit of domestic reforms as they have toward revisions in rich countries' aid and trade policies. In his recent study of economic policies toward developing countries, Professor Harry Johnson has demonstrated, with balance and clarity, how the present barriers to LDC growth include not only external constraints (tariff structures that discriminate against LDCs, immigration controls, restrictions on capital movements, high-cost aid tying, etc.), but also domestic ones (excessive protection, over-valued currencies, ideological attachments to government controls that appear excessive in light of limited administrative skills, fondness for investments that are more monumental than productive; a reluctance to accept foreign private investment, domestic price systems that encourage high-cost manufacturing and discourage agricultural development).

There has been a good deal of discussion of the remedies for LDC defections from economic grace. But since no one, despite all too frequent preconceptions to the contrary, knows all the sure formulas for economic development—or at times perhaps, any of them—we don't know whether the remedies are really remedies, necessary for promoting economic development. Overvalued currencies? Look at the ruble—or, some might say, the dollar. Pervasive government controls over the private sector? Japan's development was built on it. Excessive dependence on handouts (in Hans Morgenthau's quaint phrase, "bum and beggar nations")? Taiwan, Israel, Jordan, South Korea, and the other success stories couldn't have gotten anywhere without passing through a "beggar" stage. Doubts about foreign capital? *Mez chers collèges!*

ABSORPTIVE-CAPACITY HUMBUG

This snowballing of alleged prerequisites to development is related to another concept that has contributed to misspecifying the economic gap. The inability of economically backward nations to use massive capital transfers effectively has been defined in the expression "absorptive capacity," and it has been claimed that LDCs are now getting all the aid they can "absorb." This expression involves a good deal of humbug, so let's try to straighten it out. If the purpose is simply to raise living standards, then absorptive capacity is not a significant barrier. The rate at which investment can be increased is likely to be a barrier, but when investment opportunities are limited, aid can switch over to consumption subsidies which have much more elastic limits. Investment in most countries rarely rises at more than 15% per year for prolonged periods, but the rich countries have never really brought their resources to bear on the problem of LDC living standards. In the few cases cited in our table, where aid was both massive and effectively administered, most people's preconceptions about absorptive ca-

pacity for investment had to be jettisoned. And even then, the rich countries did not fully enlist the capacities of their private sectors.

This is a major weakness in the structure of aid to developing countries, because it is clear that if material progress is the aim, the rich countries have no instrument so effective as the modern corporation. Yet ideological hostilities and ignorance on both sides have prevented any significant progress. U.S. annual manufacturing investment in all developing countries combined is less than its annual investment in Canadian manufacturing. Private investors of all OECD countries combined invest directly about $2 billion annually in developing countries, most of it for mineral extraction. Total rich-country private investment in poor countries is somewhat less than the annual domestic private investment of Belgium.

Not only is absorptive capacity reduced by inability to use private industrial initiatives effectively, and by our natural preference to think small when it comes to voting public funds for foreigners, but it is also narrowed by the habit of using the wrong intellectual framework in thinking about the problem. We often hear that aid is used unwisely in underdeveloped countries, so therefore there is something wrong. Of course there is—the countries are underdeveloped. To apply the economic efficiency standards of Western Europe or North America to gauge the investment performance of LDCs is ridiculous. If they could invest capital as effectively, maintain machinery and equipment as well, administer public and private enterprises as smoothly, they would be rich, not poor. Waste and inefficiency should be looked on as normal companions of an accelerated development effort, not to be encouraged or placidly accepted, but as elements that can only be reduced gradually. Once we realize that different standards of performance are necessary for LDCs, then absorptive capacity becomes a flexible concept indeed, even if confined solely to investment and technical assistance.

So far as the economic gap is concerned, then, I have said that there is no practical way to fill it with the amount of aid that the recipients require. From the donors' standpoint there seems to be no strong urge to raise the ante. What does this imply for the question we started out with—how much aid do developing countries need? The answer seems simple. All they can get, except when countries are too underdeveloped to handle large sums in a hurry (many African nations today might serve as cases in point).

AND NOW, THE OTHER LACUNAE

So far, I've talked as if developing countries needed only economic aid to fill in the distance between present reality and some version of that relentless vision of a good society that dogs us all differently. In a way—a backward one—we might say that filling the economic gap takes care of all the others. This is true only in the restricted sense that all the gaps act to some extent as barriers to bridging the others. If one is overcome, there is *prima facie* evidence that the others are relatively small. They interact, and filling any of them has implications for the state of the others.

REACHING THE SOCIAL MATRIX

But can or should rich countries address themselves directly to the social, political, psychological, cultural elements of the gap, rather than indirectly through economic aid? An economist must tread this ground carefully, and I will be brief. A social anthropologist has tried to answer this question, on the basis of the African experience:

"There is much to be gained, and many misconceptions can be avoided, if the economic problem of an underdeveloped community is framed, not in terms of the vicious circle of poverty, Malthusian pressure or inadequate capital formation, etc., but in terms of strategic factors of an ultimate character, namely its social and psychological inertia . . . Economic development of an underdeveloped people by themselves is not compatible with maintenance of their traditional customs and mores . . . What is needed is a revolution in the totality of social, cultural and religious institutions and habits, and thus in their psychological attitudes, their philosophy and way of life. . . .

"If economic progress is deemed desirable and necessary policy is to be formulated to achieve this end, the cart could in a certain sense be put before the horse, in that economic changes can be utilized to generate the social revolution." [1]

The author seems to be saying that economic instruments, if properly used, may catalyze the social changes that lead to a multidimensional development. Yet we often hear that economic instruments cannot work effectively as agents of change, because they would create unacceptable strains in a rather rigid social system. The impediments to economic growth imposed by the caste system in rural India are often cited as a case in point.[2]

Perhaps the basic point is that students of sociology, anthropology and psychology are in a difficult position. They observe rather clearly the limitations of a strictly "economic" approach to aid, without disposing of the instruments to surmount those limitations.

There are, of course, aspects of aid that do go rather directly to some of the issues of social change. To the extent that technical assistance, foreign training, subsidies to education or the Peace Corps introduce new ways of looking at issues, they may serve as catalysts for the social situation. Of course, they may also disclose strains that serve to solidify resistance to social change.

The approach suggested by the above quotation may in the short run be more practical than any attempt to operate directly on social organizations and attitudes in a world where nationalism reigns and zenophobia is the order of the day. In order to catalyze development, economic aid can be used deliberately with the advice of behavioral scientists as a lever to affect the social matrix.

This proposal has two obvious disadvantages. First, it makes heavy demands on the behavioral scientists: are they confident enough of their knowledge to be sure which catalysts will be positive and which negative in terms of any stated set of goals? Second, since the issues overlap, social change and desired political change may not go hand in hand. If social revolutions are held necessary in some instances, are their political consequences likely to be acceptable to aid donors? I venture to guess that our ability to predict this interaction correctly is limited.

A VOTE FOR THE BEHAVIORIST

These disadvantages are, in my opinion, probably less than those that have already been incurred by insufficient attention to the noneconomic elements in development. A more important role for behavioral science in the planning and review of economic aid would probably benefit the long-run interests of donors, and at the very least make clear to recipients some of the implicit inconsistencies between their modernizing objectives and their existing value systems.

BIRTH CONTROL: PRO AND CON

Finally, a word about the population growth gap. It has been argued that rapid population growth is not necessarily a disadvantage for development—one might cite Israel, Mexico and some of the Central American countries as examples. The challenge of incorporating more people productively may stimulate positive responses, and so on. Larger populations may make possible more division of labor, economies of scale and higher real incomes. Optimum population is a vague concept: the conservationist has one idea, the economist, the sociologist, the politician each another, and so on.

It does seem clear, however, that some countries are clearly adding people too fast to please anyone who takes a national viewpoint. India, Pakistan, China, Ceylon are standard examples. If labor productivity is low, then the benefits from birth control may outweigh the cost manyfold.[3] To an economist, therefore, population control efforts seem well worth subsidizing, even to the point of paying bonuses for limiting births in some LDCs. Governments have often adopted the opposite device—payments to families for bearing children—so that the idea of financial incentives for influencing family size is no novelty. In cases where this is not feasible, or the need for family limitation is less urgent, government subsidy of birth-control information and of the devices adopted seems most desirable. In terms of the criterion of aid requirements, population control may often appear the most effective method for reducing the amount and time span of dependence on foreign capital.

We are a long way from felicity in the relations between rich and poor countries. There is a heritage of mistrust, reinforced by the LDCs' knowledge that they are dependent on rich countries for technological progress, for economic and technical assistance and often even for the exemplars of society's cultural standards, both popular and elite. In this hothouse of resentment and dependence, we can expect a luxuriant growth of hostility, rationalized on ideological grounds, and easily utilized as elements of broader international power conflicts.

There is no easy way around these difficulties. No levels of aid that now seem likely can accomplish the reconciliation. For that matter, there is no guarantee that vast increases in aid would reduce the resentments for long.

The obvious answer seems to be found in the political cliché—"if you can't beat them join them." The rich countries could deliberately adopt policies aimed at fostering the social revolutions that may appear to be necesary conditions of development. As a practical matter, it may be doubted whether such policies would have much content. It is one thing to announce support for revolutionary social and economic change. It is another thing to effect those changes by the machinery of intergovernmental relations. Nor is it likely that the rich capitalist countries would support regimes that insisted on drastic redistributions of wealth; yet the present distribution of property and power in certain Latin American countries is alleged, for example, to be inconsistent with the goal of effective progress in economic development.

BITTER CHOICE

Therefore, in many cases, the choice is between providing aid where the political or social conditions are inopportune and not providing aid at all. Haiti and the Philippines may be cited as examples. In one case, donors have all but suspended aid, as an indication of political mistrust. In the other, aid has been continued because the political consequences of no aid were assumed to be more unfavorable to donors' interests. In neither case is there much hope for rapid development, in the absence of major polit-

[1] J. L. Sadie, "The Social Anthropology of Economic Development," *Economic Journal*, June 1960.

[2] See Thomas W. Shea, "Barriers to Economic Development in Traditional Societies: Malabar, a Case Study," *Journal of Economic History*, Dec. 1959.

[3] Stephen Enke, "The Economic Aspects of Slowing Population Growth," *Economic Journal*, March 1966.

ical and social changes. Yet it is clear that neither the withholding nor granting of aid has been a major element in contributing to those changes. This is not to say that aid can never be an effective political weapon—the recent history of Brazil and Indonesia offers testimony enough. But we may well close by asking whether the changes so induced, favorable as they may be to donors' immediate political interests, really do much to overcome the underlying social and economic weaknesses that made the weapon effective. The endless rotation of fragile regimes seems to be a trademark of many poor countries. As long as they are so easily juggled, it is evident to me that, in those countries at least, the more enduring accomplishments of foreign aid remain largely prospective.

The ultimate gap of course lies in rich and poor countries' perceptions of the issues. Donors hypothesize a relationship among political stability, economic growth catalyzed by aid, and donors' self-interest. In fact, economic growth and political stability are often inconsistent. So the dilemma is genuine, if it is true (as I doubt) that political stability in LDCs is always preferable to political instability. Furthermore, donors try to limit the application of this hypothesis by invoking absorptive capacity and LDC economic derelictions to rationalize inadequate aid levels.

Recipients, on the other hand, have tended to follow the normal and convenient device of putting the blame on Dad. If only aid were bigger, trade concessions greater, rich countries less neo-colonial, then, brothers, then. . . .

In fact, of course, all parties are to some extent at fault—the rich too stingy and too free with avuncular ideology, the poor reluctant to abandon their own cherished stereotypes for a harsher reality. We need great men on both sides to bridge this ultimate gap of communication—the most delicately fashioned bridge of all, its cables spun from a treasury of goodwill, its roadway built on wisdom in the affairs of men and states, its pillars sculpted from the rock of common material interests. It remains an open question whether any of us will ever attend the ribbon-cutting ceremony for this particular construction. If we do, our careers would be rewarded with an unexampled felicity.

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[From the Philadelphia Inquirer, May 1, 1968]

BOOK REVIEW: EXPERTS ON WORLD'S ECONOMY PROBE GROWING RICH-POOR GAP

(By Harold J. Wiegand)

Reshaping the World Economy: Rich Countries and Poor. Edited by John A. Pincus. (Prentice-Hall, Inc. 176 pp. $4.95.)

In what he describes as an introduction to the role of world economy in the development of poor nations, John A. Pincus, an economist with the Rand Corporation, has assembled a group of distinguished authorities to present their views, and challenges, on today's economic policies and institutions.

The contributors, including Barbara Ward and Gunnar Myrdal, find considerable room for disagreement. Myrdal, for example, sees the international economy as operating in some ways against the interests of the poor countries. There are wide differences over the value of foreign aid to underdeveloped countries.

On one thing there is no dissent: The rich are getting richer and the poor are getting poorer. The poor are also getting children. The problems posed by the growing disparity between the "have" and the "have not" nations of the world; the problems of exploding populations and diminishing food supplies, are all too visible. Finding practical solutions is where the arguments begin. Can the rich help the poor? Do aid and investment programs make a difference?

The essays in this book define the problems and offer realistic assessments on such controversial issues as commodity price-fixing, foreign assistance programs with no strings, presumably, attached, and the possibilities of economic alliances between underdeveloped nations pointing the way to a new shape for a troubled world economy.

Despite foreign aid to underdeveloped countries that has risen from an average of $2 billion annually in the early Fifties to $7.4 billion by 1966, the world remains divided into rich and poor countries, and the rich countries' per capita incomes are growing faster and thereby widening the existing divisions.

World poverty, as Mr. Pincus points out in his introduction, is not only widespread; it is also the dominant fact of life for most people. Economic development that would help these people is not an exercise in economic or social theory alone; it is a vital issue of domestic and international politics. Most of the warfare in the last two decades has broken out in underdeveloped countries.

Foreign aid, no matter how lavishly given, has not on its record offered convincing evidence that it is an effective political tool. Economists do not even agree on its benefits to poor countries. In some cases, it has merely increased the power of recipient governments to control economic life.

It has, nevertheless, often overshadowed the role of trade in relations between rich and poor countries, although the value of this trade is far larger than the aid flows.

Mr. Pincus inclines to the view that under competitive conditions, trade and foreign investment are likely to promote the economic development of poor countries.

He points out that many authorities hold that present-day tariff barriers and import restrictions are oriented toward rich countries' needs and are inherently biased against the interests of less-developed countries.

Yet it is trade that can make a poor country less poor by providing a market for primary commodities, the food and raw material in which their international competitive position is strong, and the revenues from which can be used in part to import the capital equipment needed to increase productivity in agriculture and industry.

The following articles represent a cross section of opinion both sympathetic to and critical of the foreign aid concept. They served in part as background material for the seminar participants:

[From Agency for International Development]

THE FISCAL YEAR 1969 AID REQUEST

The President's request for economic assistance for fiscal 1969 is $2,498 million. This appropriation, repayments on prior loans, and recoveries will provide AID with $2,705 million for programing next year.

The fiscal 1969 request is $132 million less than the request for fiscal 1968. Because of the 28 percent cut by the Congress, it is $603 million more than the fiscal 1968 appropriation.

The request includes $1,625 million in loans and technical assistance for development purposes. An additional $595 million in Supporting Assistance funds is requested to help strengthen political and economic stability, principally in Southeast Asia.

The requested budget will finance AID programs in 55 countries, 9 less than this year, and self-help funds for 13 additional African countries. Ninety percent of the country program funds will be spent in 15 countries.

The appropriation request is divided into four major funding categories. Development Loans, Technical Assistance, Alliance for Progress, and Supporting Assistance.

$765 million is requested for Development Loans for Asia and Africa. These dollar repayable loans finance the purchase of U.S. goods and services for specific development projects such as fertilizer and power plants, irrigation works, telecommunications improvement, etc., and finance the import of U.S.-produced equipment, spare parts and raw materials needed for general economic growth.

The request for Technical Assistance is $235 million. These funds finance the services of American experts and advisers and help the developing countries to build basic institutions and develop human skills.

The Alliance for Progress request is $625 million. This includes $515 million for loans and $110 million for Technical Assistance as the U.S. share of the cooperative effort toward social reform and economic and political development in the Western Hemisphere.

For Supporting Assistance, the request is $595 million. This is planned for seven countries, with just four due to receive 95 percent of all Supporting Assistance—Vietnam, Korea, Laos and Thailand. The remaining five percent is proposed for the Dominican Republic, the Congo and Haiti.

The other portions of the fiscal year 1969 budget request will support the following: Contingency Fund, $45 million; Voluntary Contributions to International Organizations, $154.3 million; American Sponsored Schools and Hospitals Abroad, $15.1 million; Surveys of Investment Opportunities, $1.5 million; and AID and State Department Administrative Expenses, $62.6 million.

COUNTRY PROGRAMS

The request will provide $2,350 million for country and regional programs in fiscal year 1969. These proposed program levels represent AID judgment at the time the budget was prepared. They are illustrative, however, and may be changed as circumstances develop or priorities change. The proposed program levels by country follow:

*Latin America*

[In millions of dollars]

| | |
|---|---|
| Argentina | 1.9 |
| Bolivia | 33.1 |
| Brazil | 214.6 |
| Chile | 83.0 |
| Colombia | 95.1 |
| Costa Rica | 6.7 |
| Dominican Republic | 55.4 |
| Ecuador | 4.9 |
| El Salvador | 10.4 |
| Guatemala | 12.7 |
| Guyana | 8.5 |
| Haiti | 2.5 |
| Honduras | 10.3 |
| Jamaica | 1.0 |
| Mexico | .2 |
| Nicaragua | 14.2 |
| Panama | 13.2 |
| Paraguay | 7.3 |
| Peru | 35.5 |
| Uruguay | 7.1 |
| Venezuela | 1.1 |

*Near East and South Asia*

| | |
|---|---|
| Afghanistan | 8.5 |
| India | 422.8 |
| Jordan | 16.9 |
| Nepal | 3.7 |
| Pakistan | 185.5 |
| Turkey | 64.9 |

*East Asia*

| | |
|---|---|
| Burma | .2 |
| Indonesia | 61.0 |
| Korea | 70.9 |
| Laos | 51.8 |
| Philippines | 12.0 |
| Thailand | 62.8 |

*Africa*

[In millions of dollars]

| | |
|---|---|
| Cameroon | .1 |
| Congo (Kinshasa) | 8.9 |
| Ethiopia | 10.8 |
| Ghana | 17.5 |
| Guinea | .9 |
| Ivory Coast | .08 |
| Kenya | 2.0 |
| Liberia | 10.2 |
| Malagasy Republic | .04 |
| Malawi | .8 |
| Mali | .06 |
| Morocco | 10.2 |
| Niger | .2 |
| Nigeria | 10.5 |
| Senegal | .4 |
| Somali Republic | 2.5 |
| Tanzania | 1.9 |
| Togo | .2 |
| Tunisia | 23.2 |
| Uganda | 5.1 |
| Upper Volta | .1 |

*Vietnam*

| | |
|---|---|
| Vietnam | 480.0 |

REGIONAL PROGRAMS

About $163 million is available for regional programs on a world-wide basis:

In Latin America, the total is $69.9 million. This includes $29 million for U.S. support to the efforts of the five Central American countries and Panama to perfect their Common Market and establish a Central American Economic Community.

Regional projects in the Near East and South Asia are designed to help solve common problems through the development of training and joint action programs. Funds are included for the support of the Central Treaty Organization which promotes regional cooperation among Iran, Turkey and Pakistan.

In Africa, $71.3 million or 40 percent of the fiscal 1969 request is planned for regional and multi-donor programs. In addition, $2.4 million in self-help funds will permit funding of projects costing between $50,000 and $100,000 in 13 countries not receiving other types of American assistance.

Technical Assistance funds amounting to $18.3 million, almost double the amount in fiscal 1968, are programed for regional activities in East Asia.

THE BUDGET PROCESS

The President's request was based on the best judgment of the Executive Branch, beginning with the U.S. officials stationed abroad who know the opportunities for economic advancement and the development needs of each country:

Based on policy instruction and guidelines from the AID Administrator, each AID overseas mission prepared a proposed Country Assistance Program for review and approval by the Ambassador before submission to Washington.

In Washington, these proposals were subjected to intensive review by AID and other agencies such as the Department of State, the Department of Defense, the Treasury Department, the Department of Agriculture and the Bureau of the Budget.

A special interdepartmental task force further reviewed the proposals before submission to the Bureau of the Budget and finally to the President.

In the course of the review, the request was reduced by about $800 million. It is a tight budget tailored to fit a tight situation and the minimum necessary to maintain the development momentum now underway in the developing world.

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[From the New York Times, June 10, 1968]

CRISIS IN DEVELOPMENT

The rich nations of the West, led by the United States, started the Development Decade with great fanfare and promise just eight years ago. Now, led by the United States, the rich seem bent on inviting a dangerous crisis in their program of aid to the poor.

Even though the rich have added enormously to their wealth in recent years, the amount of foreign aid they have provided has been relatively static. Now it is starting to decline. The British, plagued by monetary troubles, have had to devalue the pound, thus automatically cutting the buying power of their funds to the developing countries. The French, in the midst of sudden social and economic breakdown, are planning to trim their development efforts. Even the rich Germans talk in terms of reducing and bilateralizing their aid. And the United States, troubled by inflation and the need to economize in an election year, regards aid as a natural target for cutbacks.

The Senate Foreign Relations Committee has reflected this neo-isolationist trend by refusing to authorize $200 million for the Asian Development Bank and $160 million for the International Development Association. These are relatively minor outlays, but—because the United States has been recognized as the key donor—the refusal of the world's richest country to make minimal contributions confirms other wealthy nations in their niggardliness.

A decline in aid will not result merely in slowing down economic development and thus widening the gulf that already separates the rich minority from the poor majority. It is also bound to be accomplished by a rise in political tensions and an increase in violent outbreaks that are the products of frustration and poverty. The prospect of a Watts or a Detroit occurring on a world scale is altogether likely if aid and interest diminish.

The tragedy of this new and frightening indifference among the rich is that the poor countries are in a much better position to absorb aid effectively than they were when aid was more freely forthcoming. They have acquired the basic skills; they have learned to conserve rather than waste; they have become adept at choosing priorities. Now they have expertise as well as expectations.

For all the problems currently afflicting them, the rich nations cannot permit a shrinkage of aid. They must somehow demonstrate that they have a deep and continuing commitment to the welfare of the poor. What is needed and what is so obviously lacking is the determination among the minority to do what they can for the majority. The only way to deal with global poverty is to combat it as effectively as resources will allow.

As the leading donor nation, the United States has a responsibility to maintain its aid program. The first essential is passage of the contribution to I.D.A. to keep in operation this valuable multilateral agency for financing development. American support for I.D.A. will bring contributions from other rich nations, and it will give reassurance to the poor that the United States has the will—if not all the means—to help in their development.

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[From Harvard Business Review, January-February 1968]

IMPACT OF FOREIGN AID ON U.S. EXPORTS

(By Charles D. Hyson and Alan M. Strout)

(NOTE.—Statistical analyses reveal beneficial effect of economic assistance on private commercial trade with developing countries.)

FOREWARD

The question of how much impact direct government procurement of commodities for shipment to developing countries has on U.S. trade and private commercial exports has aroused considerable public debate. The controversy stems, at least in part, from the difficulty of trying to measure the overall effectiveness of such assistance in (a) inducing economic growth, (b) creating additional import demand usually generated by economic growth, and (c) evaluating the U.S. share of the increased demand. In this article the authors, both of whom are with the Agency for International Development, Department of State, offer the results of statistical investigations based on a study by AID of 33 noncommunist countries over the period 1960 to 1965. Mr. Hyson is Special Assistant for Economics and Trade in the Office of Private Resources. Mr. Strout is Chief of the Program Policy Division in the Office of Program and Policy Coordination.

During fiscal 1966 the Agency for International Development (AID) spent $1.1 billion in the United States procuring commodities for shipment to developing countries as a part of the U.S. foreign assistance program. As a result, U.S. businessmen are keenly concerned with the question: "How much impact does direct government procurement of U.S. goods for export to developing countries have on U.S. trade and, in particular, on commercial exports by private businessmen?"

The question has aroused considerable debate. Among businessmen whose overseas markets have expanded because of foreign assistance, the aid program has received very strong support. For example, Charles B. Baker, administrative vice president of the U.S. Steel Corporation, has pointed out that: ". . . it is largely due to the operation of our foreign aid program that the steel industry has managed to escape the full effects of the forces at work in the world market place. We estimate that AID procurement in the United States of steel mill products currently accounts for some 30 percent of the value of our steel exports, and for an even higher percent of the tonnage shipped—perhaps as much as 40 percent. Without this AID support it is highly probable that the deficit in steel trade might have been 1 million tons larger." [1]

The question of the impact of foreign aid on U.S. exports has become particularly important since 1959 because of the difficulties that the United States has experienced in maintaining equilibrium in its balance of payments. As a result of these difficulties, a major goal of the foreign assistance program in recent years has been to minimize negative effects of aid on the U.S. balance of payments. To achieve this goal, the federal government has adopted the policy of maximizing the procurement of goods in the United States for all projects financed with its assistance and thus of reducing, insofar as possible, the balance-of-payments cost of the foreign aid program. In applying this key instrument of AID tying, practically all new dollar commitments for procurement "offshore" have been limited to a few selected countries which have agreed to spend the dollars on commodities in the United States.

By fiscal 1966 the full impact of these AID-tying policies to safeguard the U.S. balance-of-payments position became apparent. In that year $9 out of every $10 of foreign commodity expenditures financed by AID went to U.S. suppliers; this contrasted with $4 to $5 out of every $10 prior to the commencement of tying. In general, the overwhelming proportion of commodity and other expenditures now financed by AID is tied to procurement in the United States. (See the Appendix for statistical tables which summarize AID-financed commodity procurement by industry, both in absolute terms and in relation to total U.S. exports.) For many commodities the absolute volume of expenditures in the United States financed by foreign assistance has increased

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[1] See "International Trade in a One Market World," an address delievered at the National Foreign Trade Convention, New York, November 18, 1964.

dramatically in the past few years. In addition, for some commodities AID-financed exports currently form a strikingly high proportion of total U.S. exports to the developing countries.

The purpose of this article is twofold:

1. To summarize the results of recent statistical investigations into the impact of U.S. foreign economic assistance on U.S. exports.

2. To discuss the policy implications of the close link between U.S. aid and U.S. trade.

While our focus here is limited to a consideration of the interaction of foreign aid and trade in merchandise exports only, it is obvious that a number of other U.S. activities abroad also contribute to an environment favorable to the expansion of U.S. exports. Examples of this are found in the various project activities performed by service contractors such as consulting engineering firms, management consultants, universities and other educational institutions, and cooperative groups and individual specialists supplying technical or other expertise to the developing countries.

In the first part of this article, we will discuss the results of quantitative analyses of the impact of foreign aid on U.S. exports, giving special attention to the effects of the introduction of tying clauses into assistance agreements since 1959. Then we will summarize the evolution of AID policies affecting exports and consider the policy implications of current federal measures to help the U.S. balance-of-payments position through the foreign-aid program.

STATISTICAL ANALYSIS

An estimation of the quantitative impact of foreign aid on U.S. exports requires (1) an appraisal of the effectiveness of the aid program in inducing economic development, (2) an estimate of the additional demand for imports typically generated by income growth, and (3) an evaluation of the share of the United States in the increased demand. Finally, to determine the net effect of aid on exports, it is necessary to take account of the extent to which the formal U.S. AID-tying policies introduced since 1959 have led to any decline (or failure to increase) in its private commercial exports. The following sections treat the extent of substitution of foreign assistance-financed exports for private commercial exports, the typical effectiveness of aid in inducing economic growth, and the resultant overall effect on U.S. exports.

It should be noted that throughout this article foreign assistance or aid (in contrast to AID) includes that provided under the Agency for International Development, Public Law 480, and the Export-Import Bank.

COMMERCIAL DISPLACEMENT

An examination of U.S. market shares in recent years is useful both in contributing to a broad statistical analysis and in estimating the extent to which increased government procurement for shipment abroad may have substituted for private commercial exports to developing countries.

The U.S. market share declined rather steadily between 1948 and 1955 (from 30% to 23%, largely as a result of the postwar recovery of competitive suppliers in Europe and Japan); between the low point in 1955 and 1965, the U.S. share showed a net rise of about three percentage points. Also obvious in both exhibits is the marked increase between 1955 and 1965 in the proportion of exports to developing countries paid for by foreign assistance—from 8% in 1955 to 18% in 1960, when formal AID-tying policies first began to be effective, to 28% in 1965.

What cannot, of course, be observed from these figures is what the U.S. market share would have been in the absence of foreign aid financing. To shed some light on this question, a second line has been drawn on *Exhibit II* (not printed in the RECORD) to show the U.S. share of less developed countries' "commercial" import market. In this exhibit the commercial market is defined as total less developed country imports minus those U.S. imports financed by U.S. aid. The commercial U.S. share shown equals U.S. non-assistance-financed commodities as a portion of total commercial imports.

The commercial market share of U.S. suppliers fell sharply in 1958 and then leveled off at about 20% after AID tying became an effective policy in 1960–1961. However, because of the likelihood of some substitution of AID-financed exports for U.S. commercial exports, it would be a mistake to suggest that the 20% commercial share shown in *Exhibit II* (not printed in the RECORD) is the same as that which would have been expected in the absence of an assistance program.

While some studies have been made of the effect of AID financing on U.S. private commercial exports, they are suggestive rather than conclusive. A 1966 study at Yale University by Laurence E. Lynn, Jr., intensively examined country-to-country and year-to-year differences in U.S. exports to 43 developing countries in the years prior to the effective establishment of AID-tying policies (1958 to 1960).[2]

When Lynn's results were applied by AID to a slightly larger sample of 51 assistance-receiving countries, the AID study indicated that even before formal tying began there may have been a small displacement of commercial U.S. exports because of foreign assistance financing.

After AID tying began in 1959 and 1960, this displacement apparently mounted, and in 1961 $1.00 of AID-financed exports may have typically generated only $0.48 in additional direct U.S. exports to the recipient country. The export-increasing effect of aid appears to have risen each year thereafter, however, as more extensive and effective AID tying has reduced the scope for substituting AID-financing—for commercial—imports. According to AID calculations based on Lynn's statistical analysis, the net export increase in 1962 was on the order of $0.51 on the AID commodity dollar; in 1963, it was $0.56; in 1964, it was $0.78.

These calculations ignore additional exports resulting from respending the foreign exchange income made available when $1.00 of aid generates less than $1.00 of additional U.S. exports to a particular country. Taking these respending effects into account might raise the 1961 figure from $0.48 to $0.70 or $0.80 of additional U.S. exports throughout the world, and the 1964 figure from $0.78 to perhaps $0.90.

The AID calculations are far from conclusive, but they do illustrate the difficulty which the agency has had in ensuring that AID-financing goods will be truly "additional" to U.S. normal commercial exports—i.e., that the provisions of $100 of Aid-financed goods will increase U.S. exports throughout the world by $100—and so increase U.S. market shares above what they otherwise would have been. The Lynn-based estimates suggest that commercial export displacement has been relatively minor in terms of the worldwide U.S. commercial market share and that taking the displacement into account might raise the 1961–1964 commercial market share by about one percentage point from the 20% figure cited earlier.

AID AND GROWTH

A recent AID study of 33 noncommunist developing countries over the period 1960–1965 gives a picture of the average productivity of the foreign assistance dollar measured in terms of the income generated in countries receiving aid. On the average, $1.00 of foreign exchange provided by the United States during these years, together with the increased use of domestic resources made possible by the greater availability of imported equipment, induced by the end of the period almost $1.00 of additional annual gross domestic product in countries receiving aid. The study estimated that, generally speaking, domestic resources were employed to match foreign resources at an average ratio as high as 3 to 1. The effectiveness with which the *combined* domestic and foreign savings were applied in generating income was reflected in an estimated capital-output ratio averaging between 3 and 4—that is, on the average, in order to produce $1.00 of additional output (income) each year, it was necessary for the countries receiving aid to invest between $3.00 and $4.00 in new productive capacity.

Thus, in general over the period 1960–1965, because foreign assistance permitted the fuller use of domestic resources by relieving critical bottlenecks in equipment and other goods, there was a 1 to 1 relationship between the assistance dollars provided and the additional dollars of gross domestic product in the countries the United States was aiding.

OVERALL EFFECTIVENESS

The preceding statistical analyses of aid and growth, and of recent U.S. trade with developing countries, lead to the suggestion that approximately 60% of the total increase of $2,160 million in U.S. commodity exports to these countries over the period 1960–1965 was directly or indirectly the outcome of U.S. economic assistance.

How did this come about? The studies of the probable origins of the increase in commodity exports over this period indicate that, broadly speaking:

*$380 million was the result of increases in income generated by U.S. foreign aid.*

*$900 million was due to income growth unrelated to U.S. aid.*

*$880 million was the outcome of U.S. foreign assistance-tying policies.*

Of these, the sum of the first and last figures, $1,260 million, represents the estimated amount by which U.S. exports were higher in 1965 than they would have been in the absence of the U.S. foreign economic aid program. Again, only the direct effects and immediate indirect effects of aid on exports to developing countries are estimated, and no allowance is made for secondary multiplier and "dollar respending" effects on U.S. exports elsewhere in the world. Let us summarize the bases for these estimates.

*Aid-generated income*

During the seven years 1959–1965, the United States contributed or loaned $14.5 billion of net economic assistance to non-European developing countries. This assistance, which included surplus agricultural commodities, made up 28% of total U.S. commodity exports to the developing countries. About one half of the foreign assistance-financed commodities for the 1959–1965 period were surplus agricultural commodities shipped under Public Law 480 ("Food for Peace"). Some 35% was provided by AID and its predecessors, while 14% of the total was financed by the Export-Import Bank.

If we assume on the basis of the 33-country study referred to earlier that $1.00 of U.S. assistance induces a $1.00 increment in GNP, then the GNP of these countries increased by about $14 billion as a result of U.S. aid. At the 1960 import/GNP ratio of .14, a worldwide ratio which has held remarkably constant for the developing countries during the past 15 years, this increase in GNP in turn gave rise to an increase of

[2] Unpublished doctoral dissertation, "An Empirical Analysis of U.S. Foreign Economic Aid and the U.S. Balance of Payments, 1954–1963."

$2 billion in their demand for imports. In the absence of a foreign assistance program, the U.S. share of these additional imports would very likely have been about 21% (i.e., $420 million c.i.f., or $380 million f.o.b.).

*Independent income*

In addition to the $14 billion increase in GNP associated with U.S. assistance, the gross national product of developing countries increased by about $33 billion as a result of other causes. (The total increase in GNP was $47 billion, or $14 billion and $33 billion.) This additional growth in income may have augmented U.S. exports in 1965 by a further $900 million on the same assumptions as those cited regarding the average import/GNP ratio and the U.S. market share in the absence of foreign assistance.

*Additional commodity-tying income*

On top of the rise in U.S. exports associated with the maintenance of the share of expanding markets which the United States would have had in the absence of a foreign assistance program, commodity-tying policies apparently served to increase further U.S. exports. Since the combined income effects previously estimated may have accounted for about $1,280 million ($380 million and $900 million), the residual of perhaps $880 million is probably attributable to the additional effects of tying in 1965. Alternatively, if the U.S. market share in the absence of a foreign assistance program were assumed to be 20% rather than 21%, the increase in exports attributable to commodity tying would be an estimated $940 million. Similarly, given a no-aid market share of 22%, the estimated contribution of tying would be cut to $820 million.

In summary, quantitative investigation of recent patterns of change in trade and income suggest strongly that the U.S. program of foreign economic assistance has had a major impact on U.S. trade with developing countries, accounting for as much as three fifths of the increment in U.S. exports from 1960 to 1965.

POLICY IMPLICATIONS

Increased awareness in recent years of the close connection between the U.S. foreign aid program and the volume of U.S. exports has led to a serious reconsideration by the federal government of the proper place of long-term U.S. trade and commercial goals among the objectives of the economic aid program. This reconsideration has been motivated by two main concurrent concerns. First, there has been an increasing consensus that all government programs should support the national drive to solve the current U.S. balance-of-payments problem insofar as is consistent with their special objectives. Second, as the phasing out of the economic assistance program in important parts of the world approaches, there has been increased concern that U.S. private trade and investment continue on a healthy basis after the termination of the aid program.

GOVERNMENT SUPPORT

Recognizing the need for a continuing and systematic coordination of government policies designed to promote and expand U.S. exports, President Johnson established the Cabinet Committee on Export Expansion in December 1963. The functions of the committee were to provide advice on "(1) means for developing and stimulating more effective export expansion programs; (2) changes in existing policies and programs of the Federal Agencies which relate to improving export promotion and expansion; and (3) related areas upon which the chairman may request advice." [3]

As part of an effort to mobilize all government programs in support of the national drive to solve the balance-of-payments problem, the committee recommended guidelines for the foreign assistance program. These stressed the selection of capital projects and the financing of commodities which promote export expansion. In implementing the recommendations of the committee, AID modified its financing policies in early 1965 by including longer term export promotion as one important factor in selecting capital projects and commodities for AID financing insofar as this could be accomplished in a manner compatible with AID's primary objective of promoting development. (More recently, a second committee has also been increasingly concerned with the effect of AID expenditures on the U.S. payments deficit. This Cabinet Committee on the Balance of Payments set up a subcommittee in the spring of 1967 to focus explicitly on measuring AID's balance of payments costs and the effectiveness of its programs to secure improved aid "additionally.")

BUSINESS FOLLOWUP

In February 1966 the National Export Expansion Council established an Action Committee on Aid, Trade and Investment in Developing Countries. This committee has underlined the need for U.S. private business to move more vigorously in taking advantage of opportunities for trade created primarily by foreign economic assistance. In the words of the committee, what is needed is an "astute use of the facilities and leverage provided by the aid program and cooperative efforts between AID and the business community. . . ." [4]

In other words, given the availability of convertible foreign exchange provided by the aid program and local preferences for U.S. goods in less developed countries, private U.S. businesses can increase their share of imports by those countries through a strong effort to meet foreign competition and to capture the potential benefits of expanding markets.

Thus, in general, changing the temporary "hot house" markets created by tying policies into permanent ones will depend primarily on an effective follow-up by U.S. businessmen of the opportunities initially provided by AID. By shipping first-class goods to the developing countries under the foreign assistance program, by pricing competitively and following up with stocks of spare parts and supplies, and by establishing marketing and service arrangements—in short, by applying the same vigorous competitive practices used in the United States—businessmen can look forward to solid and growing markets abroad.

U.S. traders, however, probably will be disappointed if they merely sit back and wait for follow-on orders to arrive. This is especially true of AID-financed exports to the "transitional" countries which are approaching economic self-support. To ensure maintenance and improvement of trade with these countries, the U.S. private sector must be vigorous and increasingly competitive.

INDIRECT SUBSIDIES

Although AID is not involved in direct subsidization of exports, U.S. procurement policies do in effect provide indirect subsidies to U.S. exporters. This is because some of our tied exports would simply not occur if it were not for foreign assistance financing. This is most easily seen in the case of a number of U.S. commodities that are priced above world levels but which are nevertheless exported because AID funds are restricted for purposes of their purchase. The cost of some commodities we finance may run considerably above world market prices.

From the viewpoint of AID's development objectives, the financing of higher cost noncompetitive exports is seldom an efficient use of the foreign assistance dollar. Although higher importer costs can be compensated for by higher levels of assistance or by softer lending terms, financing noncompetitive exports reduces the real value of assistance to the recipient countries. Higher costs also cause importer resentment and may give U.S. exports a black eye for the future.

The effect of higher cost, noncompetitive exports is not always limited to the period in which procurement takes place; reduced competition among suppliers may result in the purchase of equipment with a higher operating and maintenance cost. Also, financing noncompetitive items may, under certain conditions, distort the development plans of the recipient countries, since they tend to tailor the aid requirements to the availabilities of assistance. (It should be noted, however, that under soft loan terms, with maturities up to 40 years and extended grace periods as long as 10 years, much, if indeed not all, of the higher cost procurement is offset.)

CONCLUSION

Since two thirds of the world consist of peoples in the developing countries, the growing markets of today and tomorrow lie with them. Therefore, the problem of increasing world purchasing power becomes in fact the problem of increasing the living standards of the developing countries.

Over the long run, economic development is the basis for expanded commercial trade. As economists have been preaching since the days of Adam Smith, economic growth depends on a progressive widening of the market, efficiency, and specialization.

The evidence strongly indicates that U.S. aid on the whole has had a beneficial effect on the development of our commercial trade with the countries receiving aid. U.S. exports to these countries and to other parts of the world have generally grown.

The future for U.S. exports to the developing countries looks bright. Businessmen who seek new opportunities through imaginative market research matched by modern, competitive technology can be confident of their ability to operate successfully in an expanding world economy. Moreover, the efforts of U.S. exporters and investors to advance their own competitive interests by providing better values in the marketplace are an integral part of the process of international development on which our own future depends so heavily.

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[From Harper's magazine, April 1967]

MYTHS THAT KEEP PEOPLE HUNGRY

(By Milton Friedman) [1]

(NOTE.—Why some poor countries are beginning to thrive—while others drop farther behind, in spite of billions in American aid. An eye-witness report by the President of the American Economic Association.)

Some time ago my wife and I spent a year traveling through Eastern Europe, the Middle East, and the Far East. In country after country we were deeply impressed by the striking contrast between the facts, as they appeared to us, and the ideas about the facts held by intellectuals.

Wherever we found any large element of individual freedom, some beauty in the ordinary life of the ordinary man, some measure of real progress in the material comforts at his disposal, and a live hope of further prog-

[3] Executive Order No. 11132, dated December 12, 1963.

[4] Memorandum from the Chairman to members of the Action Committee, May 23, 1966.

[1] In addition to teaching economics at the University of Chicago, Dr. Friedman serves on the research staff of the National Bureau of Economic Research. His best-known book is "Capitalism and Freedom." This editorial is an expanded version of the preface to the Japanese translation of that book.

ress in the future—there we also found that the private market was the main device being used to organize economic activity. Wherever the private market was largely suppressed and the state undertook to control in detail the economic activities of its citizens (wherever, that is, detailed central economic planning reigned)—there the ordinary man was in political fetters, had a low standard of living, and was largely bereft of any conception of controlling his own destiny. The state might prosper and accomplish mighty material works. Privileged classes might enjoy a full measure of material comforts. But the ordinary man was an instrument to be used for the state's purpose, receiving no more than necessary to keep him docile and reasonably productive.

By contrast, the intellectuals everywhere took it for granted that capitalism and the market were devices for exploiting the masses, while central economic planning was the wave of the future that would set their countries on the road to rapid economic progress. I shall not soon forget the tongue-lashing I received from a prominent, highly successful, and extremely literate Indian manufacturer when I made remarks that he correctly interpreted as criticism of India's detailed central planning. Or the numerous discussions with professors at government-supported universities in India, where I was told again and again that in a country as poor as India it was essential for the government to control imports, domestic production, and the allocation of investment in order to assure that *social* priorities and not the market demand for luxuries dominated. Many of these discussions took place in comfortable university guesthouses, or relatively luxurious seminar rooms or lounges, well shielded from the nearby hovels where the common people live. One even took place in the magnificent Ashoka Hotel in New Delhi, a showplace built by the government. Yet not once was any question raised about the appropriateness of the "social priorities" reflected in the allocation of governmental funds for these amenities.

I remember, also, the attitude of my audience at the University of Malaya in Kuala Lumpur. They listened politely, though with clear signs of rising hostility, as I expounded the merits of the market and the demerits of central planning for underdeveloped countries. The one remark that brought down the house was by the Malay chairman—the head of the economics department of the university. India's current difficulties, he instructed me, were not the result of central planning but rather of the suppression of India by colonialism this nearly two decades after Indian independence).

DON'T BOTHER ME WITH FACTS

A few examples show how clear the facts are. East and West Germany provide almost a controlled scientific experiment. Here are people of the same blood, the same civilization, the same level of technical skill and knowledge, torn asunder by the accidents of warfare. On the one side of the frontier, communism, tyranny, and misery; on the other, capitalism, freedom, and affluence.

Even two communist countries, Russia and Yugoslavia, offer a similar contrast. Russia is far more closely controlled from the center; private property and a moderately free market have almost no scope. In agriculture only 3 per cent of the cultivated area is in private plots whose produce the owners are free to market privately—though this 3 per cent produces one-third of the total agricultural output of the Soviet Union. In industry there is no legal scope at all for private activity, though apparently there is substantial blackmarket activity. In Yugoslavia, on the other hand, the great bulk of agricultural land is privately owned, there are many private handicrafts, and a deliberate attempt has been made to decentralize industry. Yugoslavia is far from free and its ordinary people are far from affluent by Western standards. Yet it strikes the traveler as a paradise in both respects compared with Russia.

As it happened, we went from Russia directly to Yugoslavia, and both our departure from Russia and our arrival in Yugoslavia emphasized the contrast. On our way to the airport in Moscow, we had an Intourist guide assigned to us, as we had at every arrival and departure in Russia. This one turned out to be a young man who was in his final year of studies in American and English literature at the university. After desultory discussion of authors, I asked him what he was going to do after he finished school. "I do not know," he replied; "they haven't decided yet where I can be most useful"—no annoyance at having his career decided for him, simply a matter-of-fact statement. Three key questions were asked us as we went through the formalities for embarkation: "Are you taking any papers or letters out for any Russian?" "Do you have relatives in Russia?" "Did you visit anyones except as arranged by Intourist?" Having truthfuly answered no, we were permitted to embark on a plane headed for Accra via Belgrade and carrying mostly Ghanaians returning home after an extended stay in Russia for military training. (To judge by the unrestrained comments of our seatmates, whatever the stay might have added to the military effectiveness of the Ghanaians, it had certainly inspired strong hostility toward the Russians and a heightened admiration of the West.)

When we landed in Belgrade, questions by the authorities were strictly perfunctory. What surprised us even more, after our Russian experience, was the absence of any governmental official to meet and shepherd us. We were left on our own, much to our great delight. Without difficulty we were able to wangle, for a modest side payment, a ride into town on the one vehicle that was going there. The dinars for the payment were advanced to us at the hotel where we had privately made reservations. (In Russia, we had been required to pay in full in advance and did not know what hotel we were to stay in until informed by Intourist on arrival.)

In the Middle East, Israel and Egypt offer the same contrast as West and East Germany; in the Far East, Malaya, Singapore, Thailand, Formosa, Hong Kong, and Japan—all relying primarily on free markets—are thriving and their people full of hope, a far call from India, Cambodia, Indonesia, and Communist China—all relying heavily on central planning.

We were struck most forcibly by the contrast between facts and ideas in Malaysia. This country is a testimonial to the potentialities of competitive capitalism. Singapore, which was still part of Malaysia when we were there, was built on free trade. It has a vigorous industry and the standard of living of the ordinary Chinese or Malay citizen is many times higher than in neighboring Indonesia or nearby India. Malaya itself was mostly an unsettled jungle three-quarters of a century ago. Today it is an attractive country with widespread cultivated areas. The standard of life of its citizens, through somewhat lower than that of Singapore, is much higher than that of its other neighbors. Rubber and tin are its main export crops. Yet rubber is not even native to Malaya. The rubber tree was imported by private enterprises from South America; the tin mines were developed entirely by private concerns.

Malaysia, now independent, is in the process of deciding what economic policy to follow. Its own past offers one example. Its populous neighbors, Indonesia and India, offer another. Both have embraced widespread and detailed central planning, with results that are as depressing as they are clear. In Indonesia, the standard of living and the condition of the ordinary man has clearly deteriorated in the nearly two decades since independence—a major factor in the recent political turmoil. In India, the situation is only a little better.

Which example does Malaysia propose to follow? If the intellectuals have their way, as it appears they will, the new nation will follow India and Indonesia. The chairman of my meeting at the university, his colleagues, and the civil servants had no doubt that it was they who should control the direction of investment and development. A central bank had been established and a government development agency was already making long-range plans. A World Bank mission, headed by Jacques Rueff of France, a liberal in the nineteenth-century sense, had nonetheless bowed sufficiently to the temper of the times to recommend tariff protection, government development subsidies, and other measures of central planning. How clear it is that the world is ruled by ideas—not facts—and that ideas can for long periods live a life of their own, little affected by the facts.

Japan offers another striking example of the importance of ideas and the intellectual climate—less present-day Japan than its experience a century ago. We were much impressed by modern Japan; by the high level of income, its wide distribution, and its rapid growth; the aesthetic content of everyday life and common household goods; the dignity of the Japanese people, and their courteous hospitality to the visitor.

A century ago, just prior to the Meiji restoration in 1868, the situation of Japan was very different. Japan had experienced centuries of deliberate and enforced isolation from the rest of the world. Though by no means completely stagnant, Japan's social and economic structure had altered little in that time, and it had fallen far behind the advanced Western countries in scientific knowledge and productive techniques.

WHY THE JAPANESE SUCCEEDED

There is a remarkable parallel between Japan just after the Meiji restoration and India after it achieved independence eight decades later in 1948. In both cases a major political change permitted drastic alteration in economic arrangements and the rigid class relations among men. In both cases the political change placed in power a group of able and patriotic men determined to convert prior economic stagnation into rapid economic progress—though for somewhat different objectives. In both cases these events occurred in countries with ancient cultures and a high artistic and literary civilization. And in both cases the countries were technologically far behind the leading economic powers of the time. Both had an opportunity to make major economic gains by using techniques developed at great cost in the West.

There were also, of course, differences—mostly favoring India. India's physical resources are distinctly superior to Japan's—except only for the sea around Japan, with its easy transportation and potential supply of food. Japan had been almost completely out of touch with the rest of the world; India had had extensive and widespread contact. The British, moreover, left India an excellent railroad system, many factories, much physical equipment, and—even more important—functioning political institutions, numerous skilled administrators, and many men trained in modern industrial techniques. In my own contacts, the top Indian civil servants impressed me as man-for-man the ablest people in any civil service with which I have had experience—including the American. True, they are few and there is a tremendous gap between them and lower-

level civil servants, but progress in any area has always depended on small numbers of people.

Finally, in the years since 1948, the rest of the world has made available to India—largely as gifts—an enormous volume of resources, roughly equal to a quarter of India's total capital formation. Japan had no comparable advantage. The closest parallel was the fortuitous failure of the European silk crops in the early years of the Meiji restoration, which enabled Japan to earn more foreign exchange by silk exports than she otherwise could have earned. Japan herself financed the training of Japanese abroad and the importation of foreigners with technical skills. During the whole of the first half-century after the Meiji restoration, Japan had not only no net grants from abroad but not even any net capital import; she provided the whole of her own capital from domestic sources.

There is a widespread tendency to attribute India's difficulties to its social institutions, the character of its people, and the climatic conditions under which they live. Religious taboos, the caste system, a fatalistic philosophy are said to imprison the society in a straitjacket of tradition; the people are thought to be unenterprising and slothful. I find it impossible to accept any of these explanations. The Indians who have migrated to Africa or to Southeast Asia have in country after country formed a major part of the entrepreneurial class, and have often been the dynamic element initiating and promoting progress. In the Punjab, an industrial revolution is taking place in towns like Ludhiana with thousands of small and medium-size workshops, reproducing, or so it seemed to me, the experience of Manchester and Birmingham at the end of the eighteenth century. There is no shortage of enterprise, drive, or technical skill; on the contrary, there is a self-confident, strident capitalism bursting at the seams.

For a nation to progress, it is not necessary for every individual to be an enterprising, risk-taking economic man. The history of every developed nation shows that a tiny percentage of the community sets the pace, undertakes the path-breaking ventures, and coordinates the economic activity of hosts of others. Most people everywhere are hewers of wood and drawers of water. But their hewing of wood and drawing of water is made far more productive by the activities of the minority of industrial and commercial innovators, and the much larger but still small number of imitators. I have no doubt whatever that India has an adequate supply of potential entrepreneurs, both innovators and imitators. The appearance of sloth and lack of enterprise is surely a reflection of the absence of rewards for different behavior, not a reason; the fatalistic philosophy is more likely an accommodation to stagnation, not a cause.

Many early foreign residents in Japan reported similar impressions. Wrote one: "Wealthy we do not think it [Japan] will ever become: the advantages conferred by Nature, with the exception of the climate, and the love of indolence and pleasure of the people themselves forbid it. The Japanese are a happy race, and being content with little are not likely to achieve much." Wrote another: "In this part of the world principles, established and recognized in the West, appear to lose whatever virtue and vitality they originally possessed and to tend fatally towards weediness and corruption." They were wrong and so too, in my opinion, are those who are similarly pessimistic about India.

Although the circumstances of Japan in 1868 and India in 1948 were highly similar and the opportunities much the same, yet the outcome was vastly different. In Japan there was a thorough dismantling of the feudal structure, a vast extension of social and economic opportunity, rapid economic growth, and widespread improvement in the lot of the ordinary man—though, unfortunately, nothing approaching real democracy in the political sphere. In India there was much lip service to the elimination of caste barriers yet shockingly little actual progress; differences in income and wealth between the few and the many have widened, not narrowed; economic output per capita has been nearly stationary; and there has probably been an actual deterioration in the standard of life of the poorest third of the population. With all this has come a growing network of deadening and restrictive controls.

Why the difference in results? I believe the contrast between the two countries reflects primarily the difference in the techniques of economic organization adopted, though no doubt other factors played some part. Japan followed essentially a free-market policy, taking the Britain of its time as its model. True, the state intervened in many and diverse ways, and played a key role in the process of development. It subsidized the technical training of many Japanese and the importation of foreign experts, established pilot plants in many industries, and gave numerous subsidies.

Yet at no time did it ever try to control the total amount or direction of investment or the structure of output. It sold off most of its pilot plants to private firms within a few years. The state maintained a large interest only in shipbuilding and iron and steel, industries that it deemed necessary to build military power. It retained even these industries only because they were not attractive to private enterprise and required heavy government subsidies. These subsidies were a drain on Japanese resources. They impeded rather than stimulated Japanese economic progress. Finally, by international treaty, Japan was prohibited during the first three decades after the Meiji restoration from imposing tariffs higher than 5 per cent. This restriction was an unmitigated boon to Japan, though naturally it was resented at the time, and tariffs were imposed after the treaty prohibitions expired.

India has followed a very different policy. Its leaders, schooled in the doctrines of Fabian socialism and central planning, have regarded capitalism as synonymous with imperialism, to be avoided at all costs. They have taken Russia as their model and embarked on a series of five-year plans with detailed programs of investment allocated between government and private firms and among industries. Certain areas of production are reserved to government. Tariffs, quotas, and subsidies to exports are widely used to shape foreign trade. When exchange difficulties arose, detailed and extensive exchange control was imposed. The Indian government controls wages and prices, prohibits private enterprises from building factories or making other investments without government permits, and levies taxes that are highly graduated on paper though largely evaded in practice.

Reliance on the market in Japan released hidden and unsuspected resources of energy and ingenuity, prevented vested interests from blocking change, and forced development to conform to the harsh test of efficiency. Reliance on governmental controls in India frustrates initiative, or diverts it into wasteful channels, protects vested interests from the forces of change, and substitutes bureaucratic approval for market efficiency as the criterion of survival.

An instructive specific example is the different experience with homemade and factory-made textiles in the two countries. Both Japan and India had extensive production of textiles in the home at the outset of their development. In Japan home production of silk was for long little affected, but home spinning of cotton, and later, hand-loom weaving of cotton cloth, unable to meet the competition of foreign spun yarn and factory-made cloth, were all but wiped out. A Japanese factory industry developed, at first manufacturing only the coarsest and lowest-grade fabrics, but then moving on to higher and higher grades and ultimately becoming a major export industry. In India, hand-loom weaving was subsidized and guaranteed a market, allegedly to ease the transition to factory production. Factory production is growing gradually, yet there is no sign of an end to the subsidy. Indeed, hand-loom production is now larger than it was when the subsidy was introduced. Had Japan followed a similar policy, it still would have an extensive home cotton-textile industry—and a drastically lower level of living.

The most dramatic illustration of the waste that has been created by substituting government for market control in India is in automobile production. For some time now, the importing of both secondhand and new cars has been prohibited, supposedly to save foreign exchange by reducing "luxury" imports. Naturally the price of secondhand cars has skyrocketed. When I was in Bombay in 1963, a 1950 Buick—much like one I had sold in New Hampshire a few months earlier for $22—was selling for $1,500. The government has licensed the production of new cars, mostly copies of foreign makes. Their manufacture is proceeding in uneconomical small runs and at extremely high cost. India, its government apparently believes, is too poor to use secondhand cars; it must have new ones. I estimated in 1963 that about one-tenth of total American aid was being absorbed in the extra cost to Indian of getting motor vehicle transportation by building new cars instead of importing used ones—a glaring example of the wastes of conspicuous production.

The tragedy of the industrial revolution in the Punjab lies in this same waste and misdirection. Businessman after businessman told me that one-quarter of his time was usually devoted to getting around governmental restrictions—price control, rationing, and so on. Even more important, the distortion of prices and costs through governmental intervention means that the businessman's energy and ability are being directed toward doing the wrong things in the wrong ways.

AN ERRONEOUS NOTION IN THE WEST

Ironically, the men who took charge of Japan in 1867 were dedicated principally to strengthening the power and glory of their country. They attached no special value to individual freedom or political liberty; on the contrary, they believed in aristocracy and political control by an elite. Their political ideas were the basis for later tragic totalitarian excesses. The men who took charge of India in 1948 had very different ideas. They were ardently devoted to political freedom, personal liberty, and democracy. Their aim was not national power, but improvement in the economic conditions of the masses. Yet it was the Japanese leaders who adopted a liberal economic policy that led to the widening of opportunities for the masses and, during the early decades, a great gain in their personal liberty. It was the Indian leaders who adopted a collectivist economic policy that hamstrings their people with restrictions and continues to undermine the large measure of individual freedom and political liberty encouraged by the British.

The difference in policies reflects faithfully the different intellectual climates of the two eras. In the mid-nineteenth century, liberalism (in its original, not its current American sense) was the dominant view. It was simply taken for granted that a modern economy should be conducted by free trade

and private enterprise. It probably never occurred to the Japanese leaders to follow any other course. In the mid-twentieth century, collectivism was the dominant view. It was simply taken for granted that a modern economy should be conducted by centralized control and five-year plans. It probably never occurred to the Indian leaders to follow any other course.

Ideas can for a time lead a life of their own, independent of reality. But sooner or later they must meet the test of evidence. It may be crucial for the fate of mankind that they do so soon.

We, who are fortunate enough to live in the West, take for granted the freedom and affluence we enjoy and regard them as the natural lot of mankind. They are not. They have been achieved only for brief intervals in the long history of mankind. At no time, and certainly not now, have they been achieved by more than a small fraction of the world's population. We have been generous in our material aid to the less fortunate; we have given them a fine set of aspirations and an example of a free and affluent society. But we have also transmitted a climate of opinion hostile to the market arrangements that appear to be a necessary condition for both freedom and affluence.

We have a sufficient margin of protection to survive such ideas for a long time. The less-developed nations do not. In their failure, they may destroy us as well. The continuing ascendency of such ideas may doom mankind to a renewed era of universal tyranny and misery.

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[From Banca Nazionale Del Lauoro Quarterly Review, December 1961]

FOREIGN AID—THE SOFT OPTION

(By P. T. Bauer and J. B. Wood)

1. To question the merits of foreign aid as an instrument for the development of backward countries may seen perverse, especially when the West's aid programmes (financial help from government to government) are already running at £2,000 million a year, or more. To many people, politicians, academics and business men, the overriding question is how the West can increase this help still further. All the signs, especially President Kennedy's special message to Congress in March 1961, and the addresses at the World Bank Conference in Vienna in September 1961, suggest that it will be increased. But it is precisely at a time like this when the West's foreign aid programme is beginning to acquire a momentum of its own, that the assumptions behind this massive gesture of generosity most need questioning. It is often taken for granted that the exigencies of power politics lie behind the introduction and continuation of foreign aid. This may explain, perhaps, why neither the economic results nor their far-reaching political implications have been sufficiently analyzed or questioned. But the experience of more than a decade of foreign aid suggest that the present forms of providing aid lead to the worst of both worlds for both donors and recipients.

This article therefore examines a number of issues which need closer examination than they have so far received. First, pre-occupation with foreign aid has obscured the deep seated factors beneath the differences in the prosperity and progress of rich and poor countries and it has also diverted attention from the need for much more radical policies in both advanced and backward countries. These radical policies are as yet barely formulated, partly because under the shelter of foreign aid, the comfortable illusion has spread that economic development is possible without cultural change in the backward countries, and without structural change in the advanced countries. It is in this sense that foreign aid is a soft option, both for donor and recipient governments. This is a fundamental criticism, and this article is in part a plea for policies less resistant to change, less wedded to the status quo.

Second, foreign aid also leads to an ineffective use of the world's supplies of capital. Third, foreign aid promotes concentration of power both in the rich and the poor countries, which is objectionable in many ways, not least because it obstructs economic advance. Apart from these topics we also refer briefly to some other ways to encourage economic development in the backward countries; the value of this objective is not in dispute.

2. As the chosen instrument of Western development policy, foreign aid has become a soft option for both recipient and donor governments. To continue to rely on it extensively is likely to be ineffective and costly compared with other methods, and is even likely to hold back material progress in the backward countries.

For obvious political reasons discussions about foreign aid usually suggest, explicitly or by clear implication, that development is largely a matter of investment; that differences in income between rich and poor countries largely reflect differences in capital per head; and that these differences can and should be reduced or eliminated by large scale transfers of money. These transfers, it is said, need only be temporary because within a few years they will set the underdeveloped world firmly along the road of material progress. These beliefs now need questioning. On examination they will be found to encourage waste, reinforce dangerous illusions, obscure essential factors behind the differences in economic attainment and divert attention from the problems and tasks of development which really matter.

Differences in economic achievement and rates of progress between countries, especially rich and poor countries, reflect differences in history, in natural resources including climate, in political institutions, in social attitudes and in economic qualities of the population such as resourcefulness, ability to perceive and exploit economic opportunity and the attitude to work, leisure and thrift. There is nothing abnormal or reprehensible in these differences. Nor is there any inherent right which ensures that all countries should enjoy approximately equal incomes per head, or should be caught up simultaneously in the stream of material advance.

The physical, institutional and human factors behind these differences are powerful and deep seated. Some are unavoidable. For instance, the climate and physical features of the tropics partly explain why all tropical countries are economically underdeveloped and almost all backward economies are within the tropics. In many underdeveloped countries, especially India and the Moslem world, there are also tenacious and pervasive mental attitudes obstructing material progress. Familiar examples include the Hindu belief in the inviolability of animal life and the prevalence of caste, both of which have persisted across millenia and are still powerful over most of the country.

Differences in economic qualities of different ethnic groups, a topic rarely admitted to public discussion, are also extremely important. It would be unwise to be dogmatic about the historical and biological factors behind ethnic differences in economic performance. These differences (some of which are almost certainly derived from climate and environment) are probably not fixed for all time. But at any moment and over decades or even centuries, the differences in economic qualities and attitudes of individuals and groups are pronounced and important. This can be seen in many underdeveloped countries. The Chinese in Malaya, the Indians in East Africa, the Lebanese in West Africa, usually immigrants without capital or much formal education, have soon outdistanced the indigenous population, and the special conditions of migration do not account entirely for these striking differences in performance.

These differences between rich and poor countries have not emerged in recent decades or even centuries. The present developed world was already far ahead of the underdeveloped world by the time conventionally assigned to the industrial revolution. By the 18th century, Western Europe was largely permeated by the exchange economy, and had developed attitudes and institutions appropriate to it. By then there had been for centuries great trading and industrial centres in Western Europe; for centuries voyages of discovery had been going on, with considerable long distance travel, almost wholly from Western Europe and North America to the East, with practically no movement the other way. Sophisticated mathematical concepts and technically advanced scientific instruments had been in use for generations. These developments and achievements sprang from the experimental attitude, intellectual curiosity and interest in the material world, which was at large throughout Europe for centuries before the industrial revolution.

None of the now developed countries made their way with the help of foreign aid, and it is naive to believe that the transfer of money can somehow bridge the profound differences between the advanced and the backward countries in economic qualities, social attitudes and physical conditions. The largest imaginable transfers could not achieve this; and the aid programmes of today, vast as they are, represent only comparatively small amounts per head of the population in the receiving countries.

Much of the enthusiasm for foreign aid seems to rest on the convenient assumption that it is possible to have economic development in poor countries without cultural change. Development is thought to depend largely on how much a country can invest, rather than on the economic qualities of its people, its social institutions and attitudes and its physical environment.

This approach has led to striking paradoxes, most of which are ignored in public discussion. India, the most populous country outside China and the largest recipient of Western foreign aid, offers perhaps the best illustration. It has been recognized for generations that the Hindu belief in the sanctity of animal life, especially in that of cattle, is a major obstacle to economic progress in India. Yet within the last decade, legislation prohibiting the killing of cattle has been introduced in six major Indian states which cover about half the population of India. The legislation in Uttar Pradesh, the largest Indian state with a population of about 80 million, absolutely prohibits the slaughter of any cow, and "cow includes a bull, bullock, heifer, or calf". This legislation coincided with the official inception of the Second Five Year Plan with its overwhelming emphasis on steel and heavy engineering.

Caste has not received statutory reinforcement in India, but government efforts to break it down have been half-hearted and the results meager. Moreover, important parts of government policy (such as extensive licensing of trading and transport and restrictions on the movement of agricultural produce), obstruct occupational and geographical mobility, and in this way retard the disintegration of caste. There are still over 600 million untouchables in India, most of the population is illiterate, and a large proportion of the children do not attend even the most rudimentary schools. Yet spending on elementary education under the Second Five Year Plan was about one half of the cost of any one of the three steel plants in the public sector under the Plan. Though India is the most striking example of an attempt to produce economic progress without cultural change, similar attempts may be found throughout the underdeveloped world.

The backward countries' reluctance to make cultural changes is matched by the reluctance of advanced countries to make the structural changes which would assist economic progress in the underdeveloped world. The severe restrictions in the West on exports from underdeveloped countries substantially damage their prospects. The quotas imposed by America, Britain and other developed countries on textile exports from Hong Kong, India, and Pakistan are familiar.

At first sight it seems paradoxical that the rich countries should give large sums in aid to poor countries while placing major obstacles in the way of their exports and thus their development. But foreign aid is provided from general taxation, while free imports hurt vocal and well-organized sectional interests. To take in a large volume of imports of textiles or cheap clothing or footwear from underdeveloped countries would require changes in the structure of industry in the developed countries which they are not prepared to face. Foreign aid becomes a form of conscience money, and is unlikely to help the recipients more than is usually the case with such payemnts. Foreign aid also serves the interests of influential groups in donor countries seeking a market for their products, including producers of capital goods for the large scale projects financed from foreign aid, and U.S. Government and agricultural interests wishing to get rid of the huge agricultural surpluses. This is an example of the familiar rule that benefits to sectional interests are obvious, while the cost to the community is obscured.

The inauspicious nature of the human and social setting in underdeveloped countries for material progress is generally ignored by the advocates of foreign aid, and to emphasize it is unpopular. Nevertheless, discussions on foreign aid which overlook the need for more radical changes in both rich and poor countries are unhelpful. Poor countries will not progress without far reaching changes in their social and physical environment and their attitudes and values, and this must be accompanied by structural changes in developed countries. Political charity is no substitute for these changes and contributes insignificantly to the progress of the underdeveloped world. Once the premise is accepted that substantial foreign aid is a necessary and perhaps a sufficient condition for the development of poor countries then either progress or stagnation of these countries can be used as an argument for further aid; their progress can be instanced to show the value of aid and their stagnation the need for it. Moreover, once the West has made substantial sacrifices for foreign aid it becomes practically impossible to cast doubt on the worthwhileness of these programmes. The greater the sacrifices, the more difficult it becomes to question the principles in the name of which they were exacted. There need be practically no limit to this process; the West is effectively making out a blank cheque to the backward countries.

Meanwhile, the flow of foreign aid itself helps local politicians to postpone those changes which obstruct the development of their countries, and enables politicians in the richer countries to escape the structural changes which would follow the freer entry of exports from poorer countries.

3. Pre-occupation with foreign aid as an instrument for developing poor countries has led to the ineffective use of the world's scarce supplies of capital. This has arisen for economic, political and ideological reasons.

The return on capital is now generally higher in rich than in poor countries, so that to transfer it from the former to the latter reduces its total return, and in this sense leads to its less effective use. The productivity of capital in rich countries is higher because industrial techniques are more advanced, technical progress more rapid, and because there are relatively more skilled workers, technicians and administrators in rich countries. Moreover, under foreign aid there is practically no contact between those who supply capital and those who use it. The concern of the supplier of capital for its prospective return and his control over its use are usually major factors ensuring its efficient use. This concern and control are difficult to exercise, or even to define, with foreign aid. Inter-government transfers of large lumps of money cannot be adjusted to supply and demand conditions as closely as individual acts of investment, which makes the use of capital less effective. The fact that aid is usually given free, and always below the market price of capital, reinforces these results.

The prevailing investment fetish, that is, the belief that development depends largely on investment expenditure, is another reason resulting in an inefficient use of capital. This unwarranted belief has been built up from a variety of sources, some of which are ideological and political. The defintion of investment is largely arbitrary, and expenditure certainly does not become productive simply by being labelled investment. By spuriously justifying all expenditure termed investment it encourages spending regardless of cost. It also provides superficial justification for a wide range of controls on the ground that they are required to promote investment. The idea that development depends essentially on investment leads to a neglect of other factors affecting development, including the establishment of suitable institutions and the encouragement of appropriate economic qualities and attitudes. Politically, foreign aid encourages governments in backward countries to ignore or even repress alternative sources of capital. For instance, it is foolish and unpatriotic to pay market terms for foreign capital, if that can be obtained elsewhere more cheaply or for nothing. The inadequate flow of private foreign investment can then be represented as a major reason for the need for further foreign aid, that is, if foreign private capital investment is still allowed. It is one of the many paradoxes in this field that most poor countries which request and receive capital in the form of foreign aid severely restrict the inflow and operation of foreign private capital, partly for ideological reasons, and partly under pressure from local sectional interests wishing to restrict competition. But for the flow of foreign aid the local politicians would have to be more reluctant to impose such restrictions.

These considerations suggest that on a strictly economic view poor countries would be better off if the capital now going to foreign aid were used in rich countries, and the return simply handed over to the poor countries as a free gift.

4. Foreign aid leads to a concentration of power in both donor and recipient countries, especially the latter. It is financed by taxing the *individuals and companies* in the giving country in order to transfer money capital to the *governments* of the receiving country. This increases the resources of governments, compared to those of the private sector. And as already noted it encourages governments to restrict private foreign capital, thus further strengthening the public sector and weakening the private sector.

Both the inflow of private foreign capital and the supply of domestic capital are affected. For instance, West African countries have received aid from abroad while their governments subjected local producers of cash crops to phenomenal taxation for compulsory saving. This has not only obstructed private capital formation, but has also held back the spread of the exchange economy and the emergence and growth of a local entrepreneurial class and of a prosperous peasantry; it was even claimed for these policies that they had prevented the emergence of a kulak class. Much of this taxation was used first to accumulate sterling balances and, more recently, to finance officially sponsored uneconomic ventures. Such policies are encouraged by foreign aid.

These results should not come as a surprise since they are in line with the policies now urged on underdeveloped countries by the West. In allocating aid those governments receive preference which undertake comprehensive development planning, i.e. a large measure of government determination of the composition and direction of economic activity. This criterion in the allocation of aid already operates widely, and has been spelt out quite clearly in President Kennedy's special message to Congress of March 1961, which specifies comprehensive development planning and compulsory saving as two conditions of a country's eligibility for aid. Closely controlled and highly centralized economic systems must follow from such conditions.

Once a tendency towards concentration of political power sets in it often feeds on itself and becomes difficult to reverse. Controls often set up important political, administrative and economic vested interests. Moreover, in an economy largely administered or controlled by the government, the energies of ambitious and enterprising men will be diverted from the economic into the political life. The lack of the best talent in industry then becomes a further argument for the extension of government control over the economy. At the same time investment is diverted into acts of political showmanship and away from investment of a more productive character.

The operation of these forces is manifest in poor countries. But in the richer countries also the operation of foreign aid leads to the concentration of political power. The financing of aid increases the pressures on the economy, requires the imposition of additional taxation and thus makes the imposition or re-imposition of direct controls including exchange controls more likely. These tendencies are reinforced by the constant emphasis on the need for greater sacrifices and on the alleged inadequacy of current efforts in the granting of foreign aid. Thus in both the donor and the recipient countries foreign aid tends to enhance the extent and intensity of government controls and the concentration of political power. This danger is all the more serious because, as we have already noted, whether the recipient countries progress or stagnate, either condition can be used with superficial plausibility as an argument for further aid.

5. These criticisms of foreign aid, that it resists change, misuses capital, and encourages the concentration of power—must naturally make one wonder why the policy of foreign aid has been accepted so universally. Besides the influences of sectional interests, some of which have been mentioned earlier, support for foreign aid has come from a number of political, social and economic arguments. We refer briefly to a political argument in the last section. Here we wish to consider only one of the social and economic arguments which is, however, much the most influential.

The inability of poor countries to break the vicious circle of poverty and stagnation without foreign aid, is perhaps the most widely canvassed argument in its favour. According to this thesis, it is poverty itself which makes material progress impossible in these countries, because the low level of incomes prevents capital formation without which productivity and thus incomes cannot be raised. There are many variants on this thesis, but all lead to the conclusion that a country is poor because it is poor; that is, that poverty itself sets up practically impossible obstacles to its own conquest. The case for foreign aid is that it breaks this vicious circle.

Even a superficial look at the history of either developed or underdeveloped countries is sufficient to see that this thesis is inadequate. The very existence of the developed

countries refutes it, for the simple reason that all of these began as underdeveloped, in the sense of having low income and capital per head, which, according to this thesis should have prevented their development. More generally, it is refuted by the rise from poverty to prosperity of innumerable groups and individuals throughout the underdeveloped world, which would be impossible if an insuperable vicious circle of poverty really existed.

The thesis is also refuted by the rapid progress which many countries have actually achieved in recent decades. This progress seems everywhere to have been ignored. A few examples to illustrate how much rapid advance has taken place in underdeveloped countries in recent decades may therefore be useful.

Between the mid-nineteen thirties and the mid-nineteen fifties the average gross national product of Latin America has increased at an annual rate of about 4%, and output per head at over 2%. In recent years these rates of growth have exceeded the comparable rate of growth in the United States. South-East Asia and West Africa are other regions which have developed very rapidly in the last half century or so. This is clear from sporadic national income figures, which however do not go back very far. It is overwhelmingly proved by statistics of foreign trade, agricultural production, railway transport, government revenue, literacy, infant mortality, and similar information. After all, in the 1890s there were no exports of cocoa or groundnuts or cotton from Nigeria or Ghana, and exports of oil palm produce were about a tenth of their present volume. The rubber industry of South-East Asia did not exist before 1900. Today these commodities are leading staples of world commerce with annual exports worth many hundred million pounds. Moreover West African agricultural exports are produced wholly by Africans as there are no European owned farm plantations there and about two-thirds of South-East Asian rubber is grown on non-European owned properties. At the beginning of the century there were no imports, or negligible imports, into these territories of flour, sugar, cigarettes, cement, petroleum products, machinery, or iron or steel, whereas today these commodities are imported on an impressive scale.

In many ways the progress of Hong Kong is of special interest. Hong Kong has made rapid progress in recent years to become a major manufacturing centre. But it lacks all natural resources, is subject to heavy population pressure, and has only a very restricted domestic market—all features which are often said to reinforce the vicious circle of poverty. Yet in spite of all disadvantages, and without any foreign aid, Hong Kong has in recent years become a large scale exporter of manufactured products to the highly developed countries. Indeed, it has made such headway that official measures have had to be taken in many countries in the West, including Great Britain, to protect home industries from Hong Kong competition.

Although the underdeveloped countries are by definition poor, poverty may exist side by side with even rapid advance, if this has started only comparatively recently and from a very low level. Much of the discussion of the so-called vicious circle of poverty rests on a confusion between a low level of economic achievement and a zero rate of change. It is clearly improper to confuse these two.

6. There are other ways in which the West could help underdeveloped economies apart from foreign aid. The most obvious and immediate one is to reduce the barriers against their exports. The West spends huge sums on foreign aid to develop Asian, African and Latin American economies and then excludes their exports by tariffs or quotas. This clearly shows that foreign aid is a soft option for the West, enabling it to side-step economic policies which although likely to be much more effective in assisting these countries, would be politically more unpopular than the additional taxation required to finance foreign aid. To politicians, businessmen and organized labour, aid is preferable to trade.

A further possible method to assist poor countries has some affinity with foreign aid. This would be a much more systematic attempt than hitherto to make available to underdeveloped countries some of the vast fund of technological and administrative knowledge accumulated in the West. The existence in the contemporary world of these fruits of material progress achieved in the developed countries but available to underdeveloped countries is an important latent asset. In this respect the poor countries are certainly better off than were the advanced countries in earlier stages of their history. Naturally, the transplating of this accumulated knowledge is enormously difficult, and would require far reaching changes in attitudes and values in underdeveloped countries. But it might do much more good than simple transfers of money.

Policies designed to reduce economic instability in the industrial countries also help the backward countries by reducing the fluctuations in the prices of the primary products which they export.

This article, however, is primarily a discussion of foreign aid, and it would be inappropriate to discuss at length these alternatives. We wish only to establish that there are other ways than foreign aid by which the underdeveloped world can be assisted.

7. Whatever one may think of the merits of foreign aid as a general policy, or of the arguments canvassed in its favour, it is certain that in the absence of war foreign aid will continue on a substantial scale. The useful question to put, therefore, is how it could be transformed to serve more effectively the interests of donors and recipients. Some essential characteristics of foreign aid, often ignored in public discussion, need to be briefly listed, before we can see how this may be done.

First, foreign aid is financed from taxation, which removes from it the moral appeal of voluntary aid or private charity. The recipients of foreign aid cannot usually reason out this difference between foreign aid and voluntary aid, but they generally and rightly sense it. They therefore suspect statements that foreign aid is primarily motivated by humanitarian sentiment, and this mistrust often leads them to attribute improper and even sinister designs to the donors.

Second, the popular analogy between foreign aid and progressive taxation within a country is false. To mention only one fundamental difference, the latter is intended to bring about redistribution between rich and poor families and individuals, but this is impossible under foreign aid because many people in the recipient countries are richer than many tax payers in the donor countries.

Third, foreign aid is always necessarily rationed. It represents scarce resources collected from tax payers in the West and transferred to recipient governments either free, or at less than market value, which means that the demand always exceeds the available supplies. These resources are urgently required throughout the world, and they can be used productively in both rich and poor countries. The latter necessarily compete between themselves for these resources as all their demands cannot be met; aid given to one country is aid denied to another.

Fourth, foreign aid necessarily affects the political situation in the recipient countries. It strengthens the position of the recipient government and thereby underpins whatever policies it pursues. Moreover, by increasing the resources of the government it enlarges the relative size of the public sector. Further it may induce governments of prospective recipients to pursue domestic policies acceptable to the donors. But in any event, by strengthening the position of the recipient government, the donor country is necessarily drawn into the political life of the recipient country.

Recognition of these simple points is the starting point for any discussion of a rational policy for foreign aid, notably of the criteria of its allocation.

8. Because aid is money supplied by the taxpayers of the donor countries, it is reasonable that it should serve the interests of the donor country. Nor need this conflict with the interests of the people in the recipient country, rather the reverse. The interest of the West in the development of the backward countries surely lies in the evolution and establishment of societies most likely to conduce to the welfare, that is the peace and prosperity, of the populations of the donor countries. Moreover, this interest is most likely to be secured by the development of societies which achieve economic advance in the sense of a general rise in living standards; and, further, which are likely to be resistant to the appeal of totalitarian regimes.

Such societies would generally exhibit the following characteristics: the economy is developing; people have wide access to alternatives both as consumers and as producers; decision-making is decentralized and widely dispersed; the power of individuals over others is limited; people do not experience violent and discontinuous disintegration of their communities; large numbers of people own some property. And economic advance, if it is to be meaningful, must mean an increase in the net flow of goods and services *desired* by the population, and not simply an increase in the volume of some categories of physical output, regardless of the desires of the individuals comprising the society.

The establishment and maintenance of a society resistant to the appeal of totalitarianism, and the promotion of economic advance in the sense just indicated call for economic systems in which decisions about the composition of the national output, including those affecting the distribution of resources between consumption and investment, are taken largely by the individuals participating in economic life.

Neither economic advance nor the emergence of societies with these desirable characteristics depends solely on government action. But they do assume that the government can efficiently perform a wide range of complex and delicate tasks, and yet will refrain from detailed and specific control over economic activity. Thus, it requires both action and also restraint on the part of the government, that is, a willingness and ability to undertake certain functions, and the strength to refrain from certain other activities.

The more important of these positive functions are familiar, though their adequate performance cannot, unfortunately, be taken for granted. They include: promotion of a suitable institutional framework for the activities of individuals; maintenance of law and order; effective management of the monetary and fiscal system designed to prevent both serious fluctuations in the value of money and crises in external payments; provision of basic health and education services; establishment of basic communications; and often also provision of agricultural extension work. These are essential functions which cannot be performed by individuals or companies, partly because they represent the establishment and adjustment of the institutional structure within which the private sector functions, and partly because some of these activities yield services which, although there may be a demand for them, cannot be bought and sold in the mar-

ket. The adequate performance of these tasks would fully stretch the fiscal and administrative resources of the governments of all underdeveloped countries.

Conversely, the activities and policies most likely to undermine a society's ability to resist the appeal of totalitarian regimes (and equally to obstruct the advance of mass living standards), include government determination of the direction and composition of economic activity, including large scale compulsory saving; substantial government participation in industry and trade; the promotion of statutory monopolies; expropriation or quasi-expropriation of private property; restrictive control of the establishment and operation of privately owned enterprise; and allocation of capital, foreign exchange and materials.

In the allocation of foreign aid, the West necessarily chooses between governments pursuing policies which differ widely in their

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directly on the lives of the people than those policies which specifically link western aid to current economic policies in poor countries, or those policies and proposals which link foreign aid to comprehensive development planning by the recipient governments, or to other policies designed to establish or extend close government control over the economy. No aid programme can fail to influence internal policy; the question at issue is solely the direction in which the influence is exercised.

Second, it may be objected that if the West were not prepared to give economic aid without regard to the domestic policies of the recipient countries, the Soviet Union would be prepared to do so and thus influence the recipients against the West. The implication is that the West cannot afford in any circumstances to withhold aid, but must give aid even when it is clear that the resources will be used wastefully or in ways inimical to Western interests. There might be something in this odd line of reasoning if resources for aid were unlimited. But they are not. Aid granted to one country is aid denied to another which might be more sympathetic to guidance from the West; alternatively, of course, the resources might have been used to strengthen the Western economies. Moreover the Soviet Union is not likely to give aid unless it either approved of the political results of the policies pursued by the receiving countries, or believed that its aid would influence policies the way it wanted. There are, therefore, implicit but clear criteria underlying Soviet aid to underdeveloped countries. There is no reason why the West should not pay some attention to the political consequence of its aid programmes.

P. T. BAUER - J. B. WOOD.

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FOREIGN AID: AN INSTRUMENT FOR PROGRESS? [1]

(By P. T. Bauer)

*Introduction*

I should like to thank Yale University, and especially its Department of Economics, for the honour of the invitation to deliver a Woodward lecture. The list of distinguished predecessors makes me very conscious of this honour. The invitation to a scholar whose views differ from much current professional opinion in the field of economic development reflects a liberal spirit which enhances my pleasure on this occasion.

I shall use the occasion to put before you some dissenting views on a subject of much actual and perhaps even greater potential importance: that of foreign economic aid.

I. THE INSTRUCTOR ON AID

Western foreign economic aid, in the form of inter-governmental [2] grants or heavily subsidised loans from relatively rich countries to promote the economic development of the relatively poor, is at present running at an annual rate of about £2,000–£2,500 million, including about £200 million from the United Kingdom. Its substantial extension is widely advocated. The importance attached to aid is shown by its continuation at times when major donors are in payments difficulties, when they impose exchange controls and restrict foreign investment, and also domestic expenditures, and when, for example, the United Kingdom, a major donor, finds its payments difficulties so acute that it has to ask for a waiver of its own debt payments. The insistence on the continuation, or even expansion, of aid reflects the widely held view that it serves materially to advance the economic development of the under-developed world.

I disagree with this view. I shall argue that the widely publicised type of large-scale, indefinite aid—what might be termed main stream foreign aid—has not served to bring about an appreciable rise in living standards in under-developed countries, or to promote their economic development, despite the large sums that have been and are being provided. While foreign aid may, indeed, sometimes serve its commonly avowed purpose of improving economic conditions in the recipient countries, in general mainstream aid has not fulfilled and cannot fulfil the expectations which it arouses. Indeed aid often damages the development prospects of the recipients.

*The problem in outline*

This general conclusion is paradoxical. Foreign aid means that the governments of donor countries give away resources to the recipient countries. In the past the inflow of private investment and government borrowing on commercial terms from abroad has often promoted economic development. If so much has been achieved with the help of resources which have had to be paid for, it seems at least highly plausible that much more can be achieved by resources supplied gratis. Of course, in some accounting sense the receipt of aid must increase the resources in these countries, and other things being equal, this must make the inhabitants somehow "better off." We cannot, however, infer from this that it increases the rate of development to these countries, or that the receipt of aid now increases future resources. This can be determined only after considering the factors behind economic development and also the repercussions of aid on the policies and institutions and on the allocation of resources in the recipient countries. And these repercussions are often harmful and outweigh any favourable result of the inflow of resources.

I shall proceed as follows: first, to indicate, albeit briefly, the main determinants of material advance, and suggest that they cannot be favourably affected to any substantial extent by foreign aid; second, to underline this argument by specific examples both of material progress and without aid and of failure to progress—or even decline—with much foreign aid. Thereafter I examine the impact of aid on government policies and on the allocation of resources in the recipient countries, and suggest that these policies have been adverse to material advance, partly but not only because of the criteria of allocation. I then examine the view that aid is a necessary instrument of Western strategy in international politics, and conclude with a brief restatement of the main argument.

II. FOREIGN AID AND THE DETERMINANTS OF DEVELOPMENT

I cannot on this occasion attempt a systematic discussion of the determinants of material progress. I believe that people's economic qualities and attitudes, their values and objectives, and their social and political institutions, which often reflect these qualities and values, are major determinants. Natural resources and external market opportunities, especially the latter, often also play a significant part. It is perhaps worth noting that natural resources have often been of only minor importance, both in the development of many now advanced countries and also in the recent progress of a number of poor countries. For instance, Belgium, Holland, Hong Kong and Japan are all deficient in natural resources. And the exploitation of market opportunities and natural resources always depends on suitable human resources. (For instance, the vast natural resources of the United States were *in situ* for many centuries, but that did not enable the American Indians to pass beyond a most primitive level of economic achievement.) The large capital resources of the developed countries are, of course, a result of their economic progress rather than a precondition. I hasten to add that the qualities making for material success are not necessarily those which give dignity to life or happiness to those who possess them; more of this later. Nor are differences in these qualities fixed for all time, though they often persist for long periods.[3]

The ineffectiveness of foreign aid as an instrument for development derives ultimately from its inability to affect these human factors substantially, at least in a favourable direction. And, as we shall see, this ineffectiveness is reinforced by the way in which aid operates and notably by the way it is given.

*Effectiveness of aid*

Foreign aid is clearly not a necessary condition of economic development. This fact is obvious from the history of the developed countries, all of which began poor and have invariably progressed without government-to-government aid. It is clear also from the history of many underdeveloped countries—Hong Kong, Japan, Malaya—which have advanced in recent decades without foreign aid.

Nor is foreign aid a sufficient condition of economic advance or even a generally effective force in its promotion. Indeed its failure to advance living standards in poor countries after more than a decade of its operation is recognised in current discussions which emphasise the continual low living standards in the recipient countries and insist on the need for indefinite continuation of aid at present or higher levels.

India is perhaps the most familiar example. Thirteen years after the beginning of Western aid and the inception of the five-year plans, the country experienced in 1964–5 the most acute of its recurrent, almost annual, food and foreign exchange crises. For a long time advocates of foreign aid to India, Professor Walt W. Rostow among many others, insisted that the turning point was just around the corner, and that after only an additional limited injection of aid the country would reach 'self-sustaining growth'—to use the popular, though largely meaning-

[1] This essay is based on the Woodward Lecture, delivered at Yale University on 30 September 1965. It has been revised and extended for publication.

[2] The discussion throughout is in terms of economic aid intended to promote the material progress of the recipient countries, as distinct from military subsidies. Although at times there is an overlap, in most instances the distinction is clear. Further, I deal with government-to-government aid throughout. Payments by voluntary agencies raise different issues and possibilities with which I am not concerned on this occasion.

[3] For the purpose of this discussion it is immaterial whether the factors behind these differences in qualities are of historical, cultural, climatic or other origin.

less, catchphrase. For years now India has been dependent on large-scale foreign aid and gifts of food, without which there would have been mass starvation in 1964–5. External dependence has now come to be taken for granted. Algeria, Burma, Ceylon, Ghana, Indonesia and the United Arab Republic are among other countries with acute domestic economic difficulties after prolonged foreign aid.

*Analogy with Marshall aid*

Marshall aid to Western Europe is often instanced in support of the potential value of foreign aid to poor countries. Its experience suggests the exact reverse. The economies of Western Europe had to be *restored* while those of present recipients have to be *developed*. Europe after 1945 was demonstrably short of capital resources, especially stocks of food and raw materials, but not in the necessary human resources and market opportunities. Its peoples had the attitudes, motivations and institutions favourable to development, as was clear from the performance of Western Europe for centuries before the Second World War. This distinction explains the rapid return of prosperity to Western Europe (in spite of the inflow of millions of refugees into West Germany and the continued dismantling of plants for reparations superimposed on war-time destruction), and the termination of the Marshall aid programme in four years. Almost all the aid represented the cost of food and raw materials and was essentially an emergency programme. The contrast with the economic plight of India and of many other recipients of aid after a much longer period, is clear. The difference in effectiveness between Marshall aid to Western Europe and foreign aid to poor countries is also recognised by the widely-held assumption that aid to poor countries must be continued for many years to come.

The large-scale expenditure by the United States government on the surviving Navajo Indian population (a large group with a territory of its own) may appear more relevant to the assessment of foreign aid than is the Marshall plan. Very large sums, amounting to thousands of dollars a head, have been spent in an unsuccessful attempt, extending over decades, to improve the material position of these Indians. This experience reinforces the conclusion suggested by more than a decade of foreign aid to poor countries: foreign aid is not a sufficient condition of development, and is indeed unlikely to promote it substantially. If a poor country has failed to develop without aid, its provision alone is unlikely to lead to development.[4]

*Poverty and pauperisation*

The flow of sustained indefinite aid implies an obvious and yet widely ignored danger—the pauperisation of the recipients. A pauper is one who relies on unearned public assistance, and "pauperisation" accordingly denotes the promotion and acceptance of the idea that unearned doles are a main ingredient in the livelihood of nations. This danger of foreign aid is reinforced by the practice of linking it to the balance-of-payments difficulties of the recipients. Foreign aid and its relation to these payments crises clearly undermine the status and prestige of the self-reliance required for material progress.

[4] A familiar and significant episode of economic history, rarely mentioned in this context, also underlines the limited value of external windfalls for material progress. After reaching a high point of prosperity and power in the early part of the 16th century, Spain received some notable economic windfalls from abroad, especially from the discovery and plunder of precious metals in America. Within a few decades of the greatest of these, the discovery of silver in Mexico, the country was in full decline.

The advocacy and operation of aid suggest clearly and often explicitly that material advance depends largely on external grants rather than on the emergence of appropriate human qualities, attitudes, values and also on the removal of institutional constraints. Yet the converse is clear from the experience of individuals and groups throughout the world as well as from the history both of the now developed countries and of poor countries which have progressed in recent decades. The progress of individuals, groups and countries has almost always occurred without external doles. Indeed, the flow of unearned grants generally obstructs the development of the qualities, attitudes and efforts which make for material advance and diverts attention from these prime determinants of development. The discussions on aid largely ignore the fact that the populations of the developed countries themselves had to develop the qualities, attitudes and institutions which favour material progress. The suggestion that material progress depends on external grants encourages the belief that the prime determinants of development can be had for nothing. This belief is unfounded. Moreover, its espousal retards material progress, especially because it encourages the pauperisation of the recipients.

This danger of pauperisation which derives from the advocacy and flow of aid is enhanced by the prevalence in many underdeveloped countries of certain attitudes and customs, notably the recognised status of beggary and the absence of social stigma in the acceptance of indiscriminate charity which is conspicuous in South Asia. Indeed by now the pauperisation of some major recipients of aid is a reality rather than a danger. The recent economic history of India can be summed up as progression from poverty to pauperism.

The likelihood of the pauperisation of the recipients is increased when the gifts are indiscriminate or unconditional on efforts by the recipients to improve their position. This applies to the operation of foreign aid. The advocates, administrators and recipients of aid insist that it should be given without strings on the policies of the governments or the economic conduct of the population. The only significant exceptions are the preferential treatment of countries in balance of payments difficulties or governments engaged in comprehensive development planning. As I shall argue, these conditions will not improve the prospects of recipients becoming independent of external assistance.

*External grants and the growth of resources*

The contrasting experience of the rapid success of Marshall aid and the ineffectiveness of prolonged aid to poor countries is ultimately related to differences between the impact of resources provided in the form of aid and that of resources produced locally or obtained in exchange for the current or expected proceeds of local production. When resources are both generated and used locally, the required conditions for further economic development are likely to be present in the form of suitable human qualities, social institutions and economic opportunities. Building up resources (in which formal education may or may not play a part) both requires and advances social and economic processes that serve to develop qualities, attitudes, arrangements and institutions the presence of which promotes the effective use of the resources generated. When, however, the increase in the resources takes the form of the inflow of free or subsidised aid from abroad, the essential process of generating them is lost.

Here, as in many other spheres of human life, time, experience, and perhaps other qualifications and requirements of achievement, cannot be bought. A social process cannot be telescoped without affecting both in nature and the outcome of the process. And we are not discussing machines, pieces of equipment, but human society or, more often, collections of societies. Development is indisputably a social process requiring much more than the provision of money from abroad.

Some of these observations are confirmed in a different but related context by Mr. Guy Hunter of the Institute of Race Relations, London, who has had extensive and recent experience of development problems in Asia and Africa. He has allowed me to quote at some length from an unpublished memorandum dated May 1965 on the transfer of institutions between societies.

". . . the moral and social conventions in a developing country may be wholly different from those upon which the institution was founded originally. Trade unions, as one example, depend upon a complex set of conventional codes between the union and the employer, developed over a long period of trial. It is easy to transfer the set of rules which finally emerge, but impossible to transfer the morality and experience which make the rules workable. Again, the university in its modern shape in developed countries corresponds to a certain employment (and salary) pattern in the surrounding society; to a certain state of technology, and to a certain proportion between primary, secondary and tertiary employment the tertiary sector being enormously expanded. There is no need to point to the contrast with a society such as Uganda, or Burma or Malawi.

"Again, aid represents the import of resources not generated within the receiving economy. This may mean that the skills which would have been generating these resources were never in fact called for or learned, and are not available to use the resources when it is provided. In a more complex case, the educational system of a country has to be paid for from its productive resources; as resources grow, skills are needed and education is expanded to provide them; thus the graduates are likely to find employment; but if education is rapidly expanded by the use of unearned aid resources (without corresponding growth in the economy) there may well not be employment for its graduates—and this in fact is happening in many countries."

The attempt to promote material advance by the supply of external resources supplied gratis tends to influence the recipient's values, and indeed the whole development process, in a direction copied from external prototypes. This pattern is often uncongenial to the temperament and spirit of the peoples of the recipient countries and may have to be imposed forcibly. And the resulting coercion is often ineffective, and it not only sets up acute tensions but also leads to frustration.[5]

[5] These results have often been observed. In an African context they have been noted recently by an African writer, Miss Noni Jabavu: 'I thought about these and many other aspects of the problem [of advancing the welfare of Africans in Uganda], feeling more convinced than ever that it is impossible to introduce to other people in other circumstances those things in life that one considers desirable; such other people do better to be left alone to find out for themselves what suits them. They then adapt what they know and want, to what they gradually discover by trial and error that they do want in their new setting. Little is achieved . . . by those who "have" being softhearted and solicitous towards those who seem to "have not". The best things in life are learnt the hard way. And need there be unanimity about what everyone means by "best"? (*Drawn in Colour*, John Murray, London, 1960, p. 116.)

III. THE IMPACT OF AID[6]

When foreign aid is given by one country to another it is received not by the people, but by the government: it does not go to individuals or firms in the private sector, but to the central government. This necessarily increases the weight of the government in the economy, which in turn must increase the concentration of power, even if the recipient government does not intend this result. And if, as often happens, the government does wish to extend its power, the increase in its resources helps it to do so, chiefly but not only by extending the public sector and by enabling the government to control the economy more closely.

*The emphasis on development planning*

These effects are enhanced by the influential support or even pressure in the donor countries for comprehensive development planning and compulsory saving by the recipient countries, i.e. for government determination of the direction of economic activity outside subsistence agriculture and for special taxation to finance government expenditures. These policies have come to be regarded in the donor countries as a condition of economic development in poor countries, and their adoption by recipient countries is accordingly considered as an earnest of their intention to promote it. This belief is unfounded. The historical evidence both of developed countries and of underdeveloped countries suggests more nearly the reverse. Development planning was not used in the early history of the now developed countries of the West. Nor was it employed in the many underdeveloped countries which progressed rapidly in recent decades, such as Japan, Hong Kong, Malaya, Thailand, and a number of African and Latin American countries. Only in the Soviet economies is it an essential element of economic organization, and the texture of these societies reflects its pervasive effects. However, comprehensive development planning has been specified as a criterion or even as a condition for the receipt of aid by some of the most influential advocates and administrators of American aid, including Professors Max F. Millikan, Walt W. Rostow, and John P. Lewis. It was also specified as a condition of aid in President Kennedy's special message on this subject in 1961. In various aid programmes, including those of American aid to India and Turkey, the flow of aid is closely linked to comprehensive development planning.

The recipient governments may or may not have wished to adopt such policies in the absence of foreign aid. Its prospect and provision have undoubtedly influenced them in this direction. The preferential treatment of governments with comprehensive development planning and compulsory saving inevitably encourages these policies, whether they are real or make-believe, fact or fiction.

Moreover, the amount of aid is often geared to the shortfall of resources required for the plan, particularly as reflected in the balance-of-payments difficulties of the country. This criterion not only encourages, or even forces, the governments to engage in comprehensive development planning but also encourages them to make their plans as ambitious as possible. The governments are thus induced to pursue, or at least not discouraged from pursuing, an inflationary policy which eventually brings about balance-of-payments difficulties (under the prevailing system of fixed exchange rates). Balance-of-payments crises in turn serve as an effective basis for an appeal for aid. And they serve also as a plausible and effective argument for the imposition of extensive economic controls, which the recipient governments and the advocates of aid often welcome for motives unrelated to the objective of economic advance.

The indirect effects in this context are perhaps even more significant in discouraging actual or prospective recipients from accumulating foreign exchange reserves. Recipient governments, including for instance the Indian government, are most reluctant to build up reserves since success would be used as an argument against the need for aid and its continuation. Moreover, balance-of-payments difficulties have come to be widely regarded as inevitable concomitants of governmental development efforts. Thus we have a situation in which aid depends on a means test, and the absence of means is regarded as a result of laudable endeavour. The link between foreign aid and payments difficulties is an important specific influence in the direction of the pauperisation of the recipients of aid which I have already noted as a general danger of foreign aid. It is hard to think of a more effective way of discouraging self-reliance.

These are among the reasons why foreign aid promotes and intensifies the control of recipient governments over the economic and social life of their countries.

*The instruments of control*

The principal elements of comprehensive economic control in underdeveloped countries are familiar. They include: a large public sector and heavy taxation; the establishment of trading monopolies, including state trading monopolies in agricultural exports; extensive licensing of industrial and commercial activities; and the establishment of many government owned and operated enterprises, including state sponsored, organised and run cooperative.

These measures are often accompanied by substantial expropriation of private property in many underdeveloped countries of Asia, Africa and the Middle East, notably Algeria, Burma, Ceylon, Indonesia, Syria and the United Arab Republic (and to some extent India). And compulsory collectivisation of much of agriculture is a common feature in countries as different as Algeria and Indonesia.

In addition, economic controls extend to close surveillance of outside economic contacts. External trade, capital movements and immigration are closely controlled and restricted by most if not all recipients of aid. These flows usually serve as vehicles not only of physical commodities and financial transactions, but also of new ideas, crops, methods of production, wants and attitudes. Perhaps most important, they can engender a new outlook towards material progress. External economic contacts often serve to undermine customs, attitudes and values uncongenial to economic advance. These results are brought about by voluntary adjustment to new methods and opportunities without the costs and hardships unavoidably associated with coercion. These contacts are likely to be most effective when they are numerous and dispersed. Because of the presence of advanced countries and of highly developed communications, these contacts now offer exceptional opportunities, and their restriction is correspondingly damaging.

Close and extensive economic controls also tend to restrict occupational and geographical mobility within the recipient countries. They thereby obstruct the establishment of new contacts and the spirit of experimentation with new methods of production. Both mobility and experimentation are important factors promoting, without coercion, the disintegration of traditional attitudes and customs, frequently damaging to the material advance of poor countries.

While many governments would wish to establish closely controlled economies in any case, the flow of aid and the criteria of its allocation strongly favour their doing so.

These policies bring about close government control over the livelihood of the population, notably over alternatives open to people both as producers and as consumers. They serve as a powerful source of patronage and finance for the government, of which the system of licensing of much of economic activity is only one example. And when the policies and activities of the government pervasively, or even overwhelmingly, affect people's lives, the achievement and exercise of political power becomes a matter of widespread anxiety and acute concern.

This situation is one which enhances the stakes in the fight for political power and draws the energies of ambitious and enterprising men from economic activity to political life. Within economic activity, people's conduct comes to reflect the dependence of success on political decisions and administrative favours rather than on economic efficiency and enterprise. It intensifies the struggle for political power, which enhances political tension particularly, but not only, in multi-racial societies. It creates conditions favourable to the establishment of totalitarian regimes. It thereby reinforces other tendencies favouring such regimes in underdeveloped countries, such as the widespread bewilderment and disorientation which follows on rapid change and on the disintegration of many traditional ties, beliefs and values.

IV. SOME ECONOMIC REPERCUSSIONS OF THE FLOW OF AID

Some advocates of aid may not like the kind of society which emerges from their recommendation, but they nevertheless accept it as the price of rapid development. They might, so to speak, be ready to trade some or even much freedom and security of person and property for an increase in the flow of goods and services. They might support the policies outlined above in the belief that they promote economic progress. But do they?

*Centralisation of power*

The drastic policies often pursued in the name of comprehensive development planning, and promoted by foreign aid, do not augment resources: they only centralise power. Nor do they promote or strengthen the human qualities, attitudes and social institutions conducive to progress. Indeed, as I have already suggested, for a number of reasons they are much more likely to obstruct than to promote the emergence and growth of such attitudes and institutions.

The enlargement of the resources and power of the government does, of course, enable it to expand some industries and sectors by a transfer of resources from other uses, perhaps even quickly and on a large scale. But this power does not in the least ensure development in the sense of an increase in the total flow of goods and services, let alone in those which make up general living standards, as is amply clear from the experience of centrally planned economies over the last few decades. Only too often increased activity and expanded industries are treated somehow as a net gain, a net addition to output, irrespective of the level of demand for the product and without regard to costs in terms of alternative uses of resources.

The government can also easily enough restrict consumption and increase investment expenditure. However, this objective could be achieved without close control of the economy by such means as a budget surplus or the encouragement of private saving and investment. Moreover, an increase in investment expenditure, especially in public expenditure made possible by high taxation or the imposition of direct controls, does not

[6] With minor exceptions, obvious from the context, I shall be concerned throughout with the repercussions of aid on the recipient countries rather than those of the donors. The principal exceptions are the political effects discussed in the penultimate section of this essay.

guarantee economic progress. It only ensures reduced living standards now without ensuring higher living standards later. In this effect it is somewhat similar to foreign aid, which certainly impoverishes the donors without necessarily enriching the peoples of the recipient countries.

*Investment expenditure and economic development*

Government policies and public discussions on this subject are pervaded by the widely prevalent investment fetish, the belief that economic development depends essentially on investment, which is assumed to be highly productive. But a piece of expenditure does not become productive by being termed investment, in the sense of any expenditure other than on current consumption. There is no assurance that it will increase the total flow of goods and services compared with alternative uses of the resources, let alone that it will improve living standards. And in considering the net result of an increase in investment, it is necessary to examine the various repercussions of the collection of the funds and of other measures introduced to increase investment, especially government investment. For instance, the additional taxation or the restriction on the production or import of consumer goods required by the increase in investment often discourages or even prevents subsistence farmers from producing for sale. And investmnt can be productive only if it is embodied in physical capital combined with complementary human resources operating in an appropriate institutional setting and producing output for which there is an effective demand. In many different ways investible funds supplied by foreign aid are not complementary to local resources in the promotion of economic development in the sense of increasing their productivity.

The investment fetish has also served as spurious justification for all sorts of expenditure, regardless of cost or return, or of other repercussions of the transfer of resources. And both the investment fetish and the flow of aid have served also to reinforce the familiar bias in favour of conspicuous, large-scale show projects, and the neglect of types of expenditure and effort, such as improvement of existing facilities rather than the creation of new ones which are both less costly and conspicuous and more likely to advance development. In both Africa and Asia there are many instances of agricultural and industrial projects financed with foreign aid which leave the country with structures inappropriate to its economic conditions, and which cannot be operated efficiently either for want of human or financial resources to operate them or for lack of demand for the output. As a result the structures become liabilities rather than assets.

Much of the current discussion in this sphere postulates a high return on investment expenditure. This approach confuses an assumption with a criterion. An expected high return might be a criterion for a proposed investment, but it is unwarranted to take it for granted. Moreover, the expenditure made possible by foreign aid may be quite unrelated to capital formation. It may, and often does, serve such diverse aims as the enlargement of the political police or expenditure on training centres for freedom fighters, as in some African countries. Moreover, the advocacy of increased investment expenditure often serves as real or spurious justification for the imposition of economic controls which restrict occupational and geographical mobility as well as external contacts. Such measures are generally seriously damaging to material advance because they adversely affect major factors behind material progress, factors which are usually much more important determinants of the economic advance of poor countries than increases in conventionally measured investment expenditure.

It is by no means certain that foreign aid does increase investment in the recipient countries. The various repercussions which I have already noted, particularly the imposition of extensive controls and higher taxation and the pursuit of inflationary policies which bring about payments difficulties, may serve to reduce private investment, notably direct investment in agriculture. Moreover, both the flow of aid and its method of operation encourage and enable the recipient governments to discourage the inflow of private capital.

*Foreign aid and private capital*

Foreign aid is likely to discourage the recipient governments from securing capital on market terms, which from their point of view may be both unprofitable and politically unwise if foreign aid is available, i.e. if investible funds are available gratis. And indeed, almost all recipients of foreign aid restrict the inflow and deployment of private foreign capital. During the last decade or so these restrictions have increasingly developed into expropriation of foreign capital, often accompanied by the expulsion of the owners and their employees. Examples abound in Africa and Asia. Governments which clamour for foreign aid because of lack of capital nevertheless severely restrict and circumscribe the inflow and operation of private capital.

The reality of these restrictions is not affected by the references by advocates of aid to the importance of private capital, nor by the large profits of many foreign firms in these countries. The latter is simply an instance of easy profits in inflationary conditions in controlled economies.

Many of these restrictions on foreign enterprise would almost certainly have been imposed even without foreign aid, under the influence of xenophobia or the pressure of sectional interests. They also reflect the acceptance of the Marxist-Lenin doctrine of exploitation which regards any return on private capital as a form of exploitation of the poletariat which, in this context, is often spuriously identified with the populations of underdeveloped countries.

Certain aspects of foreign aid, especially the criteria of allocation, have even encouraged the flight of private capital from the recipient countries. The donors encourage the recipient countries to impose extensive controls in the name of development planning. And as we have seen, they are also encouraged to pursue inflationary policies, since the amount of aid often depends on the payments difficulties of these countries. These policies engender a widespread feeling of insecurity, which in turn discourages the local population from saving and investing, and encourages the export of capital. Although capital exports are banned throughout practically the whole of the underdeveloped world, they are difficult to prevent. As a result, the inflow of foreign aid is matched by an outflow of both domestic and foreign private capital. And the outflow is of capital likely to be more productive than foreign aid funds, because its deployment is geared much more closely to local conditions, especially to consumer demand and to the supply of co-operant factors.

Even if on balance the flow of aid increases the volume of productive investment in the recipient country—of which there is no assurance—this factor is likely to be less important in its development than a number of other factors, such as the emergence of appropriate economic qualities and attitudes, the spread of the exchange economy, the establishment of suitable institutional arrangements (as, for instance, the replacement of communal by individual tenure of land), the extension of inter-regional contacts and the advance of technical knowledge. These factors are likely to be particularly important in poor countries characterized by a large subsistence sector and by the prevalence of customs, attitudes and economic qualities uncongenial to material progress. By focusing attention on investible funds, the advocacy, the flow and the criteria of foreign aid serve to divert resources and attention from these factors and influences. The emphasis on investment expenditure as a propellant of development obscures the importance of these factors. This emphasis, though misleading, is comforting. It absolves people, especially those responsible for policy, from considering the possibilities and costs of operating on the basic determinants of material advance. It encourages the facile belief that such advance is possible without the qualities, attitudes and efforts which it has required elsewhere—in other words, that economic development is possible without cultural change.

*Social attitudes and economic development*

This last point is sufficiently important to warrant a digression. The significance of economic qualities, attitudes and customs in influencing material advance used to be a commonplace of the literature on underdeveloped countries. It is largely neglected now that we regard progress as dependent on comprehensive development planning and on the volume of investment expenditure. Yet these neglected determinants are as powerful as ever. For example, in India the caste system, the attitude to beggary and the belief in the inviolability of animal life, especially of cattle, are still pervasive. The Hindu social and religious prohibition on the slaughter of cattle has for many years been well recognized as a major obstacle to material advance in India. The customary prohibition on the slaughter of cattle has in recent years received statutory reinforcement in many Indian states, including the largest. The slaughter of cattle has come to be prohibited by law in a number of areas including Uttar Pradesh, the largest Indian state: and the legislation also covers non-Hindus. Ironically, the Uttar Pradesh legislation coincided almost exactly with the inception of the second five-year plan.[7]

*The performance of governmental functions*

I have just noted that the preoccupation with aid, investment and development planning has served to divert attention from more important factors in development which are influenced by government policy. This same preoccupation has also served somewhat paradoxically to bring about a serious neglect of

[7] I am not suggesting that these customs and attitudes are necessarily socially harmful or otherwise reprehensible. For instance, they may produce to social cohesion or help to provide meaning to people's lives. I simply note that they retard material progress in the Western sense. They are an example of the very great difficulties and problems which arise when widely different aims for one society are being set in terms of the achievements of another. Of course I do not for a moment suggest that in India official pressure should be brought on the Hindu population to slaughter cattle. If the government were to try to do so, which is inconceivable, it might have a shattering effect on people's lives. Quite possibly it would provoke a violent and bloody revolution and even if it did not it might be such a traumatic experience that very large numbers of people would die or become totally listless as a result. Nevertheless, in various ways which I cannot discuss on this occasion, the operation of the planning mechanism and the imposition of economic controls have served to promote the legislation prohibiting the slaughter of cattle even by non-Hindus, thereby reinforcing their other adverse effects on general living standards and on economic progress.

essential tasks of government. Governments seem anxious to plan but unable to govern. The neglect extends to such familiar and essential tasks as the maintenance of law and order, the effective management of the monetary and fiscal system, and the provision of basic transport and educational facilities. Indonesia is only one of the several poor countries where the government cannot maintain law and order but tries to control the economy closely. The proliferation is familiar of heavily subsidised state airlines, steel mills and industrial plants in African and Asian countries with illiterate populations whose activities are restricted by customs and institutions adverse to material progress. In India, with a huge illiterate and caste-bound population, the development expenditure on elementary education under the second five-year plan was less than one-half the cost of each of the three steel plants in the public sector under that plan. The administration of Hong Kong is one of the exceptions to the inclination of governments of underdeveloped countries to neglect essential functions (including the maintenance of law and order) while attempting closely to control social and economic life. This emphasis on government functions partly accounts for the rapid progress of that country. Indeed Hong Kong is being gradually omitted from the category of underdeveloped countries in much the same way as Japan.

The promotion of a suitable institutional framework for the activities of individuals conducive to economic development is a task which few governments of underdeveloped countries have attempted to solve. In this sphere the activities of the recipients of foreign aid are largely confined to the expropriation of politically weak and unpopular classes (such as landowners, ethnic minorities or sucecssful traders) in the name of land reform, social justice or the removal of exploitation, regardless of the repercussions of these measures on economic development or general living standards. Institutional changes favorably affecting the determinants of economic progress and thus promoting material advance are generally neglected.

This situation presents a notable example of the familiar phenomenon of the adoption of multiple standards of judgment. The attitudes, customs and social and political institutions which those interested in the manipulation of the environment are unable or unwilling to influence are declared as constraints to be accepted, even if they affect development adversely and are capable of modification. Conversely, those features of the social and political landscape which the politically effective groups, notably the advocates of foreign aid and of comprehensive development planning, wish to modify or eliminate, are tackled ruthlessly, regardless of the effects on material progress. This applies particularly to the elimination of classes and groups believed to stand in the way of the establishment of effective, close and comprehensive control over social and economic life.

Altogether the policies, attitudes and outlays encouraged by foreign aid tend to lead to expenditures more likely to retard than to promote material advance. This applies both to foreign aid funds and to domestic resources whose deployment is diverted from uses more likely to lead to material progress.

V. FURTHER IMPLICATIONS AND RESULTS OF AID

*Foreign aid and economic realities*

Besides diverting resources and attention from the major determinants of development, the flow of aid has also often concealed from the populations of the recipient countries the adverse effects of official policies. This applies both to the results of the neglect of the essential tasks of government and also to other policies harmful to economic progress and to the maintenance or improvement of living standards. For instance, in Algeria the expulsion of the French farmers, the extensive expropriation of private property, and the substantial measures of collectivisation of agriculture have affected food production most adversely. Yet the government was proud of these decisions, the effects of which on food supplies were concealed from the population by massive American aid. In the United Arab Republic the economic cost of government foreign policies, notably the maintenance of a large army in the Yemen, and of domestic economic policies including, again, large-scale expropriation of property, have been masked by American aid. Thus foreign aid has served at least to disguise the cost of these harmful official policies and may have prevented their reversal, besides sustaining the prestige of the governments pursuing them.

The operation of foreign aid to India has also had somewhat analogous results. The socialisation of the Indian economy is the explicit and oft-repeated objective of official policy. The effects of its pursuit on living standards have been disguised by massive aid including free gifts of food. And throughout Africa the adverse economic effects of restricting the activities of Europeans, Aisan and other minority groups, of their actual or threatened expulsion and of the withdrawal of experienced personnel and of substantial expropriation of property have all been masked by the flow of aid.[8]

Various other aspects of the operation of foreign aid also serve to obscure economic realities from the people of the recipient countries. The practice of granting loans on very soft terms, and further softening them by waiving amortisation and interest payments, obscures the real scarcity of investible resources. It also reinforces the tendency to disregard contractual obligations, which retards the emergence of attitudes and institutions favourable to material progress.

It is a familiar paradox of the operation of foreign aid that the principal donor countries severely restrict imports, especially those of manufacturers, from the recipient countries. They grant aid but deny markets. The resolution of the paradox is, of course, that aid is financed from general taxation in the donor countries, and often also benefits sectional interests there, while imports harm influential sectional interests, both of labour and capital. External markets and the contacts associated with them are often important instruments for the material progress of countries. And in so far as the granting of foreign aid eases the conscience of the donor countries when they refuse markets to poor countries, it again serves to obstruct the advance of the latter.

*Technical assistance*

Technical assistance cannot do much to offset the various adverse effects and repercussions which I have instanced. Much of the expenditure on technical assistance is on visiting experts, often under the auspices of international agencies, and also often for the administration of controls; or on the services of comparatively young graduates from Western universities; or on local universities of doubtful value for economic developments; or on various prestige projects. The contribution of much of the technical assistance personnel to the economic development of poor countries (which they often do not know well) is likely to be small compared to that of the experienced administrators, businessmen and technicians who are now, voluntarily or compulsorily, leaving many of the countries receiving aid, especially in South-East Asia and Africa. The former colonial governments, the missions and the expatriate enterprises used to find it necessary to train their personnel for several years to equip them for service.

*The implicit commitment*

The continued economic plight of many recipient countries is often quoted as a reason both for additional aid and for more intensive development planning. Because they are axiomatically accepted as desirable, either advance or stagnation can be adduced in support of their extension: progress as evidence of their value and stagnation as evidence of the need for them. By accepting the need both for foreign aid and comprehensive development planning as essential elements in the economic advance of poor countries, the donors have accepted a largely open-ended commitment. This is shown most clearly in the case of India.

Indeed, if some of the widely publicised pronouncements in support of aid as a necessary instrument for substantially reducing, if not closing, the gap in living standards between rich and poor countries are taken seriously, the operation of aid opens up a bottomless sink for the money of the donors. As I have just noted, both advance and stagnation in general living standards in the recipient countries can be adduced as argument for further aid. And this can be continued indefinitely since there is no prospect that aid can serve to close this gap in conventionally measured standards of living.[9]

Discussion and policy on foreign aid are pervaded by the assumption that the material advance of the recipient countries depends on aid from abroad and development planning at home rather than on the qualities, attitudes, customs and market oppor-

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[8] I have already noted that large external windfalls not only failed to promote or sustain the economic advance of Spain but even failed to prevent its rapid decline. The expulsion of economically productive but unpopular minorities, namely the Jews and the Moors, is widely recognised as a major factor in the economic decline of that country. Whilst Spain provides only one among many examples of the damage to economic prospects from the enforced removal of productive groups and classes, its experience shows these effects particularly clearly. It remains to be seen how far and for how long foreign aid will conceal the costs of similar policies four centuries later.

[9] International comparisons of living standards between widely differing societies raise problems which are often ignored and yet are relevant when the flow of aid is advocated as necessary to reduce differences in living standards. For instance, recipients of national assistance in Britain may well have higher incomes than African chiefs or small landowners in India, yet the former would regard themselves as poor in their societies and the latter would not.

The following passage from a recently published scholarly article by Dr. Dan Usher of Nuffield College throws into relief some problems of international comparisons of national income.

"It is generally recognised that the usual method of comparing national income—conversion by the foreign exchange rate into US dollars (or other common currency) *per capita*—exaggerates differences in living standards between rich and poor countries. . . . For example, the conventional comparison shows that the *per capita* national income of the United Kingdom is about fourteen times that of Thailand. Recomputations made by the author to allow for various biases in the comparison suggest that the effective ratio of living standards is about three to one. Even if the recomputed ratio is doubled, the change in order of magnitude is large enough to affect our way of thinking about the underdeveloped countries." ("The Transport Bias in Comparisons of National Income," *Economica*, May 1963, p. 140.)

Some of the deeper problems of comparison between widely differing societies (such as the one mentioned earlier in this note) are outside the scope of Dr. Usher's article.

tunities of the local population. What we find here is perhaps an instance of a more general phenomenon, namely of the belief in the power of the state to achieve certain results, combined with a reluctance to abandon the belief in the face of contrary evidence. This has often been noted and has been epitomised recently by Professor Stigler:

"Our faith in the power of the state is a matter of desire rather than demonstration. When the state undertakes to achieve a goal and fails, we cannot bring ourselves to abandon the goal, nor do we seek alternative means of achieving it, for who is more powerful than a sovereign state? We demand, then, increased efforts of the state, tacitly assuming that where there is a will there is a governmental way." [10]

VI. FOREIGN AID AND POLITICAL STRATEGY

It is sometimes urged that foreign aid is necessary as an instrument of Western political strategy. This argument is particularly prominent in American discussions. More specifically it is thought that without it the underdeveloped world would go communist because of continued poverty, or because only Western aid keeps its governments out of the Eastern bloc.

*Foreign aid and political attitudes*

Quite apart from the question of the weight and consequence of the recipients in global politics, these arguments are insubstantial. As we have seen, the bulk of continuous aid, as distinct from *ad hoc* relief measures, has not helped to raise living standards significantly and has probably retarded their rise. But even if aid were much more productive than it is, it could not possibly affect living standards to an extent likely to influence political attitudes. Moreover, an inclination towards communism does not depend on living standards but on a number of quite different factors which encourage people to embrace a messianic faith, or encourage and enable some people to establish a communist regime.

Indeed, by promoting centralised and closely controlled economies, foreign aid supports governments which quite understandably lean towards the Eastern bloc—even if that bloc offers them little or no aid—for they find that system more congenial. This tendency has been strengthened by the practice of the Western donors to favour neutrals or even enemies compared to their friends in Africa or Asia.

*The psychological consequences of aid*

There are familiar psychological factors reinforcing these influences. Recipients of aid value little what they get for nothing. The donors of aid are not the first to find that the beneficiaries resent the benfactors. It is a commonplace that people often bite the hand that feeds them. Futhermore, the recipients of foreign aid frequently suspect the motives of the donors. The transfer of taxpayers' money to foreign governments without control over its use understandably arouses suspicions of sinister motives, notably of political domination. It engenders a belief that it expresses a feeling of guilt by the donors and represents a partial restitution of past wrongs. This last idea is popular and prevalent in underdeveloped countries where it is widely believed, partly under the influence of Marxist-Leninist doctrines, that their material backwardness is a result of Western exploitation. In fact, throughout the underdeveloped world the poorest and most backward areas are those with few or no external contacts, and, conversely, the most materially advanced areas, which have generally progressed most rapidly over the last century, are those with which the developed world has established contact. Contacts with the West, so far from being responsible for the poverty of the underdeveloped world, have been the main instrument in the promotion of the economic advance that has taken place.

The belief that the prosperity of particular individuals, groups or countries accounts for the poverty or material backwardness of others is almost always invalid. But it is emotionally attractive and politically useful. It is therefore resistant to refutation by logical argument or empirical evidence. In the context of foreign aid, both aspects of this matter stand out clearly. The material and technical progress of the developed countries is clearly not the cause of the comparative backwardness of the underdeveloped world. But the emotional and political advantages of the belief to the contrary are so pronounced that it does not yield to argument or evidence.

The implication of guilt, which affects much of the discussion on aid, obscures these elementary considerations. It serves also to reinforce the various political and economic pressures and motives for the restriction of external, private and economic contacts. In this way these ideas and suggestions lead to policies adverse to economic advance. Here again, some of these feelings and notions would be present without foreign aid, but its prospect and operation tend to reinforce them.

The subservient attitude of the donors and some arguments in the advocacy of aid enhance the plausibility and the appeal of these notions. Advocates of aid insist that the susceptibilities of the recipients must on no account be offended, least of all their sense of equality with the donors; that the attitudes, qualities and policies of the recipients must not be questioned or even mentioned; and that aid must be unconditional, except for encouraging recipients to engage in development planning. Even large-scale expenditure on mere prestige projects, or for the financing of so-called liberation movements in far distant countries, must not be questioned, nor any of the governmental policies patently adverse to economic development.

But it remains inevitable that, whatever is said in this context about the equality between donors and recipients, the operation of foreign aid arouses or enhances feelings of inferiority and resentment in the recipients. This result comes about because the arguments for aid and its flow emphasize differences in material progress and technical achievement. I, for one, believe that the qualities and attitudes which promote material success and technical achievement are not always those which are the most valuable on many other criteria. For instance, they do not necessarily include dignity, sensitivity, a sense of harmony or a reflective turn of mind. And material success does not guarantee happiness, understanding, sympathy or contemplation. In some of these qualities and attainments, many technically or economically backward groups excel those who are materially or economically more successful. The flow of foreign aid, its method of operation and its whole emphasis divert attention from qualities and criteria other than those which conduce to technical achievement, or which reflect its attainment. The emphasis inevitably suggests to the populations of the poor countries that they are the inferiors or the victims of the donors. It also diverts the attention, and perhaps the efforts, of the recipients into directions which fail to promote either contentment or even material progress.

Some of the actual or prospective recipients of aid (including for instance the governments of Cambodia and Ceylon) have threatened to refuse aid from the United States, and American spokesmen have expressed their earnest hope that such a calamity would not happen. These responses suggest that recipients are somehow favouring the donors, rather than the other way round, either because the donors expect political advantage or want to expiate guilt, or because aid enables them to dump unsalable goods on the recipients. Spokesmen of the recipient governments, when addressing their countrymen in conditions in which the receipt of aid cannot be wholly ignored,[11] often refer to aid as quantitatively trifling or as serving the domestic industries of the donors as much as the interests of the recipient countries. This last suggestion gains plausibility from various features of the advocacy and operation of aid: the prominence of agricultural surpluses in the American aid programmes; the tying of aid to the export of goods and services from donor countries; the restrictions on imports into donor countries; and some of the arguments often advanced by the supporters of aid, notably that it helps the export industries of the donors.

*International comparisons and tensions*

Foreign aid also tends to set up invidious comparisons between recipients, especially about the volume of aid and the terms on which it is made available. These tensions are exacerbated when there is hostility between the recipients, which is now often sufficiently intense to result in substantial military expenditure directed against other recipients (or at times against donors of aid, particularly those termed imperialists), or to issue in expulsions of each other's nationals. Recipients of aid freely protest against the granting of assistance to their enemies. Familiar examples include India, Pakistan, Malaysia and Indonesia.

Many recipients of foreign aid have pursued a political course most embarrassing to the West. The leaders and other official spokesmen of many recipient countries often violently and explicitly abuse the donors.[12] Several recipients have shown active and undisguised hostility, notably Algeria, Ghana, Indonesia, Tanzania and the United Arab Republic. Again, practically all African countries in receipt of aid have accepted the decision of the 1963 Addis Ababa conference of the Organisation of African States to set aside 1 per cent of their budgets to train freedom fighters for the liberation of Africa. This is interpreted as at least the end of European rule anywhere in Africa, and perhaps as the expulsion of all Europeans. In some cases the granting of Western aid has induced the recipients both to embarrass Western donors in various ways and also to approach the East for aid, and indeed to establish close ties with the East (as, for instance, Tanzania) in order

[10] George J. Stigler, "The Government of the Economy", in *A Dialogue on The Proper Economic Role of the State*, University of Chicago Press, Chicago, 1964, p. 4.

[11] The flow of aid also often tempts politicians in the recipient countries into embarrassing stances. In inaugurating substantial projects financed and operated by foreign personnel they are apt to describe these schemes as the achievements of their own administration and to contrast them with the lack of achievement of their predecessors, especially, though not only, the former colonial powers whose governments have in fact often supplied the resources for these projects. At other times the external participation in the financing of these projects is denied or minimised. Such attitudes on the part of governments and spokesmen of the recipient countries are especially apt to go hand in hand with resentment toward the donors. If people are notoriously unlikely to feel gratitude toward those who provide them with charity, that is even truer when they are thereby placed in an equivocal position.

[12] The extent, intensity and comprehensiveness of anti-western propaganda in several recipient countries, including Algeria, Ghana and the United Arab Republic, is largely unknown to public opinion in the donor countries because it is rarely reported.

to show that they are independent and unaligned.[13]

*Need for early readjustment of ideas*

If foreign aid is to serve as an instrument of Western policy in the strategy of global power politics, its purposes and methods of operation need to be completely reconsidered. To begin with, the political aims of the West would need to be clearer than at present. Broadly, the objectives of the West are likely to be served by the promotion of liberal economic systems in the recipient countries, which would both minimise coercion and advance living standards generally in these countries. Aid should also be allocated much more selectively both politically and geographically and its allocation divorced from pressures by commercial interests in the donor countries, for whom foreign aid often presents subsidised markets in the recipient countries. I think that the operation of foreign aid could be much improved, particularly by radical changes in the criteria of its allocation, changes which could benefit both the donor countries and the peoples of the recipient countries.[14]

Such a programme would differ materially from the present system. But even if it were reformed, which is very unlikely, the value of economic aid would still be problematical as an effective instrument either of the political strategy of the West, or for the improvement of general living standards, or of economic development in the poor countries.

In conclusion, I return to my main theme. Material progress depends primarily on the development of suitable human qualities, attitudes and social institutions, and not on the inflow of external grants of money. Foreign aid does not affect the major factors behind the material backwardness of underdeveloped countries; the continued poverty of the recipient countries is therefore not surprising. The policies of the recipient countries have on the whole served to retard or obstruct possible advance. And while many of them would probably have been pursued even without foreign aid, its operation has encouraged and reinforced them, generally by the supply of funds and personnel and more specifically by the criteria of allocation. (The suggestion that the peoples of the recipient countries are likely to be damaged by large-scale gifts to their governments is paradoxical and requires drastic readjustment of ideas.) But I believe it is true, and that such a readjustment is accordingly necessary. The longer this readjustment is delayed the more difficult it becomes, both because of the entrenchment of vested political, administrative, financial and intellectual interests, and because of the magnitude of the costs already incurred. The greater the sacrifices, the more difficult it is to question the principles in the name of which they have been imposed.

[13] The Tashkent conference of January 1966 provided a notable example of the failure of foreign aid as an instrument of political strategy. At that conference the Soviet Prime Minister acted as mediator between two Asian countries, both of which have for many years been heavily dependent on American foreign aid. Their acceptance of Soviet mediation considerably increased the prestige of the Soviet Union. Sixty years ago at the conclusion of an Asian war, the Russo-Japanese War, the rulers of these coutries requested the President of the United States to mediate between them. This mediation was requested long before the United States started to give massive foreign aid.

[14] I have outlined elsewhere in more detail the modifications in present arrangements which I think desirable; see especially *Indian Economic Policy and Development*, Allen and Unwin, 1961, Chapter 7, and P. T. Bauer and John B. Wood, 'Foreign Aid: the Soft Option', *Banca Nazionale del Laboro Quarterly Review*, December 1961.

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[From the Wall Street Journal, May 23, 1968]

INDIA: "PLANNING" FOR ECONOMIC DISASTER

(By B. R. Shenoy)

India's economic scene today gives rise to more concern and less hope than at any time in the recent past.

The economy is afflicted by a host of ills: Budget deficits; inflation; stagnant exports; defiant balance-of-payments difficulties; interest rates of 18% to 24% in the private market that has sprung up outside commercial banks; rising unemployment, especially in the more sophisticated industries; mass indigence, which has spread to the middle classes; social and political tensions, and, on top of it all, unmerited abundance flowing to a privileged minority. Overseas visitors do not fail to notice the rise in luxury living by the few.

It would be most dangerous to blame all this, as official spokesmen have been doing, on droughts or border wars. Though these misfortunes have undoubtedly added to India's miseries, the roots of the maladies go much deeper.

It would be misleading, too, to describe these difficulties as a case of cyclical recession, as is frequently done. This faulty diagnosis has led to advocacy of the Keynesian prescription of deficit budgets, to make good the alleged gap in effective demand. The prescription has gained influential support, although resort to it might well spell disaster.

Most of the ailments listed above have their roots in the Indian economic policies of the past decade and a half. Though these policies are called "planning," they have produced—as in other underdeveloped countries pursuing similar policies—more chaos than order. They have involved, despite colossal foreign aid, over-spending and over-investment, with the resulting budget gap covered by the use of the printing press. This has been driving prices higher.

LINK NOT RECOGNIZED

Stagnant exports and recalcitrant balance-of-payments difficulties are the direct consequences of this inflationary deficit spending. This link, though still not recognized by policy makers in India and elsewhere, is easily discerned. Deficit financing pumps inflated money into the market, where it appropriates goods for domestic consumption or investment. This reduces the goods available for export. In 1966–67, for example, the national production thus diverted amounted to U.S. $365 million, the budget deficit of the year. The Indian national product rose 45% in the 12 years ended 1966–67. Yet because more and more of this product was retained for home use, exports declined from 6.4% of the national product in 1955 to 4.3% in 1966. Exports expressed in constant 1968 prices fell from U.S. $1 billion in 1955 to $6.3 million last year.

Ignoring this obvious link, policy makers in India have been seeking to improve conditions by tightening physical restrictions on imports and by fabricating local substitutes for imported goods to "save" foreign exchange. Both measures have failed, though they have been operating 25 years. They have failed because neither measure can prevent inflationary funds from eating into exports.

Deficit financing and the resultant price inflation have had another effect: Colossal income shifts (not to mention causing government expenditures to rise twice as fast as the national income).

That inflation causes income shifts is obvious. It cuts the real income of wage-earners and salaried workers, the largest section of the community, and correspondingly adds to the money receipts and real incomes of traders, businessmen and industrialists, fraction of the community. In India, these transfers have assumed ominous dimensions.

The way income is transferred through import licenses is less obvious, though the amounts shifted are much larger. The rupee prices of goods imported to India are generally far higher than their international prices, because of inflation and the physical restrictions on imports. Consequently, imports bring windfall profits—money not earned by the license holder but by the rest of the community.

Other economic controls that produce income shifts include price controls, controls over the movements of food grains and official allocations of certain essential supplies. They work mainly through tampering with prices: If they depress prices below their competitive norms, producers are penalized and the buyers rewarded; if they increase prices, consumers are penalized and some of their incomes are shifted to producers.

One effect of these transfers is that the real earners of the income and the parasitical recipients live off the same money. That is, the same amount of income is now subjected to two consumption claims. Consequently, the flow of savings suffers. The damage to savings is reflected in the fact that, though per capita income rose 18% in the decade ended in 1964–65, the rate of saving stagnated at around 7.5%.

Recent closures of engineering production units reflect this decline in national savings, though they are commonly attributed to the deceleration of plan investments in the public sector (which in turn is said to cause a decline in the demand for engineering goods). But the decline in savings is the real cause, with the consequent slowing of fresh investment activity and with it the demand for investment goods.

But harm to savings, though important, is not the only reason income shifts merit attention. More particularly, they inflict ruthless social injustice. They have been responsible for the growing mass indigence, for the withering prosperity of the salaried middle classes and for the unmerited affluence of a privileged minority.

Production statistics confirm the growing abundance for a fraction of the population at one end and a decline in the standard of living by millions of families at the other end.

The living standards of the Indian masses are so low that the consumption of the necessities of life provides a dependable index of their economic condition. We find that the consumption of food grains, edible oils, sugar and cotton cloth kept moving up while per capita incomes rose, reaching a peak in about 1961–62. Thereafter, with the decline in mass well-being, the consumption of these items fluctuated downward.

On the other hand, the curves of consumption of luxury and semi-luxury goods, which are generally beyond the reach of the masses, kept moving up throughout the Fifties and Sixties. Witness the flaunting of income and wealth by the few at weddings and other ceremonies, the enormous increase in status-symbol possessions and consumption, the overcrowding of holiday resorts, the capacity loads of jet planes and the luxury flats and structures, especially in New Delhi and the larger seaports and urban centers.

The downtrend in the consumption of the basic needs of life from 1961–62 bespeaks of the family budget pressures produced by perverse income transfers. These pressures, which operate on a wide social front, are undoubtedly the prime driving force behind the recent lawlessness stalking the land. Political parties and professional agitators organizing these phenomena are but immediate agents taking advantage of this human unrest to serve their own party ends.

ARE BOMBS THE ANSWER?

Tear-gas bombs are not lasting solutions to this problem. So long as the inner turmoil remains unrelieved, the outbursts may keep repeating. If India is to have social and political peace, an indispensable background for accelerated economic growth, then everyone's income must represent an honest measure of his contribution to the Indian national product.

Yet Indian-planners, duly supported by expert advice from developed countries and United Nations agencies, have unwittingly created, in a decade and a half of hard work, not the promised socialist millennium but near-ideal laboratory conditions for the spread of communism.

Stepping up foreign aid is no solution. Aid, in fact, has already assumed phenomenal proportions—it now averages $1.5 billion a year and comprises 75% of India's savings.

There is little hope that aid funds and domestic savings will make their due contribution to economic and social progress if the economy is not freed from its basic ailments: Price inflation, perverse income transfers and erosion of savings, and from the major complications these fundamental ills give rise to: Balance-of-payments difficulties, capital market decay, closures of production units and unemployment.

These ailments have all sprung from and are sustained by deficit financing, exchange control, import licensing, crushing taxation and undue expansion of public-sector activity. Deficit financing and import licensing are by far the worst of these factors and merit priority attention.

The situation calls for basic policy shifts, not tinkering. Failure to act boldly involves risks of the demise of democracy.

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[From the Wall Street Journal, July 16, 1962]

SOCIAL INJUSTICE IN INDIA: IT'S INCREASED, NOT ELIMINATED, BY THE EFFORTS OF PLANNERS

(By B. R. Shenoy and Patrick M. Boarman)

(Mr. Shenoy is director of the School of Social Sciences at India's Gujarat University, while Mr. Boarman is professor of economics at Long Island University.)

Concern for social justice dominates the practice of economic planning in India. The planners have set themselves the fourfold task of abolishing poverty, liquidating unemployment, increasing the rate of industrialization, and establishing a socialist society.

In this society, so it is believed, economic power will be dispersed rather than concentrated, the distribution of income will be equitable, and talent will not be stifled for lack of opportunities and rewards. These objectives constitute a large part of the concept of social justice as currently understood in India.

But there is an ominously large gap between theory and reality, between wish and fulfillment. Will the methods now being used by the planners achieve social justice in any meaningful sense? In attempting to answer this important question, it is necessary to consider in some detail the performance of the Indian economy to date.

What must be made clear, in the first place, is that a mere piling up of output, regardless of its appropriateness to actual consumer needs—whether the consumers in question live in India or in countries to which she exports—cannot abolish poverty. Even where full employment exists, a nation will remain poor if the bulk of its resources are used to erect great pyramids, forts, or palaces, as in some earlier civilizations, or are diverted to the construction of mammoth river valley and power projects, steel plants, heavy engineering products or heavy chemicals, as is the practice in many underdeveloped countries today.

Abolition of poverty means raising the living standards of the people. To raise living standards, economic activity must be geared to producing the consumer goods needed by the people. In the Indian case, the resources of the nation should be directed to the production of necessaries such as food and cloth. The urgency of the situation in India is reflected in the fact that the country's consumption of food grains is well below the nutritional norm of 18 ounces per head per day, while the consumption of cloth is deplorably sub-standard.

The method which experience shows is best calculated to ensure progress in overcoming poverty simultaneously with the expansion of production is unfettered consumer sovereignty over production. When economic activity is subject to the sovereignty of the consumer, it naturally serves his needs, for his daily purchases in the market steer productive resources in directions appropriate to his preferences. If the sovereignty of the consumer over the economic system is tampered with, there is less guarantee that the consumption of the people will increase with increases in the national product. Typically, the consumption needs of the people are among the first things to be sacrificed in a statist economy, though statist slogans deify the "public good."

As a result of the acceleration of economic planning in India after 1955, the gross national product rose in six years by 22%. But per capita consumption of food grains and cotton cloth fluctuated downward: The former was 15.7 ounces per head per day in 1954, but only 15.4 ounces in 1960; the latter was 14.63 metres in 1955 but only 14.36 metres in 1959.

How did this contrary movement in the people's standard of living and in the national income statistics come about? The answer is readily discoverable. Investment activity in India is guided in the first instance by the needs of the state (as determined by the Planning Commission), and only secondarily and partially by reference to the needs of consumers.

LIVING STANDARDS REMAIN LOW

In the Second Five-Year Plan (1956–61), the public sector appropriated 58% (46 billion rupees) of the available investment resources for the production of capital goods, intermediate products, and social overheads. The corresponding figure in the Third Plan is 66% (80 billion rupees). A share of the remaining resources is also directed arbitrarily into capital goods production by virtue of the government's existing controls over securities issues and import licensing, and its power, in consequence, to control the establishment or expansion of most industrial undertakings. Because of the increasing divorce of production from consumer needs, the living standards of the people have remained at low levels despite substantial increases in the gross output of the economy.

Government control of investment means that justice to consumers will be indefinitely deferred, given the insatiable demands of the public sector. The outlay of 19.6 billion rupees for the needs of the public sector in the First Plan was more than doubled in the Second Plan (46 billion rupees) and more than quadrupled (80 billion rupees) in the Third Plan.

Seemingly inherent in the statist economic system is a built-in investment accelerator akin to Parkinson's law. The larger the volume of government investment today, the larger it will be tomorrow. In Russia, after 45 years of planning, acute scarcities of meat, clothing, shoes, and housing persist because of the unabating demands of heavy industries, mammoth power and irrigation projects, rocketry systems, nuclear weapons, and space science. Though it may take less time for an industrial system to grow from sputniks to socks than from socks to sputniks, under planning, socks seem to receive too little attention all the time.

Social injustice is writ large in the trend of the Indian pattern of production. During the decade ending in 1960, the output of capital goods increased as follows: Machine tools, 2.2 times; commercial vehicles, 4.1 times; coal, 1.6 times; caustic soda, 9 times. By contrast, the output of consumer goods used by the lower and the middle income groups rose by much smaller multiples: Matches, 1.1 times; cotton cloth, 1.4 times; soap, 1.8 times.

WELL-TO-DO BENEFIT

The needs of the comparatively well-to-do people, a fraction of the population, have been very well looked after, however. The output of goods entering into their consumption, which are mostly curios to the masses, rose steeply: Electric lamps, 2.9 times; electric fans, 5.1 times; radios, 5.9 times; sewing machines, 9.6 times, and rayon yarn, 21 times.

Social injustice is reflected, too, in the price structure. The output of consumer goods in common use is abnormally restricted by the forced transfer of resources into nonconsumer goods industries. During the past six and one-half years, the prices of nongrain foodstuffs rose by 48%, grains by 53%, and textiles by 23%. The prices of luxuries and semi-luxuries, on the other hand, remained comparatively steady until recently, when some relatively slight increases occurred.

We have here a case of double injustice. The money incomes of those in the lower and middle income categories have risen but slowly, whereas the incomes of the remaining groups of traders, businessmen and industrialists—a thin upper crust of the community—have gone up much faster, perhaps by several times the rise in the incomes of the lower classes. Moreover, the poorer people are required to pay a substantially larger share of their increased incomes for their basic needs than the well-to-do classes pay out of their increased incomes for luxury and semi-luxury commodities. This would seem to be a queer road to the goal of social justice.

MAXIMIZING OUTPUT

Social justice through the liquidation of unemployment demands maximization of output from the available resources. And since expansion of employment rests on the expansion of aggregate production, not on increases in the volume of investment alone, the aim of policy should be to maximize the size of the national product, whether this be intended for domestic use or for export.

There are two factors to be considered in selecting the appropriate socio-economic model needed to maximize the national product. There is, first, the prevailing pattern of production and the occupational pattern corresponding to it. Fifty per cent of Indian national income is derived from agriculture and 70% of the population draws its living from this pursuit, with manufacturing industries accounting for less than 30% of economic activity. Peasant farming dominates agriculture, the number of farm families being 67 million and the average holding per family 5.5 acres.

The rest of the economy, too, has tens of millions of independent production units. Cotton textiles, which account for 38% of industrial activity, comprise 2 million hand looms, 80,000 to 90,000 power looms, and 478 large scale mills. This occupational structure cannot change or be changed overnight. It is a structure, moreover, which rules out control of investment and production by a central planning authority. This leaves the modernization of agriculture as the only effective alternative means of increasing production.

But even more fundamental issues must be faced if social justice in real terms is to be realized. Each consumer represents a unique and changing structure of values and demand. It follows that where the market consists of several hundred million consumers, output must consist of an innumerable and ever-changing variety of wares.

Demand may be satisfied and production may be organized in manifold ways. The demand for wearing apparel, for instance, may be met from several varieties of cloth and cloth may be produced in various ways. This necessitates on-the-spot attention to demand. Optimum results in production, as far as consumer satisfaction goes, are achieved by the voluntary cooperation of innumerable independent entrepreneurs via the market mechanism, not by statist planning. This is especially true with respect to those processes of production which serve for the direct satisfaction of the ultimate consumer.

During the past decade, the Indian government has utterly disregarded both of these policy guides. To the accompaniment of high-sounding slogans and pretentious oratory, economic activity is regimented in ever greater degree. Unconscionably large amounts of investment resources are forced into the public sector and the non-consumer trades as a result. Heavy industries are promoted at the expense of consumer goods industries and both are favored at the expense of agriculture, though it is in agriculture that production and employment potentials are the highest.

It is consequently no cause for surprise to learn that, despite phenomenal expansion of investment, Indian national income rose, from 1955 on, at an annual rate of but 2.9%; that unemployment rose from 5.3 million at the close of the First Plan (1956) to 9 million at the close of the Second Plan (1961) and might be as much as 12 million at the close of the Third (1966). Under policies of economic freedom, national income might have risen at an annual rate of 9% to 10% and unemployment, instead of mounting, might have declined and in due course disappeared.

LESSONS OF HISTORY

Indian experience confirms the lessons of history. Revolution in agriculture has nearly always preceded industrial revolution. Progress in lighter industries has nearly always preceded the development of heavy industries. The growth of agriculture provides a broadly based demand for the output of industry, and the growth of lighter industries provides an assured demand for the output of heavy industries. This pattern of economic development, in which one sector aids the progress of the others, makes for rapid but painless growth, because it avoids the colossal waste of resources which results from central planning of the Indian type.

These considerations suggest that the surest road to maximum economic progress and maximum social justice in an underdeveloped economy is the promotion of economic freedom coupled with emphasis on the development of agriculture and the consumer goods industries, with the heavy industries receiving attention thereafter.

The view that heavy industries "stimulate development all-around" is a popular delusion. Genuine economic growth depends upon investment of savings in the most efficient sectors of the economy. Savings increase with income, not with the growth of heavy industries. Logic and experience show that in underdeveloped economies, incomes increase fastest where agriculture is modernized and the lighter industries promoted. Where the bulk of the underdeveloped economy's resources are diverted to heavy industry, economic and social progress will be retarded since the income and employment potentials of this sector are generally the lowest.

A major error is to suppose that a policy of economic freedom will lead to capitalist exploitation of the weak and hence to social injustice. This view, which is extensively held in India, is logically untenable and historically untrue. There is no better protection against exploitation—of workers by employers and of consumers by producers—than the ever-vigilant twin tribunals of the price system and competition. For they are continuously in session, requiring competing entrepreneurs continuously to justify their prices, the quality of their goods, their wage payments and their other costs.

PROTECTION FOR EXPLOITERS

If the tribunals are supported by the rule of law—a prime responsibility of the State—the essential prerequisites are established for the realization of economic and social justice. On the other hand, tampering with the functioning of these tribunals or with the rule of law will expose the weaker sectors of the community to the forces of exploitation: where statist controls over economic activity predominate, the State, in effect, provides legal and police protection to the exploiters.

The economic aberrations and inhumanities of feudalism, colonialism, and monopoly capitalism cannot be attributed—as the advocates of interventionism and collectivism so often attempt to attribute them—to the competitive free market economy. The latter, as Professor Lionel Robbins has pointed out, "is not a plan that has been tried and failed. It is a plan that has never yet had a full chance." The Erhardian system of West Germany (currently being copied in other European countries, in Japan, and elsewhere) represents perhaps the closest contemporary approach to a genuinely competitive market economy. And the success of the German experiment has been universally acknowledged, if not everywhere applauded.

It is unfortunate that the statist system, despite its false theoretical foundations and the mounting empirical evidence against it, should be in such great vogue in underdeveloped economies. For it is precisely in such countries, with their characteristic lack of savings and of technological know-how, that the need for a competitive free market—which alone can direct scarce resources to the maximization of consumer welfare—is greatest.

Statist policies have led to Himalayan concentrations of economic power in the Indian government. All imports, most exports, and the bulk of investment resources are subject to state control and direction. This has endowed privileged groups of people—state functionaries—with arbitrary power (including police power) over the employment, the livelihood, and the well-being of virtually the entire nation.

For all these reasons, the present policies being pursued by the Indian government are likely to perpetuate social injustice. There can be no better guarantor of genuine social justice than the policies of economic freedom such as have been applied in the Common Market countries and in Japan. In these countries, state planning is confined to its natural and exceedingly important role in the framework of the market economy of assuring the conditions which make such an economic system viable. Social justice pursued after the manner of the Indian planners becomes a will o' the wisp which is always frustratingly in sight but never attained.

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## HIGHWAY TRUST FUND

Mr. ASPINALL. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD and to include extraneous matter.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Colorado?

There was no objection.

Mr. ASPINALL. Mr. Speaker, although many of my colleagues have spoken in this Chamber on the subject of the highway trust fund, I wish to take this time to join with those who have expressed their grave concern over the stop-and-go status that has been imposed upon our national highway construction program—a program that has been cited by both the executive and the legislative branches of the Government as being vital to the well-being of our Nation.

How, then, is it possible for the executive branch which has impressed us so forcefully with the need for a defense highway system; with the need for attention to highway safety; with the need for creating jobs and maintaining full employment—to now justify a curtailment of this program by reducing the expenditures from the highway trust fund.

The case for maintaining the integrity of the highway trust fund has been very ably presented over a span of several years by Members of this body. It has been clearly demonstrated that the highway trust fund is an "earmarked" source of financing that amounts to a contract between the Federal Government and the users of our highways. There has been a great deal of talk, Mr. Speaker, about the obligation that this Nation has to meet its international commitments. Is there not an equal obligation for this Government to honor the contract that it has made with its own citizens?

We are not talking about general fund moneys that have been so much on our minds in recent months. The postponement of expenditures from the highway trust fund would not reduce the Federal budget deficit by one penny. Therefore, as we discuss the question of reducing Federal expenditures in the days ahead, let us remember that we are not talking about the funds that have been pledged for highway purposes only. These funds are not a part of the administrative budget and should have no place in any discussion of that budget.

One administration spokesman has been quoted as saying:

> The highway program has to be treated as a part of our economy, regardless of the fact that it is paid for by dedicated funds.

If this is true, Mr. Speaker, are any of the trust funds, including the social security program, exempt from freezes, cutbacks, or any other kind of diversion?

I am aware of the realities that have been pointed out in this Chamber and which show that the administration has been able to make use of "frozen" trust fund money by borrowing it at low-interest rates. I am also aware that the legality of this practice has been challenged by Governors, State highway officials, and the Members of Congress who helped draft the Highway Revenue Act of 1956.

While other trust funds, such as the social security trust fund, are supplemented from the General Treasury, the highway trust fund is unique in that it is entirely supported by user fees, with

no support from general taxes. I have heard no suggestion that social security or railroad retirement benefits be reduced. I submit that the highway trust fund be accorded the same respect.

Mr. Speaker, it is time for all of us, legislative and executive branch alike, to accept the call for fiscal responsibility and to restore the word "trust" to the highway trust fund.

## WILL TAX BILL REALLY HALT INFLATION?

Mr. DEVINE. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD and to include extraneous matter.

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

There was no objection.

Mr. DEVINE. Mr. Speaker, with the vote imminent on President Johnson's proposed surtax, dire predictions are being made by many responsible people. Unless we pass the bill, they say, our economy will collapse, inflation will run away—it already has been for months—and the foreign countries would lose confidence in our dollar.

Really, the chickens have come home to roost, and now the big spenders are breathlessly running to the responsible and more conservative Members, expecting to be bailed out—again.

The following editorial from the June 17 issue of the Columbus, Ohio, Dispatch, points out some of the real causes of this critical situation:

INFLATION IS APPROACHING POINT OF EXTREME DANGER

Little by little, citizens of this greatest of all nations have been suffering from a decline in one of the freedoms the average American does not understand. It is economic freedom and economists label the thief 'inflation."

Webster defines economic inflation as "an increase in the volume of money and credit relative to available goods resulting in a continuing rise in prices." The dictionary also defines inflation as "empty pretentiousness."

Inflation erodes not only the individual citizen's economic status, but it plays havoc with his country's posture in dealing with other nations. The current inflation in the United States has reached such an advanced stage that the federal budget continues to move further out of balance and confidence in the dollar has greatly diminished.

A chief whipping boy in the battle against inflation is the cost of the Vietnam War. However, of the $53 billion increase in estimated federal expenditures from mid-1965 to mid-1968, less than half—about $25 billion—is attributable to the war.

Thus, if war expenditures can legitimately be regarded as a cause of the current inflation, non-war spending must be considered a still more important cause.

This nation has recorded a general price level climb of 10 per cent since mid-1964. At the same time, the advance in wages has been accelerating. In 1964, collective bargaining agreements showed an increase of 3.2 per cent in 1964, 3.8 per cent in 1965, 4.8 per cent in 1966 and 5.7 per cent in 1967.

But organized labor cannot be saddled with all of the responsibility for fueling the price spiral. Statistics show that abnormally large wage increases were recorded in the unorganized fields of agriculture, retail trade, wholesale establishments, service trades and in financial institutions.

This was attributed to competition in the labor market and resulted in a migration from low-pay industries to the higher-paying industries.

But the sad part of the picture is that the "thief" of inflation did not really improve the citizen's real income. This is obvious when wages are adjusted for the rise in consumer prices.

This is a vicious circle and the whirl is increasing with few brakes in sight.

This new inflation is caused by excessively rapid creation of new money and the continually unbalanced federal budget.

Unless the federal government and the citizen himself is willing to immediately practice monetary and fiscal austerity, there can be no ending except monetary and fiscal collapse.

## HOW TO SOLVE POVERTY

Mr. DEVINE. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD and to include extraneous matter.

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

There was no objection.

Mr. DEVINE. Mr. Speaker, a great deal of publicity has surrounded the Poor People's March here in the Nation's Capital and Solidarity Day is upon us.

In connection with these problems, and we all recognize that there are some people that do indeed need help, it is most refreshing to receive letters such as the one I received from Mrs. Birdie A. Faulkner of Columbus, Ohio. Mrs. Faulkner gave me permission to use her letter, and I am inviting all Members of Congress to read it. Perhaps some of the leaders of the Poor People's March may receive some ideas from its contents.

The letter follows:

COLUMBUS, OHIO.

DEAR CONGRESSMAN SAMUEL DEVINE: I appreciate very much getting the letters from your office.

I wonder why more people who are officers in our Government, cannot see why these so called poor people are acting the way they are. It is simply because they want to show just how far they can go to get what they want without working for it, and to force the hard working people in this country to support them while they are committing all kinds of crimes.

I think letting them build and move in to homes on the lawns of our Capitol buildings is an utter disgrace. They all had homes where they moved from, also food to eat, but of course had to work for it like millions of us have to do.

I have been very poor all of my life but I have never acted as they are acting. I have never asked for aid from the Government. My husband died during the depression and left me with four children and no money. The children were all still in school, and I kept them there until they graduated. I worked day and night and with the children's help we got along fine; of course we could not own a car or any luxuries.

I never went to college, and was not qualified for a high paying job, so I did sewing and took in boarders, and did all the cooking and housework for them and myself. Of course I lost our home which we only had half paid out, when my husband died.

So you see poor people can get along if they want to.

Thanks again.

Sincerely,

MRS. BIRDIE A. FAULKNER.

## GUNS AND CRIME

Mr. HALL. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD and to include extraneous matter.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Missouri?

There was no objection.

Mr. HALL. Mr. Speaker, the outdoor editor of the Joplin Globe, Joplin, Mo., Bill Potter, has written an excellent article on the subject of guns and crime in the June 11, 1968, issue of the Joplin Globe. As my friend Bill Potter points out "there are radical arguments on the antigun side. There are irrational arguments among the progun people."

I believe this article, written as it is by a recognized sportsman, sheds far more light than heat, and therefore, is a thoughtful contribution to the controversy now swirling about Capitol Hill. The article follows:

GUNS AND CRIME

One of the most controversial subjects bouncing around America today is the crime-control bill.

I doubt if any honest citizen of this democracy would hesitate to suggest that there is a real need for such legislation. Crime—per se—has become an alarming concern to people in all walks of life.

The controversy, however, does not rage around the overall provisions of the bill but rather the matter of who shall own or who shall be permitted to purchase guns.

There are radical arguments on the antigun side. There are irrational arguments among the pro-gun people.

Let's stop for just a moment that those of us who may be old enough to remember, consider the Volstead Act. This piece of anti-drinking legislation was known as the 18th amendment. This piece of legislative maneuvering was made legally effective in 1920 and until it was outlawed by the 21st amendment in 1933, it never stopped people from indulging in their alcoholic whims.

Americans didn't stop drinking when they were told it was illegal. Americans won't stop possessing guns when they are told it is illegal.

What I'm trying to say as an individual is this—whatever gun control legislation is finally placed on the statute books of the nation, any way it is written or passed, there will still be guns around, firearms will be bought and they'll get into the hands of the criminal element.

There is little doubt that much stricter control of gun sales is needed. The basic question is how can this matter be legislated rationally—with "teeth" in the law and yet respect the right of every citizen to possess arms under the Constitution of the United States of America.

Recent tragic events have lent themselves to a continuing insistence that immediate steps can be taken to forcibly remove the ominous threat of any gun's potentially lethal danger. With this there is no argument—every precaution should be taken to eliminate the hazard to life by trigger-happy criminals.

A gun in the hands of one with dishonorable intent, however, should not become the motivating obsession of anti-gun factions to remove the right of the hunter or the honest citizen to legally possess weapons of his own choosing—be it pistol or the long guns.

There are so many gun bills and/or amendments before the Congress that confusion abounds even in the halls of lawmaking institutions. Some of these bills get

straight to the heart of the matter—others are drastic, unrealistic approaches to a serious situation.

Recently the House—immediately following the tragic death of Sen. Kennedy—passed by an overwhelming majority their version of a crime-control bill in which the mail order sale of handguns was made unlawful. The President had requested that not only mail order sales of handguns but also of shotguns and rifles be made illegal.

And, for the first time in more than 30 year, the U.S. Senate gave some serious though to the matter of a gun control bill. The full Senate turned down the rational amendment proposed by Sen. Hruska (R-Nebr.) in which prospective purchasers of handguns by mail would have to supply an affidavit to the mail-order seller that the buyer was over 21 years of age and legally able to own a gun under his state and local laws.

Whatever law finally becomes enacted in regards to gun control, it will not necessarily put an end to crime. The honest gun owner will not be changed by any new laws, nor will the criminal. The bad guy will still get the gun in some way to continue his nefarious pursuits.

What I am trying to say, neighbor, is this: there needs to be some honest-to-God serious study about this matter of gun control and the best place to start is at the local level. The Congress can pass all kinds of bills that makes it next to impossible to either buy or possess a gun of any kind but it is not going to stop the criminal element at the point-of-contact procurement of that gun.

There is considerable talk about a bill which would require registration of all guns in possession of any citizen. I doubt if any person owning a gun for purposes of protection, for sport or for hunting would object to that. It would, however, present a problem of personnel for enforcement of such an act.

In the meantime—while all the controversy rages—let the burden of proof be upon the prospective purchaser of any gun . . . that said purchaser is of reputable character and is entitled with the full backing of all legal facilities, to buy the gun of his choice be it pistol, rifle or shotgun. Let the dealer in guns exercise wisdom and caution in any transaction that appears questionable in his opinion.

Like the Volstead Act which failed to stop Americans from drinking hard liquors, no gun-control act will hinder the criminal in his quest. Everyone of us who are interested and concerned about this problem should take a good hard look at the facts and get the proper laws enacted—laws that are fair to all.

We have so-called safety laws on the highways but it doesn't seem to stop the mounting toll of traffic deaths.

You don't legislate a halt to criminals obtaining guns or using them. You do make it tougher for them to get the guns and make it a lot rougher after they use them.

The important thing in this whole unsavory mess is that the honest citizen not be penalized because of a small percentage of crackpot criminals.

You, I know, have your own ideas as to how this whole matter should be regulated—why not write your congressman and let him know how you feel. That, apparently, is where the action is these days—in the august halls of Congress.

## CRIME IN THE DISTRICT: "EVERYTHING IS NORMAL"

Mr. WAGGONNER. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD and to include extraneous matter.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

Mr. WAGGONNER. Mr. Speaker, the Mayor of Washington, D.C., and the president of the District of Columbia Hotel Association, made statements the other day to the effect that any Congressman who urges his constituents to stay away from Washington this summer is exaggerating the crime situation here.

After all, they say, the riots that threatened to burn the city to the ground actually only burned a "few blocks in the ghetto area."

"Everything is completely normal in every way," the Hotel Association president said.

Well, let us see what "normal" is, as far as Washington is concerned.

In yesterday's Washington Post, I ran across these sample headlines: "Food Store Hit 1-2 Punch by Robbers," "Gunman Binds, Robs Apartment Secretary," "Three Rob Loudoun Bank of More Than $8,000," "Store's $3,925 Deposit Waylaid by Gunmen," "Bandits Rob Clerks, Clean Out Motel Safe," "Jail Ordered in Firebomb Case here," "Four Armed Men Hold Up Loan Firm," and "Twelve Held in Riots Get Suspended Sentences."

These are just samples of what goes on in a "normal" day here in Washington. The newspapers report only the more unusual cases. The ordinary, run-of-the-mill muggings, robberies, and stabbings are not reported.

The Mayor and the Hotel Association can call this "normal" if they want to, but they are not kidding anyone but themselves. This is abnormal, in my opinion and certainly not the kind of atmosphere in which visiting men, women, and children can walk the streets in safety.

I am one of the Congressmen who advised his constituents to stay home until some semblance of safety can be provided for them here and I would have been derelict in my duty if I had not.

I am also practicing what I preach because I have left my family in the district this summer for the first time since I have been a Member. I can do no less for the people I represent than to advise them the same.

## TO STRENGTHEN AND IMPROVE THE OLDER AMERICANS ACT OF 1965

Mr. PERKINS. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD and to include extraneous matter.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Kentucky?

There was no objection.

Mr. PERKINS. Mr. Speaker, last week the gentleman from New Jersey [Mr. DANIELS], together with 16 colleagues from the Committee on Education and Labor, introduced H.R. 17867, a bill to strengthen and improve the Older Americans Act of 1965.

The Older Americans Act of 1965 was a major landmark in the history of social legislation. The act created the Administration on Aging to be a focal point of concern within the Federal Government for the interests of older people. The provisions of the act created a partnership of Federal, State, and local responsibility for encouraging a fuller range of opportunities and services for older people.

In the period since the passage of the Older Americans Act, the Administration on Aging has approved the plans of 45 States, the District of Columbia, Puerto Rico, and the Virgin Islands to carry out the title III provisions of the act. In these 48 jurisdictions, State commissions and agencies on aging have assumed the important work of leadership and stimulation in implementing the broad mandate of the act. Through the allotments made available under title III, 700 community programs have been approved, providing a wide range of services in a wide diversity of localities, ranging from the remote rural area and small town to the large city. Nearly 600,000 older Americans have been directly reached by these programs. And, for the first time, many communities have been able to plan and work toward an effective program in behalf of their older people.

Hand in hand with these activities undertaken at the State and local levels, 100 research and demonstration projects have been supported under the title IV provisions of the act. These projects are paving the way for new knowledge and new approaches in such areas as coordinated community services, retirement planning and preparation, meaningful retirement activities, living arrangements, and special services. This year, as the result of the extension of the act by the Congress in 1967, the Administration on Aging has launched a national pilot project of food and nutrition services to gain new knowledge about the dietary problems of older people and to demonstrate various ways by which food services and nutrition information can be organized to meet some of the serious nutritional needs of older people. As the pilot program proceeds, it will undergo rigorous evaluation so that the results can be shared promptly with others interested in establishing similar food service programs.

Under the title V training grant provisions of the act, continued progress has also been made. By the end of this fiscal year, over 3,000 persons will have received short or long term training to help meet the serious needs for trained personnel that exist in programs for the aging.

I have spoken in terms of numbers of programs and projects, Mr. Speaker. But, what has the Older Americans Act meant in human and "down to earth" terms.

For the older person who wants and needs to continue active participation in community life, the Older Americans Act has opened up opportunities for volunteer service across the Nation, made available programs or recreation, education, and services in senior centers, encouraged the development of employ-

ment referral and placement services for those who wish to continue to work.

For the older person threatened with a loss of independent living through temporary illness or frailty, Older Americans Act programs have provided the means to continue to live a more normal life near friends and in familiar surroundings by such services as homemakers, housekeeping, and shopping help.

For the homebound older persons, friendly visiting and telephone reassurance services are spreading under the Older Americans Act, services based on the fact that someone cares.

For the older person to whom transportation has become an obstacle, transportation services are being developed in many of the programs started under the act.

Mr. Speaker, many imaginative and worthwhile programs have begun under the Older Americans Act. Without question, one of the great contributions of the act is the increased awareness that now exists regarding the needs, interests, and capabilities of our older people. The success of the programs initiated to date have been heartening. But, it is also clear that various parts of the act need to be strengthened, that certain already proven approaches be encouraged on a broader scale, and that it is time to take a bold new step in giving major visibility and purpose to more fully utilizing the talents and skills of older Americans in meeting many of the service needs of people in their communities, both young and old.

Specifically, the legislation that I am introducing today would strengthen the capability of State commissions and agencies on aging in the areas of statewide planning, coordination, and evaluation related to the broad mandate of the Older Americans Act. The States carry a heavy responsibility in this regard, and their present resources are very limited for the job that needs to be done.

To give more special focus to the leadership role of the State agency in this area, the amendments provide for a new requirement that the State's plan include a provision for statewide planning, coordination, and evaluation of programs related to the objectives of the Older Americans Act. These efforts would involve the appropriate coordination and planning with other State and local agencies concerned with such basic areas of importance to older people as income maintenance, health, housing, social services, employment, education, and leisure time, and community services. They would enable the States and their citizens to develop long-range plans for their older population, to identify unmet needs and to set priorities for needed action, and encourage the improved use of existing public and voluntary resources in meeting major gaps in existing programs. To assist the States in carrying out these activities, the portion of a State's allotment under title III of the Older Americans Act which is available to pay part of the costs of State plan administration would be increased to 10 percent of $100,000—$50,000 in case of the Virgin Islands, Guam, and American Samoa—whichever is greater. In addition, the Federal share of these costs would be increased to 75 percent.

In addition, the amendments would give the State agencies and the Secretary of Health, Education, and Welfare the flexibility to respond to priority needs of older people by concentrating on statewide, area, or regional approaches to the problems of older people. Under this innovative proposed change, the Secretary would be authorized to set aside up to 10 percent of the title III appropriation for projects which would be conducted, directly or under contract, by the State agency in priority areas identified by the Secretary. These projects would be model programs designed to give greater concentration and impact to the implementation of more comprehensive programs that could bridge limited geographic and economic boundaries.

Another important amendment is the extension of the Federal sharing to provide for a fourth year of support for title III projects for community services, planning, and training. This amendment would give the State agencies on aging flexibility to make an award of an additional year's support which are demonstrating a solid approach to developing services, but where the community needs additional time to develop local support to assure the continuation of a program after termination of Federal support. I believe that it is important to provide this additional year so that constructive programs that are underway in several communities will not be jeopardized by the untimely withdrawal of Federal interest and support.

The proposed amendments would also add a new title to the Older Americans Act authorizing a most significant program called "Service Roles in Retirement." The Secretary of Health, Education, and Welfare would be authorized to make grants to or contracts with public or nonprofit agencies and organizations to pay not more than 90 percent of the cost and development of projects for providing opportunities for persons age 60 or over, no longer regularly employed, to render supportive services to children and older people with special needs. Under this new program of "Service Roles in Retirement," older people would provide services to: First, children receiving institutional care in hospitals, homes for dependent, and neglected children, or other establishments providing care for children on a temporary or permanent residential basis; second, children from low-income families or from urban or rural areas with high concentrations or proportions of low-income persons through services in such capacities as aides or tutors; and third, older persons in need of special, personalized assistance because of physical infirmities or other special circumstances.

This provision of the bill would absorb the foster grandparent program which is now being funded by the Office of Economic Opportunity and administered by the Administration on Aging and OEO. The foster grandparent program has proven the preventive value of individualized attention and companionship to children in need. Currently, 4,000 older men and women serve as foster grandparents to 8,000 children in 157 institutions and community settings in 38 States and Puerto Rico. It is a program which has eloquently demonstrated the contributions that older people can make in being of service to others.

This new title VI to the Older Americans Act will enable the Department of Health, Education, and Welfare to make a broader application of the basic values of personal care and companionship, documented by the experience of the foster grandparent program. As the Office of Economic Opportunity and the Department of Health, Education, and Welfare said when they joined in recommending this new program:

> The new "Service Roles in Retirement" program unites two key concepts; new opportunities for older citizens of the nation to give of their skills and talents to their communities; and the enrichment of the lives of neglected children and less fortunate older persons through their efforts.

This program would follow the example of the foster grandparent program in giving continued emphasis to the participation of low income older people and working with community action agencies in the sponsorship and development of programs in many instances.

Mr. Speaker, I urge prompt action on the Older Americans Act Amendments of 1968.

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## THE NEW TRADE BILL IS IN THE NATIONAL INTEREST

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

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Connecticut?

There was no objection.

Mr. DADDARIO. Mr. Speaker, I am happy to join in support of President Johnson's constructive and forward-looking trade bill of May 28. These proposals are a logical follow-up on the recently concluded Kennedy round trade negotiations. They will move us further along the path started by the Congress and by the President and his predecessors for more than three decades.

These proposals will make further progress toward international trade cooperation and must be carried out while we are fully aware of attempts to impose protectionist limits. The President has called attention to the need to work out a long-term policy to guide American trade expansion through the 1970's. Specific and practical steps which he has suggested will offer an opportunity to such areas as the chemical industry to make an even greater contribution in the future to our export surpluses and international balance of payments.

He has noted the success of the adjustment assistance provisions of the Automotive Products Trade Act of 1965, which serve as a guide to what can be done in this area. The law needs more flexibility in this range. The Executive order which he has described would establish a wide basis for consultation and assistance in developing a far-reaching trade policy, and I am sure that Mem-

bers of Congress, labor, business, and agriculture will agree that the Nation must aim for a progressive, flexible policy that will adjust to the changing world around us.

The legislation for which he asks would also give the President authority to conduct minor but essential negotiations on matters which are likely to arise while the administration's trade policy is underway. This housekeeping authority is a "must" if we are to keep the United States moving forward in a liberal trade direction. In all respects, the President's proposals are positive and beneficial and I hope my colleagues will join me in supporting them.

## CREATING A JOINT COMMITTEE TO STUDY CRIME

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

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. REINECKE. Mr. Speaker, I am today introducing a bill which would establish a joint committee for the study of crime. Our national attention has been focused on crime for some time. The FBI keeps us informed on the statistics which reveal an upsurge of nearly 50 percent since 1960. The tragedies which are written in the headlines of the newspapers serve only to emphasize just what a complex and deeply rooted problem crime has grown to be. The crime issue is facing us and it can no longer be ignored.

My bill would establish a committee composed of seven Members of the House and seven Members of the Senate, to be appointed, respectively, by the Speaker of the House and the President pro tempore of the Senate. In both cases, no more than four Members could be members of the same political party. The purpose of the committee would be to make continuing studies and investigations into all aspects of crime in the United States. This would include a comprehensive study of the causes, the effects and the extent of crime as well as the effectiveness of current prevention and control; it would also explore means by which measures for combating crime could be improved. The committee would make reports to the Senate and the House on the findings of its studies and investigations, and would then make recommendations as appropriate.

We have been enacting stop-gap measures dealing with the subject of crime for many decades. We have been attacking the problem of crime from many angles, but we have somehow neglected to enact a measure which would round out our efforts. The bill which I am introducing today would do just that. It will lend continuity to our efforts to face this issue.

The National Crime Commission's task force on science and technology report concluded that the greatest single need throughout the Nation's law enforcement and criminal justice system is basic research. According to the report, we know very little about the actual effectiveness of our current crime control measures, which cost the Nation more than $2 billion a year. It is precisely to this need that the committee which I am proposing would address itself. The joint committee would first of all, increase the understanding the Congress has of the problem, and then enable us to draw up a sensible policy on the problem and set the course for enactment of further legislation to help alleviate it.

Our increasing concern with the problems of crime and law enforcement has been reflected in recent legislation. We have just passed the anticrime bill. While this measure would considerably strengthen our attack on crime, we have the responsibility to go one step further. We must establish a permanency in our dealings with the subject. We must create a facility which is a part of Congress to keep us informed and keep our measures from striking out in different directions and not attacking the problem directly.

Our time has come to take more initiative in the war on crime. It cannot be emphasized too strongly that we have let too much time slip away. The time for action is now, and we must move in the direction which will facilitate our accepting the challenge of combating crime in our society.

## LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted to:

Mrs. SULLIVAN, for June 24 through June 28, 1968, on account of official business.

Mr. NEDZI, for June 19 through June 24, on account of official business.

## SPECIAL ORDERS GRANTED

By unanimous consent, permission to address the House, following the legislative program and any special orders heretofore entered, was granted to:

(The following Members (at the request of Mr. THOMPSON of Georgia) and to revise and extend their remarks and include extraneous matter:)

Mr. SCHWENGEL, for 15 minutes, today.

Mr. GOODELL, for 1 hour, today.

Mr. REUSS (at the request of Mr. FEIGHAN), for 30 minutes, today; to revise and extend his remarks and include extraneous matter.

## EXTENSIONS OF REMARKS

By unanimous consent, permission to revise and extend remarks was granted to:

Mr. MADDEN and to include a letter.

(The following Members (at the request of Mr. THOMPSON of Georgia) and to include extraneous matter:)

Mr. RHODES of Arizona.
Mr. GUBSER in two instances.
Mr. DERWINSKI in four instances.
Mr. WINN.
Mr. BROOMFIELD.
Mr. MARTIN.
Mr. BURKE of Florida.
Mr. CONTE.
Mr. SCHERLE.
Mr. MATHIAS of California.
Mr. EDWARDS of Alabama.
Mr. CURTIS.
Mr. MCCLORY.
Mr. LIPSCOMB.
Mr. GURNEY.
Mr. BUSH.
Mr. ASHBROOK in two instances.
Mr. POLLOCK.
Mr. HARRISON.
Mr. BRAY in two instances.
Mr. STANTON.
Mr. THOMPSON of Georgia.
Mr. RUMSFELD.
Mr. WYATT.
Mr. BELL in two instances.
Mrs. BOLTON.
Mr. MILLER of Ohio.
Mr. HOSMER in two instances.
Mr. NELSEN.
Mr. MORTON.
Mr. LATTA.

(The following Members (at the request of Mr. FEIGHAN) and to include extraneous matter:)

Mr. PURCELL in five instances.
Mr. HAYS in two instances.
Mr. LONG of Maryland in two instances.
Mr. FRASER in two instances.
Mr. PEPPER in four instances.
Mr. GONZALEZ in three instances.
Mr. RARICK in six instances.
Mr. OTTINGER.
Mr. HÉBERT.
Mr. FISHER in two instances.
Mr. WOLFF in two instances.
Mr. FALLON.
Mr. DE LA GARZA in three instances.
Mr. HAWKINS.
Mr. ABBITT in two instances.
Mr. O'HARA of Michigan in three instances.
Mr. RYAN in two instances.
Mr. TENZER in three instances.
Mr. ECKHARDT in two instances.
Mr. ROGERS of Florida in five instances.

## SENATE BILLS AND JOINT RESOLUTION REFERRED

Bills and a joint resolution of the Senate of the following titles were taken from the Speaker's table and, under the rule, referred as follows:

S. 1164. An act for the relief of Rollo Oskey; to the Committee on the Judiciary.

S. 1974. An act to amend the Federal Property and Administrative Services Act of 1949, as amended, and for other purposes; to the Committee on Government Operations.

S. 2026. An act for the relief of Yvonne Davis; to the Committee on the Judiciary.

S. 2036. An act for the relief of Mrs. Aili Kallio; to the Committee on the Judiciary.

S. 3058. An act to amend the Water Resources Planning Act to revise the authorization of appropriations for administering the provisions of the act, and for other purposes; to the Committee on Interior and Insular Affairs.

S.J. Res. 160. Joint resolution to amend the Securities Exchange Act of 1934 to authorize an investigation of the effect on the securities market of the operation of institutional investors; to the Committee on Interstate and Foreign Commerce.

## ENROLLED BILLS SIGNED

Mr. BURLESON, from the Committee on House Administration, reported that

that committee had examined and found truly enrolled bills of the House of the following titles, which were thereupon signed by the Speaker:

H.R. 1655. An act for the relief of Clara B. Hyssong;

H.R. 2270. An act for the relief of Capt. David Campbell;

H.R. 2455. An act for the relief of Dean P. Bartelt;

H.R. 2688. An act for the relief of the estate of Charles C. Beaury;

H.R. 4566. An act for the relief of Mary F. Thomas;

H.R. 4961. An act for the relief of Donald E. Crichton;

H.R. 5854. An act for the relief of Mrs. E. Juanita Collinson;

H.R. 6305. An act for the relief of Claud Ferguson;

H.R. 6890. An act for the relief of Lester W. Hein and Sadie Hein;

H.R. 8088. An act for the relief of Willard Herndon Rusk; and

H.R. 15856. An act to authorize appropriations to the National Aeronautics and Space Administration for research and development, construction of facilities, and administrative operations, and for other purposes.

## BILLS AND JOINT RESOLUTION PRESENTED TO THE PRESIDENT

Mr. BURLESON, from the Committee on House Administration, reported that that committee did on June 18, 1956, present to the President, for his approval, bills and a joint resolution of the House of the following titles:

H.R. 6157. An act to amend section 3620 of the Revised Statutes with respect to payroll deductions for Federal employees;

H.R. 15462. An act for the relief of Lennart Gordon Langhorne; and

H.J. Res. 1268. Joint resolution making supplemental appropriations for the fiscal year ending June 30, 1968, and for other purposes.

## ADJOURNMENT

Mr. FEIGHAN. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 7 o'clock and 31 minutes p.m.), under its previous order, the House adjourned until tomorrow, Thursday, June 20, 1968, at 11 o'clock a.m.

## EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1952. A letter from the Assistant Secretary of Agriculture, transmitting plans for works of improvement prepared under the provisions of the Watershed Protection and Flood Prevention Act, as amended, involving structures of not more than 4,000 acre-feet (Beaverdam Creek, S.C., California Lake, Fla., Chicot Creek, Ark., Delaney Creek, Ind., Los Fresnos Resaca, Tex., lower Salt Creek, Kans., Midland-Drayton, N. Dak., Suwanee Creek, Ga., Waubonsie Creek, Iowa), pursuant to the provisions of 16 U.S.C. 1005; to the Committee on Agriculture.

1953. A letter from the Assistant Secretary of the Interior, transmitting a copy of an application of the King Hill Irrigation District, King Hill, Idaho, for a supplemental loan under the Small Reclamation Projects Act, pursuant to the provisions of section 4(c) of the act; to the Committee on Interior and Insular Affairs.

1954. A letter from the Assistant Secretary of Agriculture, transmitting plans for works of improvement prepared under the provisions of the Watershed Protection and Flood Prevention Act, as amended, involving structures of more than 4,000 acre-feet (Arroyo Colorado, Tex., Bay Creek, Ill., Cedar Piney, Ark., North Powder River, Oreg., upper Salt Creek, Kans., Washington Mountain Brook, Mass.), pursuant to the provisions of 16 U.S.C. 1005; to the Committee on Public Works.

1955. A letter from the General Manager, U.S. Atomic Energy Commission, transmitting a list of the nonprofit educational institutions and other nonprofit organizations in which title to equipment was vested by the Commission for the calendar year 1967 as provided by section 2 of Public Law 85-934, pursuant to the provisions of section 3; to the Committee on Science and Astronautics.

## 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. GARMATZ: Committee on Merchant Marine and Fisheries. S. 2269. An act to amend the act of August 27, 1954, relative to the unlawful seizure of fishing vessels of the United States by foreign countries; with amendment (Rept. No. 1566). Referred to the Committee of the Whole House on the State of the Union.

Mr. UDALL: Committee on Interior and Insular Affairs. S. 1059. An act to amend the act relating to the leasing of lands in Alaska for grazing in order to make certain improvements in such act. (Rept. No. 1567.) Referred to the Committee of the Whole House on the State of the Union.

Mr. UDALL: Committee on Interior and Insular Affairs. H.R. 14005. A bill to authorize the disposition by the city of Hot Springs, Ark., of certain property heretofore conveyed to the city by the United States, and for other purposes (Rept. No. 1568). Referred to the Committee of the Whole House on the State of the Union.

Mr. DAWSON: Committee on Government Operations. Report entitled "Interest Equalization Tax Operations" (25th report by the committee) (Rept. No. 1570). Referred to the Committee of the Whole House on the State of the Union.

Mr. DAWSON: Committee on Government Operations. Report pertaining to saving America's small lakes (26th report by the committee) (Rept. No. 1571). 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. UDALL: Committee, on Interior and Insular Affairs. H.R. 11552. A bill for the relief of certain property owners in Tate County, Miss., with amendment (Rept. 1569). 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:

Mr. FEIGHAN:

H.R. 17974. A bill to provide greater opportunity for participation in rulemaking by and on behalf of persons of limited means; to the Committee on the Judiciary.

By Mr. BUCHANAN:

H.R. 17975. A bill to provide for orderly trade in textile articles; to the Committee on Ways and Means.

By Mr. DON H. CLAUSEN:

H.R. 17976. A bill to provide for a study of the need for increased expenditures for public works in smaller urban areas as a means of reversing migratory trend toward large metropolitan areas; to the Committee on Public Works.

By Mr. GURNEY:

H.R. 17977. A bill to amend section 2312 of title 18, United States Code, to permit a person enforcing that section to stop a motor vehicle to inspect the serial number of its body and motor if he has reason to suspect that the motor vehicle has been stolen; to the Committee on the Judiciary.

H.R. 17978. A bill to amend section 3109 of title 18, United States Code, to permit an officer to execute certain search warrants without giving notice of his authority or purpose; to the Committee on the Judiciary.

H.R. 17979. A bill to provide for the investigative detention and search of persons suspected of involvement in, or knowledge of, Federal crimes; to the Committee on the Judiciary.

By Mr. HARRISON:

H.R. 17980. A bill to amend the Internal Revenue Code of 1954 to provide that interest shall be paid on amounts withheld from wages for purposes of the Federal income tax and on certain amounts paid by individuals as estimated income tax; to the Committee on Ways and Means.

By Mr. HOWARD:

H.R. 17981. A bill to amend the National School Lunch Act, as amended, to provide funds and authorities to the Department of Agriculture for the purpose of providing free or reduced meals to needy children not now being reached; to the Committee on Education and Labor.

By Mr. MAILLIARD:

H.R. 17982. A bill to amend title 37 of the United States Code to provide travel and transportation allowances for visits by the next of kin to a serviceman undergoing medical care for injuries or illness incurred in combat; to the Committee on Armed Services.

By Mr. MATHIAS of Maryland:

H.R. 17983. A bill to amend title 5, United States Code, to liberalize the age and service requirements for immediate retirement of Government employees, and for other purposes; to the Committee on Post Office and Civil Service.

H.R. 17984. A bill to amend chapter 83, title 5, United States Code, to eliminate the reduction in the annuities of employees or members who elected reduced annuities in order to provide a survivor annuity if predeceased by the person named as survivor and permit a retired employee or member to designate a new spouse as survivor if predeceased by the person named as survivor at the time of retirement; to the Committee on Post Office and Civil Service.

H.R. 17985. A bill to amend the provisions of subchapter III of chapter 83 of title 5, United States Code, to modernize the methods of computing civil service annuities, and to correct certain inequities; to the Committee on Post Office and Civil Service.

H.R. 17986. A bill to amend the Internal Revenue Code of 1954 to increase the credit against tax for retirement income; to the Committee on Ways and Means.

By Mr. MINISH:

H.R. 17987. A bill to provide Federal leadership and grants to the States for developing and implementing State programs for

youth camp safety standards; to the Committee on Education and Labor.

By Mr. RARICK:

H.R. 17988. A bill for the relief of certain individuals who received benefit overpayments under title 38, United States Code, in connection with the Tangipahoa (La.) Parish school board on-farm training program; to the Committee on the Judiciary.

By Mr. PATMAN (for himself, Mr. BARRETT, Mrs. SULLIVAN, Mr. REUSS, Mr. ASHLEY, Mr. MOORHEAD, Mr. ST GERMAIN, Mr. GONZALEZ, Mr. MINISH, Mr. HANNA, Mr. ANNUNZIO, Mr. REES, Mr. WOLFF, Mr. HALPERN, Mr. FRIEDEL, and Mr. PEPPER):

H.R. 17989. A bill to assist in the provision of housing for low- and moderate-income families, and to extend and amend laws relating to housing and urban development; to the Committee on Banking and Currency.

By Mrs. BOLTON:

H.R. 17990. A bill to amend title 18, United States Code, to provide for better control of the interstate traffic in firearms; to the Committee on the Judiciary.

By Mr. CRAMER:

H.R. 17991. A bill to amend title 13, United States Code, to limit the categories of questions required to be answered under penalty of law in the decennial censuses of population, unemployment, and housing, and for other purposes; to the Committee on Post Office and Civil Service.

By Mr. EDWARDS of Alabama:

H.R. 17992. A bill to modify the project for Mobile Harbor, Ala.; to the Committee on Public Works.

By Mr. GARMATZ:

H.R. 17993. A bill to provide for the appointment, promotion, separation, and retirement of commissioned officers of the Environmental Science Services Administration, and for other purposes; to the Committee on Merchant Marine and Fisheries.

By Mr. GRIFFIN:

H.R. 17994. A bill to amend title 18, United States Code, to prohibit the use in commission of certain crimes of firearms transported in interstate commerce; to the Committee on the Judiciary.

By Mr. HANSEN of Idaho:

H.R. 17995. A bill to provide idemnity payments to dairy farmers; to the Committee on Agriculture.

By Mr. McDADE:

H.R. 17996. A bill to authorize preschool and early education programs for handicapped children; to the Committee on Education and Labor.

By Mr. RAILSBACK:

H.R. 17997. A bill to provide for improved employee-management relations in the Federal service, and for other purposes; to the Committee on Post Office and Civil Service.

By Mr. SHIPLEY:

H.R. 17998. A bill to amend section 127 of title 23 of the United States Code relating to vehicle weight and width limitations on the Interstate System, in order to make certain increases in such limitations; to the Committee on Public Works.

By Mr. BURKE of Massachusetts:

H.J. Res. 1343. Joint resolution creating a Joint Committee To Investigate Crime; to the Committee on Rules.

By Mr. GRAY:

H.J. Res. 1344. Joint resolution creating a Joint Committee To Investigate Crime; to the Committee on Rules.

By Mrs. HECKLER of Massachusetts:

H.J. Res. 1345. Joint resolution creating a Joint Committee To Investigate Crime; to the Committee on Rules.

By Mr. MADDEN:

H.J. Res. 1346. Joint resolution creating a Joint Committee to Investigate Crime; to the Committee on Rules.

By Mr. MINISH:

H.J. Res. 1347. Joint resolution creating a Joint Committee To Investigate Crime; to the Committee on Rules.

By Mr O'NEILL of Massachusetts:

H.J. Res. 1348. Joint resolution creating a Joint Committee To Investigate Crime; to the Committee on Rules.

By Mr. PERKINS:

H.J. Res. 1349. Joint resolution creating a Joint Committee To Investigate Crime; to the Committee on Rules.

By Mr. POLLOCK:

H.J. Res. 1350. Joint resolution to authorize the President to issue a proclamation designating the 30th day of September in 1968 as Bible Translation Day; to the Committee on the Judiciary.

By Mr. QUILLEN:

H.J. Res. 1351. Joint resolution creating a Joint Committee To Investigate Crime; to the Committee on Rules.

By Mr. REINECKE:

H.J. Res. 1352. Joint resolution creating a Joint Committee To Investigate Crime; to the Committee on Rules.

By Mr. REUSS:

H.J. Res. 1353. Joint resolution proposing an amendment to the Constitution of the United States relating to the election of President and Vice President; to the Committee on the Judiciary.

By Mr. TIERNAN:

H.J. Res. 1354. Joint resolution creating a Joint Committee To Investigate Crime; to the Committee on Rules.

By Mr. McDADE:

H.J. Res. 1355. Joint resolution creating a Joint Committee To Investigate Crime; to the Committee on Rules.

By Mr. MILLER of California:

H.J. Res. 1356. Joint resolution creating a Joint Committee To Investigate Crime; to the Committee on Rules.

By Mr. SCHWENGEL:

H.J. Res. 1357. Joint resolution to create a Joint Committee on Crime, the Courts, and Law Enforcement; to the Committee on Rules.

By Mr. STAGGERS:

H. Con. Res. 790. Concurrent resolution expressing the sense of Congress with respect to participation by Federal agencies in the Ninth International Congress on High Speed Photography; to the Committee on Foreign Affairs.

By Mr. JACOBS (for himself, Mr. FASCELL, Mr. MCEWEN, Mr. TENZER, Mr. MACGREGOR, Mr. HATHAWAY, Mr. BURTON of Utah, Mr. CHARLES H. WILSON, Mr. BURKE of Florida, Mr. ROSENTHAL, Mr. BUTTON, Mr. ROYBAL, Mr. EILBERG, Mr. WOLFF, Mr. MCCARTHY, Mr. MATSUNAGA, Mr. LEGGETT, Mr. FINDLEY, Mr. RUPPE, Mr. LUKENS, Mr. MOSS, and Mr. HAGAN):

H. Res. 1221. Resolution providing for enclosing the galleries of the House Chamber with a transparent material to improve the acoustics on the floor and in the galleries; to the Committee on House Administration.

## MEMORIALS

Under clause 4 of rule XXII,

353. The SPEAKER presented a memorial of the Legislature of the Territory of Guam, relative to opposition to a federally appointed comptroller in the elective governor bill, which was referred to the Committee on Interior and Insular Affairs.

## PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ADAMS:

H.R. 17999. A bill for the relief of (Juan) O. Francisco Orbino; to the Committee on the Judiciary.

By Mr. ANNUNZIO:

H.R. 18000. A bill for the relief of Giacomo La Bianca; to the Committee on the Judiciary.

By Mr. BOGGS:

H.R. 18001. A bill for the relief of Mrs. Faustino Eclevia; to the Committee on the Judiciary.

By Mr. BRASCO:

H.R. 18002. A bill for the relief of Francesco Sciortino; to the Committee on the Judiciary.

By Mr. BURKE of Massachusetts:

H.R. 18003. A bill for the relief of Asuncion V. Anonuevo; to the Committee on the Judiciary.

H.R. 18004. A bill for the relief of Atanacia E. Bondoc; to the Committee on the Judiciary.

H.R. 18005. A bill for the relief of Carmine Corrado; to the Committee on the Judiciary.

H.R. 18006. A bill for the relief of Giacomo F. Pettito; to the Committee on the Judiciary.

By Mr. CONTE:

H.R. 18007. A bill for the relief of Florimundo Batista Cerveira; to the Committee on the Judiciary.

By Mr. FINO:

H.R. 18008. A bill for the relief of Giovanni Lo Zito; to the Committee on the Judiciary.

By Mr. JOELSON:

H.R. 18009. A bill for the relief of Carmelo Intili; to the Committee on the Judiciary.

By Mr. KING of California:

H.R. 18010. A bill for the relief of William H. Tripp; to the Committee on the Judiciary.

By Mr. McCLOSKEY:

H.R. 18011. A bill for the relief of Mrs. Elba Engracia Davila-Martinez; to the Committee on the Judiciary.

By Mr. MINISH:

H.R. 18012. A bill for the relief of Pasquale Cicchetti; to the Committee on the Judiciary.

H.R. 18013. A bill for the relief of Fabio Costantino; to the Committee on the Judiciary.

By Mr. O'NEILL of Massachusetts:

H.R. 18014. A bill for the relief of Jose de Mendonca da Silva and Florentina Correia da Conceicao da Silva; to the Committee on the Judiciary.

By Mr. PATTEN:

H.R. 18015. A bill for the relief of Francesco Michale, to the Committee on the Judiciary.

By Mr. PURCELL:

H.R. 18016. A bill for the relief of Thaddeus L. Michalski; to the Committee on the Judiciary.

H.R. 18017. A bill for the relief of Earl F. Werner; to the Committee on the Judiciary.

By Mr. ROYBAL:

H.R. 18018. A bill for the relief of Mohamad Ali Googerdchian and Maniegeh Razai Googerdchian; to the Committee on the Judiciary.

By Mr. STRATTON:

H.R. 18019. A bill for the relief of Erika M. J. Armstrong; to the Committee on the Judiciary.

By Mr. TALCOTT:

H.R. 18020. A bill for the relief of Kunie Kiyomura; to the Committee on the Judiciary.

## PETITIONS, ETC.

Under clause 1 of rule XXII,

352. The SPEAKER presented a petition of William McNeill, Jessup, Md., relative to redress of grievances, which was referred to the Committee on the Judiciary.